

Appendix I.

Notes on Subjects proposed for Discussion.

INDEX.

—:0:—

I.—Resource Movement—

1. Primary Societies.

(i) Rural.

- (a) Basis of fixing limits of loans for individuals in agricultural credit societies; assessment of borrowing capacity of agricultural credit societies; on what principles and through what agencies should it be carried out?

<i>Mr. V. L. Mehta</i>	iii
<i>Rao Bahadur A. U. Malji</i>	vi
<i>Mr. B. V. Halbe</i>	vii
" <i>C. B. Huli</i>	ix
" <i>R. N. Trivedi</i>	ix
" <i>M. C. Kelkar</i>	x
" <i>Y. T. Desai</i>	xi

- (b) Dharwar District Conference at Aminbhavi resolves that the past experience regarding the movement having shown the mismanagement in societies to be due chiefly to the negligence of the Managing Committee in not adhering strictly to the bye-laws, and to the election of improper persons on the *Managing Committee*, it is desirable that there should be some definite bye-laws in this respect. Suggestion regarding such a bye-law is invited.

<i>Mr. C. B. Huli</i>	xii
" <i>R. N. Rajadnya</i>	xii
" <i>F. T. Nalavadi</i>	xiii

(ii) Urban.

- (a) Whether a person should be allowed to become a member of more than one co-operative credit society, doing financing and banking business in the same identical area; or in other words, whether the membership of several urban co-operative societies should not be mutually exclusive.

<i>Mr. R. N. Rajadnya</i>	xiii
" <i>D. L. Umarwadia</i>	xiii
" <i>S. N. Keshwain</i>	xiv
" <i>A. A. Sardar</i>	xiv

- (b) In view of the large business the Urban Credit societies are doing, is it not advisable to insist on having monetary qualifications for directorship, e. g. holding of at least a decent number of shares?

<i>Mr. S. N. Keshwain</i>	xiv
" <i>A. A. Sardar</i>	xiv
" <i>D. L. Umarwadia</i>	xiv

2. Central Agencies.

- (i) Unions : Urgent need for all primary societies affiliating themselves to unions.

<i>Mr. R. N. Trivedi</i>	xiv
---------------------------------	-----

3. General aspects and other Problems.

- (a) Whether in view of the improved credit now enjoyed by the co-operative movement, the time has not come for an all round reduction in the rates of interest paid on deposits, and with it the rate of interest on borrowings, which, at the present moment, in many societies constitute an almost intolerable burden on agriculture and industry.

<i>Mr. V. C. Jadhav</i>	xv
--------------------------------	----

- (b) Desirability of starting Land Mortgage Banks.

<i>Rao Bahadur A. U. Malji</i>	xvi
<i>Mr. A. A. Sardar</i>	xvi
<i>Dewan Bahadur S. V. Mensinkai</i>	xvii
<i>Mr. Y. T. Desai</i>	xvii

- (c) Whether Taluka Treasury balances should be made available for the discounting of cheques and drafts drawn on the Provincial Bank by the Co-operative Societies.
Mr. R. N. Mehta xviii

II.—Agricultural Non-Credit Co-operation.—

- (a) The necessity for linking up sale societies for each class of produce into larger societies, unions or federations, for which the isolated sale societies shall act as local agents, and which they shall control with a view to commanding the market and controlling the disposal of the produce in sufficient quantities.
Mr. S. G. Almoula xviii
- (b) The need for early legislation to control cotton market through co-operative sale societies, when these exist.
Mr. S. G. Almoula xviii
- (c) To move Government to undertake legislation to enable the majority of a land improvement society to coerce the minority; and to prohibit the land-lords from raising rents beyond a certain maximum on lands that have been improved by such a society.
Mr. Y. T. Desai xx

III.—Producers' Movement.—

Suggestions for organising fishermen's societies.

IV.—Consumers' Societies—

1. Stores: Appointment of a small Committee to report on the failure of store societies, and what measures should be adopted to successfully develop them.

Mr. S. G. Almoula xx
 " *D. L. Umarwadia* xxii
 " *A. A. Sardar* xxii

2. Difficulties of Housing Societies with respect to Government Loans.

V. Policy and Propaganda.

1. Development of Institute's Work.

- (a) Is the Institute responsible for supervision? If so, how should it discharge this function?

Mr. A. A. Sardar xxiv
 " *R. N. Rajadnya* xxiv
 " *F. T. Nalavadi* xxv
 " *Y. T. Desai* xxv

- (b) The desirability of having the session of the Provincial Co-operative Conference at places of Headquarters of the Institute's Branches in the different linguistic divisions.

Mr. F. T. Nalavadi xxvi
 " *D. L. Umarwadia* xxvi

2. Administration.

- (i) R. T. R's. and Tagavi.

- (a) Proposed withdrawal of concessions in respect of the free issue of the Remittance Transfer Receipts. How to meet the contingency?
 (b) What changes are further necessary in the Tagavi Loan Rules under the Land Improvement Loans Act relating to Co-operative Societies recently published?

Dewan Bahadur S. V. Mensinkai xxvii

- (ii) Arbitration and Liquidation.

- (a) Appointment of stipendiary liquidators and arbitrators; and whether it should be accepted that the present system has broken down, and how it can be improved.

Mr. S. G. Almoula xxviii
 " *N. R. Tambvekar* xxviii

- (b) If a society fails to execute the decrees and awards obtained by it the Asst. Registrar should arrange to get them executed by the Inspectors of the Banks and should recover the expenses of such execution from the society.

- (c) Execution of arbitration decrees as arrears of land revenue.

- (d) Removal of difficulties pertaining to liquidation of societies.

Mr. R. N. Rajadnya xxix
 " *D. L. Umarwadia* xxix

Report of the committee appointed at the Gujrat Divisional Conference, April 1923 to consider the question of Land Mortgage Bank xxxi

I. RESOURCE MOVEMENT.

1. PRIMARY SOCIETIES.

(i) RURAL.

(a) Basis of Fixing Limits of Loans for Individuals in Agricultural Credit Societies ; Assessment of borrowing capacity of Agricultural Credit Societies.

1. Mr. V. L. Mehta :—In the Co-operative Societies' Act itself there is no provision limiting the amount of loans which may be advanced to an individual member of a rural credit society. Section 43 (o) authorizes the Local Government to frame a rule prescribing the amount which may be lent to an individual member. No such rule has, however, been framed by the Government of Bombay. The model bye-laws framed by the Co-operative Department contain a bye-law laying down that the "sum due to the society from any single member shall not exceed Rs. _____", the blank standing for a fixed sum to be suggested by the society or its promoters and approved by the Registrar and unalterable without the adoption of a formal amendment at a general meeting. I have hitherto been unable to discover the basis on which this limit is fixed. In a recent Departmental Circular, it was made dependent on the amount of owned capital in a society. It is sometimes explained that the limit depends on the age or size of a society, the total resources it commands, the efficiency of the management; and only rarely is any relation recognized between the limit and the needs of the members in respect of their agricultural industry.

We have recently introduced the system of fixing normal credits for individual members of primary societies. Bye-law 35 provides for this and the Provincial Conference of 1921 had a special resolution on the subject. The lines on which the credits of individuals will be determined may be briefly indicated. The main criteria would be the average ordinary requirements of the member for pursuit of his trade, the value of his land, his earning capacity and annual income, his character and record as a member. The approximate time when loans will be required and what repayments may be expected will also be mentioned. The statement containing information should be prepared by the Secretary and laid before the Managing Committee, which should consider the recommendation it would make for each individual. The statement should then be submitted to the general meeting, which alone can fix the credits in the presence of all the members. Under the credits fixed, the committee will have to exercise its discretion and will be at liberty to suspend further advances, if loans have been misapplied, if the crops have failed, if the member has proved disloyal, or turned defaulter, and for such other reasons. But in all ordinary cases, the needs of members should be met punctually according to the statement of normal credits and financial facilities to meet such needs arranged for in advance. Once these normal credits are fixed after consideration of all factors which affect the credit-worthiness of a member, societies need not be tied to some fixed, more or less arbitrary limits of loans for individual members. They will be then in a position to advance loans to individuals according to requirements, thus hastening the advent of the day, when the society will be the sole creditor of its members. The effect of the present arrangement, particularly in tracts where irrigated or other rich crops are grown, is that a member is often unable to finance his entire agricultural operations without being disloyal to the society. He has to borrow from a *sowcar* and get back into the morass from which his society is intended to relieve him. Or he takes loans in the names of his friends and relations and thus frustrates the object for which the limit is imposed. In the societies on the Canals the amount of loan to which a member is eligible is regulated by the acreage of lands held by him. This is certainly a better standard than the rigid limit imposed by the bye-laws.

In enumerating the various criteria for the assessment of the credit of a society, the Committee on Co-operation do not, also, it is interesting to observe, suggest any absolute limit beyond which loans to individuals should be inadmissible, and they leave the normal credit to be fixed by the general meeting. In Germany, the system of assessment of the credit of primary societies and the fixing of the normal credit for members is exactly on the lines sketched by the Committee. There is no mention in Mr. Darling's book on Co-operation or Mr. Cahill's Report on Co-operative Credit in Germany of any limitation of credit based on the amount of members' deposits. Mr. Calvert in his 'Law and Principles' refers to the maximum limit fixed under the Friendly Societies' Act and in the Russian Co-operative credit system, and mentions that in the

Punjab no member can get a loan exceeding one-tenth of a society's working capital and in Hungary in excess of 15 per cent. of such capital. In France, it is not incumbent under the law to fix the maximum limit although most societies do prescribe one. In India, again, it must be remembered, the question is complicated by the absence of any other organized agency for banking or any system of land mortgage credit. In Germany, for instance, if any individual asks for too large a loan which his credit society refuses he may turn to the land mortgage association which will grant him the necessary accommodation if he produces the requisite security.

To turn to the practice in India, one finds this view confirmed. In the model bye-laws for agricultural credit societies with unlimited liability, neither in Behar, Bengal, Assam, Burma nor the United Provinces, does one find any maximum amount prescribed beyond which an individual cannot borrow. The limits are fixed annually by the members themselves, subject to the scrutiny of the financing agency or the local union. In Madras, there is a limit; but the effect of it has been such that the Registrar himself complains of inadequate finance and has had to issue special circulars on the need for providing adequate finance to members. In none of these Provinces, is the amount of members' deposits held, taken into consideration as a factor in raising or lowering the limit of loans for individuals. In our Presidency, too, the procedure should be that when once credits are fixed for individuals and are subject to scrutiny by the financing agency, no maximum limits need be imposed for loans to individuals. The Rules may provide for a general limit for all societies, if at all any limitation is necessary. Or it may be prescribed in the Bye-laws that no individuals shall be entitled to a credit in excess of some fixed proportion, say, one-fifth or one-tenth of the working capital.

Basis for Assessment of Credits of Societies.—The next point is the determination of the borrowing capacity of agricultural credit societies of the unlimited liability type. According to the Rules framed by the Government of Bombay under the Act, the maximum liability of every society with unlimited liability is to be fixed, from time to time, in general meeting and be subject to the approval of the Registrar. No indication is given in the Rules or in the Act as to the manner in which the liability should be fixed, either by the society itself or by the Registrar. The limit referred to in this Rule is a very important one, as it indicates the extent to which members are prepared to pledge their joint liability, and hence restrict the unlimited liability which the members of a society undertake. Not much importance is, however, attached in practice to the fixing of these limits, and they are not revised annually as is necessary under the bye-law. Moreover, they are often arbitrarily assessed, sometimes in proportion to membership and assets, occasionally in proportion to the owned capital, and only rarely in relation to the needs of members. The first three are certainly factors which go towards the determination of the credit-worthiness of a society, but the main basis of assessment is the needs of the members. To base the credit-worthiness merely on the estimate of the needs of members, however, is a very unsafe proceeding, and it is necessary that normal credits for individual members must be fixed in every society which desires to secure the advantages of prompt and adequate finance.

The total of these credits, less the owned capital consisting of the reserve fund and members' deposits, would roughly constitute the amount of outside finance required by a Society. On this basis, its borrowing capacity may be fixed after taking into consideration such factors as the instalments of previous loans outstanding, or the repayments anticipated before the final drawing of the demands. These statements of credits will provide the principal data on which the credit of a society should be assessed. But the data will have to be verified and tested by other factors. These tests are the sound management and co-operative character of the society, and its record as regards the proper employment of capital provided and the punctual repayment of their dues by members. Then there is the total value of the property held by members, which, in societies based on unlimited liability is, in the ultimate resort, the security for creditors. The earning capacity and average income of the members provides another criterion, giving as it does as an index to their ability to use the money profitably and repay punctually. Another factor would be the amount of owned capital raised, as such capital stands as a buffer between the creditor and the individuals who assume unlimited liability. Such owned capital consists of reserve funds and members' deposits. The latter, however, afford security only if the deposits are permanent, or are fixed for the long period of five to ten years. The suggestion now made is that whatever be the security afforded by the factors mentioned in the first four items, the

credit-worthiness should be made to depend on the last-mentioned item. And even in respect of the owned capital the reserve fund is not to count. That, as the Committee on Co-operation recommended, was the soundest method of increasing the owned capital. We are, therefore, thrown back on the amount of members' deposits as the sole criterion of credit-worthiness.

But before examining why this is both undesirable and impracticable, it is necessary to draw a distinction, from the point of view of the present discussion, between the various classes of deposits such as savings or short term deposits and long term or fixed deposits. The class of members' capital that really serves as security for creditors is instalment shares as in other provinces, or permanent or long term deposits. These funds serve as the second line of defence, the first being the reserve funds—if losses are incurred and societies go into liquidation. A system of compulsory long period deposits to be payable by members at harvest has, therefore, much to commend itself to co-operators. In other areas, the procedure is to deduct certain percentages from loans advanced. Both, within limits, are good methods of gradually adding to the owned capital. What some critics require, however, is not the gradual accumulation of funds, but the holding, at the start, of large deposits in savings accounts or for short periods. Now such deposits only afford an index to the confidence, the members repose in their societies, but do not in any sense represent special security to creditors. On the contrary, the holding of such deposits, without adequate provision for fluid resource, may be financially unsafe, not only for the societies, but occasionally even for the financing agency to which they are affiliated. Therefore, the holding of such deposits can be no real standard for credit-worthiness, although all co-operators should assist whole-heartedly in promoting the development of this side of co-operative credit. But the growth of this system of savings and short term deposits among an educationally backward agricultural community is bound to be somewhat slow. The first requisite is confidence; and confidence will be established only by promptness in meeting requirements. In this respect, our societies fail miserably, and hence the attraction of savings or surplus capital can follow—and not precede—the provision of prompt financial facilities and the supply of adequate capital for the requirements of the agricultural industry.

At present, the needs of members for current agricultural expenses are not met fully and surpluses if any are engaged in financing the agricultural industry. Rural education is still backward; and the expansion of deposit banking can only succeed its spread and not precede it. Another point is the inability of a large portion of the existing societies, isolated and unguided, to meet liabilities on maturity. The reason why an agriculturist will deposit with a *sowkar* and not with a society is that there is absolute certainty about repayment even on demand with the former. In societies with their present inelastic rules and inefficient methods of conducting business, agriculturists may have to wait for days and days before they can get their money back. The grant of overdrafts may meet with this grievance; but overdrafts can be granted by societies only if they enjoy credit facilities from their central banks; and starved as they are, at present, even for the current agricultural needs of members, most societies cannot afford the luxury of an additional reserve credit for fluid resource purposes. Besides, only well-managed societies with responsible secretaries and educated committees can be trusted to undertake this developed type of banking work. The conclusion, therefore, appears to be that unless we provide proper banking facilities and train up the office-bearers, it is not possible to expect any substantial increase in voluntary deposits even in the richer districts of the Presidency. At the present time, investment in land seems to agriculturist the only safe and sound method of using his savings. It is land which has yielded him a profit and it provides a security for future. Agriculture is the only occupation he understands and can supervise efficiently, and if a trader invests his profit in developing his trade, a mill-owner in starting more mills, a dealer in shares in the purchase of additional shares, there is nothing surprising about an agriculturist investing his earnings in landed property. The evil can only be checked by the development of the banking system, the improvement of the financial arrangements, and the growth of confidence in societies as channels for investment.

On all these grounds, it will be evident that to fix any arbitrary proportion between the owned and total capital in societies with an unlimited liability is wholly unjustifiable. The justification of fixing a proportion in all concerns with a liability, limited in relation to shares, is that the shares and the reserves and the owned capital form the guarantee fund,

and provide the basis on which the institutions raise further capital. Hence the need to ensure that the liabilities are not unduly large in proportion to the guarantee fund. The basis of the guarantee in an institution with unlimited liability is essentially different. It consists of the joint and several liability of the entire body of members. In their corporate capacity, they can borrow upto an extent commensurate with the total value of their assets which can be pledged as security. This has hitherto been, in all Indian provinces, the standard for assessment of borrowing capacity, modified only by the credit-worthiness of Society. Such credit-worthiness is determined by several factors of equal importance, chief among which are the needs of members, their productive capacity, their assimilation of co-operative principles, as gauged by the management of the society, and their faith in their own institution as judged by the amount of their savings deposited in it. It is neither necessary nor desirable to attach undue importance to only one among the several factors which go to determine the credit of a society. Even in so highly organised a co-operative system as prevails in Germany, the impression seems to be that when a group of individuals assume joint and several liability, that in itself is the main security which their institution offers to a creditor. All other factors recede in the background. Mr. Darling mentions several types of societies where the members, having insufficient resources, resort to unlimited liability or multiple-limited liability with the sole aim of adding to their borrowing capacity. If this is the position in so rich and so well developed a country as Germany, we can surely ask for some time before our deposit system enables us to pass rigid tests in the development of a sense of self-help and self-reliance.

Section 30 of the Act lays down that a registered society shall receive outside deposits and loans on such terms as may be prescribed in the Rules or Bye-laws. As mentioned above, the maximum liability fixed by a society under its bye-laws for incurring borrowings by way of outside deposits or loans is subject to the sanction of the Registrar. In fact, the figure is mentioned in the bye-laws and is not alterable save in the manner provided for the amendment of the bye-laws. In practice, it is difficult, if not impossible, for the Registrar or his staff to assume this responsibility, especially now in the Bombay Presidency. The Co-operative Department has eschewed all responsibilities for the detailed supervision of societies and has no district staff which can assess the credit-worthiness of primary societies. Any attempt to regulate so delicate a matter as the fixation of credit on the strength of audit reports or after inspection of records is undesirable. In other countries, unions may undertake this work and they would do the same in this Presidency if we had all our societies affiliated to some union or other. Where we have unions, the work is entrusted to them; but the bulk of our societies owe no allegiance to any union and it has not yet been decided what supervising and controlling authority we are to establish in their stead. For the present, the only local responsible agency we have available is the central bank. In some countries intervention by a central bank in matter of internal management such as the grant of loans or credits would be deemed objectionable. In this Presidency, as in most parts of India, however, the proportion of capital obtained from central banks by primary societies is so large and the proportion of owned capital is so low, that the central bank is vitally interested in the financial well being of its affiliated societies. Hence, the course of action suggested should be acceptable to the Societies and to the Co-operative Department; while it is in the interest of central banks themselves to conduct the inquiries necessary for the assessment of the large credits granted to affiliated societies. Such inquiries should provide a basis for the determination of their total borrowing capacity by the societies themselves, and its approval by the Registrar.

2. **Rao Bahadur A. U. Malji**:—Excepting in a very few societies loans are advanced to the individual members of agricultural societies according to their needs which are presumed to be examined and checked by the Managing Committees. This expectation of checking the loans is hardly realized in practice. The truth is that a great scope is left to individuals and members of the Managing Committee to act in concert to work the rule more in breach than in observance.

2. The correct rule ought to be to grant loans to the agriculturists on the basis of an agreed amount per area cultivated as proved to the Committee from an extract of the Record of Rights, and to grant a further loan not exceeding the fixed limits for purposes other than agriculture such as marriage, house-building &c. Non-agriculturist population may be given loans on the same basis on which agriculturists are given loans for non-agricultural purposes.

3. If loans are granted on the above basis, large land-holders who have at present no place in the business of the society will interest themselves much more and the business of the society will also expand considerably on a sound basis.

4. The aforesaid basis is already in vogue in the Canal area and is found to have worked well.

5. In Weavers' Societies also loans per loom is the usual rule, and further loan is also permitted for other objects so that the suggestion is not altogether new. The writer is sure it will not be resented by the societies concerned.

3. **Mr. B. V. Halbe:**—By a normal Credit we mean the required limit of Credit by a member of an agricultural Co-operative Credit Society and it is fixed according to the needs as shown by him, after taking into consideration (i) his income from all sources, (ii) valuation of his assets and (iii) the limit accepted under Bye-law No. 33. Also his arrears to the society, the purposes of the loan and the cultivable area for which amounts are required, are not left out of notice.

2. It is worth noting that the needs (by which limit under Normal Credit is settled) as shown at present are not proper or are altogether false in 50 cases out of a hundred. At least this is my experience from various societies under Islampur Branch of the Bombay Central Co-operative Bank Ltd. The causes of this defect are noticed as below:—

- (i) The former practice—or in low classed societies the present practice—of taking an indefinite amount for an unnamed object is still telling on the new system.
- (ii) False purpose or to be more accurate some purpose out of sheer necessity is advanced for taking up some amount.
- (iii) Vague purpose, like current agricultural expenses, household expenses, is shown; or one main purpose is given to cover the whole required amount.
- (iv) Where there are "Binami" or "Paper" transactions, the purposes are nothing but bogus.
- (v) To have more instalments false purposes, which cover 2 or 3 instalments, are shown.
- (vi) If a loan is denied under a particular purpose, it is sought under the name of some other purpose.

Hence it will be seen that the basis of fixing a limit of Normal Credit according to the requirements is reduced to mere farce. It is also noticed that some members do not understand the desirability of giving real causes for which the advances are required, while some are unable to properly forecast their requirements for the whole year. Even if some of them try their best to give some idea of their requirement, it is likely to undergo fluctuations according to the rain which is too uncertain. There is still one more difficulty viz:—The members of the Managing Committee, through whom the necessity of giving true and exact information is to be taught, are themselves ignorant or reluctant to take out the required information. Their argument is "we are honorary men and how much work is expected of us?" The Secretaries also tell us that they get very low pay and they are not prepared to explain and prepare all lengthy statements that may be required.

3. Even with all these difficulties if some figures accurate or inaccurate are received about requirements of every member, we must get the exact idea of their incomes from various sources. The more accurate idea of income be available, the more effective it will be to assess credit. But what we find at present is some figures are placed according to requirements against the names of most of the persons.

4. Valuation of assets also is not complete and up-to-date in some societies. It will have to be renewed after every five or seven years, when records of rights are revised by Government.

The limit under Bye-law No. 33 of individual borrowing capacity must now give place to the limit of Normal Credit of every member, as it is recommended by the General Meeting of the Society scrutinized by the Inspector of the Financing Bank and sanctioned by Authorities concerned. The Bye-law limit has proved to be of no important use, but has served a stumbling block in the following ways:—

- (1). It has given rise to mischiefs such as Binami transactions, taking loans by two or more members of a joint family or taking loans for the same purpose by Land-lord and his tenant. There are numerous instances of such transactions in societies under Islampur Branch.
- (2). Open violation of this By-law is not an uncommon thing.
- (3). When a member finds the loan from his society insufficient, he goes to some other lending Agency or a Savakar.

These defects are found more where most of the members are dry-crop farmers and few leaders raise irrigated crops. The needs of the latter are more than the average requirements and hence they require amount in excess of the By-law limit.

The supporters of the By-law limit system will argue that the limit may be raised in case of such few cultivators, who feel it quite necessary to have advances in excess of the limit. But the present lengthy procedure of raising the limits and the time required to get the By-law repealed, are found to be too troublesome to be taken to so frequently as may be required. It is because of this that the mischievous ways are preferred to these so easily. One cannot understand the necessity of taking up to this old and rigid system with all these defects which nullify its object, even though it is not based on any sound financial ground, and though a superior and flexible limit is possible. Following few points will give some idea of the tension to be borne by the limit:

(1) When some successive years of famine affect a village, and the members of a society in such a village are not in a position to make any repayments, the limit of Normal Credit will have to be raised beyond the limit of By-law in many a case; because without any recoveries new advances will have to be made for the new season. If such advances are not made, the members will not be able to raise new crop, from which they may expect to repay; or they shall be compelled to seek new Savakar. Will it be wise to force them to prefer either of these courses?

(2) In case of annual crop or perennial crop like *पानसडा*, new expenses are required before any recoveries are obtained. Here temporary increase in Credit Limit will have to be allowed, if adequate financing is to be maintained; or the Credit Limit will have to be kept at such a high level that it will accommodate perhaps one and half years' requirements. Instead of sanctioning such a limit for the whole year, temporary rise should be preferred which will allow less room for any misuse.

(3) Such produce as is not easily perishable like jaggery, tobacco &c. is not sold immediately, but is detained till better prices are offered; at least it is detained till rainy season. In such cases either the Credit will have to be raised temporarily, or there must be Sale-Societies which will make advances against securities of goods stored in their Godowns.

Thus it will be seen that under all these circumstances a flexible limit must exist; otherwise mischievous ways will be preferred, or cultivators will be forced to seek some other Savakar in addition to the society.

It is also noticed in some societies, that when a few members fail to repay or avoid to repay their dues at the fixed time, and when these members have appropriated a big sum, the arrears swell so much, that if the owned capital be scanty, the dues from the Financing Bank become overdue and new advances are stopped by the Bank. I do not think that for the sake of a few defaulters the remaining majority of punctual repayers should suffer. Some relief for punctual repayers must be obtained; and the financing Agencies should see upto what per cent. they can allow the arrears to swell without stopping new advances and on what conditions these should be.

By the bye I wish to draw attention of the authorities concerned to the fact that the delay in sanctioning the Maximum Credits to the societies is at times too much. From the time of forecasting his requirements by a member to the time of the knowledge of the sanction of the Maximum Credit to the society, it goes at times upto three months. There are three bodies that can be the cause of the delay: (1) Managing body of the society, (2) The Department or (3) The financing Bank. To forecast his requirements by a member, who is generally ignorant or unused to the system, for a whole year before some 3 to 4 months is too much that can be expected of him. It is quite necessary to reduce this time to something like a month or so, and these three agencies should see their way to reduce it as far as possible.

In order that the present system of Normal Credit should be more popular and effective, I should like to add the following few suggestions before closing the note :

- (1). A society to which Maximum Credit is granted must have a trained Secretary who has passed in examination held by the Institute. A minimum of his salary should be fixed at Rs. 0-8-0 per month on every thousand of the working capital (as on 31st March).
- (2). Inspectors of the financing Bank should explain as to how these statements should be prepared, and they should also show how to prepare them by actually preparing some part by themselves. Some instructive leaflets will be of great use in this connection to the secretaries and the managing bodies of the societies.
- (3). Loans advanced for merely unproductive purposes like "कर्म, दरवाजे." &c. should be recoverable in not less than three instalments. Also when there is a year of famine, the arrears, authorised or unauthorised, should not be recovered within less than two instalments, as the burden of Government arrears, "Takavi Loans", Land-Lord's "rent", and "Savakar's" dues &c. is found unbearable even with a normally favourable crop.
- (4). In the days of successive years of famine, the limit of Normal Credit should be allowed to rise gradually and cautiously; but the total of these limits should not go beyond one half of the total of valuation of the assets of the society.
- (5). Following two conditions must be inserted in the loan bonds (to be executed by members) to societies which get Maximum Credit: (a) I shall not borrow from any other Agency, in default of this I shall repay to the society the whole amount borrowed irrespective of the due dates; (b) I shall repay to the society the whole amount drawn by me, if it is shown to be mis-applied by the Inspecting Officer and confirmed by the Manager of the financing Bank.
- (6). Fore-cast of requirements by a member must be either in the form attached herewith, or any other form prescribed; without obtaining such forms no advances should be allowed to members.

From all this, it will be seen that a Flexible Limit of Normal Credit, if insisted upon and if properly assessed, will be of great use, and the arrears will dwindle down of themselves.

