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THE
JOINT REORGANISATION REPORT
ON
CO-OPERATIVE MOVEMENT

BY

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&

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PREFACE.

At the conclusion of the Bombay Province Co-operative Banks' Conference held in August 1938, the Chairman of the Conference Prof. V. G. Kale gave expression to the desire of co-operators that the Joint Reorganization Report submitted to the Government of Bombay by Mr. M. D. Bhansali, I. C. S., Registrar of Co-operative Societies, and Mr. V. L. Mehta, Managing Director of the Bombay Provincial Co-operative Bank, Ltd., should be published for the information and guidance of co-operators and co-operative institutions. This desire of co-operators, as voiced by the Chairman of the Banks' Conference, was communicated to Government, and Government were pleased to accede the request in a communication received from the Registrar of Co-operative Societies on 14th June 1939. Accordingly, as desired by the Conference, the Report is now made available under the directions of the Standing Committee of the Banks' Conference.

It will be seen from the Report that it contains mostly a series of recommendations to Government. The reasons for arriving at the various conclusions have not been given in detail, because the Report was originally intended not for publication but merely for consideration by Government. The Report also does not cover all the detailed aspects of the co-operative movement, but contains recommendations on the matters referred for investigation according to Government Resolution No. 7363/33 of 6-9-37 the text of which is published as an Appendix.

The orders of Government on the Report have been published under Government Resolutions, No. 7363/33 (R. D.) of 15th March 1938 and No. 7363/33-II (R. D.) of 3rd Feb. 1939 which are reproduced in the BOMBAY CO-OPERATIVE QUARTERLY of March 1938 (Vol XXI No. IV) and March 1939 (Vol XXII No. IV).

BOMBAY, 12th July. 1939.

VAIKUNTH L. MEHTA,
Secretary,
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B. P. C. Banks' Conference.

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JOINT REORGANIZATION REPORT BY Mr. V. L. MEHTA AND THE REGISTRAR, CO-OPERATIVE SOCIETIES.

(1) *The proper method of dealing with such of the assets of agricultural credit societies and their central financing agencies as have become frozen.*

I. How Co-operative Societies can be made to work on a more stable basis.

(A) Agricultural Credit (Unlimited).

(See paragraph 38 of the Reserve Bank Report).

Out of the profits, 10 per cent. should be invested in the debentures of the Bombay Provincial Co-operative Land Mortgage Bank which Government would guarantee in respect of principal and interest. Such accumulations will not be available to the societies except with the Registrar's sanction, which will be given in special circumstances, *e. g.*,

- (1) Famine,
- (2) Sudden calamity,
- (3) On liquidation.

Local deposits from members and non-members must be encouraged.

The word "local" includes an area of within five miles.

Except with regard to deposits which are in the nature of compulsory deposits, the society shall arrange to pay an annual levy of about $\frac{1}{2}$ per cent. on the amount of its deposits to the Central Bank which can make funds available, when required, for the repayment of such deposits so as to provide credit societies with fluid resources for the payment of fixed deposits on maturity.

(B) Other Societies.

The entire reserve fund or an amount equal to deposit liabilities, whichever be less, should be invested under investments permitted under Section 20 of the Indian Trusts Act, except that no investment should be in immoveable property without the prior sanction of the Registrar.

The above principle should apply to all societies which obtain any portion of their working capital by deposits.

A central fund to be administered by a Committee of Management should be created by the levy of a small percentage contribution not exceeding 5 per cent. on the annual profits of such societies to serve as a stabilizing fund for the movement. It should be invested in the debentures of the Bombay Provincial Co-operative Land Mortgage Bank to the extent the principal and interest are guaranteed by Government. The Central Fund so created will not be available to any individual society, but the Committee of Management may permit from out of the interest recoveries in any year its use to any society or societies for meeting any sudden emergency or calamity. Repayment may be with or without interest. The Fund may also be utilized at the discretion of the Committee of Management to help a society to tide over any emergent crisis, provided, in the opinion of the Committee of Management, repayment is assured and the safety of the Fund is not likely to be jeopardised.

All societies which obtain any portion of their working capital by deposits and do banking business as defined in Section 277 (f) of the Indian Companies Act, shall in addition to the separate investment of the reserve fund, maintain fluid resources on the basis laid down in the Indian Companies Act (vide Section 277L).

(C) All Societies.

Where losses occur continuously over a period of three years, sanction should be obtained with a view to write them off from the reserve fund.

II. Overdues.

(A) Agricultural Credit Societies Unlimited.

(1) Overdues and Extensions.

The existing policy that all loans outstanding, not recovered on the due date and not extended are overdues, should be continued.

Bye-law 34 in old leaflet A and bye-law 42 of leaflet A (1) that extensions should be formally sanctioned for one year by the committee and beyond one year by the general meeting with the previous approval of the financing agency require to be scrupulously observed

and the grant of extension should be dependent on the consent of the sureties. In cases where extension is not granted, a notice of demand should be served on the principal borrower and his sureties and arbitration proceedings started after the period of the notice of demand expires. The period of the notice of demand should not ordinarily be less than one month or more than three months and bye-law 34 of old leaflet A, and by-law 42 of leaflet A (1) require to be amended, further to provide that if satisfactory repayments are not made within the period of the notice of demand, arbitration proceedings should ensue.

Loans outstanding are:-

- 1) loans not due;
- 2) loans overdue.

Overdue loans will consist of authorized overdues (i. e., extensions), and unauthorized overdues.

(2) Frozen overdues.

Where sufficient assets are available but no repayments are forthcoming by way of principal ^{and}/_{or} interest for a period exceeding three years, the amount defaulted shall be treated as a frozen overdue.

The Supervisor with the collaboration of the Bank Inspector should prepare a list of frozen overdues which will be checked by the Auditor at the time of audit.

An individual concession scheme on the lines of the scheme at present sanctioned for West Nasik District and the Canal areas should be sanctioned for one year in the first instance, with a view to effect full recoveries of principal and interest, except in so far as the concession is granted, within a maximum period of five years. Further finance in the case of person to whom the individual concession scheme is applied will be at a rate a quarter pie in excess of the rate sanctioned in the bye-laws and will not be in excess of repayments made by way of principal after recovery of the interest for two years, if due.

The concession will only be permitted to an individual if adequate assets are mortgaged by him to the society.

Members may also be advised to have recourse to the Land Mortgage Bank if adequate assets and repaying capacity exist for the purpose or they may enter into hire-purchase bonds with the society after transferring the ownership of adequate assets to the society. Where advantage is not taken of the individual concession scheme and arrangement as suggested above is not feasible, the case should be referred to arbitration with a view to the transfer of available assets under Section 59 A. Where repayment is by annual instalments under a hire-purchase bond, a rebate for punctual repayments should be given which in no case should exceed the scale fixed under the individual concession scheme. Fresh finance will be on the mortgage of the crops and at a rate a quarter pie in excess of the rate fixed in the bye-laws. If as a result of these transactions losses arise, the margin between the lending and the borrowing rate will require to be widened, and where the lending rate is sufficiently high, the only method of widening the margin is for the financing agency to reduce its rate.

For the purpose of providing such loans on long term basis, the financing agency may approach the Provincial Land Mortgage Bank for a loan on the assignment or re-assignment of mortgage deeds in its possession and should pass the loan to the society at a rate not exceeding $\frac{1}{2}$ per cent. over the rate at which it borrows.

Normally, except for special reasons, e. g., in backward tracts, agricultural credit societies should have their lending rate one and three quarters pies or less and if with the margin so available, a society is not able to work at a profit, it will require to be taken into liquidation.

(3) Doubtful Debts.

Where the amount defaulted by a member by way of principal and interest is in excess of his assets and the available assets of his sureties and the interest arrears exceed three years, the debt should be considered doubtful.

The Auditors should prepare lists of doubtful debts at the next audit in collaboration with the Supervisors and the local Inspectors of the financing agencies.

In the case of doubtful debts, all available assets require to be mortgaged to the society, before any concessions are granted. Failing this, arbitration proceedings should ensue.

All recoveries must be credited to principal and accrued interest shown in a suspense account to be recovered later when possible. The concession to stop further accrual of interest on doubtful debts should be allowed individually if there is a genuine attempt to make repayments within a year at the end of which period it can be considered whether the concession is to be continued or not. Further finance on a restricted scale against repayments can only be on the security of the crops which should be mortgaged to the society and such finance should be at a rate of interest a quarter of a pie higher than the rate fixed in the bye-laws. If the society suffers a loss on the working of the scheme which it is not possible to write off from the reserve fund, the margin between the lending and the borrowing rates should be widened so as to ensure profit. Where the lending rate is sufficiently high, the only method of widening the margin is for the financing agency to reduce its rate and if this is not possible, the society will have to be taken into liquidation.

(4) Bad Debts.

Where a person has very inadequate repaying capacity and he and his sureties have no available assets, the debt shall be termed a bad debt and societies should be advised to obtain sanction for writing off such bad debts to the extent of their reserve fund less previous accumulated losses.

The Auditors at the next audit should prepare lists of bad debts with suggestions to the societies for obtaining necessary sanction to write them off. The Supervisors and local Inspectors of the financing agencies should help the Auditors in the preparation of the lists.

Where bad debts exceed the reserve fund less accumulated losses or where the reserve fund is not available, the margin between the lending and the borrowing rate should be widened, so as to ensure future profits from which the bad debts could be written off within a reasonable period of years.

Where the lending rate is sufficiently high, the only method of widening the margin is for the financing agency to reduce its rate and if this is not possible, the society will have to be taken into liquidation.

In the case of an individual who has bad debts which require to be written off, the view should be taken that he has ceased to be creditworthy and, therefore, cannot be given any fresh advance and requires to be dismembered, as provided in the bye-laws.

(B) Overdues of Financing Agencies.

'D' class societies which have continued to be in 'D' class for three years or more, have continuously made losses and have arrears of overdue interest exceeding three years should forthwith be taken into liquidation.

Where the outstandings from a society by way of principal and interest are likely to involve the financing agency in losses, recoveries should be so apportioned, between principal and interest, and fresh finance so allowed as to prevent an increase in the amount of the principal outstanding.

Financing agencies should not invest funds in immovable properties under Section 20 (e) of the Indian Trusts Act, however sound the investment may appear to be, except for the purpose of effecting recovery of their previous dues and for the construction of a building for their own use with the sanction of the Registrar. Where heavy overdues exist and are not covered by their long-term resources, financing agencies should obtain long term deposits to the extent of their needs at rates $\frac{1}{2}$ per cent. to 1 per cent. in excess of the yield on the Postal Cash Certificates.

Normally, financing agencies should be able to advance money to primaries at a rate not exceeding 3 per cent. over the rate at which they are able to obtain deposits and at present the lending rate should not exceed 1 pie. If it does, the position of the financing agency should be a matter for special investigation.

Bad and doubtful debts, heavy overdues of principal and interest, previous accumulated losses, expensive and inefficient management are the factors mainly responsible for inability to maintain a low rate of interest. In such cases, if the Registrar is satisfied that the Bank is making genuine attempts to deal with its overdues on the lines laid down and that the management is efficient and economical, he may recommend to the apex Bank to help the Central Banks with funds on the assets of A and B class societies and, if necessary, with a full or partial Government guarantee which should not normally extend beyond five years.

(C) Other Societies—(Non-Agricultural Credit.)

'D' class societies which have continued to be in 'D' class for three years or more, have continuously made losses and have arrears of overdue interest exceeding three years should forthwith be taken into liquidation.

The general principles laid down in the case of Agricultural Credit Societies (Unlimited) for the treatment of overdues should be examined with a view to their application on similar lines for Non-Agricultural Credit Societies and, where necessary, bye-laws should be amended to enable the societies to follow the principles laid down in consultation with their financing agency, if any.

III. Arbitration.

Where an award is sent for execution under Section 59 (1) (b), no fresh finance should be given to the member who requires to be dismembered as provided in the bye-laws of the society.

If satisfactory repayments are made before the award is sent for execution under Section 59 (1) (a), the society should consider whether the execution should be postponed and extension granted. If extension is not granted and unless the award itself gives time to the debtor, or the society wants to appeal against the award, the award should be sent for execution immediately. If necessary, bye-laws should be amended accordingly.

Select Registrar's nominees could be delegated with powers under Section 54 which would enable them to deal with cases direct from the societies. The Registrar's nominees should ordinarily decide the cases referred to them within two months and if for any reason more time is necessary, permission of the Assistant Registrar should be taken. The Registrar's nominee delegated with powers under Section 54 could also exercise powers under Section 55 which would enable him to deal expeditiously with cases of attachment.

Where payment is made to the arbitrator, a graduated scale should apply so as to induce expeditious disposal.

Section 64A requires to be amended to prevent vexatious appeals or references by way of revision applications when the appellate authority has confirmed the original order.