4. Mr. C. B. Hull:—The basis of fixing limits of loans for individuals in agricultural credit societies should be decided by the crops grown in the area of the society. For instance, a member in the bagayat area will require more money than in the dry tract; but the limit of loans to individuals should be revised from time to time upto the average maximum limit. At the time of applying for raising the limit, consideration should be given to the working capital of the society and the average capital per head and the average owned capital per member. Some societies apply for raising the loan limit indiscriminately, for instance: a society with a working capital of Rs. 5000— with fifty members apply to raise the limit of a member to Rs 500—; if this be allowed the working capital will be utilised for 10 to 15 members only. So, unless the society raises its working capital proportionately, it will not be advisable to allow the society to raise the limit. Secondly, while raising the limit, due consideration should also be given to the management and previous history of the society. The borrowing limit for the society from outside should not ordinarily be allowed to exceed more than four times the members' deposits and the Reserve Fund. This will put a stop to its indiscriminate borrowing from outside. Since financing agencies are responsible for the recovery of their money, I think the societies may apply for the raising of the individual loan limit and also of the borrowing limit through its financing agency.

5. Mr. R. N. Trivedi:—At present the limit of loans to be advanced to individual member of a society is fixed in the bye-laws. This limit is, obviously, arbitrarily fixed and is the same for all members of the society, whatever their economic conditions. The result is the exclusion, from societies, of well-to-do farmers, who, owning as they do, many acres of land, require annually large capital for their agricultural operations. Another result of the system is the reprehensible practice of taking loans under different names by one and

In order that the present system of Normal Credit should be more popular and effective, I should like to add the following few suggestions before closing the note :

- (1). A society to which Maximum Credit is granted must have a trained Secretary who has passed in examination held by the Institute. A minimum of his salary should be fixed at Rs. 0-8-0 per month on every thousand of the working capital (as on 31st March).
- (2). Inspectors of the financing Bank should explain as to how these statements should be prepared, and they should also show how to prepare them by actually preparing some part by themselves. Some instructive leaflets will be of great use in this connection to the secretaries and the managing bodies of the societies.
- (3). Loans advanced for merely unproductive purposes like " ऋण, वर वारणे. " &c. should be recoverable in not less than three instalments. Also when there is a year of famine, the arrears, authorised or unauthorised, should not be recovered within less than two instalments, as the burden of Government arrears, " Takavi Loans ", Land-Lord's " rent ", and " Savakar's " dues &c. is found unbearable even with a normally favourable crop.
- (4). In the days of successive years of famine, the limit of Normal Credit should be allowed to rise gradually and cautiously; but the total of these limits should not go beyond one half of the total of valuation of the assets of the society.
- (5). Following two conditions must be inserted in the loan bonds (to be executed by members) to societies which get Maximum Credit: (a) I shall not borrow from any other Agency, in default of this I shall repay to the society the whole amount borrowed irrespective of the due dates; (b) I shall repay to the society the whole amount drawn by me, if it is shown to be mis-applied by the Inspecting Officer and confirmed by the Manager of the financing Bank.
- (6). Fore-cast of requirements by a member must be either in the form attached herewith, or any other form prescribed; without obtaining such forms no advances should be allowed to members.

From all this, it will be seen that a Flexible Limit of Normal Credit, if insisted upon and if properly assessed, will be of great use, and the arrears will dwindle down of themselves.

4. Mr. C. B. Hull:—The basis of fixing limits of loans for individuals in agricultural credit societies should be decided by the crops grown in the area of the society. For instance, a member in the bagayat area will require more money than in the dry tract; but the limit of loans to individuals should be revised from time to time upto the average maximum limit. At the time of applying for raising the limit, consideration should be given to the working capital of the society and the average capital per head and the average owned capital per member. Some societies apply for raising the loan limit indiscriminately, for instance: a society with a working capital of Rs. 5000 - with fifty members apply to raise the limit of a member to Rs 500 -; if this be allowed the working capital will be utilised for 10 to 15 members only. So, unless the society raises its working capital proportionately, it will not be advisable to allow the society to raise the limit. Secondly, while raising the limit, due consideration should also be given to the management and previous history of the society. The borrowing limit for the society from outside should not ordinarily be allowed to exceed more than four times the members' deposits and the Reserve Fund. This will put a stop to its indiscriminate borrowing from outside. Since financing agencies are responsible for the recovery of their money, I think the societies may apply for the raising of the individual loan limit and also of the borrowing limit through its financing agency.

5. Mr. R. N. Trivedi:—At present the limit of loans to be advanced to individual member of a society is fixed in the bye-laws. This limit is, obviously, arbitrarily fixed and is the same for all members of the society, whatever their economic conditions. The result is the exclusion, from societies, of well-to-do farmers, who, owning as they do, many acres of land, require annually large capital for their agricultural operations. Another result of the system is the reprehensible practice of taking loans under different names by one and

the same individual. The system also encourages or rather necessitates recourse to money-lenders, whose wily practices it is the aim of Co-operative societies to end. The system is thus found to be untenable, and should be gradually abandoned.

Under the new system every society should be required to fix every year the limits, upto which it can advance loans to every one of its members. These limits will be different for different members ; and will be fixed on some positive standards. *The past record of the member*, which will show whether he has been a punctual repayer of his debts, and whether he has laid by some savings, will first be taken into consideration. Next to this, his *character* and his *needs*. If he is frugal, honest and not addicted to vicious habits, he will be entitled to such loans, as he may require. The third thing to be considered will be the *property* or the assets, and the *earning capacity* of the member, "the earning capacity being estimated primarily with reference to the rental or revenue, if any paid by him". If the limits of loans to members are fixed on these standards, the popularity of societies will be considerably enhanced and the ideal of prompt and adequate finance will become an accomplished fact.

Every society that fixes the normal credits of its members, also determines though unconsciously, its own credit-worthiness, or borrowing capacity. If the society is affiliated to a Union, the latter should also assess its borrowing powers at a certain sum. The Union shall take into consideration the following facts. It shall see whether most members of the society, especially the members of the Managing Committee understand co-operative principles, whether the society has, for some years, been efficiently managed, and whether the loans have been advanced on proper security and promptly recovered on due dates. It shall also take into account the owned capital of the society, and the amount and kind of member-deposits. The Union will, in brief, base its decisions on an examination of the past record of the society, the character of its members, and the value of their property taken collectively. As in a Union, however, societies "are too dependent on each other's goodwill, and may be tempted to be too indulgent to the defects of others in order to secure a like complaisance towards themselves", the financing agency, either the District or The Provincial Bank, should also assess the borrowing powers of the society. The bank will apply the same criteria the Union applies, but a little more strictly. It will judge the true conditions of the society from the reports its own Inspector has submitted and from the impartial audit-memoes of the Government auditor. If the credit-worthiness of a society is thus assessed or determined by three distinct agencies, from different points of view, and the smallest assessment finally adhered to, the public money in the Co-operative movement will be as secure as it can ever be.

6. **Mr. M. C. Kelkar.**—At present the limit of loans to individual members is fixed by the Registrar in the Bye-law No. 33 of the Rural Credit society on the basis of the needs of an average cultivator. As matters actually exist, there are members in a society whose requirements necessitate their taking loans much in excess of the fixed limit, and so they have to go to a money-lender for the surplus loans. The money-lender then puts him under more rigid conditions about the rate of interest &c. In this district there are individual cultivators, who are members of a society and have got very big holdings requiring the keeping of more than 4 pairs of bullocks. If such a man is a sole adult member of his family or has got brothers or nephews as a joint family, then he cannot get loans in excess of the limit fixed for an individual member and so is handicapped and has to go to a money-lender. But if such a cultivator were to have his family divided, all separated members can become members of the society and secure separate credit and loans up to the limit fixed under the bye-law. This will show that the present bye-law and the departmental orders have created an unnecessary disability on the landholders, who have got big holdings and are of a joint family. In the interest of a Rural Co-operative Credit Society itself and of the co-operative movement in general, it is necessary to have such big land-holders on the societies. Hence it is necessary to change the present system of fixing limits of loans for a society.

To remove this inconvenience I would suggest the following ways:

1. The limit should be based on the extent of each holding or on the pairs of bullocks kept or necessary for cultivating it properly;
2. In the case of joint family all the adult male members should be allowed to be members of a society, and eligible for getting loans separately on the security of the jointly held land with the consent of the head of the family; or

3. The Registrar should raise the limit of loans in individual cases on the recommendation of the Managing Committee and the District Bank.

4. The Registrar should be requested to amend the particular bye-law to give effect to the above suggestions.

7. **Mr. Y. T. Desai:**—The bye-laws of an agricultural credit society do not allow the society to advance sufficient loan to its members so as to satisfy their needs. There is a maximum limit fixed arbitrarily for every Co-operative Credit Society, which it cannot exceed for advancing loans. This is defective. A member possessing forty acres of land, and another owning four hundred acres, both at the most get the loan upto the maximum limit that is arbitrarily fixed, even though it may be quite clear that the needs of the latter are ten times greater than those of the former. There is no alternative in the present system. This is a drawback in this system. It fails to attract good cultivators to the society. There is another defect also. A member may require loans at times for unforeseen purposes. But the society cannot grant him any loan, if the loan previously advanced to that member has reached the maximum limit fixed for the society. The member has to go, as a result, to the Sahukar. Sahukars have generally got aversion to these Co-operative Societies, because they strongly believe that it is these societies that have stopped their earning. They hold these societies responsible for their loss of earning. These societies have cut off their source of profits a good deal. Hence whenever a member who was a regular customer of the Sahukar goes to him, the Sahukar receives him very coldly, and tries to extract from him as much as he can by way of interest etc. Thus the member is again entrapped into the snares of the Sahukar. The real object of the co-operative societies is to free the cultivators from the clutches of the Sahukars; but as shown above we see that the cultivator makes two sahukars instead of one, these two being the Society, and the actual sahukar. This is against the principle of the co-operative societies. I therefore propose the following basis for fixing limits of loans for individuals in agricultural credit societies. The following points should be considered for determining the limit of loan to be advanced to a member.

(1) **Property.**—

- (a) Area of lands possessed by way of tenures, leases etc.
- (b) Kinds of crops, to be grown—whether irrigated or dry.
- (c) Other property e.g., buildings, cattle, implements etc.

(2) **Annual requirements.**—

- (a) Seeds.
- (b) Cloth.
- (c) Implements.
- (d) Manure.
- (e) Bullocks.
- (f) Money etc.

(3) **Past record**—whether the member repaid loans advanced to him in the last five years punctually.

(4) **Character and the general behaviour** of the member with the society and the village.

(5) **To consider his liabilities** to the society and outside.

(6) **Special consideration** should be made for 'A' class societies and for selected members of the 'B' class societies for this purpose; and

(7) **The Member's condition** to repay the loan.

This limit of loan should be fixed by the society separately for every individual member annually. This will be the annual normal credit. All such annual normal credits for all members put together would mean the borrowing capacity of the Society. This is determined by the society. Now if the society is affiliated to any union, the union should also independently fix the borrowing capacity of that society. The union should consider over and above this the past records of the society, whether the society repaid all loans advanced punctually, the percentage of arrears and overdues etc., and prepare a statement showing all these facts. And lastly a Central Co-operative Bank which is to advance loans to the society should also determine the borrowing capacity of the society. The Central Co-operative Bank should make an independent inquiry and prepare a statement, through its Inspector, showing the percentage of arrears and overdues, and the previous accounts of the society, and the union with the bank. Thus there will be three different bodies that

3. The Registrar should raise the limit of loans in individual cases on the recommendation of the Managing Committee and the District Bank.

4. The Registrar should be requested to amend the particular bye-law to give effect to the above suggestions.

7. Mr. Y. T. Desai:—The bye-laws of an agricultural credit society do not allow the society to advance sufficient loan to its members so as to satisfy their needs. There is a maximum limit fixed arbitrarily for every Co-operative Credit Society, which it cannot exceed for advancing loans. This is defective. A member possessing forty acres of land, and another owning four hundred acres, both at the most get the loan upto the maximum limit that is arbitrarily fixed, even though it may be quite clear that the needs of the latter are ten times greater than those of the former. There is no alternative in the present system. This is a drawback in this system. It fails to attract good cultivators to the society. There is another defect also. A member may require loans at times for unforeseen purposes. But the society cannot grant him any loan, if the loan previously advanced to that member has reached the maximum limit fixed for the society. The member has to go, as a result, to the Sahukar. Sahukars have generally got aversion to these Co-operative Societies, because they strongly believe that it is these societies that have stopped their earning. They hold these societies responsible for their loss of earning. These societies have cut off their source of profits a good deal. Hence whenever a member who was a regular customer of the Sahukar goes to him, the Sahukar receives him very coldly, and tries to extract from him as much as he can by way of interest etc. Thus the member is again entrapped into the snares of the Sahukar. The real object of the co-operative societies is to free the cultivators from the clutches of the Sahukars; but as shown above we see that the cultivator makes two sahukars instead of one, these two being the Society, and the actual sahukar. This is against the principle of the co-operative societies. I therefore propose the following basis for fixing limits of loans for individuals in agricultural credit societies. The following points should be considered for determining the limit of loan to be advanced to a member.

(1) Property.—

- (a) Area of lands possessed by way of tenures, leases etc.
- (b) Kinds of crops, to be grown—whether irrigated or dry.
- (c) Other property e.g., buildings, cattle, implements etc.

(2) Annual requirements.—

- (a) Seeds.
- (b) Cloth.
- (c) Implements.
- (d) Manure.
- (e) Bullocks.
- (f) Money etc.

(3) Past record—whether the member repaid loans advanced to him in the last five years punctually.

(4) Character and the general behaviour of the member with the society and the village.

(5) To consider his liabilities to the society and outside.

(6) Special consideration should be made for 'A' class societies and for selected members of the 'B' class societies for this purpose; and

(7) The Member's condition to repay the loan.

This limit of loan should be fixed by the society separately for every individual member annually. This will be the annual normal credit. All such annual normal credits for all members put together would mean the borrowing capacity of the Society. This is determined by the society. Now if the society is affiliated to any union, the union should also independently fix the borrowing capacity of that society. The union should consider over and above this the past records of the society, whether the society repaid all loans advanced punctually, the percentage of arrears and overdues etc., and prepare a statement showing all these facts. And lastly a Central Co-operative Bank which is to advance loans to the society should also determine the borrowing capacity of the society. The Central Co-operative Bank should make an independent inquiry and prepare a statement, through its Inspector, showing the percentage of arrears and overdues, and the previous accounts of the society, and the union with the bank. Thus there will be three different bodies that

the same individual. The system also encourages or rather necessitates recourse to money-lenders, whose wily practices it is the aim of Co-operative societies to end. The system is thus found to be untenable, and should be gradually abandoned.

Under the new system every society should be required to fix every year the limits, upto which it can advance loans to every one of its members. These limits will be different for different members ; and will be fixed on some positive standards. *The past record of the member*, which will show whether he has been a punctual repayer of his debts, and whether he has laid by some savings, will first be taken into consideration. Next to this, his *character* and his *needs*. If he is frugal, honest and not addicted to vicious habits, he will be entitled to such loans, as he may require. The third thing to be considered will be the *property* or the assets, and the *earning capacity* of the member, "the earning capacity being estimated primarily with reference to the rental or revenue, if any paid by him". If the limits of loans to members are fixed on these standards, the popularity of societies will be considerably enhanced and the ideal of prompt and adequate finance will become an accomplished fact.

Every society that fixes the normal credits of its members, also determines though unconsciously, its own credit-worthiness, or borrowing capacity. If the society is affiliated to a Union, the latter should also assess its borrowing powers at a certain sum. The Union shall take into consideration the following facts. It shall see whether most members of the society, especially the members of the Managing Committee understand co-operative principles, whether the society has, for some years, been efficiently managed, and whether the loans have been advanced on proper security and promptly recovered on due dates. It shall also take into account the owned capital of the society, and the amount and kind of member-deposits. The Union will, in brief, base its decisions on an examination of the past record of the society, the character of its members, and the value of their property taken collectively. As in a Union, however, societies "are too dependent on each other's goodwill, and may be tempted to be too indulgent to the defects of others in order to secure a like complaisance towards themselves", the financing agency, either the District or The Provincial Bank, should also assess the borrowing powers of the society. The bank will apply the same criteria the Union applies, but a little more strictly. It will judge the true conditions of the society from the reports its own Inspector has submitted and from the impartial audit-memos of the Government auditor. If the credit-worthiness of a society is thus assessed or determined by three distinct agencies, from different points of view, and the smallest assessment finally adhered to, the public money in the Co-operative movement will be as secure as it can ever be.

6. Mr. M. C. Kelkar.—At present the limit of loans to individual members is fixed by the Registrar in the Bye-law No. 33 of the Rural Credit society on the basis of the needs of an average cultivator. As matters actually exist, there are members in a society whose requirements necessitate their taking loans much in excess of the fixed limit, and so they have to go to a money-lender for the surplus loans. The money-lender then puts him under more rigid conditions about the rate of interest &c. In this district there are individual cultivators, who are members of a society and have got very big holdings requiring the keeping of more than 4 pairs of bullocks. If such a man is a sole adult member of his family or has got brothers or nephews as a joint family, then he cannot get loans in excess of the limit fixed for an individual member and so is handicapped and has to go to a money-lender. But if such a cultivator were to have his family divided, all separated members can become members of the society and secure separate credit and loans up to the limit fixed under the bye-law. This will show that the present bye-law and the departmental orders have created an unnecessary disability on the landholders, who have got big holdings and are of a joint family. In the interest of a Rural Co-operative Credit Society itself and of the co-operative movement in general, it is necessary to have such big land-holders on the societies. Hence it is necessary to change the present system of fixing limits of loans for a society.

To remove this inconvenience I would suggest the following ways:

1. The limit should be based on the extent of each holding or on the pairs of bullocks kept or necessary for cultivating it properly;
2. In the case of joint family all the adult male members should be allowed to be members of a society, and eligible for getting loans separately on the security of the jointly held land with the consent of the head of the family; or

3. The Registrar should raise the limit of loans in individual cases on the recommendation of the Managing Committee and the District Bank.

4. The Registrar should be requested to amend the particular bye-law to give effect to the above suggestions.

7. **Mr. Y. T. Desai:**—The bye-laws of an agricultural credit society do not allow the society to advance sufficient loan to its members so as to satisfy their needs. There is a maximum limit fixed arbitrarily for every Co-operative Credit Society, which it cannot exceed for advancing loans. This is defective. A member possessing forty acres of land, and another owning four hundred acres, both at the most get the loan upto the maximum limit that is arbitrarily fixed, even though it may be quite clear that the needs of the latter are ten times greater than those of the former. There is no alternative in the present system. This is a drawback in this system. It fails to attract good cultivators to the society. There is another defect also. A member may require loans at times for unforeseen purposes. But the society cannot grant him any loan, if the loan previously advanced to that member has reached the maximum limit fixed for the society. The member has to go, as a result, to the Sahukar. Sahukars have generally got aversion to these Co-operative Societies, because they strongly believe that it is these societies that have stopped their earning. They hold these societies responsible for their loss of earning. These societies have cut off their source of profits a good deal. Hence whenever a member who was a regular customer of the Sahukar goes to him, the Sahukar receives him very coldly, and tries to extract from him as much as he can by way of interest etc. Thus the member is again entrapped into the snares of the Sahukar. The real object of the co-operative societies is to free the cultivators from the clutches of the Sahukars; but as shown above we see that the cultivator makes two sahukars instead of one, these two being the Society, and the actual sahukar. This is against the principle of the co-operative societies. I therefore propose the following basis for fixing limits of loans for individuals in agricultural credit societies. The following points should be considered for determining the limit of loan to be advanced to a member.

(1) Property.—

- (a) Area of lands possessed by way of tenures, leases etc.
- (b) Kinds of crops, to be grown—whether irrigated or dry.
- (c) Other property e.g., buildings, cattle, implements etc.

(2) Annual requirements.—

- (a) Seeds.
- (b) Cloth.
- (c) Implements.
- (d) Manure.
- (e) Bullocks.
- (f) Money etc.

(3) Past record—whether the member repaid loans advanced to him in the last five years punctually.

(4) Character and the general behaviour of the member with the society and the village.

(5) To consider his liabilities to the society and outside.

(6) Special consideration should be made for 'A' class societies and for selected members of the 'B' class societies for this purpose; and

(7) The Member's condition to repay the loan.

This limit of loan should be fixed by the society separately for every individual member annually. This will be the annual normal credit. All such annual normal credits for all members put together would mean the borrowing capacity of the Society. This is determined by the society. Now if the society is affiliated to any union, the union should also independently fix the borrowing capacity of that society. The union should consider over and above this the past records of the society, whether the society repaid all loans advanced punctually, the percentage of arrears and overdues etc., and prepare a statement showing all these facts. And lastly a Central Co-operative Bank which is to advance loans to the society should also determine the borrowing capacity of the society. The Central Co-operative Bank should make an independent inquiry and prepare a statement, through its Inspector, showing the percentage of arrears and overdues, and the previous accounts of the society, and the union with the bank. Thus there will be three different bodies that

3. The Registrar should raise the limit of loans in individual cases on the recommendation of the Managing Committee and the District Bank.

4. The Registrar should be requested to amend the particular bye-law to give effect to the above suggestions.

7. Mr. Y. T. Desai:—The bye-laws of an agricultural credit society do not allow the society to advance sufficient loan to its members so as to satisfy their needs. There is a maximum limit fixed arbitrarily for every Co-operative Credit Society, which it cannot exceed for advancing loans. This is defective. A member possessing forty acres of land, and another owning four hundred acres, both at the most get the loan upto the maximum limit that is arbitrarily fixed, even though it may be quite clear that the needs of the latter are ten times greater than those of the former. There is no alternative in the present system. This is a drawback in this system. It fails to attract good cultivators to the society. There is another defect also. A member may require loans at times for unforeseen purposes. But the society cannot grant him any loan, if the loan previously advanced to that member has reached the maximum limit fixed for the society. The member has to go, as a result, to the Sahukar. Sahukars have generally got aversion to these Co-operative Societies, because they strongly believe that it is these societies that have stopped their earning. They hold these societies responsible for their loss of earning. These societies have cut off their source of profits a good deal. Hence whenever a member who was a regular customer of the Sahukar goes to him, the Sahukar receives him very coldly, and tries to extract from him as much as he can by way of interest etc. Thus the member is again entrapped into the snares of the Sahukar. The real object of the co-operative societies is to free the cultivators from the clutches of the Sahukars; but as shown above we see that the cultivator makes two sahukars instead of one, these two being the Society, and the actual sahukar. This is against the principle of the co-operative societies. I therefore propose the following basis for fixing limits of loans for individuals in agricultural credit societies. The following points should be considered for determining the limit of loan to be advanced to a member.

(1) Property.—

- (a) Area of lands possessed by way of tenures, leases etc.
- (b) Kinds of crops, to be grown—whether irrigated or dry.
- (c) Other property e.g., buildings, cattle, implements etc.

(2) Annual requirements.—

- (a) Seeds.
- (b) Cloth.
- (c) Implements.
- (d) Manure.
- (e) Bullocks.
- (f) Money etc.

(3) Past record—whether the member repaid loans advanced to him in the last five years punctually.

(4) Character and the general behaviour of the member with the society and the village.

(5) To consider his liabilities to the society and outside.

(6) Special consideration should be made for 'A' class societies and for selected members of the 'B' class societies for this purpose; and

(7) The Member's condition to repay the loan.

This limit of loan should be fixed by the society separately for every individual member annually. This will be the annual normal credit. All such annual normal credits for all members put together would mean the borrowing capacity of the Society. This is determined by the society. Now if the society is affiliated to any union, the union should also independently fix the borrowing capacity of that society. The union should consider over and above this the past records of the society, whether the society repaid all loans advanced punctually, the percentage of arrears and overdues etc., and prepare a statement showing all these facts. And lastly a Central Co-operative Bank which is to advance loans to the society should also determine the borrowing capacity of the society. The Central Co-operative Bank should make an independent inquiry and prepare a statement, through its Inspector, showing the percentage of arrears and overdues, and the previous accounts of the society, and the union with the bank. Thus there will be three different bodies that

would determine the borrowing capacity of one particular society. This will be a sort of checking for determining the actual needs of the society. The minimum amount fixed by anyone of these three bodies should be taken as the borrowing capacity of the society; and that all these three statements should go to the bank, where after mature consideration the total borrowing capacity of each agricultural credit society can be assessed. The bank should also determine the instalments for giving loans; and then should advance only that much amount at every instalment. The bank should advance loan to the union, which will then advance loans to the various societies affiliated to it. A regular and systematic table containing the information shown above should be prepared duly by the secretary of the society and the union, and by the inspector of the bank. There should not be any sort of maximum limit fixed for any society for advancing loans to all members as it is at present necessary in accordance with the by-laws. The system of taking 10 p. c. of loans advanced to the members as compulsory deposits should be strictly enforced in all agricultural credit societies. I think this standard of judging the borrowing capacity of agricultural credit society would serve the purpose.

(b) Dharwar District Conference at Aminbhavi resolves that the past experience regarding the movement having shown the mismanagement in societies to be due chiefly to the negligence of the Managing Committee in not adhering strictly to the bye-laws, and to the election of improper persons on the Managing Committee, it is desirable that there should be some definite bye-laws in this respect.

1. Mr. C. B. Hull:—I agree that mis-management in societies is chiefly due to the negligence on the part of the Managing Committee members and indifference and ignorance of the ordinary members in electing proper persons on the Managing Committee. So, it is necessary in the interest of the movement to have some restrictions in selecting Committee members. I therefore propose that the following by-law may be now added to the model bye-laws, to disqualify a Managing Committee member to continue or elect as a Managing Committee member for any of the following reasons:

- (1) If he is a persistent defaulter,
- (2) If he has failed to attend five Managing Committee meetings successively,
- (3) If he has stood surety for any member,
- (4) If it is proved that a Managing Committee member has taken *binami* loans in the name of others,
- (5) If a Managing Committee member exercises his undue influence on ordinary members to hush up any illegal action, and
- (6) If it is found that a member in the Managing Committee uses the society's cash balance for his private use.

2. Mr. R. N. Rajadnya.—Where there is a supervising Committee which is working regularly, it is not necessary to take any step; but the attention of this body may be drawn to mismanagement or negligence.

In other cases it has been found from experience in villages that no new bye-law will be of much use in the co-operative credit society itself, as there are ample powers vested in the general body of the society. If such societies are affiliated to unions or Taluka Development Associations, or if they take loans from the Central Co-operative Banks, these institutions should have a power to suspend any member or the secretary of such societies, upto six months, if the society does not call its General Meeting when necessary for removing such defects as are pointed out by the existing affairs. The society, however, should have power to appeal to the Registrar against the orders of suspension from this institution.

In the case of other isolated societies, the Registrar has got the power of reducing the capital of new members, which, if exercised *in time*, will have great effect. It is unnecessary to give any more power to the Registrar. The following bye-law 28 (a.) & (b.) will be of great use as I have proposed in the accompanying resolution.

The unions or the Taluka Associations should also have powers to make inquiry in the affairs of such a society, and should have power to recover the amount of such inspection upto Rs. 10 from such punchas, if they have purposely mismanaged the society.

would determine the borrowing capacity of one particular society. This will be a sort of checking for determining the actual needs of the society. The minimum amount fixed by anyone of these three bodies should be taken as the borrowing capacity of the society; and that all these three statements should go to the bank, where after mature consideration the total borrowing capacity of each agricultural credit society can be assessed. The bank should also determine the instalments for giving loans; and then should advance only that much amount at every instalment. The bank should advance loan to the union, which will then advance loans to the various societies affiliated to it. A regular and systematic table containing the information shown above should be prepared duly by the secretary of the society and the union, and by the inspector of the bank. There should not be any sort of maximum limit fixed for any society for advancing loans to all members as it is at present necessary in accordance with the by-laws. The system of taking 10 p. c. of loans advanced to the members as compulsory deposits should be strictly enforced in all agricultural credit societies. I think this standard of judging the borrowing capacity of agricultural credit society would serve the purpose.

(b) Dharwar District Conference at Aminbhavi resolves that the past experience regarding the movement having shown the mismanagement in societies to be due chiefly to the negligence of the Managing Committee in not adhering strictly to the bye-laws, and to the election of improper persons on the Managing Committee, it is desirable that there should be some definite bye-laws in this respect.