IV. Liquidation.

Where suitable non-officials are available for this work, they should be preferred for appointment as Liquidators. In particular, the Registrar's nominees could also suitably be entrusted with this work. Except for special reasons or in special areas, Auditors should not be appointed as Liquidators.

In compact areas where sufficient work is available, special liquidation officers who are officers of the Department or other suitable persons could be appointed, provided such appointments are self-supporting.

The present practice of appointing joint liquidators to represent the interests of the financing agency, if necessary, should continue.

In case of a society which is taken into liquidation, arbitration proceedings must have ensued in a majority of cases which should prevent the fraudulent transfer of assets by members. If, however, any tendency is noticed by the liquidator on the part of the members to evade unlimited liability by transfer of assets, he could move the arbitrator to issue orders of attachment pending award under Section 55 or obtain security under Section 50.

Where a list of bad and doubtful debts does not exist, the liquidator should prepare one in collaboration with the joint liquidator, if any, which should be scrutinized by the Auditor at the next audit. In case of any difference of opinion, the question should be referred to the Assistant Registrar for decision. In case of bad and doubtful debts, all recoveries should be credited to principal, interest to be recovered subsequently if and when possible. In case of all defaults, the liquidators should encourage the individual concession scheme on the lines laid down for West Nasik District and for Canal areas. Where genuine attempts at repayment are not made under the individual concession scheme or where satisfactory repayments are not forthcoming, the liquidator must issue orders for the transfer of adequate assets under Section 59(A) of Co-operative Societies Act.

After lands are transferred to the liquidator under Section 59 (A), the following courses are open to him for quick disposal of the lands.

- (1) Where the financing agency and the defaulter agree to a mode of repayment which is just and fair, e. g., on the hire purchase system, and provided the interests of other creditors are not affected, the liquidator should pass an order authorizing the mode of repayment and transferring his rights to the financing agency with regard to the land of the defaulter.
- (2) Every attempt should be made to dispose of the lands in consultation with the joint liquidator, if any, by public auction or failing that, by private negotiations.
- (3) Where no outside creditor except the financing agency remains to be repaid and no further recoveries are expected, so that the only work remaining with the liquidator is the transfer of lands under Section 59 (A), the liquidator should hand over the lands to the financing agency or if it so desires, and no speedy method of disposal is available, to Government provided that in the event of bidders appearing, the surplus after deducting land revenue dues and other necessary charges could be paid to the financing agency by Government.

Refund of share capital in liquidated societies (agricultural and non-agricultural) should be made subsequent to the Registrar's decision whether any interest is to be allowed to creditors.

Except for very special reasons, a new society should not be registered in the area of operation of a liquidated society unless and until the final order of dissolution is passed. When a new society is registered, the financing agency may negotiate for the transfer of transactions entered into with members of the liquidated society who are members of the new society.

V. Execution.

Recourse is had at present to a very great extent to the remedy provided under Section 59 (1) (b) for recovery of the dues of co-operative societies, partly due to the fact that the recovery through the civil court results in delay and an impression about the great

efficacy of recovery as an arrear of land revenue. Defaults from members who are to remain members of the society should constitute debts and recovery in such cases should normally be under Section 59 (1) (a) of the Act. Where recovery is with regard to bad or doubtful debts or the default is contumacious or the recovery is under the order of a liquidator, recourse should be had to Section 59 (1) (b). If this view is accepted, it would be necessary to ensure that delay in execution by the Civil Court on a certificate signed by the Registrar is minimised.

Rule 37 requires to be amended to enable the Registrar to authorise supervisors to call for and send arbitration orders for execution. The bye-laws of Supervising Unions can also be amended suitably. It should be the duty of the Supervising Unions to arrange for the speedy execution of arbitration orders on behalf of affiliated societies and to see that they are saved from unnecessary expense and trouble in the course of execution proceedings.

If greater recourse is had as suggested to Section 59 (1) (a), the need for Special Recovery Officers will diminish. So long as the need exists, their appointments require to be made as at present. In effecting recoveries by coercive measures, greater insistence is necessary on the distress and sale of moveable property in the first instance before recourse is had to the sale and transfer of lands. Special Recovery Officers exercise the powers of Mamlatdars in effecting recoveries of dues of co-operative societies and as Revenue officers they should be able to obtain to the fullest extent the help of the village officers where required, and there should be no objection to remunerate village officers for good work with the sanction of the Registrar or on a scale laid down for the recovery of other Government dues, e. g., irrigation dues.

If for any reason the posts of Special Recovery Officers are temporarily held in abeyance, the Registrar and the Collectors should take steps to see that no delay is likely to occur in effecting recoveries during the season, when the posts are revived.

(2) *The system of education and propaganda, finance, audit, supervision, and official and non-official control.*

I. Finance.

The existing limit under Rule 8 that total liabilities in case of limited liability societies should not exceed 8 times the share capital and reserve fund should continue. For purposes of computation, the reserve fund should be taken to mean the reserve fund and other funds of a permanent nature, less accumulated losses. Liabilities incurred against the pledge of produce or securities should be included for fixing the total liability under Rule 8.

(A) Agricultural Credit Societies (Unlimited).

(1) Village Thrift and Credit Societies (Unlimited).

The existing order of Government contained in Government Resolution, Revenue Department, No. 119/33, dated 4th September 1933, restricting the registration of fresh agricultural co-operative credit societies on an unlimited liability basis require to be continued, except that the Registrar should have discretion to register new societies after satisfying himself that the society will be in a position to function satisfactorily if the outside borrowing limit is kept at one-sixth the total available assets of the members, and four times their contributions, whichever is less. Each proposal for registration should be submitted after scrutiny by the Supervising Union, which will have jurisdiction, and which will satisfy itself that the members have been properly selected, and have been taught and understand the objects and purpose for which the society is registered. The thrift aspect of the movement should be emphasized by making it compulsory, in the case of new societies, to provide for savings deposits at 5 per cent. of the loans outstanding being collected at harvest time, and to maintain savings bank accounts. Existing societies can also be encouraged to provide for savings deposits and to maintain savings bank accounts.

The existing practice of having individual limits and special limits should continue, except that a maximum for special limits also should be fixed. If so, the special limits could be approved by the financing agency on the recommendation of the Supervising Union instead of by the Registrar.

If a co-operative marketing agency exists at a bazar place where the produce from a village is ordinarily sold, the village society should provide in its bye-laws that the members will sell their marketable produce through such agency. Existing societies should also be encouraged to make a similar provision in their bye-laws.

As loans are essentially on personal security, other security, if any, being collateral, for admission of members, greater insistence is necessary on their character and creditworthiness and it is not necessary to insist that they should have economic holdings or pay a fixed amount of land revenue. New agricultural credit societies, unlimited, and existing societies which adopt the suggestions made above could be styled "Village Thrift and Credit Societies".

(2) Village Multi-purpose Societies (Unlimited).

Where marketing facilities or suitable bazars are available in the immediate neighbourhood, a multi-purposes society on an unlimited liability basis for a group of villages within a radius of about five miles could be registered, to supply the normal cultivation needs, on execution by the members of an agreement bond, to bring all marketable produce for sale to the society. The bye-laws should provide that members will bring all marketable produce for sale to the society. The society may also provide, to a limited extent, credit for agricultural needs like purchase of bullocks on personal security supplemented by mortgage of land, if necessary. The society will be an agency for the sale of marketable produce of its members and the members of any other co-operative society in that area who bring their marketable produce to the bazar. The society will also be an agency for the supply of articles for cultivation needs, e.g., seed and manure. If it functions satisfactorily, it may at a later stage provide for the supply of other domestic needs.

The society will also make advances against produce to its members and for this purpose exemption under Section 34 (2) can be granted. Members of other co-operative societies, who bring their produce to the multi-purpose society for sale, can obtain an advance against produce, if desired from the financing agency, which can give such finance in collaboration with the multi-purpose society and the society concerned, and for this purpose nominal membership with the financing agency can be permitted.

Outside borrowings exclusive of borrowings against produce should be restricted to one-fourth the total available members' assets and five times the members' contributions, whichever happen to be less. Total borrowings including borrowings against produce should be limited to ten times the share capital and the reserve fund. No multi-purpose society should be registered unless it has collected an initial share capital of Rs. 500/- or more.

Village Thrift and Credit Societies or multi-purpose societies may not be suitable in backward tracts or for a richer class of landholders who are not willing to give unlimited liability. In the case of large landholders, they could take advantage of a banking union or a purchase or sale organisation or a land mortgage bank where it exists, and no separate organizations are necessary to meet their needs. With regard to backward tracts, it must be admitted that the greatest need is provision for cheap credit, particularly as sufficient creditworthiness is lacking, which would make it necessary that the provision for cheap credit, should be effectively controlled and supervised and to that extent Government aid is essential. Insistence must also be laid on the educative value of these organizations and in compact areas where effective supervision and control can be provided, societies working on the lines of the Bhil area in Dohad and Taloda require to be encouraged. If grain banks are started in backward tracts or for the poorer class of cultivators, they should be registered as co-operative societies only in case they can be effectively managed by the members themselves under such outside control, if any, as is available in that area for other co-operative societies. Village Thrift and Credit Societies and multi-purpose societies should satisfy the needs of backward class members, also for whom no separate credit societies are necessary in rural areas.

The existing restriction regarding the number of members should continue in the case of village thrift and credit societies but need not operate for multi-purpose societies. No person should be admitted a member of a village thrift and credit society or a multi-purpose society who does not produce a true statement of his assets and liabilities and who has outstanding against him any unauthorized arrears of Government dues or a decree of a civil

court. No person who has unauthorized overdues outstanding against him will be eligible for election as an office-bearer or a member of the Managing Committee and in case of violation, the financing agency should stop further finance.

The appointment of a secretary should preferably be of a suitable honorary worker within the area, if available, or of a local person who is suitable and willing to work on a moderate remuneration or of a qualified group secretary. Except a group secretary, a secretary may be permitted to be a member and to borrow on the same terms as a member. Where the secretary has to handle cash, the Supervising Union should take security to the extent of 10 per cent. of the maximum borrowing limit of the society or societies, subject to a maximum of Rs. 2,000/-. Where such security is taken, the appointment of the secretary other than the group secretary will not be subject to the approval of the Supervising Union. If, however, the Supervising Union is of opinion that the secretary does not carry out his duties satisfactorily, it may call upon the society to dispense with his services. An appeal should ordinarily lie to the District Supervision Board within a stated period or the District Supervision Board should have power to review the orders of the Supervising Union, in which case it should not be necessary for the Supervising Union to pass orders with the approval of the District Supervision Board.

The Indian Central Banking Inquiry Committee has recommended in paragraph 179 "If the panchayat of a society should advance loans in excess of the limits prescribed by the bye-laws of the society or otherwise, they should be held personally liable as guarantors of the loan and the rules under the Act should, if necessary, be amended accordingly." A better course would appear to be for the Supervising Union or the financing agency to which the society is affiliated or a member of the society to proceed in arbitration against the person or persons responsible for acts done in contravention of the bye-laws or the Act and obtain an award.

The appointment by the Registrar of members on the Managing Committees of village societies is not necessary, and leaflet A (1) may be modified accordingly.

Receipts should be issued for all deposits taken or loans repaid and the system of pass books should be replaced by a quarterly statement of accounts and it would be the duty of the supervisor to see that such statements are correctly issued. Confirmation slips should be issued annually to depositors and verified at the time of audit.

Normal credit statements should be prepared by all societies for their members at the commencement of the recovery season in collaboration with the Supervising Union and scrutinized by the financing agency before credits are sanctioned. In case of A and B class societies, the financing agency need not scrutinize individual demands where the total demand, including non-members' deposits, is less than the maximum borrowing limit assessed on the basis laid down for village thrift and credit societies. Individual demands require, however, to be subjected to careful scrutiny by the society and the supervising union.

In fixing the normal credit of an individual, his need for short term credit requires to be based not on the outturn he expects to produce in a particular year; but on his capacity to make repayments over a cycle of years which would include good and bad years.

After normal credit statements are scrutinized and approved by the financing agency, the Managing Committee can be authorized to advance loans to members in excess of the sanctioned credits in case of urgency, provided such excess payments do not in any individual case exceed 25 per cent. of the sanctioned credit and provided the total normal credit fixed for the society is not exceeded, and in the case of the individual, the total credit so allowed does not exceed the individual limit under the bye-laws.

The financing agency may permit overdraft facilities in the case of A and B class societies to the extent of 10 per cent. of the maximum credit fixed, provided the total demand including the overdraft facility and the non-member's deposits does not exceed the maximum borrowing limit assessed on the basis laid down for village thrift and credit societies.

As assets register must be maintained in a prescribed form under Rule 14 (n), which should be revised annually and which will contain information normally available in village forms Nos. VI, VII and XII. The register will also show the liabilities of the member to the society and outside, including his liabilities as a surety.

Advance of loans to members should preferably be—

- (a) by instalments according to the needs ;
- (b) in kind if a suitable organization for the purpose is available .

Model bye-law 40 of old leaflet A and bye law 47 of leaflet A (1) viz., "When a loan granted for a specified purpose is misapplied the Committee shall have power to recall the loan with interest to date of repayment" require to be enforced in practice by making a provision to that effect in the bond taken from the member and his sureties.

The lending rate may be kept at a quarter pie or so less in case of punctual repayments, and ordinarily no penal rate should be levied except by a resolution of the general meeting in case of contumacious defaulters. Subject to maximum and minimum limits to be provided for in the bye-laws, a society by a resolution passed at its general meeting can vary its rate of interest with the prior approval of the financing agency.

The normal credit fixed for an individual should operate till the next annual revision which should be promptly done after the harvesting season. Loans can be premitted to the extent of the normal credits for approved purposes and at appropriate periods.

(B) Financing Agencies.

In matters relating to finance and financial control, unification is essential, though as regards supervision, decentralisation should be encouraged.

(1) Banking Unions

The policy of tapping local deposits from members and non-members has been suggested in the case of primaries. A banking union with a taluka as its area of operations and able to obtain local deposits to finance the primaries, could be started, if the area is suitable and a sufficient number of societies like village thrift and credit societies and multi-purpose societies exist. In the alternative, a Supervising Union which is working satisfactorily and with good primary societies affiliated to it may be considered suitable for being converted into a banking union. Where the condition of the primaries is satisfactory and a Supervising Union does not exist or has been newly created, a banking union could also function in place of the Supervising Union. The Banking Union will rely for additional funds required by it on the apex Bank.

All agricultural primaries will be members of the Banking Union and also individuals who require finance for agricultural purposes in excess of the absolute limits laid down in case of village thrift and credit societies or multi-purpose societies. Members of primaries which are themselves members of a Banking Union can be made nominal members. Finance to individuals must be on a short term basis and on tangible assets coupled with one or more sureties. The Banking Union may finance individuals and nominal members against produce and valuables. Where a purchase and sale organization does not exist, the Union can also act as a commission agent.

The Banking Union will not do urban banking business.

The main representation on the Banking Union will be of its primaries. Individual and nominal members may be given a limited representation, restricted to 2 and 1, respectively.

A primary society can be permitted to alter its lending rate within the limits prescribed in its bye-laws with the approval of the Banking Union. The Banking Union will fix its deposit rates and rates for loans and advances in consultation with its financing agency.

For the satisfactory working of the Banking Union, it is very necessary that it should have adequate and efficient staff with requisite qualifications and it should see that proper control is exercised over it.

(2) Central Banks.

A Central Bank supplies short term credit. No investment should accordingly be made under Section 20 (e) of the Indian Trusts Act out of the surplus or reserve funds, however sound it appears to be, unless such investment becomes necessary in the process of effecting recovery of its normal dues or for the purpose of a construction of a building for its own use, with the prior sanction of the Registrar.

In the event of a Central Bank persisting in making such investments, it may be considered if such transactions should not be subject to the levy of stamp duty, registration fees and other charges.

Nominal membership for the purpose of advances against produce and valuables may be permitted in the case of members of primaries, other than Urban Banks and Sale Societies, affiliated to it and representation of one member on their behalf allowed.

The present practice of permitting Central Banks to advance loans to individual members against produce and valuables can be continued subject to the following limitations:—

- (1) absolute limits must be fixed both for individual advance and advances of a particular kind ;
- (2) in areas served by other co-operative societies which would normally handle such business, the minimum limit of advance to an individual is in excess of the maximum kept by the society and there is mutual accommodation.

Central Banks should not do inland exchange business in areas served by Urban Banks except by mutual accommodation.

Subject to maximum and minimum limits to be provided for in the bye-laws of agricultural credit societies, a society, by a resolution passed at its general meeting, can vary its rate of interest with the prior approval of the financing agency.

To encourage crop loans and make advances in kind, the financing agency may take steps to promote the formation of purchase and sale societies at suitable central market places, and pending their formation it may undertake this work strictly as a commission agent.

Where membership is so large as to be unwieldy and election disputes are frequent, election rules should be framed by the Registrar and adopted by the Banks concerned.

Where Central Banks have been certified as fit to receive deposits from local bodies, the total deposits should be restricted to twice the owned capital.

(3) Provincial Co-operative Bank.

Except in areas where it might function as an apex Bank for Banking Unions, it should continue to function as a Central Bank in areas at present served by it and as a balancing centre throughout the Presidency for Central and Urban Banks. To the extent it functions as a Central Bank, it can transact business with individual and nominal members in the same manner as any other Central Bank.

In the areas where dues from liquidated societies are heavy and where overdues in working societies have been frozen and stagnant conditions have set in, the Auditor should be given the help of an assistant, where necessary, and both the officers should try to

effect the recovery of overdues on the lines suggested. The cost of additional establishment could be levied from the societies and if in any case it appears such a levy would operate harshly, the Bank might be asked to meet the deficit.

To the extent the Provincial Land Mortgage Bank does not take over the commitments of the Provincial Co-operative Bank, with regard to its transactions as the Central Land Mortgage Bank, Government may come to the assistance of the Provincial Co-operative Bank and agree to guarantee transfers to the Provincial Land Mortgage Bank. An alternative suggestion would be to ask the Provincial Land Mortgage Bank, to take over the assets and liabilities of the Land Mortgage Department of the Provincial Co-operative Bank, on the transfer at par to it of the debentures of the Provincial Co-operative Bank held by Government.

(4) Co-ordinating Agency.

To provide unification in financial matters, a co-ordinating agency for central financing agencies, which may be in the form of a Co-operative Banks' Association, is necessary, as recommended by the Provincial Banking Enquiry Committee in paragraph 233 of its report. The agency should look into all important matters, particularly the training of the staff, its adequacy and efficiency, the borrowing and lending rates of the banks, mutual arrangements regarding exchange business, the maintenance of fluid resources, inspection of central financing agencies and other matters of common interest. It should be in a position to give expert banking advice to the various banks and to see that it is followed.

An auxiliary body with Urban Bank representation could help in arriving at decisions regarding matters which also relate to Urban Banks.

In matters pertaining to education and matters of general co-operative interest, the Co-operative Banks' Association will have consultation with the Educational Committee of the Institute.

The Board of the Association should consist of five elected and two nominated members, three to represent the Central Banks; two to represent the Provincial Bank, one to be nominated by Government and one to be co-opted by the remaining members. Out

of the two representatives of the Provincial Co-operative Bank, one should be the Chairman who should be the ex-officio Chairman of the Board.

The auxiliary body representing Urban Banks will consist of five members, three to represent each linguistic division, one from Bombay and one to be co-opted.

A person should be eligible for election to the Board if he is a Chairman, President, Vice-Chairman, Vice-President, Managing Director or honorary secretary of a central financing agency. A member of the Board should not be or should not have been a defaulter of any co-operative society during a period of preceding five years, and the Bank he represents should be in A or B class for the preceding three years. Similar qualifications should exist in the case of a member of the auxiliary body.

The expenditure of the Board should be met by contributions from financing agencies on an equitable basis, supplemented by a subsidy from Government, if necessary.

The Committee of Management of the Central Fund, if created, may consist of the Chairman of the Board of the Association, a representative from the Auxiliary Board and the Registrar.

The Board should be consulted before action is taken against a central financing agency under Rule 48 or any other disciplinary action is taken.

As there will be inspection of financing agencies by the Board, the Registrar may permit, under Section 22 of the Co-operative Societies Act, A and B class central financing agencies to be audited by qualified professional Auditors to be appointed by him on such terms as he considers fair and reasonable.

(5) Land Mortgage Banks.

The policy of having Land Mortgage Banks in compact and suitable areas limited to two or three talukas requires to be encouraged.

The entire business of Land Mortgage Banks must be on a long term basis and they should not be permitted to give short term finance. In making advances it is necessary to see that sufficient assets and repaying capacity exist and that further creditworthiness to enable the individual to obtain short term credit for his agricultural needs is available,

In view of the limited experience of the Land Mortgage Banks in this Presidency, it is still early to decide if any special legislation is necessary.

It is necessary that Conciliation Committees in Primary Land Mortgage Banks should be able to obtain a statement of accounts with regard to debts proposed to be conciliated.

Newly started Land Mortgage Banks require to be subsidized. If the Provincial Land Mortgage Bank does not require the full amount of the subsidy sanctioned to it for the first three years, the amount so set free should be permitted to be used by way of further subsidy to primary land mortgage banks, working at a loss, towards the cost of Land Valuation Officers.

Where Sale Societies exist, Primary Land Mortgage Banks should supply lists of borrowers containing particulars of loans, instalments due, etc., and invite the attention of the Sale Societies to the provision in the bye-law regarding the sale of produce through the Sale Society and ask for their co-operation in effecting sales on the best possible terms.

Provincial and Primary Land Mortgage Banks should be permitted to have as members co-operative organizations desiring to borrow on a long term basis, provided they supply the needs of rural areas. Co-operative institutions which have primaries affiliated to them should be permitted to borrow direct from the Provincial Land Mortgage Bank. Loans so given should be subject to the same scrutiny and safeguards as in the case of individuals. Primary Societies affiliated to financing agencies should not be granted loans by Land Mortgage Banks except in consultation with such financing agencies.

As loan applications are subject to scrutiny by the Assistant Registrar, Land Mortgage Banks, before they are forwarded to the Provincial Land Mortgage Bank, the subsequent scrutiny of the Registrar need only be retained in those cases where permission is required to enquire into a loan, i.e. in cases of loans exceeding Rs. 10,000/-. Where scrutiny by the Registrar is not deemed necessary, the Provincial Land Mortgage Bank may consider whether with a view to expedite proceedings, the Managing Director cannot be delegated with power to sanction loans up to a limit to be determined by the Board.

(6) Urban Banks and Societies.

The use of the word 'Bank' should be restricted to societies which do the business of 'banking' as defined in Section 277 (f) of the Indian Companies' Act and have a paid up share capital of not less than Rs. 20,000/-. Existing banks which do not conform to these conditions should be made to change their nomenclature.

(i) Audit Federation,

An Urban Banks' and Societies' Federation should be started in Bombay with a view to its extension to other areas on similar lines. The Federation will be responsible for the inspection and audit of Urban Banks in C and D class and all Urban Societies with the exception of Salary-earners' Societies in A and B class, and will also inspect Urban Banks in A and B class. The appointment of the audit staff and the terms on which the appointments are made will be determined with the approval of the Registrar, who will permit such persons to carry out the duties under Section 22 at his discretion. The Department will carry out the audit in such societies once in three years and the society or the Union will pay to the Department the charge for the audit.

The expenses of the Federation will be met by contributions from societies and banks affiliated to it on a just and equitable basis. The Board of Management of the Federation will consist of seven members, five to be elected, one to be nominated by the Registrar and one to be co-opted.

In the Bombay area, the Registrar may appoint qualified professional auditors on such terms as he considers fair and reasonable for the audit of Urban Banks and Salary-earners' Societies in A and B class, and may consider the extension of this arrangement to other areas in the light of experience.

Urban Banks and Salary-earners' Societies in A and B class audited by outside auditors should be advised to appoint Supervision Committees, as suggested in model bye-law 34 in Leaflet H. In addition to other duties, such Supervision Committees will be responsible for seeing that defects pointed out in audit are rectified.

Before action is taken against an Urban Bank or Society under Rule 48, the Auxiliary Board of the Federation to which the Society is affiliated should be consulted.

(ii) Staff.

Where security is taken from the staff, except in the case of the Manager, the Urban Bank or the Society should take adequate precautions as regards proper safe custody, renewal etc., and a register should be maintained for the purpose which the Auditor should check. In the case of the Manager, the security bond should be deposited for safe custody with the central financing agency. The central financing agency with regard to its own staff should follow a similar procedure depositing the security bonds taken from the Manager, Chief Cashier and Accountant with the apex Bank.

The Auxiliary Board for Urban Banks will lay down the minimum qualifications for the staff and arrange for adequate training, in consultation with the Education Committee of the Institute.

(iii) Banking Operations.

Copies of quarterly finance statements supplied by Central and Urban Banks to the Registrar should also be supplied to the Provincial Co-operative Association which may arrange for their publication in suitable form in addition to the publication of the quarterly finance statements of Central Banks in "the Bombay Government Gazette".

Urban Societies work on a short term basis and lend primarily on the creditworthiness and character of their members. Other security must, therefore, be treated as collateral. Where loans are advanced against the mortgage of property, one or more sureties should invariably be taken.

Except in case of necessity, investments under Section 20 (e) of the Indian Trusts Act in immoveable property should be avoided.