1. Mr. C. B. Hull:—I agree that mis-management in societies is chiefly due to the negligence on the part of the Managing Committee members and indifference and ignorance of the ordinary members in electing proper persons on the Managing Committee. So, it is necessary in the interest of the movement to have some restrictions in selecting Committee members. I therefore propose that the following by-law may be now added to the model bye-laws, to disqualify a Managing Committee member to continue or elect as a Managing Committee member for any of the following reasons:

- (1) If he is a persistent defaulter,
- (2) If he has failed to attend five Managing Committee meetings successively,
- (3) If he has stood surety for any member,
- (4) If it is proved that a Managing Committee member has taken *binami* loans in the name of others,
- (5) If a Managing Committee member exercises his undue influence on ordinary members to hush up any illegal action, and
- (6) If it is found that a member in the Managing Committee uses the society's cash balance for his private use.

2. Mr. R. N. Rajadnya.—Where there is a supervising Committee which is working regularly, it is not necessary to take any step; but the attention of this body may be drawn to mismanagement or negligence.

In other cases it has been found from experience in villages that no new bye-law will be of much use in the co-operative credit society itself, as there are ample powers vested in the general body of the society. If such societies are affiliated to unions or Taluka Development Associations, or if they take loans from the Central Co-operative Banks, these institutions should have a power to suspend any member or the secretary of such societies, upto six months, if the society does not call its General Meeting when necessary for removing such defects as are pointed out by the existing affairs. The society, however, should have power to appeal to the Registrar against the orders of suspension from this institution.

In the case of other isolated societies, the Registrar has got the power of reducing the capital of new members, which, if exercised *in time*, will have great effect. It is unnecessary to give any more power to the Registrar. The following bye-law 28 (a.) & (b.) will be of great use as I have proposed in the accompanying resolution.

The unions or the Taluka Associations should also have powers to make inquiry in the affairs of such a society, and should have power to recover the amount of such inspection upto Rs. 10 from such purchas, if they have purposely mismanaged the society.

It has been also found that the Panchas of badly managed societies are themselves defaulters. The Unions or the Central Banks to which such societies with such Panchas are affiliated should have power to refer their cases to arbitration, as it is found that they are unwilling to refer their own cases to arbitration. But unless our present Co-operative Rules are amended, it is not possible to take any action. The conference of societies affiliated to the Islampur branch of the Bombay Provincial Co-operative Bank held on 1-7-1923 has passed a resolution agreeing completely with the above principle as also about the power of suspension referred to above.

3. Mr. F. T. Nalavdi.—On the subject of the Resource Movement under the head (1) Rural (b) I wish to place the following bye-law for the deliberation of the Conference :—

“A member should not be eligible to be re-elected on the Managing Committee, if he is found to be acting contrary to the principles embodied in the bye-laws, is much indebted, or is absent without proper reasons for two-thirds or more of the Committee Meetings held in a year, or if arbitration proceedings are taken against him.” This bye-law was moved by me as the representative of the Karnatak Branch Institute at the District Conference for Belgaum held at Kittur on 8th May last. The Co-operators both officials and Non-Officials passed it unanimously by supporting my views over the matter. The proposed bye-law is explanatory by itself; and so, without adding much in the way of explanation, I recommend it to be added to the model bye-laws framed for the guidance of societies.

(i) Urban.

(a) Whether a person should be allowed to become a member of more than one co-operative credit society, doing financing and banking business in the same identical area; or in other words, whether the membership of several urban co-operative societies should not be mutually exclusive.

1. Mr. R. N. Rajadnya.—The Provincial Co-operative Conference has already passed a resolution that one person should not be a member of more than one unlimited liability society, but there is no harm if a person be a member of more than one Urban Co-operative Credit Society of limited liability. The capital of such a society increases by means of shares of such persons, and there should be no objection for increasing the share capital.

There are also some persons who become members in several such societies with an idea of helping them with their advice and guidance. They think that their advice will have more value, if they are members and have a vote in the management. It would be, therefore, quite undesirable to exclude such persons from Urban Societies.

What is likely to happen is that a member may borrow from more than one society and that is really objectionable. To avoid this, Urban societies should have a bye-law that no member should be given any loan, when he has either borrowed any amount from, or has stood surety for the debts of other in any other similar society.

2. Mr. D. L. Umarwadia:—The discussion as to whether or not a person should be allowed to become member of more than one co-operative credit society, doing financial and banking business in the same identical area brings round two considerations; (1) In the case of societies with unlimited liability it is obvious and decided by a past conference that no person can be a member of more than one society with unlimited liability; (2) In the case of societies with limited liability there is no such objection. The Managing Committees of both or more societies, when one is a member of more than one society will of course take adequate security for the loans granted to him. The Managing Committees in Urban areas are very shrewd and expected to be businesslike i.e., very careful. Although in a big Urban society it is not possible to know people so well as in rural societies, in all doubtful cases the security asked for by the Committee will be more tangible and perhaps mortgage security. The only thing necessary is to emphasize in Urban Societies the need of more tangible security for the sake of safety in such cases; though of course it is not intended that in cases of a member being a member of one society and well known to the Committee any other security than personal should be insisted upon. It would be desirable only either to insist on mortgage security in the case of a member being a member of many urban societies or for the society to be careful in admitting such member to membership. It is not desirable that membership should be mutually exclusive because such is a needless restriction.

It has been also found that the Panchas of badly managed societies are themselves defaulters. The Unions or the Central Banks to which such societies with such Panchas are affiliated should have power to refer their cases to arbitration, as it is found that they are unwilling to refer their own cases to arbitration. But unless our present Co-operative Rules are amended, it is not possible to take any action. The conference of societies affiliated to the Islampur branch of the Bombay Provincial Co-operative Bank held on 1-7-1923 has passed a resolution agreeing completely with the above principle as also about the power of suspension referred to above.

3. Mr. F. T. Nalavdi.—On the subject of the Resource Movement under the head (r) Rural (b) I wish to place the following bye-law for the deliberation of the Conference:—

“A member should not be eligible to be re-elected on the Managing Committee, if he is found to be acting contrary to the principles embodied in the bye-laws, is much indebted, or is absent without proper reasons for two-thirds or more of the Committee Meetings held in a year, or if arbitration proceedings are taken against him.” This bye-law was moved by me as the representative of the Karnatak Branch Institute at the District Conference for Belgaum held at Kittur on 8th May last. The Co-operators both officials and Non-Officials passed it unanimously by supporting my views over the matter. The proposed bye-law is explanatory by itself; and so, without adding much in the way of explanation, I recommend it to be added to the model bye-laws framed for the guidance of societies.

(i) Urban.

(a) Whether a person should be allowed to become a member of more than one co-operative credit society, doing financing and banking business in the same identical area; or in other words, whether the membership of several urban co-operative societies should not be mutually exclusive.

1. Mr. R. N. Rajadnya.—The Provincial Co-operative Conference has already passed a resolution that one person should not be a member of more than one unlimited liability society, but there is no harm if a person be a member of more than one Urban Co-operative Credit Society of limited liability. The capital of such a society increases by means of shares of such persons, and there should be no objection for increasing the share capital.

There are also some persons who become members in several such societies with an idea of helping them with their advice and guidance. They think that their advice will have more value, if they are members and have a vote in the management. It would be, therefore, quite undesirable to exclude such persons from Urban Societies.

What is likely to happen is that a member may borrow from more than one society and that is really objectionable. To avoid this, Urban societies should have a bye-law that no member should be given any loan, when he has either borrowed any amount from, or has stood surety for the debts of other in any other similar society.

2. Mr. D. L. Umarwadia:—The discussion as to whether or not a person should be allowed to become member of more than one co-operative credit society, doing financial and banking business in the same identical area brings round two considerations; (1) In the case of societies with unlimited liability it is obvious and decided by a past conference that no person can be a member of more than one society with unlimited liability; (2) In the case of societies with limited liability there is no such objection. The Managing Committees of both or more societies, when one is a member of more than one society will of course take adequate security for the loans granted to him. The Managing Committees in Urban areas are very shrewd and expected to be businesslike i.e., very careful. Although in a big Urban society it is not possible to know people so well as in rural societies, in all doubtful cases the security asked for by the Committee will be more tangible and perhaps mortgage security. The only thing necessary is to emphasize in Urban Societies the need of more tangible security for the sake of safety in such cases; though of course it is not intended that in cases of a member being a member of one society and well known to the Committee any other security than personal should be insisted upon. It would be desirable only either to insist on mortgage security in the case of a member being a member of many urban societies or for the society to be careful in admitting such member to membership. It is not desirable that membership should be mutually exclusive because such is a needless restriction.

3. Mr. S. N. Keshwain.—It is not desirable that a person should be allowed to become a member of more than one co-operative Credit Society; and it is to the interest of the institutions and the members themselves that membership of several Urban Co-operative Societies should be mutually exclusive. If it is allowed, so many difficulties come in the way of smooth working of the different institutions. In the first place, it will be difficult to know the credit-worthiness of the member in granting loans to him, inasmuch as he will borrow from more than one institution at one and the same time without the knowledge of another. One institution will assess his credit without knowing that he has already borrowed from another institution. Secondly, as the person will borrow in the way more money than what will be generally advanced to him by one institution, much difficulty will be experienced in recovering the loans.

4. Mr. A. A. Sardar.—To allow the member of one Urban Bank to join the other Urban Bank operating in the same area and at the same time continuing his membership in the former will be permitting such a member to expose himself to the danger of overlapping and overfinance, making the work of inquiry in the past debts of such a member a real difficulty. Such a member finds it quite easy to borrow money beyond his means, safely evading the knowledge of the committees responsible for making such grants. In spite of the limited liability of these institutions, the consciousness of the fact that by the procedure as mentioned above there is ample scope for mischief to be detected only after the member so helping himself has done away with all the money so borrowed, makes it necessary to deprecate this evil by imposing restriction upon membership.

To meet this difficulty the Urban Banks decided in a District conference on the 26th of May 1921, *That a bye-law should be framed excluding from membership any one who is already a member of another Urban credit society and giving the existing members who belong to more than one society of this class a choice between leaving one or the other.* Accordingly the Societies agreed to print a yearly list of its members to circulate the list to all other Urban Banks in the Southern Division.

(b) In view of the large business the Urban Credit societies are doing, is it not advisable to insist on having monetary qualifications for directorship e. g. holding of at least a decent number of shares?

1. Mr. S. N. Keshwain.—In the opinion of the undersigned it is advisable that a qualification to hold a minimum number of shares should be fixed for members to become eligible as Directors of Urban Banks, so that persons having some status at least should come on the Board of Management, and that they should take interest in the management. But it is not desirable that a high monetary qualification should be insisted upon as in the case of Joint Stock Banks, inasmuch as the institution will pass in the hands of Capitalists and the Co-operative Elements will disappear. A small qualification say, holding shares worth Rs. 50 or so will, in the opinion of the undersigned, suffice.

2. Mr. A. A. Sardar—"ONE MAN ONE VOTE" is the democratic principle governing the co-operative organisation and is the differentiating factor between Co-operative financing and the Joint Stock banking, giving the former a recognized superiority over the other when applied to the community to be brought under its influence.

Hence integrity, intelligence and ability should be the indispensable qualifications in the choice of officers and managers; and *not* the wealth contributed or the bulk of shares held.

3. Mr. D. L. Umarwadia :—The qualifications for directorship cannot be based on the number of shares or even a decent number of shares. It is making the Societies capitalistic and divorced of moral considerations. The Directorate is to be appointed on quite other considerations than money.

2. CENTRAL AGENCIES.

(i) Urgent need for all Primary Societies affiliating themselves to Unions.

Mr. R. N. Trivedi:—The Hon. L. Luzzatti holds that a co-operative society should be independent but not isolated. In fact co-operation is the very antithesis of isolation. As in a co-operative society members are united to improve their

economic condition by their united efforts, so co-operative societies within the movement should also group themselves together to improve their working by their organized efforts. Self-reliance and self-control are the watchwords of Co-operation and their importance cannot be exaggerated. The working of a co-operative society may indeed be improved by the laudably strenuous efforts of a Government officer, or some other non-member sympathiser, but then that will not contribute to the growth of the co-operative spirit. A co-operative society should always be an embodiment of the co-operative spirit. The co-operative movement, likewise, should exhibit in all its aspects, the presence of that essential spirit. This spirit can be fostered only if co-operative societies are linked together, and the influences of one brought to bear upon another. Between our primary societies and the District bank, to which the former are affiliated, there is a wide gap. The objects of District banks are not precisely the same as those of primary societies, and their directorate is not always in close touch with the members of the latter; the result is that the bond of Union, existing between these externally different but intrinsically identical institutions is not perceived by those concerned. If between these two institutions are interposed Unions, formed of societies, the Societies will rapidly develop and will easily understand their relations with the higher storeys of the co-operative edifice. The sense of unity is awakened only when like is linked to like, not till then.

The need of unions may be emphasized from many points of view. The unions can educate by their very existence, the members of primary societies, and help them to widen their mental horizon. They can bring forth more workers into the co-operative field, and organise societies in new tracts. They alone can provide for healthy and efficient supervision, and contribute to the solidarity of the movement. Lastly the unions can be our agricultural syndicates improving our methods of agriculture, and the material prosperity of our ryots.

3. GENERAL ASPECTS AND OTHER PROBLEMS.

- (a) **Whether in view of the improved credit now enjoyed by the co-operative movement, the time has not come for an all round reduction in the rates of interest paid on deposits, and with it the rate of interest on borrowings, which at the present moment, in many societies constitute an almost intolerable burden on agriculture and industry**

Mr. V. C. Jadav.—There has been a general complaint from members and from Societies that they have to pay heavy rates of interest on their borrowings, while persons in good credit are able to secure from outside, moneys at a cheaper rate of interest, and hence the societies are no good to them. We at the same time know that persons not commanding a good credit, have to pay an exorbitant rate of interest outside, and we must also admit that this movement is really meant for those, to whom credit is ordinarily denied. Besides like money-lenders, we cannot charge different rates to persons of varying credit. We have to treat all equally. Under the circumstances we have to strike a mean between the highest and lowest rates charged by money-lenders, and the suggestion made in the above resolution, is on that line.

The rate at which we can lend out moneys to our constituents will very much depend upon the rate at which we are able to secure deposits; and if we desire that we must reduce our rates of advances we must be able to collect deposits at a cheaper rate of interest. If societies have to depend for their requirements solely on the District Banks, it means that the working of these societies and Banks does not command sufficient local credit; or that moneys cannot be had in that centre at a cheaper rate. The fault in that case lies with the borrowing societies. Once the societies have been able to inspire in the minds of the people the necessary confidence, moneys will flow into their coffers at rates fixed by them. We are now entering into a period in which the abnormal rise in the money market caused by the great war and its aftermath is likely to give place to a gradual lowering of the rate; and I am confident that societies with good management should be able to command deposits at rates quoted in the above resolution.

Upto now there is not a proper system of advancing short period loans. Even the Provincial Bank quotes a very high rate of interest at a time when Bank rate has gone down

very much; and the District Banks hardly seem to understand or adapt themselves to the temporary ease and stringency in money market, while advancing short term loans. Though it is necessary to have a fixed rate for yearly loans, it is not at all businesslike to stick to the same rate both when money is easy and tight. It is high time that all the societies and Banks should modify their rates of short period deposits and loans according to their own needs and condition in the money market.

(b) Desirability of Starting Land Mortgage Banks.

1. **Rao Bahadur A. U. Malji**:—These banks are absolutely necessary one for each District; and this will enable improvement of credit in rural area. At present large loans are not possible from the rural societies, and District Central Banks cannot lend to individuals holding any amount of property. In villages people holding large fields or owning large estates are required to pass sale deeds, where mortgage transactions are really intended. We meet with so many contentions of apparent sales and these only encourage frauds. Not unoften such sales are upheld as real transactions; and this is the stage the people have reached. In spite of immoveable property and stable security all these difficulties are experienced.

2. After the rural societies are developed, time has arrived when land mortgage banks should be organised. The safeguard limits should certainly be fixed and dealings confined to mortgage of lands only. Section 20 of the Indian Trust Act may be taken as a fair index to such limits of loans against first mortgages. Second mortgages should not be accepted and the rate of interest should not exceed $7\frac{1}{2}$ per cent., if the movement has to take a firm root.

3. If these Banks come into existence, the District Banks will find a new field for investment of its funds and with a view to prevent overlapping, it will be necessary to repeal the provisions in the bye-laws of rural societies allowing them to lend upto Rs. 750-0-0 without the sanction of the Registrar. Business of this type should be transferred to the Land mortgage Banks only. This will save the complaints of partiality in granting such loans in rural societies, and in valuing the property to be taken in mortgage. Not infrequently the mortgage documents are not seen registered in some societies; and the chances of loss to them are thus often more real than apparent. Moreover double facilities of loans from two institutions would only embarrass the situation.

2. **Mr. A. A. Sardar**:—The gravity of the problem of rural indebtedness in this country has engaged much attention and has been a subject for tentative discussions.

Illiteracy of the farmer, the unproductive methods of Agriculture, the adverse laws of inheritance, excessive fragmentation of holdings, the growth of population without regard to the capacity of the soil to feed them, the decay of village industries and crafts, and above all the vicious system of village credit still practised by the *bania*, are all the accumulating reasons for poverty and indebtedness.

The discovery of the true remedy has presented serious difficulties in the way of the co-operators, who have however succeeded in the right diagnosis of the malady. There have been controversial opinions as to the present system of the Co-operative credit serving to be the panacea or acting only as palliative. Although there has been a great disagreement on this point, any alternative solution has not been found out with the exception that references have been made to the German Landchaften, the Egyptian Mortgage banks and likewise to the Mysore Mortgage Financing Agency organised in the Malnad tract, with a pious hope that the organisation of any such institutions in this country would wholly envisage the problem of rural credit.

The microscopic agricultural holdings as a consequence of the law of inheritance in this country are sufficient to explain the paramount difficulty facing such a scheme.

The solution then lies in procuring long term loans. This neither could be had from any agency or individuals, with the exception of the State. Co-operative Banks cannot advance loans for periods extending to 5 or 10 years as they cannot rely upon any corresponding deposits. Therefore State aid to grant long term loans for the purposes of debt redemption, land improvement and the introduction of improved methods of Agriculture to make the industry remunerative and thereby assisting the repudiation of the whole burden would be the practicable remedy.

Then either the Central Bank should raise debentures up to the sum permitted under its agreement with the Government, as suggested at the Conference in 1921, or the

allotment of loans of the kind contemplated under the Land Improvement Act and also for debt redemption should every year be made by Government for the Co-operative Societies to be placed at the Central Co-operative Bank at the credit of the Registrar.

In either case State aid is indispensable; and to secure long term loans will mean the only real solution of the indebtedness: the factor operating most injuriously as a damper on attempts at Agricultural improvement. The adverse conditions of the farmer with his peculiar holdings that law bestows upon him, make the organisation of agencies on this kind of Mortgage securities a difficulty which only change of combined conditions could make practicable, which only time could decide. The position of the farmer is calling for rapid relief; hence a step, rapid and sure has to be taken, if some material result is expected. This is an opinion subject to criticism which is most welcome.

3. Dewan Bahadur S. V. Mensinkal:—The undersigned with his experience is strongly of opinion that the Land Mortgage Banks be started as early as possible for the following among other reasons.

The failure of crops for years together and the heavy expenses incurred in connection with their family and cattle maintenance have steeped many big Ryots holding lands above 200 acres into heavy indebtedness compelling them to pay abnormal rate of interest to Sawakars.

The present financial position of Rural Co-operative Societies does not at all permit them to take the responsibility of redeeming such Ryots.

Moreover the Ryots requiring such loans are always compelled to be entirely at the mercy of the Sawkars; for such loans are generally said to have been advanced by the Sawkars on a Trust sale deed of Lands; and the failure of repayment of loan with interest in a stipulated time, compels the Ryots to go home leaving the possession of their lands to Sawkars.

To obviate this difficulty immediately the District Central Banks having enough of funds to meet such loans be allowed to advance directly at 9½ p. c. on security of mortgage of lands worth three times the loan amount advanced, till the establishment of such Banks.

4. Mr. Y. T. Desai:—We do find some members in Co-operative credit societies who are intelligent, honest and thrifty, and who desire to use improved implements, for agricultural purposes. But they have no source for getting sufficient money for such purposes. The Co-operative movement should give every possible help to such men. Some of these may have even old debts which they might be desirous to pay off as early as possible, and be free from the clutches of the Sahukars. 'Land Mortgage Banks' will really be a help to them a good deal. At times a big amount of loan may be required for

- (a) land improvement purposes,
- (b) Installation of oil-engines,
- (c) the purpose of growing irrigated crops,
- and (d) for the purpose of fencing fields with wire fences in order to protect the crops from the ravages of wild animals like pigs and jackals.

At times a big land-lord, wishing to till his lands by means of improved methods of farming, by the use of 'time and labour saving' implements, is not in a position to procure sufficient amount of money, or if he gets it at all, he gets it from the Sahukar to whom he has to mortgage his lands. Also in years of famine we see that thousands of acres of land pass from the cultivators to the Sahukars either in the form of mortgage or sales. Thus it will be seen, that 'Land Mortgage Banks' are really a necessity in India and especially in the Bombay Presidency, and will really prove a boon to the cultivators. 'Land Mortgage Banks' will also be useful for purchase of new lands, or for re-acquiring lands that might have been mortgaged and for any foreseen purposes.

However I believe that the time has not yet come to start a separate 'Land Mortgage Bank' in this presidency. The existing Co-operative Banks (preferably the Bombay Provincial Co-operative Bank) may be requested to fit themselves up for this purpose. The Government should be requested to deposit a decent amount of money, at a low rate of interest 2%, at the disposal of these banks for this very purpose. The necessity for this purpose is very great. But it is a problem to be economically solved whether the position of the 'Land Mortgage Banks' will be sound, whether they will be

able to finance themselves without any trouble, anxiety and risk, whether they will be popular, and whether they will be able to attract public money.

These banks require a good deal of expert technical knowledge, and I therefore wish that only one such bank in this presidency should first be started, which may be developed by opening its branches in divisions and Districts, as need may arise. But even before starting such a bank, I would like to bring to the notice of this conference the fact that this question was discussed at the last Gujarat Divisional Co-operative Conference held at Ahmedabad in April 1923 in which a resolution was passed appointing a committee of five persons to consider this problem, and make a report of the same in three months. Now since this Provincial Co-operative Conference has also taken up this question, I would propose that better a committee of experts be appointed to consider and investigate this problem thoroughly and make a final report in the matter, after duly taking into consideration the report of the committee appointed for this purpose by the last Gujarat Divisional Co-operative Conference held at Ahmedabad in last April.

These 'Land Mortgage Banks' are sure to be a success if carefully organised, and will really prove a blessing to the cultivators and land-lords. The 'Jhang Co-operative Mortgage Bank' in the Punjab, a review of which is given in the Bombay Co-operative Quarterly Vol. VII. serial no. 1. for June 1923. P. 26-29, may be read with interest.

(c) Whether Taluka Treasury balances should be made available for the discounting of cheques and drafts drawn on the Provincial Bank by the Co-operative Societies.

Mr. R. N. Mehta:—Rural Credit Societies require loans generally for buying seed, manure, bullocks, payment of land revenue, payment of labour charges etc. At present Societies apply for these loans in lump, get amounts through Taluka Treasuries and distribute these to members. The members actually use these amounts some days after, if not after some months. Agriculturists financed by local sowkars can demand money only on the day on which it is required; while the members of Societies are unable to do this, as it takes a long time to receive money. The bargain of purchasing bullocks, seed and country manure is generally struck at cash price; the members have either to demand money from the Bank earlier or have to borrow temporarily from local sowcars. Hence members of Societies are in either case put to a loss of interest and besides the utilization of loans cannot be properly scrutinized by the Societies as the full amount of the loan is not spent in a day. When money is demanded earlier the members are inclined to spend more.

This difficulty can be obviated, if Taluka Treasuries would agree to discount cheques of Societies on the Provincial Bank. The Treasuries may, if necessary, compel the societies to show authority from the Provincial Bank to draw cheques on it; and they may also lay down some rules to collect the amount within a week, if the cheque is dishonoured by the Provincial Bank. Rural Societies require funds in seasons when treasuries have got sufficiently large balances. Government treasuries will, therefore, save the charge of remittances from Taluka to Districts. If the Societies require funds in slack season, the rates of commission payable on supply bills may be charged.

I, therefore, beg to propose that in the opinion of this Conference, cheques drawn by Co-operative Societies, by District Banks or by branches of Provincial or District Banks on the Provincial Bank be cashed by District and Taluka Treasuries at places where there is not a Branch of the Imperial Bank of India.

II. AGRICULTURAL NON-CREDIT CO-OPERATION.

(b) The need for early legislation to control cotton market through co-operative sale societies, where these exist.

Mr. S. G. Almoula:—The regrettable feature of the Cotton Market is the want of direct contact between the grower of cotton and the spinners and weavers thereof. The agriculturist in India is ignorant of the process, through which his cotton is to pass before ultimately reaching the Consumer in the shape of cloth. The agriculturist is a downtrodden man often involved in debts, partly brought about by the customs of the caste, partly by his ignorance, and partly by the crushing demands of the sowkar to whom he often resorts for a loan. The question of remedying his caste customs can be left to the social reformers. But the other defects require the attention of every Co-operator.

The ignorance of the Agriculturist particularly with regard to his own occupation specially in the method of growing his crops is such as can be handled by the Co-operative Movement. The Indian Cotton Committee in its report notices that the seeds sown by the agriculturist are not pure and the seeds of mixed variety sown by the cultivators often give cotton of inferior quality. The first necessity, therefore, is to start as many Co-operative seed societies as possible, so that the agriculturist can get unmixed seeds at a reasonably moderate price. To start the Co-operative seed societies in the districts where they are not, to increase their number and importance where they are already in existence, to make them attractive to the agriculturists by explaining them the material advantages resulting from the use of such seeds, is the first task to be taken up by the movement. To encourage the starting of such societies and to bring the agriculturist within its fold with a view to keep away from the inducement of using adulterated seeds, Government should be approached with a request to pass legislation granting facilities to the Co-operative Department and the Agricultural Department.

While dealing with this part of the Co-operative movement, so far as it relates to the Cotton seed societies, the Indian Cotton Committee remark: "We entirely approve of the beginnings which have been made both with Co-operative seed societies and sale societies in Khandesh and the Karnatak; but, unless progress proves to be much more rapid than there is at present reason to consider probable, it is obvious that it must be many years before these do more than touch the fringe of the problem, more especially as the Co-operative Movement has made small progress in the very important Cotton tracts of Gujarat."

The question, therefore, before us is how to secure the rapid progress of these societies. The answer is that in the important Cotton tracts of Gujarat, first of all Co-operative seed societies should be started. The seeds to the society should be supplied by the Agricultural Department. The Agriculturists should be so trained up by persuasion and legislation as would induce them to buy the seeds from the seed stores and monetary facilities should be granted to them so that they can be free from the Sowkar.

Passing from the seed onwards, we naturally come to the second question viz: How can the Agriculturist realise the best price for his Cotton? The first essential for a solution of this problem is that the agriculturist should in no way be dependent on the sowkar, who is also the "Cotton Dalal" for monetary help. In the Bombay Presidency the dates on which the instalments of land revenue fall due are the 5th February and 5th April. The Cotton is not ready by this time in any of the district of the Bombay Presidency excepting Khandesh. Consequently the agriculturist has to find out money for the payment of the land revenue instalment from the Sowkar by pledging his future crop with him. Thus does he fall into the hands of the sowkar, who realising the necessity of the cultivator tries to get hold of his cotton crop at the cheapest price possible. To free the cultivator from the Sowkar or more properly speaking "the Dalal", Government should be requested to alter the dates of payment of instalments, so as to enable the Cotton cultivator to pay Government assessment, after his crop is ready to be brought to the market.

Thus freed, the agriculturists will be better prepared to start their own Co-operative Cotton sale societies. While dealing with this part of the movement, the Indian Cotton Committee remark that "the Sale societies in Bombay are not truly Co-operative, the management being largely in the hands of "Dalals" and the societies in order to increase their turnover, selling the cotton of Non-members as well as members." To remove this defect, to see that the cotton continues unadulterated while undergoing pressing and baling, and to bring the cultivator face to face with the spinner in effecting the sale of his produce, the effective step will be to establish markets in the important Commercial centres of Cotton trade. These markets should be governed by rules framed on the lines of the Berar Cotton and Grain Markets Law, modified to suit the local conditions. The advantage will be the elimination of the middlemen or "Dalals". The "Millowners' Association" and the East Indian Cotton Association should be approached to join hands with the Department in its efforts to eliminate the middlemen, to improve the quality and the staple of Cotton and to bring about the standardisation of weights.

(c) To move Government to undertake legislation to enable the majority of a land improvement society to coerce the minority, and to prohibit the land-lords from raising rents beyond a certain maximum on lands that have been improved by such a society.

Mr. Y. T. Desai.—Land Improvement Societies are quite of a recent origin. No member individually will like to follow a majority always. As soon as he comes to know that his interests may come in clash one day or the other, he will not like to continue as a member; and that no man will ever be willing to join such a society. In a Co-operative Society membership is confined to those who wish and are fit to co-operate. There cannot be any sort of compulsion to enforce individuals to join a co-operative society. The idea of enabling the majority of a land improvement society to coerce the minority will be too harsh to the members at the present time, and therefore it is quite likely that this type of Society may fail to be popular.

The landlords will always have a tendency to charge their tenants the maximum rents of lands that will be improved by such a society, and consequently will harass the tenants always. Suppose that the society and the members are well established; even then the land-lords may try to deprive the tenants of their lands, and consequently the tenants may have to face a very critical situation for acquiring new lands for cultivation either by lease or purchase. They will have thousands of unforeseen hardships to undergo. The land-lords will then enjoy the lands improved by the dint of labour of the cultivators from whose possession these lands will be deprived. The leaflet published for the Co-operative Land Improvement Society and the by-laws stated therein, I may modestly say, lack in many points and require very minute consideration. In the editorial notes of the Bombay Co-operative Quarterly Vol. VII. Serial No. 1 for June 1923 p. 90-92, we do find some valuable criticisms. Thus to my mind, the problem requires thorough consideration before the Government is moved to undertake legislation of any kind; and for thorough consideration a committee of experts should be appointed to investigate the problem fully and satisfactorily.

IV. CONSUMERS' SOCIETIES.

Appointment of a small Committee to report on the failure of store societies, and what measures should be adopted to successfully develop them.

I. Mr. S. G. Almoula.—Before launching on any scheme to start a Consumers' Stores for any class or community it is desirable that the promoters and the organisers thereof should carefully investigate the locality, the financial capacity and above all the faith of the members in the movement and their capacity to manage the little co-operative shop, which they intend to establish. Where these ingredients have been favourable, the stores have met with slow but steady progress eventually leading the members to the path of profit and the movement to the road to success.

The Locality:—The Stores should be started in places and towns where, being far away from the central market of the District Towns, the people of the place have to pay exorbitant rates to the local tradesmen. The suburbs of Bombay, where the residents are at the mercy of the local "Baniya" afford ample scope for the development of the movement. The same remarks apply to the Taluka towns and the villages surrounding them in the mofussil.

The Financial Capacity of the Members:—The shares issued should be of such nominal value as to make it permissible for any humble individual to subscribe to them and pay the calls in time. Every business has its ups and downs. The store being a business concern can never be expected to form an exception to the general rule. If a store proves a losing concern in the first year of its career, the members, instead of patiently trying to eliminate the adverse elements, get nervous, and try to evade payment of call money on shares. Mere forfeiture of shares (which rule is not even rigidly enforced) has proved to be insufficient remedy. Some means should be devised, therefore, to induce regular payment of calls.

The Faith in the Movement:—The members should have firm faith in the honesty of their work. Inducements in the shape of low prices to create competition are often offered by the local merchants, who having gained much profit in the past, are prepared to lose a part of it by underselling the stores, the liquidation whereof, if accomplished, is sure to bring them back their lost profit with compound interest. The members should therefore be thoroughly saturated, so to say, with the spirit of loyalty towards their institution. To achieve this end, Co-operative Societies on the basis of debating societies should be formed at the place, and those in charge of the propaganda work, more especially the Honorary Organisers and the Secretaries of the Institute and its branches should distribute pamphlets in the vernaculars of the district and deliver lectures as frequently as possible.

Management:—The ultimate fate of the Co-operative Shop, like any other business concern, depends on the managers in charge of the stores. The officers of the stores should be capable, honest men, having a knowledge of the art of purchase and sale with a strict observance of the rules of general economy.

Purchase:—Purchases when made from big merchants at wholesale prices will be found profitable both in point of price and weight. Prior to purchases the managing Board may always be advised to study the necessities and conveniences of life as are prevalent among the members of the community for whose benefit stores are intended to be run.

At present the salesmen and the secretaries of our stores are with a few exceptions woefully ignorant of the right markets where they can buy their requirements. This brings us to the question of training the secretaries and the salesmen in the mode of marketing. For this purpose, a course in Geography of the District or more desirably of the Presidency, with particular reference to the class of articles obtainable at various places from Agriculturists direct, is necessary. The nature of transport facilities and the rates of freight by land and water available should also be made clear to the secretaries and the salesmen. Those of them who have to deal with Bombay merchants, either because of their proximity to the Presidency Town or the nature of their requirements should be invited in a batch of five or seven and shown all the markets of Bombay. A series of lectures on the subjects mentioned above may be arranged for their benefit by the Institute.

The manufactured products of the Co-operative Producers' Societies may also be sold by the stores as commission agents; or if they so desire they can be bought by the stores and sold on their account. It will be thus advantageous both to the Producers' Societies as well as to the Stores in so far as the one will get the market to sell, while the other can buy its requirements.

At the last Conference a proposal was brought forward to engage a man to give the market information to the several Stores and help them in their purchases. The proposal was however shelved in view of the Institute undertaking to engage a Secretary with commercial knowledge. A paid Secretary has now been engaged. The Central Institute may now be requested to give weekly reports of the ruling rates and forecasts of the several markets of Bombay especially those with which the stores are most concerned.

Sales:—It is not always the case that an article is sold at a profit. Several articles have to be disposed of at cost price or even loss and the loss accruing from such sales has to be made up. To make up such losses by securing an extra gain in other articles, to run in the general competition at a favourable opportunity, to attract the customers, and to keep them well pleased to secure a continuity of their custom, to arrange the stock, to preserve it in order, and generally to enhance the reputation and consequently the stability of the shop are the chief functions of the salesman. To instil these ideas the Institute should deem its duty to invite articles from experienced tradesmen and publish them in form of pamphlets at reasonable prices.

The question of sales brings us to the intricate problem of enforcing cash sales and avoiding credit sales. The people in India are generally accustomed to being granted credit till the end of the month, when they settle their monthly accounts with their supplier of provisions and other necessities of life. In a country like England the butchers' and the Provision merchants' bills are settled weekly, because the wages there are paid at the end of seven days. Big stores like "Harrods" are not at all reluctant to grant credit to their customers who have current account with them or who give them good, reliable Bank references. The solution of our problem can be effected with a little relaxation of

the rule of cash sales by allowing the stores to grant credit to those members who have their deposits at the stores or from whom dues can be recovered at the source of their income as in the case of Government servants. By adopting this golden mean the stores will not only assure the loyalty of the members, but at the same time attract and invite capital from them at reasonably moderate rate of interest, and thus remove the difficulty for obtaining finances.

Honesty of Salesmen:—Doubts have been expressed in some quarters that the salesmen, when once they have been trained up, will not remain in service of the society, but will leave it to find out better prospects. If the Secretary is properly paid and promoted, there seems to be no room for entertaining this pessimistic view. However to guard against the common fallibility of human nature, a security bond for honest behaviour and steady service for three years may be taken from them before making their appointment.

Should the stores be started in villages after careful investigation and on the suggested lines, the success of these stores will pave the way for the establishment of a wholesale society in Bombay to serve as the mother institution for its various suburban stores, and similarly in each District town stores may be started, to be utilised as the fountain source for those in the Talukas and the villages thereof.

To devise means to carry out the foregone suggestions, the appointment of a Committee is necessary. The personnel of the Committee should be composed of the following members:—

- (1) One member from the Institute.
- (2) Two members from the Co-operative Department.
- (3) One of the District Honorary Organisers.
- (4) One of the Agricultural Organisers.
- (5) One member from the Central Co-operative Bank.

2. **Mr. D. L. Umarwadia:**—The fact cannot be gainsaid that the stores movement even in town and city areas where it is possible to find men with business acumen and public spirit, has met with very inadequate success—almost complete failure. It would appear that this is also the experience in other provinces as well. Some of the causes are of a general nature—(1) defective or insufficiently enlightened ideal, (2) want of sufficient enthusiasm, (3) hostility of the already established and shrewd and distinct class of traders who have enjoyed the exclusive privilege of trading and commerce almost through centuries—the Bania or trader unlike other countries has been considered as fit for this place in the national economy almost by a heaven-sent decree. Of course this latter condition is rapidly being modified in the crucible of western enlightenment; but it is still there persistently settled and incapable of eradication by ordinary efforts of well-meaning co-operators or other social workers. It also appears that the number of men with staunch belief in the co-operative system of distribution is very meagre; and the ideal owing to numerous causes is difficult of being steadfastly kept in view; and the stimuli necessary to achievement are either maimed or imperfectly preserved with the result that what is realised is very little. Besides these general causes there are others of a local nature; difficulty of transport, want of well established and reliable central institutions, debased morality of the persons actually working as traders and available in different areas, with whom business dealing becomes most unprofitable and precarious; and of a like nature. Whatever the causes, it will be necessary to try to remedy them even if slowly; and the report of a committee examining into these causes will, it is very likely, be of some use in directing effort on right lines.

3. **Mr. A. A. Sardar:**—The difficulties responsible for the failure of the Store Societies in this Presidency, at least at present, are reduced to those mentioned below:—

1. Want of capital to work with and thus afford to satisfy the varied demands of the consumers.
2. Want of education as to the real principles, objects and the advantages of the Consumers' Societies.
3. Want of loyalty amongst the members whose communal sentiment is weakened in the individualistic tendencies of a big city, the same not being effectively attracted in smaller areas, the people there not being inoculated with the serum of Consumers' Co-operation.

4. The absence of economic and honest management essential to the success of distributive societies.
5. The controversy regarding the sale at market rates or lower rates than the market.
6. A blind conception that a store society cannot work without sales on *credit*.

To begin with a store it will have to be considered whether the store intends to restrict its operation to a few classes of articles or a few articles only. If it means to do the former, certainly the Share Capital and the entrance fees collected at the outset will not suffice. Capital in the shape of deposits from members and non-members at the start, will be expecting something beyond hope, as the lack of confidence assisting such investments stands in the way of any happy prospect.

Then some official or non-official agency has got to extend a helping hand; although this outside assistance only to make a good beginning, will not be in conformity with the principle of Self help, yet it has to be admitted that circumstances governing the organisation of such societies in this country are quite dissimilar to those existing in the West. The movement here is only in its infancy and the standard of living is so low.

In this Presidency it would be noticed that most of the societies have made attempts to lift their vision above simple buying clubs and have endeavoured to work themselves; but their progress has been checked by one difficulty or the other. The absence of the knowledge of the objects and the ideals of the real consumers' movement has caused the failure to supplant the existing competitive capitalistic regime and has instead proved unfavourable for the existence of settled confidence, which is so vital, when men propose to keep a common shop.

Bombay a great commercial city and a thriving port has the disadvantages of its greatness. The dissimilar population divided by differences of castes, nationalities and religion, instead of joining as consumers, to appropriate all means of production in common and of awakening to the fact that competition is wasteful, have kept on brooding under the uncertainty of the advantages offered by the store when the retail traders in the neighbourhood have spared no effort to come forth to satisfy the needs of the people who sit to be convinced of the desirability of establishing a joint store, to fight against their customs and dislike of innovations at a great risk of discords and frictions. When, however, consumers become aware of the splendid gains and frauds of traders, they can easily be persuaded of the desirability of a joint store.

"Education is life's necessity for co-operators" asserts Holyoake. Thus if education is desirable for all, it is indispensable for co-operators and there cannot be swift and constant economic progress unless it be co-ordinated with intellectual and moral progress. Gladstone has remarked rightly and experience has proved this. "Wherever good, capable and trustworthy directors are found, I unreservedly recommend Co-operation" is his declaration.

Co-operation has to be practised with sense and prudence and above all with honesty of purpose. The distributing society can only succeed with able, active and honest administrators. The managers who have to be paid something ought to be people interested in the development of the societies, and a bonus at the end of the year should rightly serve to compensate them for their active assistance.

Continued attention and constant supervision on the part of the members is an absolute necessity, if any happy results are expected. Mere preaching of these functions from a momentary enthusiasm for these societies cannot serve to eradicate many social evils. Loyalty is in fact, the first and the last condition of success. Then is needed business capacity and the necessity for the study of trading methods, which should, without fail and any further delay, attract the minds of the members of the managing committees, responsible for the administration of the consumer's stores.

Whether the distribution ought to be made at the lowest prices, or at the current market rates is a question engaging much attention and is made much of by members whose vision cannot help them to see above immediate gain, which is purely wasted on articles of luxury instead of allowing to be accumulated to serve in good stead.

The growth of the society is impeded by the ignorance and the improvidence of those who cannot wait for the accounts to be made up and have no reliance on an unknown principle. When the savings are collected by the society and are afterwards distributed to each member, the advantage realized late is pleasing and such a distribution assists the progress of the society and helps the publicity of the advantages so derived from such a co-operative undertaking. The sale at cost price will without any doubt sharpen the conflict between the retail dealer and the store: the former bound to beat on account of his ability to reduce the prices to lower than those prevailing at the store, and if even necessary, he will work at a loss in order to attract custom and check a rapid turnover in the society which he knows is the only remedy, the co-operators understand, to do away for the need for credit. He could do all this as he would buy inferior things at low cost and sell likewise. Adulteration and lower weights are his productive methods of trade. But the store has to buy cautiously obtaining a fairly accurate estimate of its members' needs and thus has to take every care to avoid yielding to the speculative temptations knowing well that all speculation is built upon wasteful competition. It has at the same time to guarantee right weights and the purity of the articles sold.

It is futile to argue that to follow the custom of the locality, so as to compete with small traders, a distributive society cannot flourish without allowing sales on credit. This misconception is the first and the last reason for the failure of the stores in this Presidency. Those who sit to argue in this fashion seem to close their eyes against the fact that a departure from ready money sale will be inviting legal disputes, complicated administration, misunderstandings owing to the improper pronouncement of an individual's creditworthiness and ultimate misery on account of irreparable losses. These societies that are destined to supplant the middlemen have got to introduce improvements into trading customs and should certainly not make the path of debt easy to customers: the path that is ruinous. By a rapid turnover the need for credit is to be abolished and to achieve this, rigid and vigorous loyalty is needed and the difficulty should take no time to be solved.

V. POLICY AND PROPAGANDA.

I. Development of Institute's Work.

(a) Is the Institute responsible for supervision? If so how should it discharge this function?

1. **Mr. A. A. Sardar:**—The Bombay Central Co-operative Institute is destined to march at a gradual pace to establish a non-official agency to co-ordinate the different co-operative activities in this presidency and thereby relieve the Registrar of the responsibilities in this connection, enabling him to attend to his legal duties and Departmental administration. The functions of educating the masses and of carrying on the Co-operative propaganda have already been undertaken by the Institute. These being the executive responsibilities of the Institute, the function of supervision is then without doubt the foremost preliminary serving to conduct the whole co-operative organisation on sound lines and has to be performed by the Institute, although, of course the Central Banks have to look into the financial questions of such societies.

It will be idle to deny that neither the unions nor the Bank Inspectors have been very successful in their duties of supervision, because the difficulties with the societies have been numerous while the remedial agencies only a handful.

Official interference is generally regarded as something drastic, which also cannot give satisfaction as the departmental staff which is limited, cannot without ignoring some of the societies of their charge attend particularly and constantly to some; the visit of the Auditors being limited to once to every society.

The Institute then which is itself a body composed of individual co-operators and representatives of co-operative societies would be able to supervise the affairs of the societies and at the same time stimulate the energies of the existing unions through its influence, to do the needful, if only such members undertake to help. Thus the societies will probably feel the control and check so exercised by their own representatives as a sort of a democratic control so necessary for the true spirit of Co-operation.

2. **Mr. R. N. Rajadnya**—For the present the Institute is not responsible for supervision as it has not sufficient funds. However it is indirectly responsible for supervision by helping

the non-official bodies such as guaranteeing or supervising unions, and Taluka Development Associations with advice and guidance. Institute can do little for isolated societies, but with respect to unions and Taluka Associations the Institute can do much by appointing one officer for organising and training such bodies. If the Registrar will please take over the societies under such institutions from the charge of the Honorary Organisers of his department and also hand over some amount spent on supervision of this part, the Institute will be able to do more work with this amount.

3. Mr. F. T. Nalavadi:—I am of opinion that as at present defined the objects of the Institute do not include supervision in the work of the Institute. The question therefore arises whether the Institute should undertake this work. It is desirable that this work should form part of the work of the Institute, provided sufficient grant is forthcoming for the purpose from the Government. The Institute then can engage a Secretary besides the Manager at the head-quarters looking to the daily work and editing of Magazine, to visit the societies in the Division as a Supervisor. The duties of the Secretary as such would be to advise the members of the Societies to take steps to bring into force the suggestions made by the Auditors, the Departmental Officers and the Hon. Organisers &c. As a matter of fact we now find that many of the societies do not at all or readily act up to these suggestions left in the interest of the Society; and some of the societies are so backward that they do not understand how to carry out the suggestions. Besides trying to put matters right, the Secretary can do the work of a propagandist together with a show of magic lantern &c. I feel that unless the Circulars issued and suggestions made are got to be complied with by a Non-Official Body with proper advice, much progress in the way of improvement and education cannot be expected. I therefore propose that the Institute should take up the work of supervision, provided that grant is forthcoming from Government in as much as the present scale of subscription raised is hardly sufficient to meet the expense of the present work undertaken by the Institute.

4. Mr. Y. T. Desai:—Supervision is very much useful and helpful for propaganda work. The progress and Development of the Co-operative Societies and the Co-operative movement as a whole depends upon constant visits, inspection and supervision. This is perhaps the best way for propaganda work and for cultivating a taste for the movement—a movement by which the country is sure to prosper. The aims and objects of the Institute can be easily brought home to the cultivators. This is perhaps the best course for National Service. The principle of 'One for all and all for one' is sure to produce a high moral effect in the minds of the public. Constant supervision will do a good deal in popularizing the Institute, if it were to undertake the work of supervision. Supervision can be best effected by adopting the following procedure.

The Department of the Co-operative societies should transfer some of its rights and powers to the Institute. At present it is the Registrar of Co-operative Societies who registers all types of co-operative societies. It is the Registrar who sanctions loans for all co-operative societies. The Registrar even cancels the societies. The Institute has no voice in any of these affairs. The Institute has not to make even recommendations; it is not even consulted. Under these circumstances it would be rather absurd to hold the Institute responsible for supervision of societies. But if the Institute were to get some statutory rights and powers of this sort, certainly it should be held responsible, and in that case the Institute should adopt the following procedure, which in my opinion is best suitable:—

1. The Institute should be empowered at the present stage, to appoint secretaries only for the proper working of the co-operative societies. (The power of appointing propaganda officers should be given to the Institute after some time).

2. The Institute should then authorise its several branches to appoint 'Group secretaries committees' consisting of three to five members—one committee for each division.

3. These Committees will appoint 'Group Secretaries.'

4. Preference for the post of a group secretary should be given to a man who has passed the 'Secretaries' Training Class Examination.

5. The secretary should be paid Rs. 30-1-40 p. m. The increment should depend upon the account work training and propaganda work which the secretary does.

6. Each 'group secretary' should be for a group of several closely situated co-operative societies (3 to 10), and should stay at the head quarters fixed by the 'Group

Secretaries' Committee. He will have to work the societies in his charge, and also train up the managing Committees, and the members, and do propaganda work as well.

7. These will be responsible and adequately paid secretaries. Thus we will be able to do away with Talatis and school-teachers who act mostly as secretaries at present and who care very little for the societies saying that they are not adequately paid for the work; they even at times advance loans to members more than what they deserve, and if they are transferred to any other village before the time for recovery of loans arrives, the condition of the society becomes very critical. Some of the secretaries even rule the societies because of the sheer ignorance and illiteracy of the members.

8. The 'Group Secretaries' Committee should transfer these 'Group Secretaries' from one group to another either in the same taluka, district, or division.

9. The fixing of normal credits, preparing of annual returns etc., which are prepared in many cases by the auditors of the Department of Co-operative Societies at present, will then be prepared by the group secretaries. Thus auditors too will be relieved a good deal from this sort of work, and will be able to devote more time to the propaganda work.

This system if put in force will greatly advance the co-operative movement. The societies will be properly trained up. There will be more thorough working. The societies and the movement as a whole will gain immensely by this system. In conclusion, I firmly believe that this sort of systematised supervision if put in practice is bound to produce a marvellous change.

(b) The desirability of having the session of the Provincial Co-operative Conference at places of Headquarters of the Institute's Branch in the different linguistic divisions.

1 Mr. F. T. Nalavadi:—I greatly feel the desirability of having the session of the Provincial Conference at places of head-quarters of the Institute Branches for different linguistic Divisions. It is to the interest of the Co-operators to know the varying local conditions of the different parts of the Presidency for proper solutions of the various problems that crop up. One will greatly be handicapped in bringing a solution without having experience of local things. It is to the interest of both the rural and prominent Urban Co-operators that they should know each other's condition properly and be acquainted with the work going on in different parts. If the session of the Conference goes in a round-like way, it will afford a good opportunity for all these persons to come together and know the mutual local conditions. I hear that such a procedure is prevailing in Western countries where co-operation has progressed well. To hold the Conference every year at places like Bombay and Poona will be not keeping in touch with all the Co-operators of the Presidency. If the place where the Conference will be held be near to the local co-operators, they will find it convenient to attend it; if great enthusiasm is to prevail among such local co-operators they should come in contact with prominent co-operators of the Presidency. The item of expense is not likely to be increased if the session is to be changed as suggested. On the contrary with the same amount of expense it is to serve a great purpose as stated above if held in the head-quarters of the Institute's Divisional Branches. I therefore hope that this proposal will commend itself to the members of this conference.

2 Mr. D. L. Umarwadia:—In view of the fact that every year there are now organised Divisional Conferences for each linguistic area, it does not seem desirable to have the Provincial Conference at places of head-quarters of the Institute's Branches, for the reason that the Provincial Conference consists of representatives from all the areas. If it is sought to remedy by this method the inconvenience of travelling and lodging it would not be efficacious in so far that people from the Gujarat would find it on the contrary more troublesome to go to the Karnatak. Bombay and Poona are big towns and central places which are very suitable for the holding of these conferences from all points of view. If however, it is desired that the conferences should always be held at Bombay it is a much better suggestion. It has the Central Institute, which holds the conferences, stationed there, and would be more suitable therefore than Poona. I would suggest that these conferences should always be held at Bombay. It is such a place as people can very easily go to. It will be more economical to hold conferences there also. It will afford better facilities for all the delegates from the mofussil from whatever area.

2. Administration.

(i) R. T. R.'s and Tagavi.

(a) Proposed withdrawal of concession in respect of the free issue of the R. T. R.'s and how to meet the contingency.

1. Dewan Bahadur S. V. Mensikal:—It is one of the concessions granted by the Government to Co-operative Institutions solely for the uplift of the poor borrowing Ryots, who contribute to the income of the Government by paying Land Revenue. In view of receipt of vast amount of Land Revenue from them, the Government should allow this concession until the Poor Ryots are fit to carry on their monetary transactions by medium of Cheques.

If this concession is withdrawn, the District Central Banks will have to spend much in receiving and remitting money, which would naturally fall on the shoulders of the poor borrowing Ryots, either in form of heavy rate of interest or in some other form. Moreover the borrowing Societies situate in remote villages of the District, will have to come down to the District place for receipt and repayment of loans, which would cause them to incur much expense, risk, and trouble. For these and other reasons the discontinuance of free issue of R. T. R.'s will make the poor Ryots alone to suffer and none else; so the Government be requested to continue this concession at least for some years to come.

If the Conference thinks that the Government is put to any extra expense in this connection, half of the same be contributed by the Provincial and District Central Banks dealing in R. T. R.'s.

(b) What changes are further necessary in the Tagavi Loan Rules under the Land Improvement Loan Act relating to Co-operative Societies recently published.

1. Dewan Bahadur S. V. Mensikal:—The present procedure of scrutiny of Tagavi Loan applications is laborious and causes much delay in respect of their sanction; so a special officer well-versed in scrutiny of such applications be appointed at the cost of Government; and Provincial Bank and the District Central Banks be required only to supervise over the work and over the proper utilizations of funds. Such applications be disposed of by the Provincial Bank quarterly; and the Government be requested to reduce the rate of interest now charged on such loan amount to Provincial Bank from 7 to 6 p. c. in view of the fact of the responsibility and the expense borne by the District Central Banks. The present margin of half per cent. now allowed by the Provincial Bank to the District Central Banks is solely absorbed in receiving and advancing money and moreover the loan, when it reaches the individual ryot through the Society, costs not less than 9-6 p. c., which is too heavy to be of an economic use to him.

(ii) Arbitration and Liquidation.

(a) Appointment of stipendiary liquidators and arbitrators; and whether it should be accepted that the present system has broken down, and how it can be improved.

1. Mr. S. G. Almoula:—The question of appointment of liquidators is so closely allied with other problems of removal of difficulties pertaining to liquidation of Societies, that I am inclined to treat these two propositions simultaneously, with a view to suggest a joint remedy for both.

Under the system prevailing at present, a District Honorary Organiser or some gentleman from the community to which the society belongs is appointed liquidator. The District Organiser is generally a busy gentleman, but as he is constantly in touch with the Department and as he is expected to have a fairly good knowledge of the Co-operative Societies Act, the liquidation affairs under him are regular, and achieve satisfactory results, though they are wanting at times, in system and punctuality, unless he is also a trained lawyer. The main difficulty arises when some gentleman not connected with the movement but connected only with the community, is called upon to liquidate the affairs of a society. This gentleman in the first place, is quite irresponsible and not being connected with the movement is unacquainted with the rules governing the process of liquidation and the powers and duties of a liquidator. He does not even submit his quarterly progress report, so as to allow the authorities in the Department to know what he is about. At the end,

after a sufficiently long period he just comes up with his record as it stands after the completion of the liquidation. Naturally his record is full of blunders and it is at times, too late to mend his errors of commission and omission. The procedure is bound to be wrong but at times even the distribution of funds is very faulty.

To cure this defect, the only safe course is to appoint the Auditors in the Department as liquidators of the cancelled societies in their charge. The Auditor being a responsible officer of the Department is just the fit man for performing the work. He is in touch with the society from its very start. His duties make it necessary for him to make himself acquainted with the pecuniary and the social position of the several members of the society. Having to examine and audit the accounts of the Society periodically, he is the man to know the assets and liabilities of the Society correctly. Working under the direct supervision of the Assistant Registrar, he is bound to submit the quarterly progress report of the liquidation proceedings; so if he commits, by chance, any error in the process, he can be corrected at once. As he is always touring, if some intricate problem is to be settled on the spot, he can do so during his tour in the District without incurring any further expenditure. The Auditor has sufficient work on hand. The only difficulty in his case, is that unless he is paid remuneration for the extra work of liquidation which he has at present to do free of charge over and above his usual work of audit, he feels himself overburdened for the only fault of being precise, punctual and up-to-date in the knowledge of his functions.

It is suggested that fees should be paid to him for the liquidation work that he does in case of societies having assets so that he can be persuaded to give his services ungrudgingly in case of societies having very little or no surplus assets to boast of. As the nature of liquidation work is not likely to be of a uniform character, and as the question of fees will largely depend on the nature of the work and the capacity of the society to pay the amount it is advisable that the Registrar may be requested in each instance to fix the fees for the services of the liquidator at the beginning of the liquidation.

In case of liquidation proceedings under the Indian Companies Act, the Courts invariably appoint a responsible officer of the Judicial Department or a lawyer as the liquidator. The Officer or the lawyer gets his fees over and above his usual salary. The procedure suggested above, therefore is not novel. We have only to follow the precedent, which is tried and found satisfactory in practice.