Individual and total limits for different types of business and a maximum total limit for individuals should be provided for in the bye-laws and strictly adhered to. Within the area of operation of an Urban Society doing banking business another similar society should not ordinarily be permitted, unless satisfactory arrangements are possible to provide for exclusive membership, prevention of overlapping finance and demarcation of areas. To secure close co-ordination and contact among members which would provide

the mutual knowledge necessary for co-operative credit, an unwieldy area of operation should be avoided. Urban societies desiring to do banking business among members of one community or caste in an area so extensive as a taluka or a district should be discouraged.

(iv) Inland Exchange Business.

As regards the grant of Remittance Transfer Receipt facilities, the opinion of the Registrars' Conference held in 1936 was:

"The facilities at present enjoyed by co-operative societies in respect of remittance of funds should be continued by the Reserve Bank and in regard to transactions other than those that are strictly co-operative, the facilities which are given to joint stock banks might be extended to co-operative banks also."

While the existing facilities require to be continued, it should be pointed out that Urban Banks and Branches of Central Banks receiving deposits from Urban Banks, abuse at times the concession by using it for purposes other than co-operative. Such abuse occurs when cheques are cleared at par in Bombay which represent amounts for transfer of funds derived by the sale of exchange bills etc. and are transactions for purposes other than strictly co-operative. To avoid this abuse, the concession to Urban and Central Banks to clear cheques in Bombay should be granted only when a certificate is forthcoming that the cheques refer to transactions which are co-operative in character and in other cases a clearance fee is levied which the Provincial Co-operative Bank may share, if necessary, with the drawee Bank. If a certificate issued by an Urban or Central Bank is found to be false, the Registrar may direct the payment of full exchange commission as far as that Bank is concerned.

Hundi transactions should be restricted to members when credit is to be given. Urban Banks and Societies must fix absolute limits of advances to individuals and of a particular kind including advances against inland bills of exchange.

II. Audit, Supervision, Official and Non-official Control.

(A) Audit.

Under Section 22 (1), every society is required to be audited once at least in every year. Audit should, therefore, be so arranged that during any co-operative year at least one audit should take place.

Audit fees are received under Rules 29 and 30 with the object of complying with this statutory obligation. If, therefore, the statutory obligation cannot be complied with, with regard to any society, the society should be entitled to claim refund. Except in the case of agricultural credit societies, it may be necessary to consider whether the scale of audit fees requires to be revised for compliance with the statutory obligation.

For proper compliance of his statutory duties, the Registrar should have the assistance of a Chief Auditor who can examine and take action on audit reports and see that in cases of breach of provisions of the Act, Rules, or Bye-laws, proper remedial measures are taken. In case of non-compliance, it should be open to the Registrar to levy a higher audit rate not exceeding the maximum laid down under the rules.

The unit for the audit of agricultural credit societies should be a sub-auditor, and an auditor should do the audit of urban societies and non-credit societies. He should also do a percentage test audit of the sub-auditor's work. The unit for societies audited by the Special Auditor should be one Special Auditor, one auditor and two clerks, so that the Special Auditor could so apportion the work that while he is conducting one audit, the auditor and the other clerk could also carry out an independent audit. The Special Auditor and his staff should also do a test percentage audit of the auditor's work. The post of Auditor, Purchase and Sale, will not then be necessary.

For purposes of audit, societies with a share capital of Rs. 2,000 or less should be treated as minor societies, and societies with a share capital over Rs. 2,000 should be treated as a major societies.

The audit of minor societies should be with the sub-auditor. Major societies with a share capital in excess of Rs. 20,000 should be audited by the Special Auditor. Major societies with a share capital between Rs. 2,000 and Rs. 20,000 should be audited by the Auditor.

The appointment of qualified professional auditors may be made by the Registrar under Section 22 on such terms as he considers fair and reasonable for the audit of co-operative societies on the following lines :—

- (i) A and B class central financing agencies, provided inspection by a co-ordinating agency is available.

- (ii) A and B class Urban Banks and Salary-earners' Societies with a share capital over Rs. 20,000 in the Bombay area, in the first instance.

If the arrangement works satisfactorily, it may be extended to other areas.

A similar procedure could be followed for Consumers' Societies which do not desire to arrange for independent audit permitted under Rule 31.

Housing Societies in A and B class and having no Government loan outstanding can be permitted to have audit done by professional auditors appointed by the Registrar. Where a Housing Association exists, it should see that the audit objections are complied with.

Sale Societies in A and B class with share capital in excess of Rs. 20,000 can be permitted to have audit done by professional auditors to be appointed by the Registrar, on condition that under its bye-laws provision is made for appointment of a Board of Control whose duty it would be to see that audit objections are complied with.

(B) Supervision.

(i) Supervising Unions.

The Supervising Union should be primarily responsible for the effective working of and supervision over the societies affiliated to it, and control by the District Supervision Board should be by way of revision of or appeal against the orders or decisions of the Supervising Union.

The Supervisor should see that the requisite books and registers are properly maintained and kept up-to-date. He should see that irregularities and discrepancies pointed out in the latest audit and inspection reports are attended to and rectified and that orders or suggestions made by departmental officers, the financing agency or the District Board of Supervising Unions are carried out. While the duty of audit rests primarily with the Auditor and that of financial inspection will ordinarily rest with the staff of the financing agency, the Supervisor should carry out at his inspection such primary audit as is necessary for the proper performance of the duties attached to him. Where a bank loan has not been taken by a society or the amount of the bank loan is small in comparison with the owned capital of the society or where, as in the case of A and B class societies, detailed

scrutiny of normal credit statements is not exercised by the financing agency, it should be the duty of the Supervising Union to see that proper check is maintained and effective supervision exercised. It should also be the duty of Supervising Union to arrange for the speedy execution of arbitration orders on behalf of its affiliated societies and to see that they are saved from unnecessary expence and trouble in the course of execution proceedings.

In backward areas, e. g., Bhil area, or areas where a concentrated form of supervision is required, e. g., the Nira Canal area, it might be necessary to have special controlling staff which could also do supervision work.

(ii) District Supervision Board.

All Supervising Unions within the district should be members of the District Supervision Board. In addition, societies not eligible for affiliation to a Supervising Union within the district and individuals may be admitted as associate members. Each District Supervision Board should have—

- (1) a Supervision Committee and
- (2) an Education Committee.

The Supervision Committee will be formed in the same manner as the present Managing Committee under Leaflet 00, except that

- (a) an elected Vice-Chairman shall be provided;
- (b) the Assistant Registrar shall vacate after three years, provided a person who has been elected as Vice-Chairman and has served as such for two years or more is available;
- (c) an honorary secretary elected by the members may be appointed;
- (d) if the District Institute does not exist, the nominee of the District Institute will be replaced by a person elected at the annual general meeting of the District Supervision Board.

The Supervision Committee will carry out the supervision duties at present entrusted to the Managing Committee and duties with regard to education and propaganda will be transferred to the Education Committee.

The Education Committee will consist of

- (1) all the members of the Supervision Committee,

- (2) two members elected from among the individual associate members,
- (3) two members elected from among associate members other than individuals.

The Education Committee may co-opt a person who has experience of co-operative work and

- (1) is preferably connected with the work of education,
- or (2) has high University qualifications,
- or (3) has to his credit some literary achievement.

The Educational Inspector of the Institute should be the ex-officio secretary of the Education Committee.

The budget of the District Supervision Board will be framed and approved by the Supervision Committee which may arrange for a grant to the Education Committee. The funds of the District Supervision Board will be obtained in the manner contemplated in bye-law 12 of leaflet OO, except that associate members other than individual members should pay an annual fee of Rs. 5 and individual members of Rs. 3.

The annual general meeting will record the budget framed and approved by the Supervision Committee, make elections where necessary, consider the annual report and matters of general interest.

The Supervision Committee of the District Supervision Board may lend to a Supervising Union which is its member to the extent of the budget provision for the Union.

(C) Official and Non-Official Control.

(i) Act, Rules and Bye-laws.

Bye-laws require to be so framed as to permit variations to be made for which the Registrar's sanction would not be necessary. If desired, the variation within the permissible limits, could be with the sanction of :

- (1) the financing agency,
- or (2) the District Supervision Board,
- or (3) the Federation,
- or (4) the Assistant Registrar,

A new society seeking registration or an existing society desiring to amend a bye-law has a right to be informed within a definite period, e.g., 3 months, whether the Registrar is sanctioning registration and, therefore, if delay is likely to occur, an order refusing registration requires to be issued before the expiry of three months.

In cases where a society has been permitted under its bye-laws or by the order of the Registrar to transact a kind of business for which subsidiary rules require to be framed on the lines of any model rules framed and approved by the Registrar, a bye-law could be so provided as to permit the society to frame such rules with the sanction of (1) a District Supervision Board or (2) a Federation to which the society is affiliated, and to have them confirmed at the next annual general meeting.

Rule 22 requires to be amended on the lines of paragraphs 1 and 2 of Resolution 11 approved by the Registrars' Conference of 1936 by the omission of the words "for the purpose of declaring a dividend or bonus" and "for more than six months", and making other consequential changes.

Section 13 of the Co-operative Societies' Act requires to be amended to provide that the special general meeting, if convened at the instance of the Registrar, shall have powers to transact all business which could have been transacted at an annual general meeting.

Before action is taken against a co-operative society under Rule 48, there should be prior consultation with:

- (1) the District Supervision Board in the case of Supervising Unions and Agricultural Credit Societies,
- (2) the Federation to which the society is affiliated, if any,
- (3) the Auxiliary Board in the case of Urban Banks,
- (4) the Co-operative Banks' Association in the case of financing agencies.

(ii) Administration.

Honorary Organisers do propaganda work, supervision work and make preliminary arrangements for starting new societies. As separate agencies are now available for carrying on these duties and as the amount for the travelling allowance of honorary organisers is restricted, the need for their continuance is doubtful, and on the termination of the existing appointments no fresh appointments need be made.

Agricultural Organisers could be replaced by Development Inspectors with an area of operation ranging ordinarily over one or two districts. The lowest grade of Inspectors could be on the same grade pay as sub-auditors. Requisite qualifications for Inspectors would be B. Ag. degree with a qualifying examination in co-operation on the lines laid down for the G. D. C. & A.

Sub-Auditors should be recruited with qualification B. Com., R. A. or G. D. C. & A.

If the Assistant Registrar and the Deputy Director of Agriculture could function within their mutual area as a Joint Board of Agriculture and Co-operation and, if necessary, replace the Divisional Board, greater co-ordination between the work of Agricultural Organisers or Development Inspectors and Agricultural Overseers could be secured.

III. Education and Propaganda.

(i) Education.

The duty of imparting education to the workers and members should rest with the Institute through its Education Committee consisting of four elected representatives and four persons nominated by Government and one to be co-opted by them. The persons appointed on the Education Committee should have experience of co-operative work and

- (1) should be preferably connected with the work of education,
- or (2) should have high University qualification,
- or (3) should have to their credit some literary achievements.

Education should be imparted by carrying on propaganda, opening circulating libraries, publishing books, leaflets and journals, and holding training classes and examinations. Examinations should be held for secretaries of rural and urban societies and for supervisors and other field staff. The conduct and control of such examinations should rest with the Education Committee. Permission to appear for the secretaries' examination should be granted only to persons who are actually working as secretaries, whether permanently employed as such or not. Permission to appear for a higher examination should be granted only to a person who has passed a lower examination or who is officiating in a post for which the examination is prescribed. Training classes and refresher

courses, if any, should be held with the consent of the Education Committee which should also lay down the lines on which they should be held.

The best form of co-operative education for members and members of managing committee of urban and rural societies would be by means of propaganda which would include pictorial charts, circulating libraries, lectures preferably illustrated by magic lantern slides or cinema films, suitable gramophone records or radio talks etc. co-ordination with rural reconstruction or village uplift activities and instructions imparted in the course of supervision and audit.

Co-operative literature of an easy character which the agriculturist can understand should be made available and, if necessary, prepared by the Education Committee.

For the proper performance of these activities the Education Committee should appoint Educational Inspectors who will replace the Propaganda Officers. The scales of pay, qualifications and the number of posts will be fixed with the approval of the Registrar and the appointments will also be made with his approval. Government should agree to bear at least half the cost of these appointments and the whole of the grant at present made to the Institute should be diverted for this purpose. Out of the Central Fund created from the levy on profits, 1 per cent. could be given for education under this scheme. The District Supervision Board should also arrange for payment of a contribution at the rate of 2 annas in the rupee on the supervision fees received from societies affiliated to the Supervising Unions.

In consultation with the Education Committee, arrangements should be made for the training of the Educational Inspectors under the scheme for Co-operative Training and Education subsidized by the Government of India and for the use of their services in the training of Supervisors, Secretaries and members of the managing Committees of Co-operative Societies.

(ii) Co-operative Institute.

The main duty of the Co-operative Institute should be to impart education to the members of Co-operative societies and to the workers in the cooperative movement. It should act as a co-ordinating agency in all matters pertaining to co-operative education. It will further

the spread of the co-operative movement by promoting the study of problems connected with co-operation and educating the public with regard to the advantages of co-operation. The membership of the Institute will consist of District Supervision Boards and all other federations of co-operative societies registered under the Act except Supervising Unions of Agricultural Credit Societies. Each member will nominate one representative to attend and vote at the general meeting. The annual general meeting will elect four representatives on the Education Committee which will consist in all of nine persons of whom four persons will be nominated by Government and one will be co-opted by the other eight. Of the persons nominated by Government, one person will be an elected representative of the Co-operative Banks' Association including the Auxiliary Board. The other three members will retire in rotation, so that only one fresh nomination is made every year. The annual general meeting will receive and record the report of the Education Committee, admit new members, review the progress achieved in co-operative education for the year and make suggestions for further development to the Education Committee. The representatives of the members attending the annual general meeting will be paid their travelling expenses by the institutions concerned. The Chairman and the Secretary of the Education Committee after it is formed on the lines suggested will be the Chairman and the Secretary, respectively, of the Institute. The personnel of the Education Committee will consist of such persons either elected, nominated or co-opted in the manner prescribed as have experience of co-operative work and are :

- (1) Preferably connected with the work of education,
- or (2) have high educational qualifications,
- or (3) have to their credit some literary achievements.

The committee will elect a Chairman for a period of three years. Out of the Education Inspectors appointed by the Education Committee, one Inspector should be appointed as the Secretary of the Committee and of the Institute. The duties of the Education Committee will be to deal with all matters pertaining to co-operative and educational activities of the movement as detailed under 'Education'. Where a District Supervision Board exists, the Educational Inspector for that district should be permitted to act as the Honorary Secretary of the Education Committee of the District Supervision Board.

The funds of the Institute which will be under the control of the Education Committee will consist of :

- (1) a grant from Government which may contribute to the extent of half the cost of the appointment of Educational Inspectors, including the grant at present made ;
- (2) contributions at 2 annas in the rupee on the fees received by the District Supervision Boards ;
- (3) contributions at 1 anna in the rupee on the income of the members other than District Supervision Board ;
- (4) subventions from the Co-operative Banks' Association, the Auxiliary Body and donations from sympathisers ;
- (5) receipts from other sources such as sale of literature, examination fees etc. ;
- (6) other assets and liabilities of the Institute.

The Education Committee may appoint Sub-Committees for special purposes or areas which may consist of persons who may or may not be members of the Education Committee.

(3) The development of non-credit co-operation, especially for the purpose of better farming, the marketing of agricultural produce and the organization of secondary occupations and cottage industries.

(A) Better Farming.

(i) Consolidation of Holdings and Prevention of Fragmentation.

Consolidation of holdings consists in demarcating a unit of land into blocks arranged according to their suitability for particular crops and re-distributing portions thereof to owners of scattered holdings more or less equal in area and assessment to the strips held by them originally. As such distribution involves an element of compulsion, special legislation is necessary. The scope for voluntary action is limited, and co-operatives agency, in the absence of special legislation and equipment, would be of doubtful utility. If consolidation of holdings could be introduced, the principle of impartible tenure could be applied to prevent fragmentation, and the consolidated holdings on redistribution could be granted on impartible tenure. Such areas should provide fruitful field for future co-operative efforts.

(ii) Joint Farming Societies.

For joint farming on a co-operative basis, a substantial unit of area is necessary. Where such an area is not available for cultivation, it will be necessary to encourage the formation of such units, in the first instance, by having recourse to consolidation of holdings. In the alternative, it may be possible to form better farming societies on the lines of such societies in the Punjab, with an area of operation restricted to a village or a compact group of villages and on a limited liability basis. Such societies, if successful, can, at a later stage, be converted into joint farming societies.

The area of operation of joint farming societies should be confined to a village or a group of villages within a small and convenient radius, and the membership to persons whose lands form part of units for joint cultivation. Such societies will sell the joint produce and make joint purchases, if necessary. The societies will be on a limited liability basis and can borrow on the security of lands, crops and other moveable assets. Such borrowings will be for purposes of land improvement or the purchase of machinery or for cultivation expenses.

Where lands fit for cultivations after improvement or cultivable lands are available for grants by Government, such grants could be made for the purpose of joint farming and a nominal occupancy price charged or the payment of occupancy price could be spread over a number of years. If necessary, loans could also be made for land improvement under the Land Improvement Loans Act.

(iii) Better Farming Societies.

For better farming societies, initial propaganda and supervision should be by the Agricultural Department and the help of the Development Inspectors could be given for this purpose. The Society could be a suitable medium for the distribution of grants, if any, and for schemes of seed supply and local demonstrations etc. organized by Government or other agency. Such societies may collect share capital and borrow for approved purposes up to three times the share capital and reserve fund.

Better farming societies in view of their compact area and their aims and objects will be in a more favourable position to carry out propaganda regarding improved agricultural methods than the Taluka Development Associations, and with the organization of

better farming societies, the need for Taluka Development Associations should cease, so that the grants made to the Taluka Development Associations could be diverted to such societies. Local officers of the Co-operative and Agricultural Departments may arrange periodically for informal annual meetings of representatives of such societies with a view to co-ordinate activities and exchange ideas.

Better farming societies may also be for special purposes like cattle-breeding and fodder storage. Cattle-breeding should be recognised as a special purpose in areas where full advantage can be taken of the special facilities for improvement of the stock and the *ad hoc* registration of cattle-breeding societies should be discouraged.

(iv) Sugarcane Growers' Societies.

Cane-growers' Societies are formed for the purpose, among others, of introducing the improved varieties of cane. As the bulk of cane-growers do not serve any factory area in this Presidency, it is necessary that they should be enabled to get the maximum benefit from the improved varieties, and for this purpose the co-operative society should encourage the use of power crushers. Under the Sugar Excise Subsidy Scheme, no subsidy is permitted towards the purchase of power crushers. Societies may, therefore, create a Power Crusher Purchase Fund by arranging for credit to the Fund of the subsidies received by members for the purchase of improved varieties. As the difference in yield from the improved varieties even by the use of ordinary methods of crushing is in excess of the additional cost of purchase of seedlings of the improved varieties, the creation of such a fund should not be a hardship.

The expenditure on the staff employed by the Sugar Excise Subsidy Scheme in comparison with the subsidy granted to cane growers seems excessive and should be capable of reduction.

If a refinery for the manufacture of sugar by open-pan process could be established from the subsidy given by the Government of India or by Government, cane-growers' societies could be organised for the supply of rāb prepared with the use of power crushers, to the refinery for conversion into sugar.

(v) Land Improvement.

Loans to individual members of agricultural credit societies under the Land Improvement Loans Act should be discouraged in areas

where a Land Mortgage Bank exists and in other areas the present policy should continue.

Loans by Land Mortgage Banks for improvement of lands require to be encouraged, and with this end in view Land Mortgage Banks should form contacts with the Collectors and local officers of their respective districts, particularly of the Agricultural and Engineering Departments and ascertain the lines of development of areas which they finance to enable them to judge the nature of improvements they should encourage by the grant of loans. Programmes for such development could be framed for a period of five years and should be reviewed every year.

(B) The Marketing of Agricultural Produce.

Co-operative Marketing.

To provide godown facilities in bazar areas, multi-purpose societies should be encouraged to build godowns adequate to their needs on standard or approved patterns, and Government may for this purpose advance long term loans at favourable rates of interest to the extent of two-thirds the value of the construction. Similar facilities may also be made available to sale and supply societies.

To provide godown facilities to agriculturists in rural areas, Government may consider the desirability of a small construction adjoining the village chavadi where produce can be stored and stores and implements kept for demonstration, hire or sale. Villagers, local bodies and co-operative societies could contribute towards such construction and grants from the village uplift funds could also be made.

Taluka purchase and sale societies with a compact area of operation consisting of one or two Talukas could act as agents of multi-purpose societies for the sale of the principal crops of the area. Individuals could also be members of Taluka Purchase and Sale Societies. Credit should be only against produce or trade credit. Limits of advances to individuals and societies and by way of trade credit should be prescribed and total maximum limits for each kind of advance should also be prescribed. Where trade credit has been granted and default is made, recourse to civil litigation is necessary and if civil litigation is likely to be delayed, the society should take security for the loan outstanding, avoid

further transactions with the defaulter and arrange for the defaulter to be a member so as to enable the society to have recourse to arbitration, if necessary.

New sale societies are given a grant of Rs. 300 for the first three years by Government and such grants require to be extended to multi-purpose societies to enable them to maintain efficient and qualified staff. The grant could also be extended to branches of existing sale societies which are newly opened.

Taluka Purchase and Sale Societies should not be registered in any area unless there is a sufficient number of multi-purpose societies working in that area which can supply the needs of the Taluka Society. Pending the formation of such societies, the central financing agency may act as an agent for the sale of produce as at present in some instances.

Taluka Purchase and Sale Societies may sell the produce of non-members, but no credit even by way of advance against produce should be given except by way of trade credit, i. e., the transactions for non-members must be on a cash basis, but if the produce is to be sold on the next bazar day, trade credit till then may be permitted. When advances are made to members of co-operative societies, intimation together with details of advances should be given to the society concerned and except in case of cash transactions, repayment of the balance outstanding should be through the society. Taluka Purchase and Sale Societies should avoid crops loans or loans for purposes of weeding etc. Taluka Purchase and Sale Societies should aim at the grading and pooling of commodities of which the processing should be effected locally as far as possible.

A Central Co-operative Purchase and Sale Society with an area of operation extending over a district or districts, a division or the Presidency for the purchase and sale of a money crop or to act as an agent for Taluka Purchase and Sale Societies and other co-operative societies which do the business of advancing loans against the produce of that money crops could be registered, in case a sufficiently large number of societies dealing in that money crops exist to provide business for the Central Agency. Where possible, it should eliminate risks involved in purchase and sale transactions due to fluctuations in prices by the adoption of adequate safeguards on business lines and under expert advice, if necessary.

Such a Society should necessarily have a very large share capital and its outside borrowings against general assets should be restricted to twice the share capital and reserve fund. It should be able to make advances to traders and societies doing business with it at a rate not in excess of the Bank rate by 1 to 2 per cent. and the Taluka Purchase and Sale Societies and the financing agencies lending against produce should be able to advance loans at rates not in excess of the Bank rate by 2 to 3 per cent. The village multi-purpose society could keep its rate for advances at between 3 to 4 per cent. above the Bank rate.

As village multi-purpose societies can undertake the work of supplying articles of agricultural and domestic needs and as better farming societies could also be permitted to act as supply societies, it should not be necessary to form societies only for the purpose of supply of such articles. In case of durable articles of a costly nature which last for five years or more, greater advantage could be taken of the hire purchase system and the sale of such articles encouraged under a hire-purchase agreement. Ordinarily, supply societies should not give credit and articles should be supplied on a cash basis. Credit should only be allowed to members of co-operative credit societies and only to the extent guaranteed by the credit society of which they are members.

Supply societies and Sale and Supply societies may purchase articles of domestic need for sale against indents.

Agricultural Marketing Agency.

A co-operative marketing enquiry agency should be created in Bombay and put in charge of a marketing officer who will maintain touch with marketing organizations, supply information regarding the Bombay markets, be a liaison officer for marketing organisations, consumers and traders in Bombay and arrange, if necessary, for a show-room of samples and exhibits in Bombay. He should be an expert in agricultural marketing and should have practical experience of marketing methods and problems. He should be under the Registrar and his work would be reviewed by the Joint Board of Agriculture and Co-operation.

(C) The Organization of Secondary Occupations and Cottage Industries.

(i) Weavers' Societies.

Existing credit societies should be converted into purchase and sale societies with an area of operation extending over a village or a compact group of villages, having a membership consisting of weavers and if necessary, sympathisers, and with a fairly large share capital and on a limited liability basis.

The society could supply raw material to members and purchase on a cash basis the articles produced according to specifications. The supply of raw materials may be on credit based on the number of looms possessed by individual members. Individual limits and total limits of advances should be fixed. It should form contact with the nearest Industrial Association to which it will become affiliated, so that it can function as an effective producing centre for the preparation of articles according to the specifications required by the Industrial Association.

The Industrial Associations formed under the scheme approved by the Government of India are not yet in a position to establish contact with all the important weaving centres and for this purpose it will be necessary to register more Industrial Associations, each with an area of operation extending over a District or Talukas, similar to the Industrial Associations so far registered, and if necessary, Government should subsidize them on the lines on which the Government of India subsidy is at present given.

(ii) Other Cottage Industries.

Industrial Associations formed as suggested above and subsidized by the Government of Bombay could also act as purchase and Sale Agencies for other industrial commodities, *e. g.*, products of cottage industries.