It is suggested that either the District Organiser if he is a lawyer, or the Auditor of the District in which the society in liquidation is situated, be appointed liquidator, and like the District Organiser, the Auditor also should be paid the fees for his services which should be fixed by the Registrar at the beginning of the liquidation.

A resolution to this effect may be put forward before the Conference.

2. N. R. Tambvekar:—The present system of arbitration has, in my opinion, completely failed in the case of rural Societies.

Arbitrators, who are honorary workers cannot be expected to devote the whole of their time or even a major portion of their time to arbitration-work; and so the work is bound to suffer and has actually suffered both in points of quality and quantity. Some of the disputes, referred to arbitration, were kept pending by Honorary Arbitrators for years together with the result that it created a general impression amongst the debtors that the Societies were powerless in recovering the debts due to them and they could withhold repayments of loans for any longer period.

In my opinion, it is necessary that persons working as arbitrators must have some knowledge of law, otherwise in cases of a complicated nature they are likely to be mistaken in their decision. There are complaints that arbitrators, because of their want of legal knowledge, have in some cases failed to appreciate facts and consequently given wrong decisions. This point, it seems, is altogether lost sight of while selecting persons to do the work of arbitration.

Under the present system, it is the usual practice to refer to arbitration the disputes of a society to some local person or to a person from some neighbouring society. These persons, for some reason or other, do never bring to light the defects in the management of societies and sometimes acts of mismanagement or even fraudulent acts such as binami transactions etc. either go unnoticed or are allowed to pass off without any necessary action to discourage them.

Sometimes the Inspecting Officers, as for instance Organizers, are seen entrusted with arbitration-work. The duty of Inspecting Officers being that of inspecting societies, they are likely to have formed, as a result of their inspection, some good or bad impressions about the management etc. of particular Societies; and if they sit as arbitrators, their decisions are likely to be influenced by such impressions and cannot be impartial. It is, therefore, in my opinion, absolutely necessary to stop the present practice of entrusting such persons as are mentioned above with the work of arbitration. There are other reasons also for the failure of the present system; but I think it unnecessary here to go into them in detail.

In my opinion, therefore, for every Taluka, where there are 20 or more societies a pleader or some other person having knowledge of law should be appointed arbitrator and be given reasonable remuneration.

The Advisory Committee of the Bombay Provincial Co-operative Bank, Islampur Branch, have actually tried this experiment and there is a regular arbitration court working here for the last 7 months. During that period I, as arbitrator, have disposed of about 75 disputes and the work on the whole is going on satisfactorily.

Rules have been framed of which some important ones which are likely to be useful at other places also, are given below:—

1. This court may be called "The Co-operative Arbitration Court."

2. The arbitrator shall get remuneration as follows:—

For a claim of Rs. 100/- or part thereof...	Rs. 2/-
When it exceeds Rs. 10/- but does not exceed Rs. 200/-	At the rate of two per cent.
When it exceeds Rs. 200/-	Rs. 4/- for 1st two hundred and Rs. 1/4/0 for every hundred or part thereof in excess of Rs. 200/-

3. The arbitrator shall have a clerk to work under him and he shall get remuneration at the rate of 8 annas per dispute.

4. The clerk shall keep accounts and do all other ministerial work under the arbitrator.

5. The above mentioned expenses as well as other expenses of summons etc. shall at first be recovered from the Society and then be awarded to the Society as costs of the suit from the defaulting debtors.

(d) Removal of difficulties pertaining to liquidation of societies.

1. Mr. R. N. Rajadnya :—With respect to the liquidation of village societies, I have found from experience the following difficulties.

Unfortunately there are half a dozen societies in Satara district which have gone into liquidation owing to criminal cases against the office-bearers of these societies. It is in such societies that important books such as the cash books, loan registers, audit notes &c. are always attached by the Police who are unwilling to hand over these papers to the liquidators, as they also want these papers in connection with their investigation and the examination of witnesses in the court. These cases go on for months together and even when finally disposed of by the High Court, the papers are not returned to the liquidator. When there are more than two criminal cases in the society, the result is that some of the overdue loans become time barred and the poor depositors are obliged to wait too long to get back their deposits and thereby the movement suffers in the estimation of the depositors, which has also a bad effect on the surrounding village societies. As the auditors are generally entrusted with such criminal cases and as they are more in touch with the police and the court, they can easily get back books with the distar of the society or at least they can easily get the copies of the necessary papers done at the expense of the society under their supervision. If this be done, non-officials would be willing to work as liquidators.

In the case of other societies, it has been found that the accounts are hopelessly bad and in worse cases it has been found that some important books are missing.

According to Act II of 1912 it is necessary to have a formal enquiry before any society is finally dissolved. It would be better, therefore, if the auditor is entrusted to take

over charge of the papers of the society after finishing his enquiry and it is from him that the liquidators be entrusted to take over the charge. It will be a great help to the non-official liquidators, as it has been found that some important books and papers have been missing in such societies, which becomes an additional work to the liquidator. The auditor knows well what books are kept by the society and if any fraud is made, he can easily detect it in his enquiry on the spot.

As it will be very difficult for the non-official liquidator to do this additional work of the collection of books or of taking copies, I think it will be better if the auditors are entrusted with this work at the cost of the societies.

2. Mr. D. L. Umarwadia :—Some suggestions in regard to removal of difficulties in connection with liquidation of cancelled societies are enumerated below very briefly:—

1. The procedure laid down for the guidance of liquidators in Mr. Ewbank's Manual requires to be revised more particularly in respect of (a) records to be maintained by them, (b) levying of contributions, (c) re. the desired interpretation of the word "unlimited liability".

2. The act gives liquidators almost unlimited powers. It is necessary to modify it in order to ensure both proper procedure and to limit and restrict their powers. Appeals are admissible to the Registrar in cases of abuse or errors in construing the vague provisions of the Act, but it is likely that grave injustice may arise, the Appellate authority may never be approached, or when approached it will not have sufficient data on which to ensure justice being meted out.

3. The liquidators appointed should always or as far as possible be men with sufficient knowledge of the work to be done, of their own powers and limitations under the Act as it is, or when revised under that Act.

4. Stipendiary liquidators may preferably be appointed for specified areas; but it will not be convenient to have them full-time men. For years there may be no societies to be liquidated in one area, at other times there may be more work than one or two men appointed can adequately cope with. For this reason the remuneration to be paid to such liquidators must be left to the discretion of the Registrar, to be fixed by him in proportion to the work got done through them. It is desirable to appoint permanently wherever convenient a good local man, a pleader or an experienced co-operator; but in any case it would not be desirable to do away with the present practice of appointing a separate liquidator for each society altogether.

Two more very important things requiring to be remedied but which are difficult all of a sudden of solution are:—

1. The devising of methods to make the work of liquidator much quicker, as in practice it is very undesirably slow and dilatory.

2. The recovery of the assets of a cancelled society through the Revenue authorities should, if possible, be done away with, as it gives rise to very undesirable complications. Most of these suggestions are very nearly in the form of draft resolutions for the consideration of the Conference.

APPENDIX II.

Report of the Committee appointed at the Gujarat Divisional Conference in April 1923 to consider the question of Land Mortgage Banks.

The Committee met at Surat on the 12th August 1923, where the following members were present:—

Rao Bahadur A. U. Maljee

Rao Saheb Dadubhai P. Desai, M. L. C.

Mr. D. A. Shah, Assistant Registrar, Northern Division.

Mr. V. C. Jadhav.

Mr. V. L. Mehta.

Rao Bahadur A. U. Maljee was voted to the Chair.

The Conference at Ahmedabad had definitely resolved that some facilities for Land Mortgage Credit were necessary. The work before the Committee was to frame a scheme suitable to the conditions of the Presidency. The Committee were also asked to report if the arrangements for land mortgage credit should be made through the agency of existing co-operative organisations, or whether it was necessary to start a new type of Co-operative association for the purpose.

After careful consideration of all the issues involved, the Committee have come to the conclusion that the business of land mortgage is of too responsible and complicated a nature to be undertaken either by ordinary agricultural credit societies or even by Central Banks of the type now in existence. It is also undesirable to mix up short-term with long-term credit. The principles which govern the two types of credit are somewhat different and hence the conduct of the two lines of business should be entrusted to separate agencies. The services of credit societies and Central Banks should be availed of by getting their recommendations for loans, of the latter especially for larger amounts. Intimation should invariably be sent to them of advances made. The type of new organisation which the Committee contemplate is a Land Mortgage Bank for a District, the term "District" here signifying not the revenue division known by that name, but a fairly large tract with more or less similar agricultural and economic conditions. The membership of this body should be open to all holders of agricultural land and agriculturists within the area of operations, on their subscribing to at least one share. Capital should be raised by shares of the denomination of Rs. 50/— or 50; and it should be obligatory on members who wish to borrow to contribute to the share capital in some fixed proportion to their borrowings. This proportion should not, however, exceed one-twentieth of the borrowings. Dividends on the shares should be restricted to the rate of interest payable on the mortgage bonds to be issued by the Bank. Liability should be limited and should not exceed the face value of the shares.

The sole business of the Land Mortgage Bank should be to grant loans on the security of first mortgages on agricultural lands. The basic idea of the scheme being the improvement of the economic position of agriculturists by the provision of cheap capital, the Bank should take no cognizance of uneconomic holders of land. Advances should, therefore, be restricted to persons with economic holdings, provided that if close enquiries justify, finance should be made available for transforming an uneconomic into an economic holder by enabling him to sink a well or initiate some similar improvement or to purchase a piece of land contiguous to his property for increase of income. The Bank should also be permitted to assist, by cautious financing, in the bringing under cultivation of cultivable wastes, forest or fallow lands. Loans would also be made after careful economic enquiry for the liquidation of old debts, whether on mortgage or other security. Loans for the improvement of lands and of methods of cultivation should, however, have preference over all other classes of advances.

The most important part of the work of a Land Mortgage Bank is the valuation of properties offered for mortgage. This work needs to be entrusted to trained and reliable officers possessing a knowledge of rural economic and agricultural conditions and acquainted with the working of the land revenue system in various parts of the Presidency. As a result of the operations of these valuation Officers, it will enable the State to have some data for the consideration of problems pertaining to economic conditions and to rural indebtedness in various districts of the Presidency; and the agricultural classes will be assisted in getting

cheap long-term capital on the security of their landed property. The Committee hence feel no hesitation in recommending that Government should assist the proposed scheme of Land Mortgage Banks by giving to each of them, in the initial stages, the services of a trained full-time officer for valuing the lands offered as security. Such an officer would have easier access to the village records than any outsider. In addition, the Committee suggest that the Land Mortgage Bank should engage the services of or co-opt on its Board of Management a person or persons competent to examine and pass title deeds of lands to be mortgaged. Loans should not exceed $33\frac{1}{3}$ per cent. of the value of the lands mortgaged, and bonds upto the limits of the loans outstanding should be issued periodically in series, each series bearing the same rate of interest and the same terms of repayment. Interest should be payable half-yearly and the period of the bonds might be fixed from ten to fifty years. This should be governed by local conditions; and if loans are given for longer periods, the term of repayment of the Bonds should also be correspondingly longer. The periods of loans should be so fixed as to leave the borrower a wide margin of time for meeting his obligations; the idea being that he should find it possible without any strain on his finances to repay the advances out of his increased productive capacity, or the larger margin of saving which may accrue owing to the reduction of interest charges on old debts redeemed. The work of recovery will be facilitated, if powers of foreclosing mortgages by a speedy procedure, similar to those granted in other countries, are conferred by legislation on Land Mortgage Banks.

The bonds should be so drafted as to bring them under the Negotiable Instruments Act, and their free transfer and sale should be encouraged by all legitimate means, such as empowering banks other than the bank issuing them to pay interest or to collect the principal. The investments of Trust money on the security of a first mortgage of immovable property situate in British India is sanctioned under the Indian Trusts Act, Section 20 (e). But as the section may not apply to the bonds of a Land Bank, issued on the security of first mortgages on agricultural lands, it would be necessary to have such bonds specifically recognised as Trustee Securities. The Committee recommend that necessary steps be taken as early as possible to have the Indian Trusts Act amended by the Indian Legislature. As the valuation work is done by an Officer appointed and responsible to Government, and as the grant of loans and the conditions regulating the issue of bonds and the maintenance of Sinking Funds will be subject to the approval of the Registrar, and thus indirectly of the Local Government, the Committee suggest that Government be requested to guarantee the payment of interest on the debentures issued. In the absence of any such undertaking on behalf of Government, it will not be easy to have the new type of security established in popular favour. And unless the bonds obtain public support or are accepted freely as negotiable securities, long-term capital cannot be raised for financing agricultural improvements and redeeming agricultural lands from mortgages at usurious rates of interest.

For similar reasons, it is necessary that Government should, in the earlier stages, take some direct responsibility for the financing of agriculturists through the banks proposed to be started. In other countries, the agriculturist has been able to strengthen his economic position, as he can secure cheap credit on mortgage security for land improvement or release of mortgaged lands from the control of money-lenders. The Committee do not propose to recount the arrangements made to this end in other countries. But they wish to emphasise that in India, the State has a special responsibility towards holders of lands and this responsibility involves some concern for the financing of the agricultural industry. Experience has proved that the personal short-term credit provided, under restrictions, by our existing co-operative credit societies does not effectually or wholly solve the problem of rural credit; and that such credit needs to be supplemented by long-term finance on cheap and favourable terms. The proposals of the Committee are intended to secure such finance on business-like lines through Co-operative Associations, but it is essential that the agriculturists should, as in other countries, get the money at rates much lower than are charged in Co-operative Credit Societies. Long-term capital, however, cannot under present financial conditions be raised at rates lower than six to seven per cent. On the other hand, land mortgage long-term credit, if it is to benefit the ryot, must be available at rates not higher than six per cent. Allowing one per cent. or so for management expenses or for meeting doubtful debts and losses, the mortgage bonds should then have to be issued at rates not much higher than five per cent. Actually they will be floated on a six to seven per cent. basis; and hence the lending rate will have to be correspondingly raised. As that would frustrate the very object of the scheme, the Committee propose that Government

should be requested to assist in popularising the bonds by investing some funds on these securities. Allotments under the Co-operative Societies' Act should, the Committee suggest, be sanctioned every year in consultation with the Registrar of Co-operative Societies and the Bombay Provincial Bank; and the sanctioned credit should be held at the disposal of the Provincial Bank. This allotment should be distributed by the Bank in consultation with the Registrar among the various land mortgage banks in existence; and in return the Provincial Bank should obtain and hold on behalf of Government, or pass to the Imperial Bank of India mortgage bonds of amounts equal to the allotments sanctioned to various banks. The amounts sanctioned should, the Committee propose, be equal to the amount of capital raised by each bank itself in the shape of issued bonds and paid up share capital. For the reasons set forth above, the Committee recommend that the credit should be made available from year to year at the rate, at which Government have themselves raised loans in the market. The Provincial Bank too, the Committee urge, should not charge any commission on this business. It acts merely in advisory capacity and will bear no financial responsibility for the funds passing through it. The effect of this financial assistance from Government at its own rate of borrowing will be indirectly to bring about a reduction in the rate of interest at which land mortgage banks will themselves be able to issue bonds. Directly, it will enable agriculturists to get money cheaper than they could hope to secure without State aid. The bonds kept with the Government may be released as the credit of the banks develops and they are in a position to raise their capital on favourable terms. The advantages of this proposal are that it involves no loss to Government, that it is limited to the capital raised by local efforts, that it helps banks in the initial stages when they cannot place these bonds on the market on favourable terms, and lastly, that it tends to bring about a reduction in the rate of borrowings by individuals. Apart from the precedents for this policy provided by other countries, the Committee urge it on the ground of the paramount claim of the agriculturists on the revenues of the State. After education there is hardly any need so insistent as the provision of cheap long-term credit. Under the scheme proposed, Government will be able to achieve this end at little expense to themselves and will be in a position to close their Tagavi operations altogether.

The bonds would be issued in accordance with separate trust deeds; and the deeds of trust would provide for the building up of Sinking Funds by annual contributions, the investment of such funds, the method of repayment on expiry of the term of the bonds, the procedure to be adopted in case of liquidation and so forth. The bonds when floated can be sold locally if there is a demand, and wide publicity should be given to the scheme through all available channels, official and non-official. But for the issues which cannot be taken up locally, the Provincial Bank at Bombay should be approached. The Provincial Bank should assist in introducing the bonds on the Bombay Money Market and use its influence in getting them floated on the most favourable terms obtainable. It should, the Committee urge, invest its own surpluses required for fluid resource or other purposes in this form of security. The Imperial Bank of India as repository for the balances of Government should also be asked to assist by investing in the bonds and indirectly popularising them. The balances of Government in the districts, represent land revenue collections obtained from agriculturists and in return for the free use of these funds, the least service that agriculturists may expect from the Imperial Bank of India would be the employment of a portion of its large surpluses in the purchase of mortgage bonds. Another direction from which capital may be expected are the Courts of Wards and Minors' Estates. The Committee also suggest that Government should consider the possibility of getting insurance companies to invest their funds in the bonds of land mortgage.

In colusion, the Committee wish to emphasise the urgency of the concessions regarding the bearing of the cost of valuation officers and the change in law is necessary for the mortgage bonds to be included in trust securities. With these concessions and a few minor facilities, it will be possible to make a start immediately in a few districts in the Presidency. The other two concessions regarding Government guarantee for interest and the grant of advances at the ruling rate of interest on Government borrowings are of equal importance. But the Committee recognise that the consideration of these latter proposals will demand very prolonged consideration and may involve correspondence with authorities superior to the Local Government. This will mean some delay; and as the Committee are anxious to see a start being made without delay in the direction of providing facilities for land mortgage credit, the Committee would not wish the favourable consideration of the other two proposals delayed pending the receipt of the opinion of higher authorities on the subject State aid and Government guarantee.

A. U. MALJI.

Chairman.

APPENDIX III.

Report of the action taken on the Resolutions of the Provincial Co-operative Conference of 1922.

We have the honour to submit the following report on the action taken in accordance with the resolutions passed at the last Conference.

Resolution I.—Expression of Condolence on Sir Vithaldas Thackersey's Death.

The Resolution was communicated to Lady Thackersey and Mr. Madhowji D. Thackersey.

Resolution II.—Approval of the Institute Building Scheme.

Approval of the scheme for a Co-operative Institute Building to serve as a memorial to the late Sir Vithaldas D. Thackersey was published in all the journals of the Institute for the information of all the Co-operative Societies and individual co-operators.

Resolution III.—Protest against treatment given to Co-operative movement in Italy.

Protest against the cruel treatment meted out to the Co-operative Movement in Italy by the Fascisti during the last two years was communicated to the Secretary, International Co-operative Alliance.

Resolution IV.—Debt Redemption Scheme.

The Debt Redemption Scheme Committee appointed to consider the subject has met and its report is placed herewith for the approval of the Conference. The Reports of Mr. R.W. Patwardhan, Special Mamlatdar, Deccan Canals, prepared by him at the instance of the Committee regarding his investigation of the economic conditions of the two villages, Pangri and Khedgaon of the Sholapur and East Khandesh Districts respectively, were printed by the Registrar, Co-operative Societies. The Committee's Report has been now printed and submitted to the Conference.

Resolution V.—Liabilities of Central Banks.

The Registrar has addressed a letter (No. CNF 64 dated 12th April 1923) to Government recommending that the existing Rule No. 10 be modified; and Draft Notification has now been issued by Government.

Resolution VI.—Levy of Inspection fees.

This resolution was published in all the journals of the Institute for the information of the Societies.

Resolution VII.—Transmission of funds by R. T. R.

The operation of the system is being watched. The Registrar has forwarded his recommendations to Government under No. CNF 47 of 31st January 1923. Government has issued orders calling upon the Registrar for further report by 1st October 1923.

Resolution VIII.—Guaranteeing and Supervising Unions.

The Committee appointed to consider this subject has met and its report is placed for the consideration of the Conference.

Resolution IX.—Co-operative Consolidation of Holdings.

The papers written on this subject by Mr. Otto Rothfeld and Mr. H. Calvert are printed as a leaflet of the Institute. The Branches are requested to translate it in the vernaculars and to carry on a vigorous propaganda. On the subject of passing an enabling law, the Registrar has addressed a letter to Government (CNF 64 of 12th April).

Resolution X.—Co-operative Cultivation Societies.

The resolution has been published in all the journals of the Institute for information. At the instance of Director of Agriculture Government has passed a Resolution R. D. No. 8001 of 14th May 1923 authorising the Director of Agriculture in connection with the loan of the agricultural appliances to give preference to Co-operative Cultivation Societies.

Resolution XI.—Tank Societies.

The Registrar has addressed Government to be furnished with a list of such tanks and the rules at present applying to them.

Resolution XII.—Irrigation Societies.

Model By-laws for this purpose are under the consideration of the Government.

Resolution XIII.—Cattle Insurance.

The opinions collected by the Conference Committee on the subject are published for the information of the Conference.

Resolution XIV.—Co-operative Taluka Associations.

The working of such of the Associations as are started is being watched, and the relation of the Associations with the Institute is being discussed with the Department.

Resolution XV.—Producers' Societies.

The Registrar has written to say that clause 1 is being taken into account whenever a Producers' Society requires funds. He thinks general orders at this stage are not required. The Branches are recommended to organise more Producers' Societies and bring them in touch with an Urban Bank or a District Bank. Mr. Potnis's paper on small Industries has been assigned to a Sub-Committee for consideration. The Dharwar Branch has organised a Co-operative Printing Press.

Resolution XVI.—Buying Clubs.

The Institute has issued a leaflet on the subject.

Resolution XVII.—Buying work by Credit Societies.

The Branches are requested to encourage well managed credit societies to undertake the work with the approval of the Registrar.

Resolution XVIII.—Appointment of a Special Officer for Informing market rates.

No action has been taken on this subject as the figures collected regarding the stores were not encouraging.

Resolution XIX.—Free Audit of Stores.

The Registrar was addressed on the subject and he has moved Government in accordance with the resolution. Government has now issued orders as desired.

Resolution XX.—Development of Institute's Work.

The opinion of the Standing Committee regarding Cl. I has been communicated to the Registrar. Cls. 2 and 3 have been communicated to the Branches for taking necessary action.

Resolution XXI.—Transference of Registrar's Functions.

This has been already brought into force.

Resolution XXII.—Legislation against alienation by borrowing members.**Resolution XXIII.—Enforcement of ex-parte awards in Foreign Territory.**

These two resolutions did not require any action.

Resolution XXIV.—Arbitration Procedure.

The Committee appointed under this resolution has met and its report is placed before the Conference for consideration.

OTTO ROTHEFELD,

Registrar, Co-operative Societies.

S. S. TALMAKI,

Honorary Secretary,

Bombay Central Co-operative Institute,

Poona, 20th September 1923.

APPENDIX IV.

Report of the Committee appointed by the Bombay Provincial Co-operative Conference, 1922, under Resolution IV to consider the question of Debt Redemption.

No. S. R. A. D. M. 42 of 1923.

From

OTTO ROTHFELD, Esqr., I. C. S., M. L. C.,
Registrar, Co-operative Societies.

To

THE SECRETARY,
THE CENTRAL CO-OPERATIVE INSTITUTE,
Bombay.

Poona, 7th September 1923.

SIR,

We have the honour to submit herewith the report of our Committee which was appointed to examine and report on the question of debt redemption. After examining the papers of the enquiry made by Mr. Patwardhan and after discussion of the principles involved we felt that while we were in agreement with the Registrar as regards the necessity of making detailed enquiries into the economic condition of each member, whose debts were to be liquidated, and of exercising due caution at the time of granting loans, we thought that unless certain conditions laid down in the circular were modified, it would not be possible to carry on Debt Redemption work to any appreciable extent. Various modifications were suggested to the Registrar; and after discussing these, the Registrar agreed to modify his circular as per accompanying draft, which will be issued as a circular, if approved of by the Provincial Conference. We only desire to add that the circular and the report of this Committee relate directly to cases where a society that indebted by the Provincial Bank desires to take up the redemption of debts of its members of special loans obtained for that purpose from the Provincial Bank, such loans require the recommendation of the Registrar which we consider to be necessary. Our opinion is, therefore, not binding upon District Banks, which themselves finance societies direct and which do not require the Registrar's recommendation to the grant of loans. At the same time we think that the precepts in the circular should be followed in such cases by District Banks also with such modifications as local circumstances may require. On the other hand, we desire to state that we have no wish to restrict primary societies in their own use of their own normal working capital towards the redemption of old debts of members, when they do not require to borrow for that purpose from any other financing agency.

We have the honour to be,

Sir,

Your most obedient servants,

LALUBHAI SAMALDAS.

HAROLD H. MANN.

OTTO ROTHFELD.

* A. U. MALJI.

F. T. NALAVADI.

Note on the conditions of the Debt Redemption Scheme financed by the Provincial Bank.

1. The Provincial Bank is setting aside two lakhs a year for this purpose out of which Rs. 50,000 will be available for District Banks taking up Debt Redemption. The loans will be long term loans.

2. Whatever society is selected, a liquidation scheme should be drawn up for the society as a whole. Every old debt of every member must be shown in the statement and the statement should clearly mark which of the debtors are to be excluded from

* Subject to the remarks noted below.

redemption with the cause of exclusion, namely, whether he does not require help or whether his condition is hopeless. The scheme must show exactly when each of the debts recommended for redemption is to be paid off and how and when repayments are to be made. (See also this office circular No. 133 of the 20th April 1920 on the same subject). In general the society selected should be in the "A" class; but for special reasons "B" class societies may also be considered, if there is a spontaneous demand from such a society and it appears to be *prima facie* reliable. The liquidation scheme should provide for the debts of all the members included being redeemed within three years, or at the utmost within five years. When any member has been selected for redemption, his debts must be totally redeemed.

3. As far as possible, the scheme should show not only the creditors' claims, but also for what smaller sum the creditors will compound in consideration of prompt payment. *It is most important in debt redemption schemes to ensure that the sawcar does not get paid too much.* Often it will not be possible finally to compound the debts, till the money is available in the village. Hence, where the amount of the loan exceeds the amount for which the debts are compounded, the balance must be returned at once to the Provincial Bank, and such return should be a condition of the loan. Wherever possible, the Bank's Inspector should be present, when the compounding of debts is undertaken.

4. The debts redeemed should be unavoidable, and as far as possible, productive debts. Loans are often asked in order to repay debts incurred by a member to buy a piece of land. In general such a course is unadvisable. No one should make uneconomic purchases of land and if he cannot repay the purchase money out of savings, he should resell as quickly as possible. He cannot expect his neighbours to finance his own bad business. At the same time a debt incurred for land purchase may be redeemed if (a) a reasonable portion of the price of the land, say at least 40 per cent. has been paid off by the debtor from his own resources, and (b) if it is clear that the average margin of profit derived from the land so bought is sufficient to enable him to pay off the debt within ten years, or in other words, if the margin of profit in a normal year represents 15 per cent. or more of the purchase price. It will of course be clear that at the present inflated price of land, such cases will hardly ever occur.

5. The debtor whose debt is to be redeemed should possess the following qualities:—

- (a) He should be of good character and proven punctuality in repaying obligations;
- (b) His holding must be economic, i. e. in a *normal* year he must be able to derive a clear profit from its cultivation, and in a *good* year a considerable profit.
- (c) He must have proved his thrift and industry by either increasing his deposits in the society year by year by *voluntary* deposits or by year by year repaying part of his private debts or by both.
- (d) He must have sufficient assets to be full security for the loan, the assets being worth *at least* three times as much as the loan. Provided that if the debt was incurred for the purchase of new remunerative land under conditions such as have been stated in para. 4, the loan may be given upto half the assets.
- (e) He must give a written agreement that after the liquidation of the debt he will not, till the loan has been fully repaid, borrow (or buy on credit) outside of the society, the sanction being that if he does, the whole outstanding demand shall at once be summarily recovered, whatever the instalments fixed may have been, and that he shall be expelled from the society.

6. A Register must be maintained showing separately the long term loans given for this purpose, the instalments fixed and their repayment. (*Note:* Further instructions about accounts will issue shortly).