Producers Societies for workers in cottage industries may be formed on the lines of weavers' societies in suitable centres and particularly in areas where there has been sufficient propaganda for the development of cottage industries by the Industries Department or any other efficient organization and the artisans appear anxious to adopt improved machinery and improved methods of production. Government subsidy to these societies may take the form of grants

towards recurring expenses for the first three years and for the purchase of implements. Such grants within the limits prescribed by Government could be sanctioned by the Joint Board. The societies will be financed by the financing agencies and except in case of advances against commodities, the limits of outside borrowings should be twice the share capital and the reserve fund.

(iii) Development of Secondary Occupations.

The development of secondary occupations should be mainly through better farming societies and except for special reasons or in special areas, societies for the development of secondary occupations should not be separately organized. Their formation could be favourably considered at a later stage for the purpose of further improvement in production and the better marketing of finished articles. Subsidies on the lines suggested for artisans' societies could also be made available for this class of societies.

If cottage industries and secondary occupations are to be developed on a large scale, it is essential that the co-operation and the sympathy of women workers are enlisted through existing women's organizations or by the formation of Women's Guilds. In rural areas, except when engaged in domestic work or crops picking, home industries constitute the exclusive domain of the women workers. (See Sir John Russel's Report).

A demand for the articles so produced exists among the dwellers in urban areas and in other centres. If the Women's Associations could effectively organize such demand, the women workers in rural areas could be organized to supply the demand. Unless Women's Associations in urban areas co-ordinate their efforts with the efforts for the revival of secondary occupations in rural areas, it will not be possible for the women workers in rural areas to derive the maximum amount of benefit from their labours.

(D). Miscellaneous.

(i) Consumers' Societies.

In rural areas, as multi-purpose societies develop, they will act also as Consumers' Societies.

In mill areas or urban areas where sufficient demand is forthcoming, initially it would be of advantage to arrange for the supply of such demand through recognized dealers on payment

of cash or against vouchers issued by a co-operative credit society and to register a consumers' society at a later stage.

(ii) Housing Societies.

Except in the case of Housing Societies for working classes or backward classes, financial aid from Government should only be encouraged to the extent the societies are not likely to obtain satisfaction of their needs from outside sources.

Where Housing Associations exist for the help of Housing Societies, they should see that the Societies obtain their finance on satisfactory terms. Housing Associations, however, should not themselves undertake to finance Housing Societies. Housing Associations should also encourage working and backward classes in urban areas and agricultural classes in rural areas, to develop housing societies.

Where a Government loan has been advanced to Housing Societies and due to causes beyond control, the societies are working at a loss, Government might help by giving relief in interest charges and consider if the rate of interest could be reduced.

Co-operative Societies which have established provident funds for their members may grant loans to members from the provident funds for building purposes.

Building Corporation.

To provide housing facilities to working class and backward class people, a building corporation mainly financed by recognized insurance companies could be registered under the Co-operative Societies' Act to finance House Construction Societies formed for the purpose of house construction in any area under a local body under conditions approved by the local body and the building corporation and further subject to the condition that every member of a society so formed shall insure with a recognized insurance company.

(iii) Co-operative Insurance.

(a) Life Insurance.

For the Co-operative Life Insurance Society the area of operation requires to be as wide as possible consistently with its safety margin and for this purpose it should consider if it is advisable for it to have transactions in areas where the Bombay Co-operative Societies' Act does not apply.

Life insurance could be encouraged by permitting members of co-operative societies who insure and give the insurance policy as a collateral security to obtain loans at a slightly better rate. The same policy could be followed by Land Mortgage Banks. To encourage group insurance in agricultural co-operative credit societies where compulsory deposits have accumulated, the financing agency could advance at a slightly lower rate of interest.

(b) Motor Insurance.

Co-operative Motor Insurance Societies on the lines of the Ratna. giri Co-operative Society require encouragement and if a sufficient number of such societies exists, the question of co-ordinating their activities under a central organization could be considered.

(c) Cattle Insurance.

Where loans are given for the purchase of cattle, care should be taken to see that good milch cattle or draught cattle are purchased. Insurance of cattle which it is not economically profitable to keep would constitute a further loss. If an Insurance Company either run on a co-operative basis or otherwise could insure cattle, the Society advancing loans for cattle purchase could charge a slightly better rate if insurance is effected.

(d) Crop Insurance.

Statistics showing soil classification, nature of crops grown, average yield etc. are available on the basis of which it should be possible for insurance companies to quote rates for crops insurance. If insurance companies could be consulted and crops insurance effected, co-operative societies could lend to their members who have so insured at a slightly better rate. In the alternative, A and B class societies could also consider crop insurance for members by payment of premia from reserve fund or profits.

(e) **Provident Fund.**

Section 41 of the Co-operative Societies' Act permits societies to establish Provident Funds for their members. Societies should be encouraged to take advantage of this section for members whose relations with the society are of a permanent nature. In particular, Salary-earners' Societies and agricultural Credit Unlimited Liability Societies in A and B class and making steady profits should take advantage of this provision.

POONA :
29th October 1937.

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VAIKUNTH L. MEHTA.
M. D. BHANSALI.

APPENDIX.

Co-operative Movement.
Bombay Presidency.
Examination of Position of—in.

Government of Bombay.

Revenue Department.

Resolution No. 7363/33.

Bombay Castle, 6th September 1937.

Resolution of Government.

The Registrar of Co-operative Societies in collaboration with Mr. Vaikunth L. Mehta, Managing Director of the Bombay Provincial Co-operative Bank who has offered his services for this purpose, should be requested to examine and report on the present position of the co-operative movement in the Bombay Presidency and to make specific recommendations as early as possible regarding the future lines of development, particularly with reference to the following points:—

- (1) The proper method of dealing with such of the assets of agricultural credit societies and their central financing agency as have become frozen.
- (2) The system of education and propaganda, finance, audit, supervision, and official and non-official control.
- (3) The development of non-credit co-operation, especially for the purpose of better farming, the marketing of agricultural produce and the organization of secondary occupations and cottage industries.

By order of the Governor of
Bombay,

N. A. FARUQUI,

UnderSecretary to Government.

15. When a person ceases to be a member under any of the byelaws 12, 13 and 14 the amount of his share money less any portion of it, if any, which may have been written down to meet bad or doubtful debts shall be paid :—

- (a) in case of death of the member after one year from date of decease, to his nominee, heir or legal representative unless such nominee, heir or legal representative is made a member, in which case the share or shares held by the deceased member shall be transferred to him ;
- (b) in case of expulsion or withdrawal to the member after two years from the date of cessation of his membership.

Provided that before making the aforesaid payment all moneys due from the member to the society shall be deducted.

LIABILITY OF PAST MEMBER.

16. Every member of the society whose connection with the society has ceased under these byelaws shall at once be liable to pay the whole of his debt to the society. Any member who has been expelled or who has withdrawn from the society shall continue to be liable for the debts of the society as they existed at the time when he ceased to be a member for a period of two years from the date of his ceasing to be a member.

INTEREST OF PAST MEMBER.

17. The interest of a member deceased or expelled or of a member who has withdrawn shall be held to be the amount of any deposits or loans made by him with or to the society together with interest thereon to the date of decease, expulsion or withdrawal and the amount of his share money less any portion of it, if any, which may have been written down to meet bad or doubtful debts, less any sums due from him to the society together with the interest thereon to the date of decease, expulsion or withdrawal.

FORMATION, DUTIES AND RESPONSIBILITIES OF PANCHAYAT.

18. Until a Panchayat is elected by the members of the society in a general meeting, the persons signing the forms of application for registration shall be deemed to be the Panchayat.

19. As soon after registration as convenient the members of the society shall hold a general meeting and shall elect a Panchayat which must consist of at least three members and shall, if possible consist of not less than five members.

20. No one who is not a member of this society shall be eligible to serve on the Panchayat.

21. The Panchayat shall be elected annually at the general meeting of the members. Any member of the Panchayat shall be eligible for re-election.

22. The Sirpanch and the Secretary of the society shall be elected at the annual general meeting from amongst the members of the Panchayat.

23. Vacancies occurring in the Panchayat or among the office-bearers of the society shall be filled up at an ordinary general meeting for the remainder of the term.

24. The Panchayat shall meet as often as may be necessary and in any case at intervals of not more than three months.

25. In addition to the powers and duties already laid down in these byelaws the Panchayat shall :—

(1) submit to the Central Bank or to the union as the case may be, proposals for the fixation of the maximum credit limit of the society for the ensuing 12 months with a list of the individual credits assigned to the members of the society ;

(2) consider applications for loans by members and grant them if they are within the annual maximum credit fixed for each member by the general meeting in accordance with byelaw 31 (2). Subject to the right of appeal to the general meeting, the Panchayat shall have the power to reject any application for a loan by member if in their opinion there is good reason to suppose that the money is not wanted for a necessary purpose or for any other just or proper cause ;

- (3) see that every loan granted to a member is duly secured by two sureties. These two sureties shall, as a general rule, be members of the society, but in exceptional cases, and with the approval of the general meeting, sureties may be furnished by non-members provided such non-member furnish a written undertaking to abide by the Registrar's decision on any matter which may be the subject of dispute between them and the society. The Panchayat shall have the power in addition to requiring personal sureties to take a mortgage or a sub-lease of any alienable immoveable property of the applicant or of his future crops ;
- (4) collect instalments of shares and return share money in accordance with the provisions contained in these byelaws ;
- (5) subject to the provisions of byelaws 31 (3), 34 and 35 raise loans and disburse them as soon as possible ;
- (6) collect as they fall due the principal and interest on loans and repay loans and deposits with interest thereon ;
- (7) examine all cases of outstanding arrears and make arrangements in such cases as may be necessary to provide against loss ;
- (8) maintain the society's accounts and records ;
- (9) elect two of their number to represent the society at the general meeting of the Circle Union, if any, to which the society belongs ;
- (10) guard and preserve the good name of the society ;
- (11) incur necessary expenses connected with the business of the society ;

26. The members of the Panchayat are personally responsible for seeing that the byelaws of the society are duly acted up to and enforced, and in any enquiry or inspection which the Registrar may hold or make or may order to be held or made into the affairs of the society, costs may be exacted according to law from the members of the

Panchayat by way of penalty should it be proved that they have been guilty of neglect of the duties imposed upon them by these byelaws.

27. No member of the Panchayat and no member of the society, shall vote on any application for a loan in which he is personally interested as a borrower. When any application for a loan is under discussion, the member applying for the loan shall withdraw, from the meeting.

RECORD OF PROCEEDINGS.

28. The proceedings of meetings of the Panchayat and of the society shall be recorded in the Proceedings Book of the society and signed by the Sirpanch and the Secretary in token of accuracy. Copies of the proceedings shall be forwarded to the Union or to the Central Bank as the case may be. The Sirpanch or the Secretary or such other member as may be duly authorized by the society shall be empowered to sign all documents on behalf of the society and to institute or defend suits or proceedings on behalf of the society.

PERIODS OF LOANS.

29. As regards the period for which the society may grant loans to its members, the Panchayat shall observe the following principles :—

- (1) when a loan is made for a non-productive purpose it shall be repaid within two years ;
- (2) loans for seed, food, cultivation expenses, cattle-fodder, or the payment of rent or revenue shall be repaid immediately after the next ensuing harvest ;
- (3) loans for the purchase of carts or cattle or industrial or agricultural implements, for the liquidation of small debts, or for house-building must be repaid within two or at the most three years ;
- (4) loans for liquidation of large debts, the purchase or redemption of land, or for expensive improvement of land must be repaid within three or at the most four years ;
- (5) the Panchayat shall scrupulously observe these principles and shall not grant more than one extension of an overdue kist ;

- (6) should it be necessary in the opinion of the Panchayat, to grant a loan or to make an extension for a period not in accordance with the principles above expressed, the Panchayat shall refer the matter for the orders of the Circle Union or the Central Bank to which the society is affiliated and shall obtain and obey such orders which must be in writing.

GENERAL MEETING.

30. A general meeting of the society shall be called as often as may be necessary. At least one such meeting shall be called each year in the month of _____ . This meeting shall be known as the Annual General Meeting. The quorum for a General Meeting shall consist of not less than half the number of members in the society.

31. The members shall in the Annual General Meeting:—

- (1) elect the Panchayat, the Sirpanch and the Secretary for the year;
- (2) fix the maximum amount of credit to be allowed to each member during the ensuing twelve months;
- (3) fix the maximum amount of liability to be incurred by raising loans on behalf of the society during the year. This maximum may, of course, be increased, or decreased, on the addition or removal of members in any general meeting or otherwise as may, from time to time, be necessary in the course of business. The maximum limit fixed by the Registrar may be reduced without reference to the Registrar, but it cannot be exceeded without such reference.

Note.—The term loans includes borrowings of every description such as deposits made with the society.