7. The financing agency on the other hand should grant extensions and postponements of instalments freely in case of a proven famine or scarcity year.

8. Nothing in this note is being said about the selection of suitable societies, as in the meantime societies are being selected by agreement after enquiry.

APPENDIX IV.

Report of the Committee appointed by the Bombay Provincial Co-operative Conference, 1922, under Resolution IV to consider the question of Debt Redemption.

No. S. R. A. D. M. 42 of 1923.

From

OTTO ROTHFELD, Esqr., L. C. S., M. L. C.,
Registrar, Co-operative Societies.

To

THE SECRETARY,
THE CENTRAL CO-OPERATIVE INSTITUTE,
Bombay.

Poona, 7th September 1923.

SIR,

We have the honour to submit herewith the report of our Committee which was appointed to examine and report on the question of debt redemption. After examining the papers of the enquiry made by Mr. Patwardhan and after discussion of the principles involved we felt that while we were in agreement with the Registrar as regards the necessity of making detailed enquiries into the economic condition of each member, whose debts were to be liquidated, and of exercising due caution at the time of granting loans, we thought that unless certain conditions laid down in the circular were modified, it would not be possible to carry on Debt Redemption work to any appreciable extent. Various modifications were suggested to the Registrar; and after discussing these, the Registrar agreed to modify his circular as per accompanying draft, which will be issued as a circular, if approved of by the Provincial Conference. We only desire to add that the circular and the report of this Committee relate directly to cases where a society that is financed by the Provincial Bank desires to take up the redemption of debts of its members of special loans obtained for that purpose from the Provincial Bank, such loans require the recommendation of the Registrar which we consider to be necessary. Our opinion is, therefore, not binding upon District Banks, which themselves finance societies direct and which do not require the Registrar's recommendation to the grant of loans. At the same time we think that the precepts in the circular should be followed in such cases by District Banks also with such modifications as local circumstances may require. On the other hand, we desire to state that we have no wish to restrict primary societies in their own use of their own normal working capital towards the redemption of old debts of members, when they do not require to borrow for that purpose from any other financing agency.

We have the honour to be,
Sir,

Your most obedient servants,

LALUBHAI SAMALDAS.

HAROLD H. MANN.

OTTO ROTHFELD.

* A. U. MALJI.

F. T. NALAVADI.

Note on the conditions of the Debt Redemption Scheme financed by the Provincial Bank.

1. The Provincial Bank is setting aside two lakhs a year for this purpose out of which Rs. 50,000 will be available for District Banks taking up Debt Redemption. The loans will be long term loans.

2. Whatever society is selected, a liquidation scheme should be drawn up for the society as a whole. Every old debt of every member must be shown in the statement and the statement should clearly mark which of the debtors are to be excluded from

* Subject to the remarks noted below.

redemption with the cause of exclusion, namely, whether he does not require help or whether his condition is hopeless. The scheme must show exactly when each of the debts recommended for redemption is to be paid off and how and when repayments are to be made. (See also this office circular No. 133 of the 20th April 1920 on the same subject). In general the society selected should be in the "A" class; but for special reasons "B" class societies may also be considered, if there is a spontaneous demand from such a society and it appears to be *prima facie* reliable. The liquidation scheme should provide for the debts of all the members included being redeemed within three years, or at the utmost within five years. When any member has been selected for redemption, his debts must be totally redeemed.

3. As far as possible, the scheme should show not only the creditors' claims, but also for what smaller sum the creditors will compound in consideration of prompt payment. *It is most important in debt redemption schemes to ensure that the sum does not get paid too much.* Often it will not be possible finally to compound the debts, till the money is available in the village. Hence, where the amount of the loan exceeds the amount for which the debts are compounded, the balance must be returned at once to the Provincial Bank, and such return should be a condition of the loan. Wherever possible, the Bank's Inspector should be present, when the compounding of debts is undertaken.

4. The debts redeemed should be unavoidable, and as far as possible, productive debts. Loans are often asked in order to repay debts incurred by a member to buy a piece of land. In general such a course is inadvisable. No one should make uneconomic purchases of land and if he cannot repay the purchase money out of savings, he should resell as quickly as possible. He cannot expect his neighbours to finance his own bad business. At the same time a debt incurred for land purchase may be redeemed if (a) a reasonable portion of the price of the land, say at least 40 per cent. has been paid off by the debtor from his own resources, and (b) if it is clear that the average margin of profit derived from the land so bought is sufficient to enable him to pay off the debt within ten years, or in other words, if the margin of profit in a normal year represents 15 per cent. or more of the purchase price. It will of course be clear that at the present inflated price of land, such cases will hardly ever occur.

5. The debtor whose debt is to be redeemed should possess the following qualities:—

- (a) He should be of good character and proven punctuality in repaying obligations;
- (b) His holding must be economic, i. e. in a *normal* year he must be able to derive a clear profit from its cultivation, and in a *good* year a considerable profit.
- (c) He must have proved his thrift and industry by either increasing his deposits in the society year by year by *voluntary* deposits or by year by year repaying part of his private debts or by both.
- (d) He must have sufficient assets to be full security for the loan, the assets being worth *at least* three times as much as the loan. Provided that if the debt was incurred for the purchase of new remunerative land under conditions such as have been stated in para. 4, the loan may be given upto half the assets.
- (e) He must give a written agreement that after the liquidation of the debt he will not, till the loan has been fully repaid, borrow (or buy on credit) outside of the society, the sanction being that if he does, the whole outstanding demand shall at once be summarily recovered, whatever the instalments fixed may have been, and that he shall be expelled from the society.

6. A Register must be maintained showing separately the long term loans given for this purpose, the instalments fixed and their repayment. (*Note:* Further instructions about accounts will issue shortly).

7. The financing agency on the other hand should grant extensions and postponements of instalments freely in case of a proven famine or scarcity year.

8. Nothing in this note is being said about the selection of suitable societies, as in the meantime societies are being selected by agreement after enquiry.

9. The scheme is at present experimental, and needs very careful watching and supervision by the financing agency, and by all official and non-official workers in the area. Experiments in the past have been very disappointing. It is hoped that the present more systematic experiment will be successful. On its fate depends the very important question whether or not any more can be done to lessen the burden of old debt on the economic cultivators of the Presidency. It must again and again be emphasised that thrift, savings, careful management, and rapid increase of voluntary deposits and reserve funds are the first conditions of success, without which nothing fruitful can be hoped for.

(Note:—This note does not apply to Bhil societies in Dohad, which are being separately considered.)

OTTO ROTHFELD,
Registrar.

*Rao Bahadur A. U. Malji's remarks on the note of the Registrar
on the conditions of the Debt Redemption Scheme.*

I am afraid the provision in para 2 of the Scheme that "any old debt of any member" must be shown in the statement, is rather very hard without any corresponding gain. There may be some members who have lent their credit to the society by joining it and who may not be willing to open their heart in reference to their own conditions. For the sake of such members who are otherwise an asset to the society, the society should not be disabled from getting the debt redemption advantages. With a view to avoid all partiality and to give the widest publicity to the scheme, I agree that every one of the members should be consulted before preparing the statement and if some member declined to avail himself of the scheme, a note need only be made and initialled by the declining member. Such a provision will effectively secure the purpose in view.

I also wish this note should be confined to the Bombay Provincial Bank business and the District Central Banks should be separately dealt with.

APPENDIX V.

Report of the Committee appointed by the Provincial Co-operative Conference 1922 to consider the position of Guaranteeing and Supervising Unions under Resolution No. 8.

The Committee must begin by expressing their great regret that they were deprived of the invaluable assistance of the Hon'ble Mr. Lallubhai Samaldas to this Committee owing to the pressure of his public duties elsewhere. The other members of the Committee considered the question very fully and arrived at the following conclusion.

2. It was unanimously held that for the purposes of supervision it was necessary to have some agency intermediate between the primary society and the central financing agency, whether that agency were a District Bank or the Provincial Bank. It was in fact felt that supervision and some measure of control under local auspices ought to be so given, that it should bring home to every member that the supervision was their own, was conducted in their own interests, and was a necessity to the true growth of the co-operative spirit. On the whole it seemed desirable that this supervision should be of a nature more akin to the functions of the Institute than to the functions of the Central Bank, although the Committee does not wish to exclude financial advice and supervision over accounts and the methods of working of the society on the financial side from the functions of any such body. The Committee, however, is anxious to distinguish assessment of credit, which is a function pertaining primarily and almost entirely to the Bank, from assistance in keeping accounts or from control over the manner in which funds are disposed of. While therefore the Committee desires that there should be some intermediate body and desires that it should be associated with full supervision and some measure of control over all the functions of the primary society, yet it desires it to be affiliated above all to the Institute and to work under its authority rather than that it should be too closely associated with any financing body. The Committee also feels very strongly that in any given area it must be left to the people of the area and the members of the society to select for themselves in full knowledge of the facts what type of supervising body they prefer.

3. Starting with these premises, the Committee is of opinion that even if branches of District Banks are freely opened, they will in no way obviate the need for such other intermediate supervising bodies, as the functions of a Bank and the functions of a supervising body are in a very large measure distinct. The Committee also feels that the Guaranteeing Unions have in so many ways failed to fulfil the expectations which had been built upon them that such Unions should not be further extended. While the Committee, however, has great doubts about the efficacy or value of Guaranteeing Unions, yet it does not desire that they should be abolished or dissolved, where they exist at present, unless the members of the Union themselves desire their dissolution. Guaranteeing Unions which exist, however, should be asked to adopt the byelaws with the latest modifications; and in future credit should be given to the individual societies forming the Union and not in a lump to the Union itself unless in very exceptional cases.

4. In regard to the value of supervising unions in the form of the byelaws drawn up, the Committee feels several serious doubts. Some of those doubts are based upon the fact that the alternative system of Taluka Co-operative and Agricultural Associations is so far in an experimental stage; and that neither model byelaws nor a model system for working with Government and Government grants have so far been worked out. The Committee wishes to emphasize that as soon as possible after the results of the first experiment this year have been reviewed by the Director of Agriculture and the Registrar of Co-operative Societies, steps should be taken to put them on a more methodical basis in consultation with Government, and their models improved and revised. The other doubts which the Committee feels are based upon the fact that the model byelaws as drafted by the Registrar contain more provisions for the purpose of finance which properly belong to the banks that the Committee likes to see, and the Committee wishes to express its desire that the byelaws should again be revised by the Managing Director of the Provincial Bank and the Registrar in consultation before final issue. Passing, however, from these doubts the Committee feels that in any case it is not likely that more than 20 Taluka Co-operative and Agricultural Associations will be formed before the end of the financial year 1923-24, and it does not desire that the question of supervision should be shelved in other Talukas on that account. The Committee, therefore, would like to see Supervising

Unions started in talukas where no such Association exists or is likely to exist in the near future, the model byelaws being modified as already suggested. Where, however, agricultural associations exist or are likely to exist, the Committee feels strongly that in the meantime no other supervising body should be formed. The objections to more than one body working in the same taluka at the present stage of development are numerous and do not need to be described at length. They were very fully considered by the Committee. What the Committee, therefore, desires is that in such talukas the associations should be asked to register under the Co-operative Act and to work in addition to their other functions as branches of the Co-operative Institute, to receive grants for that purpose from the Institute and to undertake duties similar in kind to those which would be imposed upon the supervising unions under the model byelaws as modified after further consideration by the Registrar in consultation with the Managing Director of the Provincial Bank.

The Committee submits this Report to the Institute for approval.

(Sd.) VAIKUNTH L. MEHTA.*

(Sd.) HAROLD H. MANN.

(Sd.) D. A. SHAH.

(Sd.) D. K. HOSMANI.†

(Sd.) B. K. RASHINKAR.

(Sd.) OTTO ROTHFELD.

Mr. V. L. Mehta's dissenting note to the Report of the Committee

It is necessary to add that the main ground on which a change in policy can be justified is that since Guaranteeing Unions were introduced, the Institute has come into being, and the importance of the Provincial Bank as the pre-eminent Central financing agency has been reduced. Local Central Banks have come into existence and some of these have opened branches and others contemplate doing so. A certain amount of decentralization on a responsible basis in the work of assessment of credit has already been effected. The other important factor is that financing agencies have definitely assumed responsibility for supervision and financial control, and the trend of development is in the direction of investing them with wider powers in these respects.

In paragraph 2 of the report it is stated that the assessment of credit is a function which should not devolve on the supervising bodies proposed to be created. I concur in the view that the ultimate responsibility for fixing the credit of a primary society for borrowings from a central financing agency rests with the agency concerned. But such responsibility is distinct from the duty of gauging the creditworthiness of the different units in a Union and of determining and regulating from time to time the total outside borrowing capacity of a society. In a province like ours, where outside deposits often form the bulk of the resources, this is no formal task. In any sound system of co-operative organisation these latter functions must be performed by the supervising and controlling body. I hold that it would not be wrong for the supervising bodies proposed to be created to assume these duties. Otherwise, they will continue to be performed by a central department, which, in my opinion, is wholly undesirable.

What the members of the Committee agree to is that the system of Guaranteeing Unions on the existing basis should not be continued. I agree with this, and I further agree as a compromise, that under the present circumstances it is best to experiment with the new type of unions suggested by Mr. Otto Rothfeld. But I wish to add that I still feel there are, in the peculiar condition of this country, possibilities in the system of guarantee—which we now agree to discard for the time being—provided certain necessary modifications are introduced in the rules and methods of working.

Personally, I feel that bodies created for the specific purpose of promoting agricultural improvement are not suited for the supervisory and controlling functions, co-operators are anxious that their own unions should perform. The arguments against such combination do not rest on sentiment nor are they academic. The arguments in favour of the combination are the usual ones about paucity of men and money in local areas. Apart from the fact that it is the Taluka Agricultural Associations that came on the scene latest and it is their promoters who should have considered the difficulty, it is

* Subject to minute of dissent attached hereto.

† Subject to remarks attached hereto

not forgotten that for different activities separate funds have to be raised and that beyond a certain stage, workers in separate lines of work need not necessarily be identical. It is necessary to secure co-ordination and to effect savings in overhead charges, but these gains may be obtained at too great a cost, at the cost of inefficiency and irresponsibility. Until we have some further experience of the working of these new bodies, I would personally hesitate to utilise their agency in the responsible work of organisation, supervision and control. And it is only on the strong recommendation of two official members of the Committee, Mr. Rothfeld and Dr. Mann, with whom and neither with the Institute nor with financing agencies responsibility for organisation and administration wholly rests at present, that some of the members of the Committee, including myself, have agreed tentatively to waive our objections to the proposed centralisation of all co-operative activities in the Agricultural Associations. I do not hold, "strongly" or otherwise, that where Agricultural Associations exist or are likely to exist no other supervising body should be formed. But in deference to the wishes of the responsible officers, as stated above, I am agreeable to leaving *the people in any area and the members of the societies concerned to select for themselves in full knowledge of the facts what type of supervising body they prefer.* I quote from the concluding lines of paragraph 2 of the report and would suggest that this choice should be ascertained through local conferences, the local branches of the Institute, and the Divisional Boards of Agriculture and Co-operation. I leave out of consideration the question of transferring to these associations the work of the Institute, as I understood, that the question was to be discussed and settled later with the representatives of the Institute. There are certain difficulties to be got over, such as, finance and responsibility for control; but as these cannot be gone into here, I would suggest the elimination of the reference to this matter from the Report.

Bombay, 13th March 1923.

V. L. MEHTA.

Mr. S. K. Hosmani's Remarks on the Report.

1. Returned with compliments.
2. I agree with the Report subject to the following remarks:—
3. The financing agency should have sufficient representation on the Board of Management of the Taluka Association or the Supervising Union.
4. There is a strong feeling among the people in these parts that assessment of credit of primary societies should be undertaken by the Taluka Association or the Supervising Union, part of the expense being paid by the Financing Agency.

S. K. HOSMANI.

Haveri.

27-3-23

*Note regarding Supervising Unions from the Hon'ble
Mr. Lallubhai Samaldas.*

In the beginning I must express my thanks for the kind reference to myself in the report of the Committee appointed by the Provincial Co-operative Conference to consider the position of Guaranteeing and Supervising Unions. I feel that if there was any loss owing to my absence, that loss was certainly mine, and I was deprived of a valuable opportunity of discussing the matter personally with the other members of the Committee and of knowing their views.

It seems to me that the question of Guaranteeing and Supervising Unions really depends on the necessity or otherwise of having agencies between primary societies and District Banks, and on the question whether such agencies should be purely advisory or should be controlling and supervising bodies. It is also necessary to consider whether such

agencies should necessarily have a financial stake. Theoretically, I admit, the existence of a financial stake appears essential for eliciting a real interest in the work of the society and was therefore a point emphasised by the Committee on Co-operation presided over by Sir Edward Maclagan. But I did not fully agree with this view of the Committee then and do not wholly accept it even now. A supervising body to be successful ought to be morally responsible to a financial institution which can help it to exercise its control and therefore I think that Unions, whether guaranteeing or not, should be affiliated to the District or Provincial Banks, and not to the Co-operative Institute.

These new bodies should I think confine their activities to co-operative work and should not be tied up with the Taluka Agricultural Association that may be in existence or that may be started hereafter. I have, always, been in favour of co-ordination between agricultural and co-operative department; but such co-ordination should begin between the heads of those two departments; the different branches of those departments must, I strongly feel, preserve their individuality and must work in harmony.

In spite of the Committee's opinion about the paucity of workers and the necessity of one institution for each Taluka, I think a combination of two bodies into one will lead to stagnation in both the branches rather than active work in either.

APPENDIX VI.

Proceedings of the Meeting of the Committee appointed by the Provincial Co-operative Conference 1922 under Resolution No. 24 to consider changes in the Arbitration Procedure held in the Institute office on Saturday, 16th June 1923 at 11 A. M.

Members Present:—1. Rao Bahadur A. U. Malji; 2. Mr. P. H. Banatwala; 3. Mr. D. L. Umawadia; and 4. Mr. B. V. Jadhav.

Rao Bahadur Malji was voted to the chair.

I. Resolved that in view of the difficulties experienced regarding attachments before judgments and such other urgent orders, the committee is of opinion that section 43 (i) of the Co-operative Societies' Act be so amended as to enable the Registrar to appoint permanent Arbitration Courts for any specified area, so that they may deal with applications of an emergent character. The consequent amendments in the rules may also be undertaken.

II. With a view to expedite recoveries and save the heavy cost and inconvenience incurred and experienced in civil courts, this Committee finds it absolutely necessary that Arbitration and Liquidation rules should be so amended as to authorise the Registrar to issue warrants for execution, and charge the Chairman, the Secretary or the nominee of the Plaintiff Society or its liquidator with the execution thereof. Any person so charged with execution should be treated as a public servant within the meaning of section 21 of the Indian Penal Code, when engaged in such executions. All further action after attachment should, at the request of the Registrar, be left to the Collector, who will hold sales, grant certificates of sales, deliver possession to the purchaser, and do all other acts as are usually done by him when enforcing orders passed under section 86 of the Land Revenue Code.

III. The Committee approves of the four suggestions* in para 6 of Rao Bahadur Malji's note—copy attached—and trusts that they will be given effect to in the amendment of the rules.

IV. That the Registrar be requested to add to the existing rules a provision as to the service of summons in foreign territories in the manner provided by the Civil Procedure Code.

Bombay, 16-6-23.

A. U. MALJI,
Chairman of the Committee.

* *The four suggestions referred to are:—*

- (1) The exemption provided in Order 3 Rule 1, Civil Procedure Code, should be obtained, thus saving pleaders' fees if the present system is continued.
- (2) At least one or two arbitrators should every year be appointed for each District, and their appointments notified in the Government Gazette, as in the case of Honorary Magistrates.
- (3) That the arbitrators should be invested with powers to attach or arrest before judgment or they should at least be authorised to issue precepts as provided in Section 46 of the Civil Procedure Code.
- (4) That instead of executing the awards through the Civil Court and bailiffs, the Assistant Registrar of the Division should be authorised to issue such warrants himself and authorise recovery through the officers of the society helped by the Inspectors of the financing institutions whenever possible. In other words, the Chairman, the Secretary or the nominee of the society may be charged with the execution of such warrants and these should attend to execution submitting monthly reports about the results achieved.

agencies should necessarily have a financial stake. Theoretically, I admit, the existence of a financial stake appears essential for eliciting a real interest in the work of the society and was therefore a point emphasised by the Committee on Co-operation presided over by Sir Edward Maclagan. But I did not fully agree with this view of the Committee then and do not wholly accept it even now. A supervising body to be successful ought to be morally responsible to a financial institution which can help it to exercise its control and therefore I think that Unions, whether guaranteeing or not, should be affiliated to the District or Provincial Banks, and not to the Co-operative Institute.

These new bodies should I think confine their activities to co-operative work and should not be tied up with the Taluka Agricultural Association that may be in existence or that may be started hereafter. I have, always, been in favour of co-ordination between agricultural and co-operative department; but such co-ordination should begin between the heads of those two departments; the different branches of those departments must, I strongly feel, preserve their individuality and must work in harmony.

In spite of the Committee's opinion about the paucity of workers and the necessity of one institution for each Taluka, I think a combination of two bodies into one will lead to stagnation in both the branches rather than active work in either.

APPENDIX VI.

Proceedings of the Meeting of the Committee appointed by the Provincial Co-operative Conference 1922 under Resolution No. 24 to consider changes in the Arbitration Procedure held in the Institute office on Saturday, 16th June 1923 at 11 A. M.

Members Present:—1. Rao Bahadur A. U. Malji; 2. Mr. P. H. Banatwala; 3. Mr. D. L. Umahwadia; and 4. Mr. B. V. Jadhav.

Rao Bahadur Malji was voted to the chair.

I. Resolved that in view of the difficulties experienced regarding attachments before judgments and such other urgent orders, the committee is of opinion that section 43 (i) of the Co-operative Societies' Act be so amended as to enable the Registrar to appoint permanent Arbitration Courts for any specified area, so that they may deal with applications of an emergent character. The consequent amendments in the rules may also be undertaken.

II. With a view to expedite recoveries and save the heavy cost and inconvenience incurred and experienced in civil courts, this Committee finds it absolutely necessary that Arbitration and Liquidation rules should be so amended as to authorise the Registrar to issue warrants for execution, and charge the Chairman, the Secretary or the nominee of the Plaintiff Society or its liquidator with the execution thereof. Any person so charged with execution should be treated as a public servant within the meaning of section 21 of the Indian Penal Code, when engaged in such executions. All further action after attachment should, at the request of the Registrar, be left to the Collector, who will hold sales, grant certificates of sales, deliver possession to the purchaser, and do all other acts as are usually done by him when enforcing orders passed under section 86 of the Land Revenue Code.

III. The Committee approves of the four suggestions* in para 6 of Rao Bahadur Malji's note—copy attached—and trusts that they will be given effect to in the amendment of the rules.

IV. That the Registrar be requested to add to the existing rules a provision as to the service of summons in foreign territories in the manner provided by the Civil Procedure Code.

Bombay, 16-6-23.

A. U. MALJI,
Chairman of the Committee.

* The four suggestions referred to are:—

- (1) The exemption provided in Order 3 Rule 1, Civil Procedure Code, should be obtained, thus saving pleaders' fees if the present system is continued.
- (2) At least one or two arbitrators should every year be appointed for each District, and their appointments notified in the Government Gazette, as in the case of Honorary Magistrates.
- (3) That the arbitrators should be invested with powers to attach or arrest before judgment or they should at least be authorised to issue precepts as provided in Section 46 of the Civil Procedure Code.
- (4) That instead of executing the awards through the Civil Court and bailiffs, the Assistant Registrar of the Division should be authorised to issue such warrants himself and authorise recovery through the officers of the society helped by the Inspectors of the financing institutions whenever possible. In other words, the Chairman, the Secretary or the nominee of the society may be charged with the execution of such warrants and these should attend to execution submitting monthly reports about the results achieved.

APPENDIX VII.

Opinions on Cattle Insurance.

Note on "Cattle Insurance" placed before the Co-operative Conference and its resolution thereon:—

Cattle Insurance Societies are very few and their progress is very slow. This activity of the Co-operative movement is not very popular and the Societies also have to consider much before taking risks. They have only to look to their funds. If a reinsurance Central Society is started at Bombay or Government contributes a part of the liability, the burden of the Societies will be lightened, which is quite necessary at this stage of the progress of Societies. Further to popularise the movement and to give impetus to the agriculturists to continue the insurance on cattle year to year, a provision may be made in the by-laws that a particular (say 20 per cent.) percentage of the premia paid will be returned to the insurer, if the assurance is continued for a full period of years *i. e.* from the age of 4 to 12, and this amount may be provided by the Government for some years.

Resolution. That this Conference recommends that the question raised as to cattle insurance be referred to the Provincial Conference Committee for report to the next year's Conference.

Opinions on the above.

Mr. V. L. Mehta:— The question needs to be examined carefully by a small committee of the experts. As the existing Insurance Societies are all situated in Gujrat, the Gujrat Branch may be requested to assemble a Committee consisting of Mr. D. A. Shah, Mr. H. R. Thanaki, Mr. Chhotalal Dwarkadas, an officer or two from the Agricultural and Veterinary Department and some gentlemen acquainted with insurance business.

Rao Bahadur A. U. Malji:— I have to point out that the question raised therein is a vexed one. This subject of "Cattle Insurance" was considered at the third Divisional Conference held at Surat. Mr. Madan, then Acting Registrar, Co-operative Societies, Bombay Presidency, had also applied his mind to this subject. When Mr. Rothfeld had observed in the Administration Report that reinsurance business may be undertaken by the District Banks, Mr. Madan has held otherwise. I do not exactly know the details of reinsurance through the District Central Banks; I am not in a position to bestow any thought thereon until these are not obtained. The subject is beset with difficulties; and in order that it might be successfully tackled, the Registrar's views may kindly be invited first. On knowing the registrar's views, the Committee will be in a better position to deal with this question.

Dr. Harold H. Mann:— I beg to state that to my mind the real difficulty in this matter is to determine what is the nature of the risk in connection with cattle insurance in Western India. Until that risk is at least approximately determined, it seems to me to be an extraordinary difficult business for any financier or financiers to undertake. At present, so far as I know, there is no evidence as to what the risk is. The figures for the loss of cattle from epidemic diseases reported in the Annual Report of the Superintendent, Civil Veterinary Department are, I fancy, totally unreliable; and the only data on which the risk can be determined are those of the last four or five quinquennial cattle censuses. These give reliable data as to the number of cattle at a particular date, and a comparison with one another, together with a knowledge of a normal rate of increase will give data from which a cattle actuary could determine in some measure, at any rate, the character of the risk. The use of these figures is, however, spoilt by the fact that we never think of insuring cattle without reference to their age; and the data given are for cattle as a whole, and not for those of any particular age.

However, I feel that the first step towards cattle insurance is to place such data as exists before an actuary and get him to give some approximate idea of the nature of risk involved in this business. Without such an opinion I do not feel that any banking

organisation or any Co-operative Institution should touch such an extremely risky business as the one in question, even when Primary Societies are safeguarded by means of re-insurance.

At the same time I consider this matter of very grave importance, as at present the risk involved in keeping valuable animals prevents such animals being kept and is a very distinct cause of the general keeping of medium or poor animals only.

The Registrar :—I have the honour to state that at present there is no case for any Government contribution. So far no society has been in any difficulty. The number of societies is also too small to start a reinsurance central society at Bombay at the present moment. I am, however, of opinion that it will be quite easy for the District Banks in the District where those societies exist at the present stage to undertake reinsurance, and I am quite ready to draft simple rules for that purpose. The real difficulty is that the societies themselves are not popular; and I agree with you that they would be popularised if a provision is made in the byelaws to return a certain percentage of the premia or some bonus of a similar kind, if the animal survives a certain period of years. I must, however, confess that I have had papers on my table for the purpose of drafting such a byelaw for the last nine months, and that I have so far found myself quite unable to draft any reasonable byelaw which can be framed on business principles for that purpose. The actual arithmetical basis for such a bye-law and the necessary guarantee for its fulfilment by payment of the bonus is, I must say, beyond me at present, and I should be glad to receive any practical suggestion for such a bye-law, as I believe such a step will help in popularising the societies.