32. Except as otherwise provided in these byelaws all questions shall be decided by a majority of votes.

RESTRICTION OF BORROWINGS.

33. The society's borrowings from all sources shall not exceed a maximum to be fixed by the Registrar for the society from time to time.

SAVINGS DEPOSITS OF MEMBERS.

34. Every member shall on election receive a savings deposit book in which shall be entered all deposits and withdrawals made by him on his savings deposit account. Savings are the personal property of the depositor and of his heirs. On such savings the society shall pay interest at a rate not more than that which it pays for money borrowed from the Central Bank to which it is affiliated. Savings deposits are withdrawable on such terms and conditions as the depositor may make with the Panchayat, but the acceptance of savings deposits is subject to such rules as the Registrar may lay down from time to time, for the society's guidance.

ACCEPTANCE OF FIXED DEPOSITS.

35. The society may accept fixed deposits from members and non-members subject to such special rules as may be prescribed by the Registrar from time to time.

RESTRICTION ON LENDING OR MAKING DEPOSITS.

36. The society shall not lend money to non-members nor shall it be at liberty to make loans to or to make deposits with any society other than the Central Bank to which it is affiliated.

RATE OF INTEREST ON LOANS.

37. The rate of interest which members of the society shall pay for the loans which they take as individuals from the society shall be subject to the sanction of the Registrar.

PROFITS.

For newly organized societies.

38. Should the society adopt the system of non-returnable shares, the net profits accruing in the 11th and each subsequent year, may, after making adequate provision for bad and doubtful debts and carrying at least half of the remainder to reserve fund, be divided among the shareholders subject to a maximum dividend of 9 per cent on a fully paid up share or a dividend not exceeding the rate of interest on loans by members whichever is less, provided ten years have elapsed from the date of the first payment on

account of the share. Dividend shall be calculated on the entire paid up share capital, but shall be paid only on fully paid up shares, the balance being added to the reserve fund.

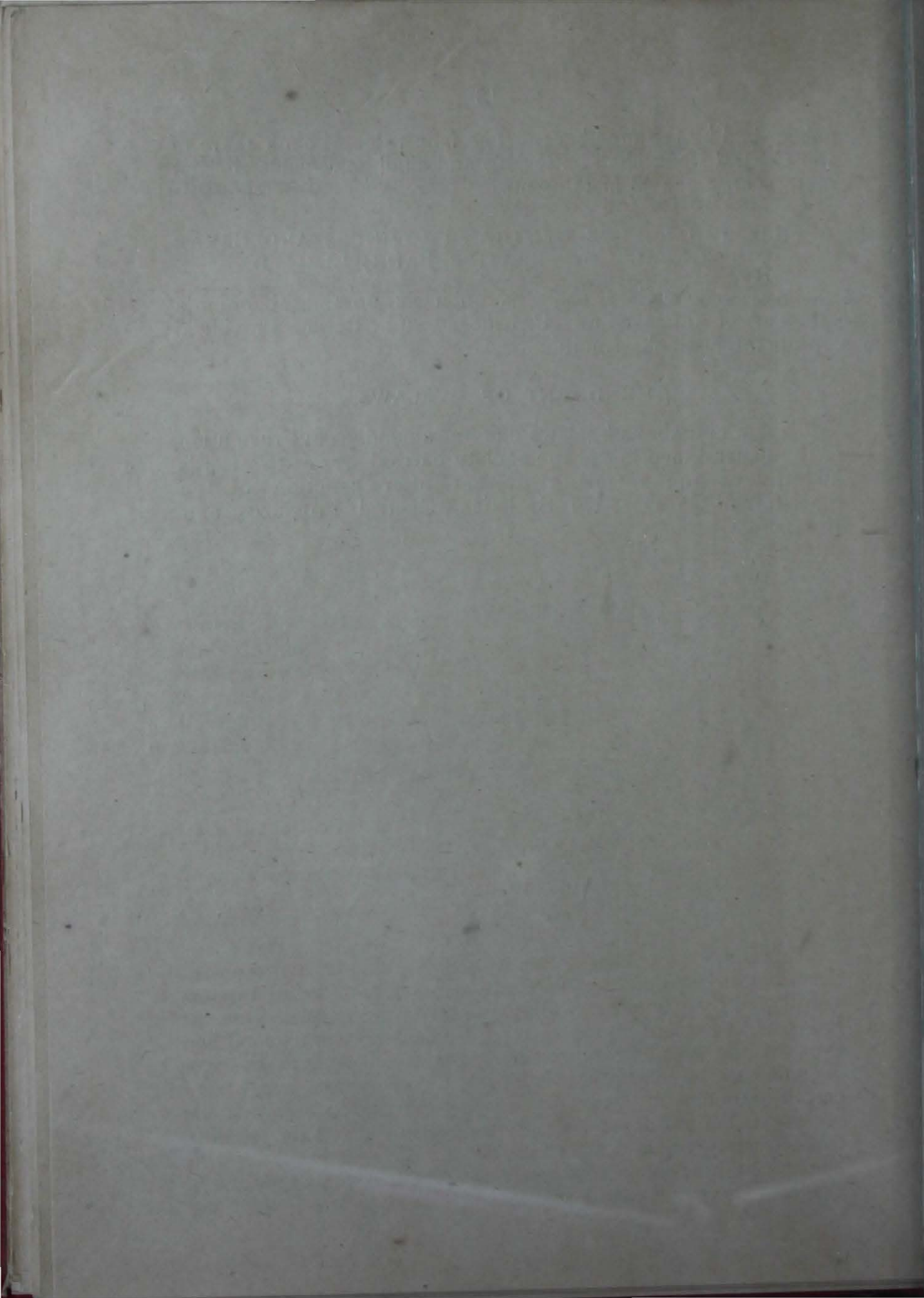
For an old society converted into a share-society.

38. Should the society adopt the system of non-returnable shares, the net profits accruing in the sixth year after the society adopts these byelaws may, after making adequate provision for bad and doubtful debts and after carrying at least half of the remainder to the reserve fund, be divided among the share-holders subject to a maximum dividend of 9 per cent on each fully paid up share or a dividend not exceeding the rate of interest on loans paid by members whichever is less. Dividends shall be calculated on the entire paid up share capital, but shall be paid only on fully paid up shares, the balance being added to the reserve fund, provided that shares purchased by members after the date of adoption of these byelaws, shall be eligible for dividends only after the lapse of ten years from the date of the first payment on account of shares.

FORMATION, PURPOSE, INVESTMENT AND DISPOSAL OF RESERVE FUND.

39. Subject to the provisions of byelaw 38, all net profits shall be carried to the reserve fund of the society. The reserve fund of the society shall be invested in such manner as the Registrar of Co-operative Societies may direct from time to time. The purpose of the reserve fund is not only to provide the society and its future members with a permanent pledge on which to obtain credit, but is to protect the present creditors of the society against loss, to build up a fund from which an annual income may be derived to cheapen the rate of interest on loans to members of the society, to provide an emergency fund and, in the end to furnish the society with its own working capital. Members of the society must clearly understand what the purposes of the reserve fund are, and they must also understand that it is only by patient and gradual steps that the society can attain to the ultimate goal of being in possession of its own working capital.

40. The reserve fund shall not be drawn upon without the sanction previously obtained of the Registrar of Co-operative Societies, Central Provinces and Berar. The reserve fund is



Explanatory notes on the standard byelaws for a primary co-operative society with share capital and unlimited liability.

Byelaw 2.—In the first paragraph of the existing byelaw, the words "the total number of members in the society" have been substituted for the words "the number of individuals elected to membership of this society" occurring after the word "Registrar" in order to make it clear that the total number including the signatories to the application for registration shall not exceed 50.

Byelaw 2 (2).—As the Central Bank is the agency which collects the per capital subscription and disburses it and as reference to this subscription is deleted from the revised byelaws of the Federation, it is laid down in this byelaw that the payment on account of the subscription shall be made to the Central Bank instead of to the Federation.

Byelaw 2 (4).—In a society without share capital every member is required to purchase shares in the Central Bank to which the society is affiliated in proportion to his borrowings. Under this byelaw non-borrowing members were not required to purchase shares. This byelaw requires all members, whether borrowing or non-borrowing, to undertake to purchase at least one share of the society. It is not necessary for them to purchase shares in the Central Bank.

Byelaw 5.—In this byelaw the words "without limit" have been inserted between the words "liable" and "for" in order to emphasize the unlimited liability of the members.

Byelaw 6.—This is a new byelaw framed in order to meet the requirements of rule 11 (7).

Byelaw 7.—This new byelaw is in accordance with the recommendations of the Federation Committee in paragraph 7 of their Report. The value of each share is kept at Rs. 5 as at present in order to suit the economic condition even of the smallest borrower; but since profits in share societies are to remain indivisible for ever or at least for a certain number of years, according to the option of the society, it is considered that the proportion of share holding to borrowing should not be as high as at present. In this byelaw the proportion of 1 : 20 has been laid down only as a guide. The exact standard to be laid down in the byelaw of

the permanent and indivisible fund of the society and in the event of the society's dissolution it cannot be shared out amongst the members, but it will be utilized in accordance with the rules framed by the Local Government under the Act which are given below:—

- (36) The reserve fund of the registered society shall be indivisible, and no member shall be entitled to claim any specified share in it.
- (37) (i) On the dissolution of the registered society, the reserve fund shall be applied to discharging such liabilities of the society as may remain undischarged after the enforcement in full of the liabilities of the individual members of the society.
- (38) Any balance of the reserve fund which may remain after making the payments specified in rule 37 (i), shall be applied to such local object or objects of public utility as may be selected by a majority of the votes of the members of the society (as they existed on the date of dissolution) assembled in a special meeting, and approved of by the Registrar. If within three months of the dissolution of the society the members fail to make a selection which is approved of by the Registrar, the latter shall credit the above mentioned balance of the reserve fund to the reserve fund of the co-operative society, if any, to which the society was affiliated, or, if the society was not affiliated to any other society, shall place the said balance on deposit in some co-operative or other bank until a new co-operative society with a similar area of operations is registered, in which event it shall be credited to the reserve fund of such society.

AFFILIATION TO THE CENTRAL BANK.

41. The society shall purchase in the Central Bank share of such total face value as may be laid down by the Board of Directors of the Bank in consultation with the Registrar, provided that the total face value of such shares shall not exceed three-fourths of the share capital

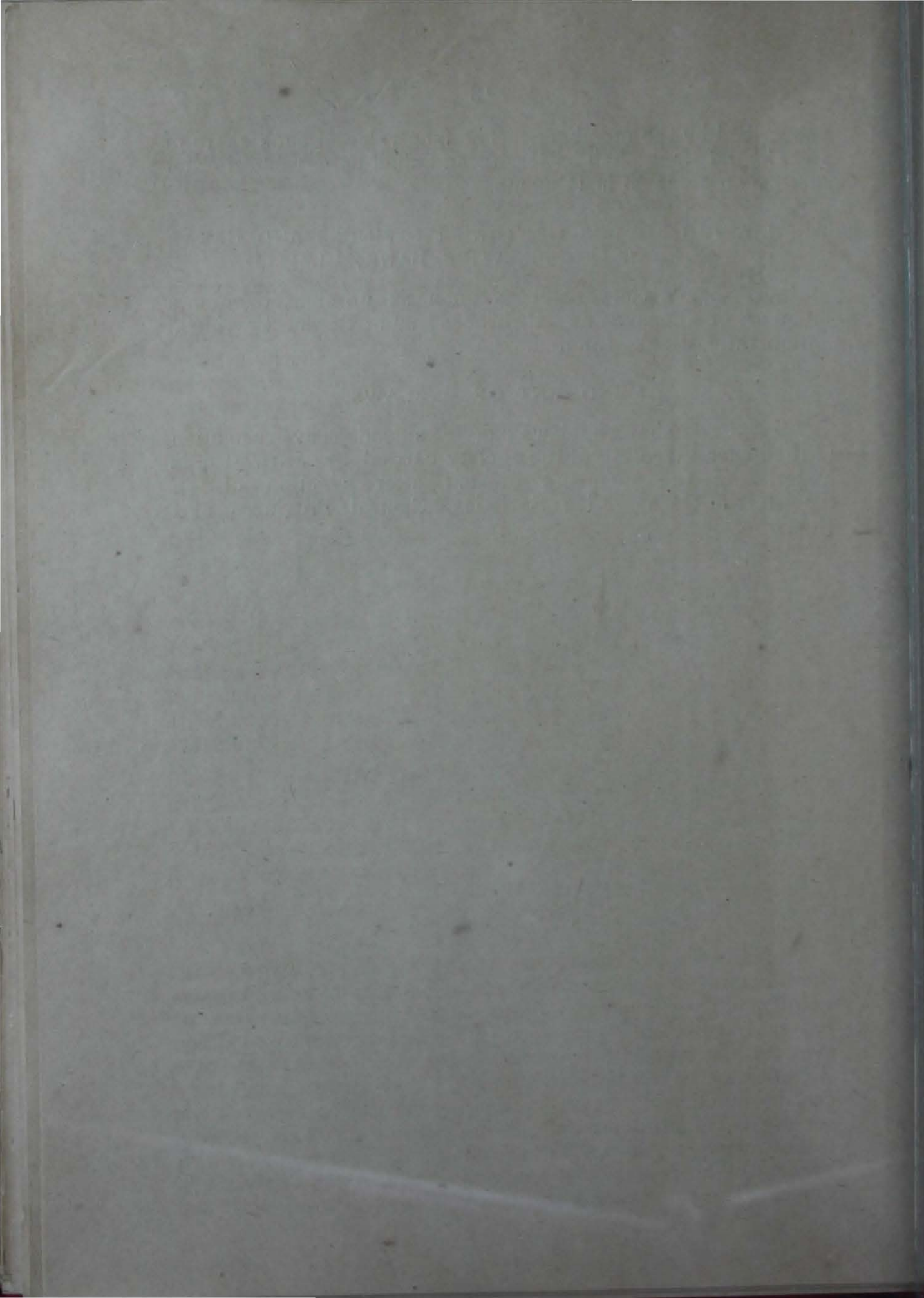
subscribed by the members. The face value of each share of the Central Bank shall be Rs. 10 and shall be payable in not more than 5 annual instalments.