Mr. L. S. Potnis, Asst. Registrar, Bombay Division :—I agree with Mr. H. R. Thanaki that if a reinsurance central society is started at Bombay, or if Government gives assurance to contribute a part of the liability, the burden of cattle insurance societies will be lightened and they will be popular. It is not necessary for Government to make any actual contribution in each and every case, but simple assurance will create confidence and the people will not grudge to undertake the organisation of such societies.

I think a reinsurance society will be possible, if there be many such societies or if any arrangement be made with any of the existing insurance societies as regards any reinsurance scheme.

I also agree to the principle expressed by Mr. Thanaki as regards returning some percentage of the premia paid by the insurer, if the assurance is continued for full period of years i. e. from the age of 4 to 12.

As regards this I think there should be a separate scheme on the line of Assurance schemes laid down by Insurance Societies for a particular time, and there should be different rates of premia. In fact these will be assurance societies for cattle, till the age of 12 years, while they are likely to be of no use for agricultural purposes like those of human beings whose earning capacity stops after 55 or at the most 60 years.

I do not think that there is any force in saying that Government should make any provision for repaying the premia paid for 9 years, as the societies will grow older and there will be sufficient funds at its disposal. Besides if the societies are not able to return a certain percentage of the premia paid, I do not think that the scheme will be a business success; and the Institution will not last long unless they be based on business lines. I therefore suggest that the premia for such societies should be on lines of life assurance societies and the insurance value should be paid to the insurer, when the cattle becomes more than 12 years old. There is no objection to request Government to give assurance to those societies for a few years at the beginning, but they cannot be asked to contribute a part of these liabilities.

APPENDIX VIII.

RESOLUTIONS OF THE BOMBAY PROVINCIAL CO-OPERATIVE CONFERENCE, 1923.

—:0:—

SUB-COMMITTEE No. 1.

Resolution No. 1. Normal Credit.

That the principles underlying the following resolutions (a), (b) and (c) be approved and that the Registrar, Co-operative Societies be requested to take steps after consideration to modify the rules and by-laws in accordance with these principles :—

(a) That as resolved in the Provincial Conference for 1921, all agricultural Credit Societies should be instructed to introduce the system of normal credits for individuals; and (2) that such credits should be subject to the scrutiny of the unions wherever they exist and elsewhere to the scrutiny of the Central Banks to which the societies are affiliated; (3) that in societies where fixation of the credits of individuals is undertaken as mentioned in (1) and (2), the maximum limits of loans for individuals should be abrogated, provided that no member secures the use of more than a tenth of the total working capital available; and (4) that the District Central Bank should not grant loans to societies, of more than three years' standing, failing to fix the normal credit of their members; and that this recommendation (4) should come into force from April 1924.

(b) (1) That while as provided in the Act, the maximum liability which societies may incur by way of outside deposits and loans may be subject to the Registrar's sanction, the assessment of credit-worthiness should be entrusted to unions wherever they exist, otherwise to Central Banks to which the Societies are affiliated; (2) that such assessment should be based on the management and record of the societies, on the needs of members determined in the statements of normal credits, on the unencumbered assets in land possessed by members, and on the amount of owned capital held by the societies; (3) that where the credit-worthiness is assessed at a figure lower than the total of the members' normal credits the amounts available for individuals should be reduced *pro rata*.

(c) That no member should be eligible for election on the Managing Committee if he is a persistent defaulter, is heavily indebted or is absent without proper reasons for two-thirds or more of the committee meetings held in a year, or if arbitration proceedings are taken against him.

Resolution No. II. Membership and Directorship of Urban Banks.

That no resolution of the Conference is necessary with regard to the subjects (a) whether a person should be allowed to become a member of more than one Urban Co-operative Credit Society, and (b) whether monetary qualifications by way of holding of shares is necessary for the directorship of such a society, as the matters relate to internal management and can be dealt with by the societies themselves.

Resolution No. III. The Union System.

That consideration of the question of Unions be postponed to the next Conference pending receipt of the report of the Institute on the subject.

Resolution No. IV. Interest on Loans to Agriculturists.

That it is the deliberate opinion of this Conference that it is the duty of Government to make available for agricultural industry cheap and long term credit.

Resolution No. V. Land Mortgage Credit.

That this Conference requests the Registrar and the Institute to examine carefully the proposals in respect of long term land mortgage credit made by the Gujarat Conference Committee.

—

SUB-COMMITTEE No. II.

Resolution No. VI. Agricultural Sale Societies.

(a) That in the opinion of the Conference the time has come when Societies for the sale of their members' agricultural produce should be so linked up, that the members should not be under any disadvantage of being members of one particular local Society, whose area is limited. While, therefore, retaining the ideas of such local Societies, these latter should be considered as local Branches of a Central Marketing Association, representative of all, which should be able to arrange that the produce from every part of the area should be marketed to the best advantage. Such a Central Marketing Association should enable the whole of the produce of a particular type of commodity to be marketed through its agency on an equal footing for all the Societies.

(b) That the Registrar should be asked to draft By-laws for such Central Marketing Societies or Associations, suggesting what the relationship to the Branch Societies should be.

Resolution No. VII. Cotton Seed Societies.

That in the opinion of the Conference, Societies for the collection and distribution of cotton seed of approved quality are not likely to succeed, unless they form a part of a larger business. At present a limited supply of pure cotton seed is available in nearly all the main cotton areas from the Agricultural Department; and the problem is that of multiplying this, so as to make it available for the majority of the cotton growers in the area concerned. This can, the Conference thinks, best be secured (1) by the Cotton Sale Societies, where they exist, becoming organisations for "seed-supply" also; (2) by the Co-operative Credit Societies receiving indents which can be met either by the Agricultural Department or by private firms certified by the Agricultural Department, or by Co-operative organisations. The question of Co-operative Gins may be the best way ultimately of solving the question of the supply of pure cotton seed; but the position is hardly ripe for these in most areas at present; and when started, they should be under the control of Co-operative cotton sale organisations or of groups of societies affiliated to a cotton sale organisation.

Resolution No. VIII—Change in the Dates of Payment of Land Revenue Instalments in Cotton Growing Tracts.

The Conference recommends that in the case of late crops in the cotton growing tracts the question of the dates on which the land revenue instalments should be paid should be so determined, as to allow the members of Co-operative Societies to realise at least a part of their crops before they are called upon to pay. The Conference would note that this has already been recommended by the Indian Cotton Committee. The Conference moreover, is of opinion that when a Society applies for postponement of instalment of its members in any particular season, the Collector should be instructed to agree readily to such postponements, provided the Society guarantees its punctual payment.

Resolution No. IX—Land Improvement Societies.

That where the success of a Land Improvement Society, such as one for fencing or for the construction of embankments or the like, depends on the united action of all the land owners whose land is improved, the Conference is of opinion, that the Government should be asked to undertake legislation to enable the local authorities, where the owners of 75 per cent. of the land agree, and where they consider it necessary, to order the constructions of the improvement and recover proportionate contributions from the recalcitrant owners.

Resolution No. X—Cattle Insurance Societies.

That the Conference is of opinion that the difficulties surrounding the question of Cattle Insurance are so great, that the Institute should appoint a Committee, as suggested by various opinions cited in the note submitted, to consider the whole question.

Resolution No. XI—Fodder Supply in Famine Areas.

That the scheme on Fodder Supply in Famine Tracts, placed before the Conference by Mr. B. S. Shirolkar, Mamlatdar of Sindgi, be placed before the Committee recommended in Resolution X for consideration.

SUB-COMMITTEE NO. III.

Resolution No. XII—Government Loans to Producers' Societies.

This Conference is of opinion that the existing policy of Government in the matter of granting loans to Producers' Co-operative Societies be revised and financial assistance by Government be made available to them at an earlier stage on the basis of their possibilities and chances of success than merely of actualities or success achieved. This Conference further recommends that such financial assistance should be given through the Department of Industries as well as through the Co-operative Department.

Resolution No. XIII—Producers' Bank.

This Conference is strongly of opinion that to develop cottage industries effectively on co-operative lines, a Producers' Bank in Bombay for this Presidency is urgently required and recommends that the Institute should appoint a committee to prepare a scheme for such a Bank in consultation with leading sympathetic businessmen.

Resolution No. XIV—Marketing Facilities to Producers' Societies.

This Conference recommends that the Central Co-operative Institute should take steps to assist Producers' Co-operative Societies in securing markets for their products by suitable advertisements and catalogues and by approaching large consumers of their goods, the Societies contributing towards the expenses.

Resolution No. XV—Government Patronage to Producers' Societies.

This Conference is strongly of opinion that a declaration of policy on the part of Government and all public bodies to extend their patronage to Producers' Co-operative Societies by placing orders with them for their requirements and preferring their tenders is very necessary to develop the Producers' Movement.

Resolution No. XVI—Purchase Agency for Weavers' Societies.

This Conference requests the Bombay Central Co-operative Institute to organise a Central Co-operative Agency for the purchase of raw material and implements necessary for Weavers' Co-operative Societies and for the sale of their finished articles on moderate commission.

Resolution No. XVII—Organisation of Societies for Fishermen.

This Conference suggests that in order to start Co-operative Societies amongst fishermen the Bombay Central Co-operative Institute should take steps to educate the fishermen, and at the same time approach the Government to appoint a special paid organiser for the organization of Co-operative Societies on the coastal tract on the model of Fishermen's Societies in the Madras Presidency.

SUB-COMMITTEE No. IV.

Resolution No. XVIII—Facilities regarding Government Loans to Housing Societies.

In view of the difficulties of Co-operative Housing Societies, it is resolved that a representation to Government be drafted by Rao Bahadur S. S. Talmaki, B. A., LL. B.,

Dr. T. D. Velankar B. Sc., L. M. & S., Mr. M. E. Joshi, L. C. E., Mr. V. D. Muzumdar M. A. and Mr. J. K. Parulkar J. P. praying for the following reliefs:—

1. That the rate of interest on loans in the case of existing and future Housing Societies should not be more than 5 % per annum.
2. That the rate of interest should be revised periodically in the direction of reduction, so as to approximate to the rate at which Government borrows in the market.
3. That in the case of the Housing Societies, interest on loans advanced should not be charged altogether for the first two years, or in the alternative, the amount be spread without interest over the loan period.
4. That in the contract between Government and the Societies, it may be provided that in the event of the rate of interest becoming at any time favourable to such operation, the Society be empowered to raise debentures, charged *pari passu* on the whole property, on the condition that all proceeds of such debentures shall be exclusively applied to the amortisation of the Government loan.

Resolution No. XIX—Enquiry Regarding Consumers' Societies.

This Conference recommends the Bombay Central Co-operative Institute to appoint a Committee to go into all the details regarding the non-success of the Consumers' Societies and to suggest such means as will make them a success; the report to be made by the Committee to the Institute within four months from the date of their appointment and the Institute to take such action as they may deem advisable on the Committee's report.

SUB-COMMITTEE No. V.

Resolution No. XX.—Supervision of Societies.

This Conference appoints the following Committee to examine the existing system of the supervision of societies, to define the kind and extent of supervision to be undertaken by the Institute, to make suggestions for ensuring such supervision, and to report to the Institute within two months. The Standing Committee of the Institute should be authorized to take such action on the report as it deems necessary.

The Committee to consist of the following:—

- | | |
|---|--|
| 1. The Vice-President of the Institute. | 2. Mr. F. T. Nalavadi. |
| 3. Rao Bahadur A. U. Malji. | 4. Mr. S. L. Apte. |
| 5. Mr. Abdul Razak Deshmukh. | 6. The Registrar. |
| 7. Prof. H. L. Kaji. | 8. Mr. V. L. Mehta, <i>Secretary</i> . |

Resolution No. XXI.—Centres of Provincial Conference.

(1) This Conference recommends that the number of centres for holding the Provincial Conference should be increased as far as possible, and that each Provincial Conference should fix the venue of the next Conference.

(2) Resolved that the next Conference be held at Bombay.

SUB-COMMITTEE No. VI.

Resolution No. XXII.—R. T. R. System.

That this Conference endorses the resolution of the last Provincial Co-operative Conference and would agree to any reasonable changes the Registrar and the Provincial Bank may bring about after considering the last para of Rao Bahadur Chitale's Committee's Report dated 4-12-1922.

Resolution No. XXIII.—Reduction of Interest on Tagavi Loans.

That in view of the recent rules for Tagavi loans advanced for improvement of lands and the general reduction in the market rates of interest, this Conference respectfully but firmly urges that Government should even at some loss reduce the rate of interest to 5 per cent. on such loans. And further the Conference recommends that the Central Institute and the Bombay Provincial Co-operative Bank should take necessary steps to advocate the resolutions asking for concessions from Government in respect of the supply of loans to the Co-operative Movement and their rates of interest, and to request their respective Officers to advocate the same cause with the Government of India, should it be required.

Resolution No. XXIV—Arbitration Proceedings.

That this Conference, in consideration of the Report of the Sub-Committee appointed at the last Provincial Co-operative Conference dated 16-6-1923, recommends :—

- (a) That in view of the difficulties experienced regarding attachments before judgments and such other urgent orders, section 43 (l) of the Co-operative Societies' Act be so amended as to enable the Registrar to appoint permanent Arbitration Courts with full powers for any specified area, so that they may deal with applications of an emergent character; and that the consequent amendments in the rules may also be undertaken;
- (b) That with a view to expedite recoveries & save the heavy cost & inconvenience incurred and experienced in civil courts, Arbitration and Liquidation rules should be so amended as to authorise the Assistant Registrar to issue warrants for execution, and charge the Chairman, the Secretary or the nominee of the Plaintiff Society or its liquidator with the execution thereof any person so charged with execution should be treated as a public servant within the meaning of section 21 of the Indian Penal Code, when engaged in such executions; all further action after attachment should, at the request of the Registrar, be left to the Collector, who will hold sales, grant certificates of sales, deliver possession to the purchaser, and do all other acts as are usually done by him when enforcing orders passed under section 86 of the Land Revenue Code;
- (c) That the Registrar be requested to add to the existing rules a provision as to the service of summons in foreign territories in the manner provided by the Civil procedure Code;

and requests the Registrar to take the necessary action.

Resolution No. XXV—Appreciation of the services of Mr. Rothfeld.

That this Conference places on record its sense of high appreciation of the valuable services of Mr. Otto Rothfeld, I. C. S. to the Co-operative Movement in this Presidency during his tenure of office as the Registrar of Co-operative Societies.

APPENDIX IX.

Proceedings of the Meeting of the Representatives of Central Banks (District Banks' Conference.)

Under the auspices of the Bombay Provincial Co-operative Bank, Limited, a meeting of the Representatives of the Central Banks was held at the Council Hall, Poona, at 5-30 p. m., on Sunday the 23rd September. The following gentlemen were present :—

The Bombay Provincial Co-operative Bank, Limited.

1. The Hon'ble Mr. Lalubhai Samaldas, C.I.E., (Chairman.)
2. Mr. B. F. Madon.
3. „ Vaikunth L. Mehta (Managing Director).
4. „ Ramnikrai N. Mehta (Manager).
5. „ L. K. Bhagwat, Baramati.
6. „ C. N. Sahasrabuddhe, Nira.
7. „ R. N. Rajadnya, Islampur.
8. „ A. B. Oza, Ahmedabad.

The Broach District Central Co-operative Bank, Limited.

9. Rao Bahadur A. U. Malji.
10. Mr. Harilal Govindas.
11. „ Krishnarao Gajanan Palkar.

The Karnatak Central Co-operative Bank, Limited.

12. Dewan Bahadur S. V. Mensinkai (Chairman).
13. Mr. S. S. Basawanal, M. A. (Managing Director).

The Kanara District Central Co-operative Bank, Limited.

14. Mr. S. N. Keshawain.

The Belgaum District Central Co-operative Bank, Limited.

15. Mr. V. M. Bakre.
16. „ M. S. Patil

The Barsi District Central Co-operative Bank, Limited.

17. Mr. R. M. Sane (Chairman).
18. „ V. B. Dharmadhikari.

The Poona Central Co-operative Bank, Limited

19. Mr. S. L. Apte.

The Thana District Central Co-operative Bank, Limited.

20. Mr. Krishnaji Moreshwar Masale.

The East Khandesh Central Co-operative Bank.

21. Mr. B. D. Annigerikar.
22. „ S. Y. Sontakke.

The Sholapur District Central Co-operative Bank.

23. Mr. M. R. Godbole.

The Nagar Central Co-operative Bank.

24. Rao Bahadur G. K. Chitale.
25. Mr. M. Y. Joshi.

The Belgaum Pioneer Urban Bank, Limited.

26. Mr. B. B. Potdar.

The Hubli Urban Co-operative Bank, Limited.

27. Rao Saheb K. R. Walvekar.

The Nasik District Central Co-operative Bank, Limited.

28. Mr. G. N. Pethe,

29. „ K. N. Srikantaiah.

Others present :—

30. The Registrar, Co-operative Societies, Poona.
31. The Assistant Registrar, Co-operative Societies, C. D., Poona.
32. The do. do. B. D., Bombay.
33. The do. do. Sind.
34. The do. do. K. D., Nasik.
35. The do. do. N. D., Surat.
36. The do. do. S. D., Dharwar.
37. Mr. R. W. Patwardhan, Special Mamlatdar. C. S., Kopergaon.
38. Mr. K. B. Wadekar of the Dhulia Urban C. C. Society.
39. The Registrar of Co-operative Societies, Baroda.
40. Mr. Ganpatsing Raojising, Tal. Organizer, Kopergaon.
41. Mr. Kevalram Dayaram Shahani, Hyderabad, Sind.
42. Rao Bahadur Pritamdas, Hyderabad, Sind.
43. Mr. Desaihbhai S. Patel. Hon. Organizer, Ahmedabad.

In commencing the proceedings, the Chairman welcomed the representatives of Central Banks and regretted that the time at their disposal would not permit of their taking up all the questions placed on the Agenda or discussing them at very great length. He hoped, however, that on the few questions they would take up for discussion they would have a full and frank discussion and arrive at decisions which may be acceptable to all central banks in the Presidency.

I. The Chairman then took up what appeared to him to be the two most important questions on the agenda prepared by the Provincial Bank and on the Supplementary agenda framed at the suggestion of Central Banks. The first item related to the granting of permission to central banks to keep deposits with other central banks as with the Provincial Bank. The second point was the extent to which the Co-operative Department and the Provincial Bank should interfere in the internal management of central banks. With regard to the first matter, the Chairman mentioned that the Broach and Karnatak District Banks had asked for permission to keep deposits with other central banks as the rates quoted by this Bank were not high enough. In regard to the second matter, the Chairman said that at the desire of Co-operators in the Presidency, the Bombay Central Bank had assumed the responsibility of a Provincial Bank, but all the same if the feeling among the central banks was that no apical institution was required, the Board of Directors of the Bank were quite prepared to reconsider their position. Mr. Rothfeld, Registrar of Co-operative Societies, at this stage explained in detail the principles underlying the financial structure of co-operative movement in the Bombay Presidency and showed how the Bombay Central Co-operative Bank had given to be accepted as the Provincial Bank as a logical outcome of recent development. He pointed out the advantages which the movement had obtained as the result of the financial backing of the Provincial Bank and of the disciplined organization which they had built up. He was glad to find that to a certain extent the lines of their organization were being imitated in a country so well advanced in co-operative matters as France; and he, therefore, urged the representatives of central banks to stick to the present lines of development and to accept the ideal of a federal structure. Inter-lending or borrowing from outside should, in his view, be treated as exceptions which

would have to be justified on the score of special local circumstances. It was resolved that this meeting accepted the present position of a linked organization with Provincial Bank at the apex and considers that inter-lending or borrowings from outside should be permitted only as exceptions after careful consideration of local circumstances.

II. With regard to the intervention by the Co-operative Department and the Bank in the working of District Banks, it appeared that the East Khandesh Central Co-operative Bank which had asked the subject to be placed on the agenda did not want to discuss it as a general question of policy, but had a specific grievance which it thought, it would be best to consider and settle at a conference of central banks. As the general feeling was that a specific complaint like that referred to should be better settled by an informal roundtable talk among those concerned rather than be discussed at a large meeting which could not have time to go into details, the Chairman of the East Khandesh Bank agreed to place the difficulties before a committee which would examine all the papers relating to the matter. He added that he had confidence that the Registrar and the Bank authorities would appreciate his point of view if they were placed in full possession of the facts. It was resolved that the complaint of the East Khandesh Central Co-operative Bank mentioned in item (I) of the supplementary agenda should be referred to a Sub-Committee consisting of the following :—

1. The Registrar, Co-operative Societies.
2. B. F. Madon, Esqr.
3. Rao Saheb K. R. Walwekar.
4. V. L. Mehta, Esq.

III. In view of the decision of the Provincial Bank to issue additional shares, the Chairman then selected for discussion item 2 on the supplementary agenda suggested by the East Khandesh Central Co-operative Bank. Under this it was proposed that the share holding by the central banks in the Provincial Bank should be on the basis of borrowings and not in proportion to the share capital as was decided at last year's meeting. This view did not find general support and it was explained that the difficulties the Bank would experience in having some portion of the capital withdrawn from investment with co-operative societies could be met by the grant of some additional credits. In view of the present rate of dividend on the Bank's shares, it was explained that no loss of interest or hardship would be caused to Central Banks. The Chairman of the East Khandesh Bank after some discussion agreed to withdraw the proposal provided he was left free to negotiate direct with the Provincial Bank on the subject of share-holding. No resolution was, therefore, adopted on this item.

At this stage as Mr. Rothfeld proposed to leave the meeting, the Chairman addressed to him on behalf of those present a few words of farewell greeting. While doing so, the Chairman thanked Mr. Rothfeld for his assistance in emphasizing the need for all the component parts of the financial organization standing together and for his help in bringing about a better understanding between the Central and Provincial Banks. Mr. Rothfeld thanked the Chairman and the representatives of Central Banks for their kind words of farewell and for the assistance they had given him in his work.

IV. The next item taken up for consideration was whether a definite standard should be prescribed for the maintenance of fluid resource against short-term and fixed deposits. It was generally agreed that there was no need to prescribe any definite standard and that the Directors of Central Banks should be requested to watch the position and fix their own standard according to local circumstances.

V. The next item was the financing of producers' and consumers' societies, whether it should be taken by Central Banks and if so on what basis. At the outset, Mr. B. F. Madon inquired about the difficulties, if any, which were experienced by central banks in this respect. The Manager of the Poona Bank explained the position of his Bank with regard to the financing of a producers' society in Poona City and after full discussion, it was suggested that to ensure safety and to increase security, the following safeguards could be observed by a central bank in financing a producers' society of the type of the Twasta Kasar Society in Poona.

1. That the goods should be in possession of the Bank and that a board to that effect should be put up on the premises.

The Belgaum Pioneer Urban Bank, Limited.

26. Mr. B. B. Potdar.

The Hubli Urban Co-operative Bank, Limited.

27. Rao Saheb K. R. Walvekar.

The Nasik District Central Co-operative Bank, Limited.

28. Mr. G. N. Pethe,

29. „ K. N. Srikantaiah.

Others present :—

30. The Registrar, Co-operative Societies, Poona.
31. The Assistant Registrar, Co-operative Societies, C. D., Poona.
32. The do. do. B. D., Bombay.
33. The do. do. Sind.
34. The do. do. K. D., Nasik.
35. The do. do. N. D., Surat.
36. The do. do. S. D., Dharwar.
37. Mr. R. W. Patwardhan, Special Mamlatdar. C. S., Kopergaon.
38. Mr. K. B. Wadekar of the Dhulia Urban C. C. Society.
39. The Registrar of Co-operative Societies, Baroda.
40. Mr. Ganpatsing Raojising, Tal. Organizer, Kopergaon.
41. Mr. Kevalram Dayaram Shahani, Hyderabad, Sind.
42. Rao Bahadur Pritamdas, Hyderabad, Sind.
43. Mr. Desaibhai S. Patel. Hon. Organizer, Ahmedabad.

In commencing the proceedings, the Chairman welcomed the representatives of Central Banks and regretted that the time at their disposal would not permit of their taking up all the questions placed on the Agenda or discussing them at very great length. He hoped, however, that on the few questions they would take up for discussion they would have a full and frank discussion and arrive at decisions which may be acceptable to all central banks in the Presidency.

I. The Chairman then took up what appeared to him to be the two most important questions on the agenda prepared by the Provincial Bank and on the Supplementary agenda framed at the suggestion of Central Banks. The first item related to the granting of permission to central banks to keep deposits with other central banks as with the Provincial Bank. The second point was the extent to which the Co-operative Department and the Provincial Bank should interfere in the internal management of central banks. With regard to the first matter, the Chairman mentioned that the Broach and Karnatak District Banks had asked for permission to keep deposits with other central banks as the rates quoted by this Bank were not high enough. In regard to the second matter, the Chairman said that at the desire of Co-operators in the Presidency, the Bombay Central Bank had assumed the responsibility of a Provincial Bank, but all the same if the feeling among the central banks was that no apical institution was required, the Board of Directors of the Bank were quite prepared to reconsider their position. Mr. Rothfeld, Registrar of Co-operative Societies, at this stage explained in detail the principles underlying the financial structure of co-operative movement in the Bombay Presidency and showed how the Bombay Central Co-operative Bank had given to be accepted as the Provincial Bank as a logical outcome of recent development. He pointed out the advantages which the movement had obtained as the result of the financial backing of the Provincial Bank and of the disciplined organization which they had built up. He was glad to find that to a certain extent the lines of their organization were being imitated in a country so well advanced in co-operative matters as France; and he, therefore, urged the representatives of central banks to stick to the present lines of development and to accept the ideal of a federal structure. Inter-lending or borrowing from outside should, in his view, be treated as exceptions which

would have to be justified on the score of special local circumstances. It was resolved that this meeting accepted the present position of a linked organization with Provincial Bank at the apex and considers that inter-lending or borrowings from outside should be permitted only as exceptions after careful consideration of local circumstances.

II. With regard to the intervention by the Co-operative Department and the Bank in the working of District Banks, it appeared that the East Khandesh Central Co-operative Bank which had asked the subject to be placed on the agenda did not want to discuss it as a general question of policy, but had a specific grievance which it thought, it would be best to consider and settle at a conference of central banks. As the general feeling was that a specific complaint like that referred to should be better settled by an informal roundtable talk among those concerned rather than be discussed at a large meeting which could not have time to go into details, the Chairman of the East Khandesh Bank agreed to place the difficulties before a committee which would examine all the papers relating to the matter. He added that he had confidence that the Registrar and the Bank authorities would appreciate his point of view if they were placed in full possession of the facts. It was resolved that the complaint of the East Khandesh Central Co-operative Bank mentioned in item (I) of the supplementary agenda should be referred to a Sub-Committee consisting of the following :—

1. The Registrar, Co-operative Societies.
2. B. F. Madon, Esqr.
3. Rao Sahab K. R. Walwekar.
4. V. L. Mehta, Esq.

III. In view of the decision of the Provincial Bank to issue additional shares, the Chairman then selected for discussion item 2 on the supplementary agenda suggested by the East Khandesh Central Co-operative Bank. Under this it was proposed that the share holding by the central banks in the Provincial Bank should be on the basis of borrowings and not in proportion to the share capital as was decided at last year's meeting. This view did not find general support and it was explained that the difficulties the Bank would experience in having some portion of the capital withdrawn from investment with co-operative societies could be met by the grant of some additional credits. In view of the present rate of dividend on the Bank's shares, it was explained that no loss of interest or hardship would be caused to Central Banks. The Chairman of the East Khandesh Bank after some discussion agreed to withdraw the proposal provided he was left free to negotiate direct with the Provincial Bank on the subject of share-holding. No resolution was, therefore, adopted on this item.

At this stage as Mr. Rothfeld proposed to leave the meeting, the Chairman addressed to him on behalf of those present a few words of farewell greeting. While doing so, the Chairman thanked Mr. Rothfeld for his assistance in emphasizing the need for all the component parts of the financial organization standing together and for his help in bringing about a better understanding between the Central and Provincial Banks. Mr. Rothfeld thanked the Chairman and the representatives of Central Banks for their kind words of farewell and for the assistance they had given him in his work.

IV. The next item taken up for consideration was whether a definite standard should be prescribed for the maintenance of fluid resource against short-term and fixed deposits. It was generally agreed that there was no need to prescribe any definite standard and that the Directors of Central Banks should be requested to watch the position and fix their own standard according to local circumstances.

V. The next item was the financing of producers' and consumers' societies, whether it should be taken by Central Banks and if so on what basis. At the outset, Mr. B. F. Madon inquired about the difficulties, if any, which were experienced by central banks in this respect. The Manager of the Poona Bank explained the position of his Bank with regard to the financing of a producers' society in Poona City and after full discussion, it was suggested that to ensure safety and to increase security, the following safeguards could be observed by a central bank in financing a producers' society of the type of the Twasta Kasar Society in Poona.

1. That the goods should be in possession of the Bank and that a board to that effect should be put up on the premises.

2. That a letter of hypothecation should be taken from the borrowing society.
3. That the additional security would be afforded if the society drew a hundi on the buyer of goods and the bank obtained the acceptance of the buyer before making an advance.

VI. As there were no definite suggestions with regard to the general question of the relation of central banks to agricultural purchase and sale, it was decided to drop the matter. It was announced, on behalf of the Provincial Bank, that it was prepared to undertake the sale of cotton in Bombay consigned by co-operative societies, and representatives of societies and the banks present were requested to send their suggestions or proposals for the consideration of the Board.

VII. The meeting accepted the Registrar's suggestion that sale societies should be financed to the full extent required by taking the produce delivered for sale by members in pledge and by appointing a clerk to watch transactions.

VIII. With reference to the proposed withdrawal by Government of the concession in respect of free issue of Remittance Transfer Receipts, it was resolved to support the resolution to be moved at the next day's sitting of the Provincial Conference. Further efforts, it was suggested, should be made to introduce the system of reverse drafts.

IX. The Chairman next took up the first item on the agenda namely, determination of the rate of interest on advances by the Provincial Banks to Central Banks. Rao Bahadur A. U. Malji urged the reduction of the rate on Government borrowings. Mr. Rajadnya raised the point that as out of the Bank's resources the larger portion represented the surpluses of co-operative institutions the lending rate could be reduced, if these bodies were allowed lower interest. On behalf of the Provincial Bank it was explained that the bulk of the Bank's capital was derived from urban and central banks, on which interest of 6% had still to be paid, as the banks refused to be satisfied with anything less. For short-term requirements reduced rates were at present being quoted, and it was generally agreed that the matter should be held over, until it was definitely established that the money market enabled deposits to be raised at lower rates of interest.

X. It was resolved that the suggestion of the Karnatak Bank to open accounts on behalf of district central banks in Taluka and Huzur Treasuries and to allow central banks to draw on these by the issue of cheques as also the similar proposal put before the Provincial Conference by the Manager of Provincial Bank were referred to the Bank which was requested to correspond in the matter with the Registrar and the Controller of Currency.

XI. The second proposal of the Karnatak Bank related to the advance of Tagavi direct to district banks instead of through the Provincial Bank. As there was no support forthcoming for this proposal from other banks which had hitherto no transactions in Tagavi loans, it was resolved that if it so desired, the Karnatak Bank should approach Government in the matter direct.

XII. The Broach Bank in its first suggestion requested the Provincial Bank to accept deposits in savings account in excess of the present limit fixed at Rs. 5,000. It was resolved that the limit for central Banks should be increased provisionally to Rs. 10,000 and if necessary the matter might be re-considered next year.

XIII. The next proposal of the Broach Bank related to the grant of overdrafts on the security of short-term deposits and the fixing of a uniform rate of interest. The former proposal it was urged, was based on a resolution of the Central Bank's Conference held at Poona last year. On its being pointed out that the resolution approved of the grant of short-term loans or overdrafts against fixed deposits and not the grant of overdrafts against short-term deposits, it was decided to drop the matter for the present.

The meeting dispersed with a vote of thanks to the representatives of Central Banks and the other guests present. The Chairman hoped that such gatherings would become a regular feature of their business relations, as, in his opinion, they tended to strengthen the links between the component units of the movement.

LALUBHAI SAMALDAS,
Chairman,

The Bombay Provincial Co-operative Bank Limited.

Bombay, 30th October 1923.

APPENDIX X.

Proceedings of an informal meeting of the delegates to consider the question of affiliation of Native States to the Bombay Central Co-operative Institute and other questions.

Delegates present:—Rao Bahadur A. U. Malji, Rao Bahadur S. D. Garud, Rao Bahadur S. S. Talmaki, The Registrar of Co-operative Societies, Baroda, the Registrar of Co-operative Societies, Hyderabad, (Deccan), Messrs. C. B. Huli, A. C. Desai, P. S. Ramrao, N. P. Bhagwat, L. S. Potnis, P. H. Banatwala, D. A. Shah, L. K. Bhagwat, J. K. Parulkar, A. V. Patwardhan, P. K. Jambhekar, R. N. Rajadnya, P. C. Kelkar, M. M. Basrur, B. S. Shirolkar, D. Y. Bhonsle, Rao Saheb G. H. Desai, Rao Saheb K. R. Valvekar, the State Karbhari of Phaltan State and others.

Rao Bahadur S. D. Garud was voted to the chair.

Resolved that Societies in Indian States may join the Institute individually or organise a local Institute, and make that Institute, a member of the Central Institute, on such conditions as may be mutually agreed upon.

Resolved that this meeting approves of the proposal to send delegates and exhibits to the Co-operative Exhibition at Ghent. The details should be worked out by the Standing Committee of the Institute in consultation with the Registrar and the Provincial Bank.

Resolved that this meeting requests the various branches of the Institute to collect subscriptions from individuals and Societies for the Sir Vithaldas Thackersey Memorial Fund.

S. D. GARUD,
Chairman.

APPENDIX XI.

AGRICULTURAL EXHIBITION.

Held at Poona Agricultural College,

on

Monday, September 24, 1923.

from 7.30 to 10 A. M.

Specially arranged for the benefit of members of the Co-operative Conference.

The exhibits are in the following places:—

- (1) The Main Hall of the College (in which the majority of the exhibits are grouped).
- (2) The Museum of the College (also in the centre block of the College) in which the indoor exhibits of the agricultural and dairying sections are housed.
- (3) The lower chemical laboratory (in the right block of the College), in which the chemical exhibits will be found.
- (4) The grounds just between these two blocks and at the back of the main block where the dairy animals and those for veterinary demonstration are placed.
- (5) The implement sheds of the farm.

Note:—The College is about $2\frac{1}{2}$ miles from the Poona Post Office and is on the Ganeshkhind Road.

A tonga takes about half an hour to cover the above distance. Volunteers distinguished by a scarf on the sleeve will conduct visitors and demonstrate the exhibits. The Members of the College Staff will be delighted to explain any points.

W. BURNS.

Ag. Principal.

22-9-1923.

Agricultural Section.

- I. The Agricultural College farm, Poona is divided into three sections, viz:—
 - A. The Dry Crop Block
 - B. The Irrigated Crop Block
 - C. The Mal Land

In the Dry Crop Block, jowar, cotton, bajri, groundnuts and kulthi are being grown, on what is known as "Dry Farming methods" which, one may summarise, consist of a good ploughing and further preparation of land to absorb every bit of rainfall, sowing the seeds in such a way as to facilitate frequent intertillage so that a perfect dry mulch can be maintained and thus as much of the moisture as possible secured for the growing crops.

The rainfall upto now has been only 13 inches from May which is nearly $3\frac{1}{2}$ inches below the average that ought to have fallen by this time. Of this 13 inches 3.78 inches fell only in the last week. Besides, there has been a long break of nearly 30 days until 10th September during which time the crops have all been maintained in good growing condition on the mere strength of frequent inter-tillage and the bajri crop has been very good.

In the Irrigated Block are found growing various important garden crops such as turmeric, ginger, suran (elephants-foot), chillies, cabbage, pan (betel-vine), guinea grass, elephant grass, brinjals &c., &c.

In the Mal Land is a big strip where embankments have been put up in order to prevent erosion and washing off of soils during rain or floods.

Various useful improved implements have also been arranged in the farm implement shed for view.

Owing to the recent heavy rain, the soil is unworkable, and demonstration of implements working is impossible.

Dairy Section.

1. In Museum:— Foodstuffs, cheese, butter &c.
2. Outside:—Dairy animals of early maturity and good milk yield with their records.

Chemistry Section.

I. Examination of Milk:—

- (1) Determination of Fat per cent.:—This indicates whether the milk is rich or poor for the production of butter.
- (2) Lactometer test:—This shows the Specific Gravity of milk and approximately indicates the quality of milk and the probable amount of water added.
- (3) Total solids:—The most reliable method of determining the quality of milk and of finding the quantity of water added.

II. Examination of Butter and Ghee:—

- (1) Butyro-Refractometer:—The instrument serves as a preliminary test to find out the purity of butter or ghee.
- (2) Volatile fatty acids:—The most reliable chemical method of determining the purity of butter or ghee and indicates adulteration with other fats or oils.
- (3) Iodine test:—The presence of any flour to a butter sample is easily shown.

III. Microscopic Examination of Flours:—

- (1) Pure wheat:—Rounded grains with rings.
- (2) Pure maize:—Angular grains with a dot in the middle.
- (3) Mixture of wheat and maize:—Adulteration of costly flours with cheap ones can thus be detected.

IV. Examination—Food materials, oil seeds &c.:—

- (1) Determination of Fat:—The value of a food material or an oil seed depends on the percentage of fat which can be accurately determined by this process.
- (2) Determination of Fibre:—This indicates the indigestible portion in the food.
- (3) Detection of poisonous substances in food.
 - (a) Hydrocyanic acid.
 - (b) Resin &c.

V. Examination of Manures:—

- (1) Determination of Nitrogen:—The value of most manures depends on the percentage of nitrogen present.
- (2) Determination of sand:—This simple test indicates any earthy material added to the manure as an adulterant.

VI. Important minerals and Rocks of the Bombay Presidency from which all the agricultural lands are derived.

Botany Section.

In this section are placed exhibits which show among others the results so far attained of researches on subjects such as Lavala, Potato, Grass, Bajri &c. and which also indicate stages in the progress of the researches. Some of the exhibits are plants of economic importance and others illustrate a few facts of plant life. Explanatory labels accompanying each exhibit give detailed information.

The *bajri* exhibits show a variety collection of different types of *bajri* ears and a few whole plants. The collection suggests lines on which selection of types should proceed in order to attain the object aimed at, namely, that of evolving races of plants that are most drought-resisting and at the same time high-yielding.

The *lavala* exhibits are supremely interesting. They show the tenacity of life of the plant, its activities, the depth to which it reaches and the contrivances adopted by it to retain its vitality. Those phases of its life history have suggested its weak points and the direction in which an attack must be made to eradicate it. Some tubers exposed to sun and others in normal condition of health are also shown.

The grasses exhibited provide a guide to the selection of types useful as fodder grasses, kinds of grasses growing in *mal* land and in areas of low rain fall. The exhibits include kinds useful as mixtures for pastures in different tracts of the Bombay Presidency.

Lastly there are some exhibits that demonstrate to the physiology of plant life such as conduction of water to the leaves and roots and the pressure exerted by the roots for the purpose of forcing food-containing water to the upper parts of the plants. There are some more exhibits of plants of economic importance such as camphor, rubber &c.

Horticultural Section.

1. Different types of lemons.
2. Lemon, Toddy, Pomegranate, and Jambhul juices. (a) Raw, (b) Filtered and bottled at different times.
3. Tomatoes. Country, Greater Baltimor and Bonny Best (Two American varieties introduced from U. S. A. in 1922). Spiced tomato pulps of country and American varieties.
4. Figs. Poona, Basra white, Basra black, preserved in solution. Dried figs. sulphured and sun-dried Poona fig. Afghanistan fig purchased for the market.
5. Insects attacking fruit crops—See Entomological Section.

Mycology Section.

Plant Diseases to Eungi.

(1) Koloroga or Gal disease of Supari, (2) Jowar Smuts (Kani), (3) Grape vine Mildew, (4) Ring Disease of Potatoes, (5) Tikka Disease of Groundnut, (6) Red Rot of Sugarcane.

Entomological Section.

I. Insecticides:—

- (1) Stomach Poisons:—Lead Arsenate, and Paris green.
- (2) Contact Poisons:—Fish oil, Resin soap, Kerosene oil emulsion, Lime sulphur wash, Resin compound.
- (3) Spraying materials:—Copper Sulphate in packet and ordinary, Lime, Resin, Soda and Sulphur.

- (4) Sprayers:—4, 2½, 1, and ½ gallon capacity.
- (5) Dusting machines.
- II. Lac-Stick. Silk-worms (Eri and Seri).
- III. Effect of Insecticides:—
 - (1) Stomach Poison—Plants with caterpillars, unsprayed, and sprayed.
 - (2) Contact Poison—Plants with Aphis unsprayed, and sprayed.
- IV. Important Insects on Economic crops.
- V. Fumigation—Method.

Veterinary Section.

In the Hall.

1. Six Models of the ear, brain, lungs, skin, eye and heart.
2. Bovine foetus.
3. Cutaneous myiasis producing (Maggot-producing) flies in animals.
4. Internal parasites of domestic animals.
5. Probang.
6. Trocar and Cannula.
7. Truss for prolapsus of uterus in cows.
8. Nose punch.

Outside the Hall.

9. The new method of castration of the bovine male.
10. Nasal drenching.
11. Lavage (Gastro-intestinal)

Soil Physics Section.

1. Capillary rise of moisture in the soil in different directions, viz. vertical, slanting (45 degrees), and horizontal.
2. Absorption of heat by soils of different colours.
3. Effect of lime or superphosphate on the percolation of water through the soil.
4. Determination of the various sizes of soil particles.
5. Permeability of puddled and unpuddled soil.

Engineering & Physics Section.

1. Models of roof trusses:— These are for different spans.
2. Models of gates:— show various types of farm gates and stiles.
3. Model of an engine crank:— shows how horizontal motion is turned to circular.
4. Model of a worm gear:— shows how motion can be transferred at right angles to the original.
5. Model of screw motion:— shows how circular motion is turned to horizontal.
6. Transmission of power:— shows how power can be transmitted and increased or decreased by a system of pulleys and belting.
7. Archimedean Screw:— for lifting water to small heights.
8. Water wheels and Turbines:— show how water power can be used for working machinery.
9. Hydrometers:—
Lactometer for testing milk. Salinometer for testing salt solutions. Saccharometer for sugar solutions.
10. Pulleys:— Various systems to lift up weights with advantage.
11. Models of Pumps and Valves:— show various types of pumps for lifting water and valves used in the pumps.
12. Model of a Hydraulic Press:— shows how small pressure is utilised to work more.

13. All about weather and rain:— Shows how rain can be foretold by the help of various instruments like Barometers, Thermometers, Hygrodeik, and clouds. Rain gauge for recording rain. Chart showing rainfall distribution in India.

AN ACCOUNT OF THE EXHIBITION.

(Reprinted from the *Times of India*, dated 27th September 1923.)

No better exemplification of the principles of the co-operative movement could possibly have been given to the Co-operative Conference delegates than that of the Exhibition especially arranged for them at the Agricultural College this morning. It was a practical and effective demonstration of the way in which science is co-operating with labour to produce the best results and the many phases of work shown undoubtedly proved of the greatest value to all the delegates. There was something for everyone. The main aim of the organisers seemed to be to show not only how things should be done, nor even how they can be done, but actually as they must be done in order to give paying results.

Most of the buildings of the College were utilised and each was very well attended by enthusiastic delegates. The farm was a particularly strong magnet showing, as it did, the three main blocks devoted to dry crops, irrigated crops, and *mal* land. In the first section cotton, jowar, bajri, kulthi and groundnuts were being grown on what is termed the "dry farming method," which, in a phrase or two, consists of a very good ploughing and other working of the soil to make it absorb every drop of the rainfall, and then sowing the seeds in such a way as to facilitate frequent inter-tillage so that a perfect dry mulch can be obtained, which will secure as much moisture as is obtainable. This method was particularly interesting to those delegates from districts which are liable to draught.

Round the corner from the main building was to be found the dairy herd, where valuable advice was to be obtained on breeding, feeding, and milking. The excellent and steady milk yield of some of these animals was certainly something to be proud of. One buffalo for instance, gave 32,000 lbs. of milk during the past five months. Another phase of particular interest was the early maturity of these good milch animals, beautiful calves being obtained before the animals were three years old. Inside the hall were demonstrations of butter and cheese-making. There also was a specimen of a spineless cactus equally as good as any which Burbank has produced and which the Agricultural College is propagating from a supply unexpectedly discovered in the garden of a bungalow near the Poona race-course.

Chemical Research.

A trip upstairs to the chemical laboratory showed the facilities offered to all agriculturists for the analytical testing of milk, butter, ghee, flour, oil seeds, soils, and manures, in addition to the methods of ascertaining the presence of poisons in foodstuffs. Coming downstairs again the farmer, who has been waging a losing warfare against plant and insect pests, must have been greatly encouraged by the detailed display of the ways to discover, counteract or prevent damage being done either to fruits, grains or plants.

One of the most interesting of all the sections was perhaps the engineering and physics section, in which not only were all the principles of elementary engineering made very plain and simple and their application to farm life clearly shown, but there were also a host of working models of the gates, stiles and fences suitable for Indian farms, whilst the working of raingauges and barometers were so lucidly explained as to make any farmer confident of being an infallible weather prophet. In addition to all this, there were a host of other operations being conducted, such as boring and cane-crushing and water-lifting, together with a very interesting veterinary demonstration showing the new and very simple methods of nasal drenching and gastro-intestinal lavage for sick animals.

Dr. H. H. Mann, Director of Agriculture, and Dr. W. Burns, Principal of the College undoubtedly demonstrated the absolute necessity of co-operation not only among the cultivators themselves, but also between the Government experts and the cultivators, and if the Exhibition has done nothing else but convince the farmer that Government is eager to help him solve all his difficulties, then it has served its purpose and made itself one of the most important features of the Co-operative Conference.

APPENDIX XII.

Fodder supply especially in Famine Tracts.

(By B. S. Shirolkar Esq. B. A., Mamlatdar, Sindgi, Dist. Bijapur.)

Mr. President and Gentlemen, Fodder which seems to be of little or no value in areas where rainfall is pretty assured, and which does not attract so much attention in good years, is of most vital importance with agriculturists in areas, where the rainfall is scanty and precarious. In times of scarcity even in favourable tracts its importance is felt. It is of great concern with agriculturists in tracts like Sindgi taluka, which so often fall an easy victim to ravages of famine and scarcity. During the last five years, the agriculturists here had to face three years of scarcity and famine. You can well imagine to yourselves their difficulties. Owing to these frequent visitations, fodder has become scarce, and even rich agriculturists had to part with their bullocks on account of the exorbitant cost of their maintenance. I know of instances where bullocks worth Rs. 80 or so were sold for Rs. 10 or so. They had again to purchase bullocks in the next season at high rates. Thus they had to incur double loss on account of their bullocks.

2. Unlike foodgrains, fodder cannot easily be imported from outside on account of difficulties of transport. During the last scarcity, fodder rose abnormally high, although the price of foodgrains remained steady. It is not safe to bring fodder from an outside area, as it is liable to accidents by fire. Such being the case no trader dares to deal in fodder or invest his capital in the bargain. At the critical situation, therefore, the ignorant ryot is at his wits' end and is left without any means to help himself. He must either purchase fodder at high rates by incurring debts and save his bullocks or sell them at nominal prices and again buy them next season. I know of an instance in the year 1919, when fodder was selling Rs. 35 per cart, a rich agriculturist with his 24 or 30 good bullocks had to spend all his profits he realised from cotton in previous years (when cotton brought phenomenal prices) and had to keep all his bullocks engaged in going to and coming from a distance of 30 miles or so in Moglai in carrying fodder.

3. These difficulties are placed here with a view to attract the attention of men of great intellect and experience to this most important and difficult problem with agriculturists. In good years, fodder has no appreciable value; and a lavish use is made thereof. Nearly half the quantity is wasted or uneconomically consumed. Owing to the want of economic foresight, ignorance of the advantages of combined effort, co-operative action and mutual trust, agriculturists are unable to store the minimum quantity of *kudbi* that is necessarily required for use in bad years. On account of factions, which are not rare in these parts, they apprehend danger from incendiarism. Generally therefore even if he gets more quantity of fodder than is required for use, he sells the same at a time when the rate is cheaper with a view to get something out of it. It is a circumstance within the experience of everybody that fodder, even in good years, rises in price in September or October by nearly 50 or 60 per cent., as during these months the bullocks are required to be fed on nutritious fodder, as they have to work hard. He would easily earn this profit, if as he were to keep his stock for at least six months with him. But in practice we see that he does not profit himself by this rise in price. It is of utmost importance that we should help the ignorant ryot to realise this profit to which he is justly entitled. If single-handed he cannot achieve this, he should be made to combine and co-operate with others, and thus make an united effort and try to save and keep the fodder safe, till it brings him good profits. This would convince him that fodder has its own value and *jawari*-growing is not unprofitable. Thereby he would bring more land under *jawari* and the result would be that the cereal would be cheaper. Cheap *jawari* is a boon to all. It lowers the cost of living and everybody would be happier.

4. To turn to the point, even though the rise in prices after six months is certain, still we find that no shrewd trader's attention is directed to this fact. The reasons are

obvious. It is not possible to supply a large tract with fodder in times of scarcity from outside, even though there is railway communication; for the supply must always be limited to the extent the rolling stock is available for the carrying of fodder.

5. Thus therefore, even if the neighbouring districts do good, as in the last season, it is of no practical help to the cultivators in affected tracts to keep their cattle alive. Hence some schemes should be devised whereby the ryot would get fodder locally if possible in his very village, for the use of his plough bullocks at least in times of scarcity or famine.

6. It is with this end in view that when I was a Mamlatdar in this very taluka in 1920, about 22 fodder societies were established under the orders and the guidance of the then Commissioner S. D., Mr. L. J. Mountford. These societies had to face two years of scarcity or famine; still we find that they are with the exception of one all doing well. The original capital in kind with them though small has increased in some cases more than 100 per cent. This shows that they are working on good lines and if proper supervision is exercised and more attention is paid, they can be of use in time of scarcity in supplying fodder locally to agriculturists. The ryots have realised the advantages of these societies. Moreover as practical examples, they have proved their utility. Many villagers were willing to start new societies last year, but again the bad season came in their way. As the crops failed over $\frac{2}{3}$ of the area of the taluka, no more work could be done.

7. A brief outline of the scheme is, I think, necessary to give a clear idea as to how these societies are run by agriculturists themselves. We select 5 or 7 panchas according to the size of the village; if there be any factions, they are from both the parties. They with the village officers draw up a list of ryots, who have actually grown jawari crops during the year. They are requested to enlist their names as members by paying an entrance fee in kind—say 100 lbs of *kabdi*. Well-to-do and enthusiastic agriculturists are requested to give 100 lbs. or 200 lbs. more as donations to the society. Ryots, who have no fodder, are asked to pay the fee in cash equivalent to the price of 100 lbs. of *kabdi*. The cash thus recovered is utilised for initiatory expenses. Agriculturists, who have grown sufficient *jawari*, are requested to deposit their excess fodder, which would otherwise be wasted by farm servants etc. with the society. A receipt is paid to them giving the details of fodder received from them. A *khata* book and *kird* are also opened and entries are made therein. These are the only registers kept to note the transactions. The fodder is weighed, before it is received by a spring balance (100 lbs.), as generally we find that the *rabi kabdi* is not of uniform length. Then the fodder is stacked in a conspicuous place either in Gaathan, Government waste or Gairan near the village site, so that it is always under the eye of the villagers. The stack is protected by a Babul hedge all round. About 15 toddy baskets filled with earth and an equal number of wide-mouthed earthen jars filled with water are kept near by for use against any accident. The patil is the custodian and the village mahars and walikars watch it. The stacks being considered Government property, there is no danger from incendiarism.

8. The fodder realised by fees and donations is the property of the society itself; that received as deposit belongs to the respective ryot. It is received in harvest time, before the ryot carries it to his house from field, i.e. in April of every year. In September or so, the deposit fodder is sold at the option of the depositor, and the amount realised is paid to him after deducting 10 per cent. as expenses, and his receipt is taken in the *khata*. If a ryot deposits 1000 lbs., it is sold for Rs. 15, market price Rs. 10 at the time of deposit. He must pay Rs. $\frac{1}{8}$ and he will receive Rs. $\frac{13}{8}$. This on a six months' holding will be 70 per cent. profit, which is ample. It is not intended to encourage speculative dealings in *kabdi* and no one is allowed to buy *kabdi* to put in deposit, as he would be obtaining the very profit we wish the ryot himself to obtain. For the first year early return and good profits should be our watchword.

9. One of the objects of the society is to have a sufficient stock of fodder available in every village itself for use in times of scarcity. The fodder of the society (received as fees and donations) is the means to achieve the end. If the next harvest forebodes to be good (this we can clearly see in September), the society should lend its fodder on *Wat* system (on condition of returning the fodder, with interest in kind in next harvest). Every year there is such a demand for fodder and it is generally returned

next harvest with an interest in kind of 40-50 per cent. It is easy in this way yearly automatically raise the quantity. In fact, all these societies we have established in the past have done this. In good years, an attempt should be made to receive fresh quantities from well-to-do agriculturists in times of harvest and added to the existing stock. In this way by proper supervision, judicious management, careful watching and timely changing of the fodder and replacing the same, in a few years (five or six) the society should be able to have on hand its own fodder sufficient for the villagers for at least one or six months.

10. I would respectfully suggest here other schemes for meeting the difficulties of the ryots in this respect. They are:—

- (1) Fodder Insurance Societies on the basis of share capital as in Mahomedan co-operative credit societies in Sind.
- (2) Cattle-feeding Insurance societies.
- (3) Communal cattle-feeding in days of scarcity.

Under (1) the society should buy and store fodder necessary for the village cattle (both for plough and milch) for use in famine. The society may be established for one village or a group of neighbouring villages. Each member should yearly pay Rs. 5 or 10 for five or six years. The amount thus collected should be yearly used for purchasing fodder in harvest time. In October or so, it should be lent on *Wat* system, on condition that it should be returned next harvest time with interest in kind. In 5 or 6 years there would be a stock of fodder sufficient for at least six months in scarcity for village cattle. The stock should be replenished every year with fresh fodder. Profit after 5 years, got by lending should be distributed among members.

Under (2) the object is to provide fodder for feeding insured plough bullocks or other cattle at an uniform rate—say 25 or 33 per cent. higher than the normal rate—for a period of six months or so in times of scarcity. A reasonable amount should be recovered every year as premium per head of cattle insured. The amount recovered should be used in purchasing fodder in harvest times. It should be increased by lending the same in October or so and again adding to the stock by fresh purchases every year. If the ryot is assured that by paying a small premium per head of cattle every year, he can have in times of scarcity sufficient fodder at a reasonable rate, he would be willing to insure at least a minimum number of bullocks necessary for carrying on his agricultural business.

Under (3) even in years of scarcity it is possible to grow fodder crops by means of irrigation on the side of rivers or *nalas* either by pumping or by *moats*. If a society is established to feed bullocks at such places during scarcity, it would be of great help to ryots. Ryots are unwilling to send their cattle to Malnad during famine, for the climate there does not suit the health of the cattle born on this side. If any such provision is made in every tract, many ryots would take advantage of the same. I think Government if approached, would gladly assist such societies by advancing *tagai* or leasing out lands free of rent or securing lands near riverside on reasonable rental to the society. There would be no difficulty of securing such plots of land in famine area.

11. The activities of the Co-operative and Agricultural Departments have been limited, so far to rich districts like Dharwar, Belgaum and Khandesh. It is time that these departments should stretch a helping hand to ryots in famine areas, where the help is needed so badly. In these tracts the co-operative credit societies are not doing good. They are suffering on account of failure of timely repayment of instalments of loans advanced. These societies have been of no help in times of scarcity. It is therefore necessary that the Co-operative Department should reverse its programme in these areas and try to establish non-credit societies (fodder and grain societies) and try to make them a success. The primary object of founding hospitals is for nursing and curing the sick. So the Agricultural and Co-operative Departments should try to revive the sinking economy in these tracts. For, the poet sayeth

“A bold peasantry, its country's pride,
“When once destroyed, can never be supplied.”

With these few words I beg to conclude.