**AFFILIATION TO THE CENTRAL PROVINCES AND BERAR
PROVINCIAL CO-OPERATIVE BANK, LIMITED.**

42. The society shall as soon as possible become a member of the Central Provinces and Berar Provincial Co-operative Bank, Limited.

AMENDMENT OF BYELAWS.

43. The above byelaws can be amended by resolution of the general meeting of the society carried by a two-thirds majority of the members present after sanction of the Registrar of Co-operative Societies, Central Provinces and Berar.



Explanatory notes on the standard byelaws for a primary co-operative society with share capital and unlimited liability.

Byelaw 2.—In the first paragraph of the existing byelaw, the words “the total number of members in the society” have been substituted for the words “the number of individuals elected to membership of this society” occurring after the word “Registrar” in order to make it clear that the total number including the signatories to the application for registration shall not exceed 50.

Byelaw 2 (2).—As the Central Bank is the agency which collects the per capital subscription and disburses it and as reference to this subscription is deleted from the revised byelaws of the Federation, it is laid down in this byelaw that the payment on account of the subscription shall be made to the Central Bank instead of to the Federation.

Byelaw 2 (4).—In a society without share capital every member is required to purchase shares in the Central Bank to which the society is affiliated in proportion to his borrowings. Under this byelaw non-borrowing members were not required to purchase shares. This byelaw requires all members, whether borrowing or non-borrowing, to undertake to purchase at least one share of the society. It is not necessary for them to purchase shares in the Central Bank.

Byelaw 5.—In this byelaw the words “without limit” have been inserted between the words “liable” and “for” in order to emphasize the unlimited liability of the members.

Byelaw 6.—This is a new byelaw framed in order to meet the requirements of rule 11 (7).

Byelaw 7.—This new byelaw is in accordance with the recommendations of the Federation Committee in paragraph 7 of their Report. The value of each share is kept at Rs. 5 as at present in order to suit the economic condition even of the smallest borrower; but since profits in share societies are to remain indivisible for ever or at least for a certain number of years, according to the option of the society, it is considered that the proportion of share holding to borrowing should not be as high as at present. In this byelaw the proportion of 1 : 20 has been laid down only as a guide. The exact standard to be laid down in the byelaw of

any particular society should be fixed in the light of local circumstances of the Bank with particular reference to the proportion of its owned capital to loans and deposits. Should the society decide not to fix any maximum limit upon the share holding of members, the proviso at the end may be deleted.

Byelaw 8.—A new by-law. The maximum number of annual instalments in which the value of a share should be required to be paid up is fixed at 5 in accordance with the recommendations contained in paragraph 5 of the Federation Committee's Report; but any society desiring to fix a smaller number of instalments may make the necessary changes in the by-law. A society which decides to require the payment of the share value in full at once should delete the by-law regarding instalments and retain the alternative by-law only.

Byelaw 9.—A new by-law with alternatives for a newly organized society and for an existing non-share society converted into a share society. The text of the by-law for a new society is in accordance with the recommendations in paragraph 5 of the Federation Committee's Report. In the alternative by-law for an old society converted into a share society the period that should elapse before the society should be given the option to decide whether shares should be made returnable and profits indivisible or shares should be made non-returnable and profits divisible, has been fixed at five years according to the recommendations in paragraph 10 of the Federation Committee's Report. This is however to be only the maximum period; but should the society consider that it is deserving of being allowed to exercise such option earlier, a shorter period may be laid down instead of the maximum. The Registrar will consider each case on its merits when registering the by-laws. The considerations on which such shorter period should be determined should ordinarily be the length of the society's existence, its good working, absence of overdues and bad and doubtful debts, large accumulation of reserve fund, etc.

Byelaw 10.—A new by-law. The one for a newly organized society is in accordance with the recommendations in paragraph 5 of the Federation Committee's Report. In the alternative by-law for an old society converted into a share society the period at the end of which shares fully paid up at the time of conversion shall be returned is fixed at 5 years from the date of such conversion. But if the

society decides to adopt a smaller period as pointed out in the explanation against byelaw 9 the period to be stated here will correspond with that shown against byelaw 9.

Byelaw 11.—A new byelaw added in accordance with the provisions of section 14 (2) of the Act. 6

Byelaw 12.—This is the same as byelaw 9 of the existing byelaws for non-share societies with the addition of the words "share or" between "his" and "debt".

Byelaw 15.—This is a new byelaw added in accordance with the recommendations in paragraph 7 of the Report of the Federation Committee.

Byelaw 17.—This is the same as byelaw 6 of the existing byelaws for non-share societies with the addition of the words "and the amount of his share money less any portion of it which may have been written down to meet bad or doubtful debts". In share societies the interest of a past member includes also his share money; hence the addition.

Byelaw 22.—In byelaw 15 of the existing byelaws for non-share societies, the election of the Sirpanch and the Secretary has been left to the Panchayat. It seems desirable that these office-bearers should be elected by the members of the society assembled in general meeting, which, in fact, is the general practice at present.

Byelaw 23.—Provision has been made in this byelaw for filling up of vacancies occurring in the Panchayat or office-bearers. This is wanting in the existing byelaws.

Byelaw 25.—This is the same as byelaw 17 of the existing byelaws for non-share societies with the addition of a new sub-clause (4) which includes the collection and return of share money among the duties of the Panchayat.

Byelaw 30.—In the byelaws for non-share societies no quorum is laid down for a general meeting. This defect has now been removed. For a general meeting it appears to be desirable to fix the quorum at not less than half the total number of members in the society.

Byelaw 31.—This is the same as byelaw 23 of the existing byelaws for non-share societies with a slight modification in clause (1) made in accordance with the new byelaw 23.

Byelaw 34.—This is the same as byelaw 26 of the byelaws for non-share societies with a slight change. It

appears desirable that the rate of interest to be payable on savings deposits of members should not be more than the rate at which the society borrows money from the Central Bank.

Byelaw 38.—This byelaw is in accordance with the recommendations of the Federation Committee in paragraphs 6 and 10 of their Report. The year from which profit in an old non-share society converted into a share society will begin to be distributed should be the same as that which may be decided to be laid down in byelaw 9 (*vide* explanation against that byelaw).

Byelaw 39.—This is the same as byelaw 30 of the byelaws for non-share societies except with the addition of the words "subject to the provisions of byelaw 38" made at the beginning in order to allow of distribution of profits in share societies which decide to adopt the system of non-returnable shares with divisible profits. Registrar will allow by an executive order the utilization of reserve funds in the working capital of societies to the extent recommended in paragraphs 8 and 10 of the Committee's Report, *i.e.*, 50 per cent of the accumulated reserve fund of old societies converted into share societies and 75 per cent of the future reserve funds of share societies.

Byelaw 41.—This is the same as byelaw 33 of the existing byelaws for non-share societies modified in accordance with the recommendations in paragraph 9 of the Federation Committee's Report, but, in many cases, it should be possible to require societies to invest not more than 50 per cent of their subscribed share capital in the shares of the Central Bank and it is hoped that it will not be necessary to call upon share societies to furnish as much as 75 per cent of their share capital in the shares of the Central Bank.

Byelaw 42.—At present, a portion of the reserve funds of primary societies is invested in the Provincial Bank's share capital under the orders of the Registrar and societies thus become members of the Provincial Bank. It is, therefore, desirable that there should be a provision in the byelaws about affiliation to the Provincial Bank.

Byelaw 43.—This is the same as byelaw 34 of the existing byelaws for non-share societies with a slight modification to suit the requirements of rule 12 of the rules under the Act.

LEAFLET.

THE ESSENTIALS TO BE KNOWN BY ALL MEMBERS OF CO-OPERATIVE CREDIT SOCIETIES.

1. Object of credit society.—

- (i) Cultivation of habit of thrift and economy.
- (ii) Increase of savings and their profitable use.
- (iii) Extinction of debts.
- (iv) Increase of property.

2. Advantages of co-operative borrowing.—

- (i) Small men can get loans at the same rate of interest as big men.
- (ii) Mutual check and supervision.
- (iii) Profitable use of borrowed money.

3. Admission, withdrawal and expulsion of members.—

(i) *Admission.*—The essential qualifications for admission are good character and intimate mutual knowledge.

(ii) *Withdrawal.*—A member may withdraw from a society after repaying all his debts to the society, but his liability (as defined in paragraph 4 below) continues for two years from the date of withdrawal.

(iii) *Expulsion.*—The main grounds on which a member is liable to expulsion are :—

- (a) Concealment of debts before admission into the society, and borrowing from outside without the knowledge of the society after admission.
- (b) Wilful default in payment of any instalment of share or loan.
- (c) Misapplication of loans.
- (d) Conduct injurious to the credit and reputation of the society and any serious breach of the byelaws

4. Liability of members to their society.—Is unlimited, *i.e.*, a member is personally, as well as with all his estate, responsible not only for his own debt to the society, but also for the debts of his fellow members to the society.

5. Liability of a credit society.—

- (i) In respect of its own borrowings is unlimited.
- (ii) In respect of the guarantee for the borrowings of all other societies affiliated to the circle union to which it belongs, is limited to the extent of a sum equal to its own maximum borrowings during the preceding 12 months.

6. Safeguards against loss.—

- (i) Admission of persons of good character intimately known to one another.
- (ii) Thorough knowledge and observance of the byelaws.
- (iii) Proper fixation of maximum credit limits, and their rigid observance in granting loans.
- (iv) Discouragement of loans for purposes which are not productive and profitable.
- (v) Grant of loans for actual requirements only.
- (vi) Taking of two personal sureties for every loan granted to a member. The sureties should, as a general rule, be members of the society, but in exceptional cases and with the approval of the general meeting non-members sureties may be accepted.
- (vii) Taking of mortgage or sub-lease of any alienable immoveable property of the borrower or of his future crops in addition to personal sureties, if the Panchayat considers it necessary.
- (viii) Application of loans to specified and approved purposes.

7. System of repayment.—

- (i) When a loan is made for a non-productive purpose it shall be repaid within two years.

(ii) Loans for seed, food, cultivation expenses, cattle fodder, or the payment of rent or revenue shall be repaid immediately after the next ensuing harvest.

(iii) Loans for the purchase of carts or cattle or industrial or agricultural implements, for the liquidation of small debts, or for house-building must be repaid within two or at the most three years.

(iv) Loans for liquidation of large debts, the purchase or redemption of land, or for expensive improvement of land must be repaid within three or at the most four years.

(v) Loans must be punctually repaid in the manner shown above.

(vi) More than one renewal for an overdue kist is prohibited by the byelaws.

(vii) The Panchayat shall scrupulously observe these principles.

(viii) Should it be necessary in the opinion of the Panchayat, to grant a loan or to make an extension for a period not in accordance with the principles above expressed, the Panchayat shall refer the matter for the orders of the circle union or the Central Bank to which the society is affiliated and shall obtain and obey such orders which must be in writing.

8. Where does the money advanced in loans to members come from?—

(i) A member gets his loan from the society.

(ii) The funds of the society are composed of:—

(a) Share capital.

(b) Loans from the Central Bank borrowed directly, if it is not affiliated to a circle union, or by borrowings guaranteed by the circle union, if it is affiliated to a circle union.

(c) Deposits and loans from members and non-members subject to such rules as may be prescribed by the Registrar from time to time for their acceptance.

(d) Reserve fund to the extent it is allowed by the Registrar to be used as working capital.

(iii) The society in its general meeting fixes the credit limit of each individual member for a year having regard to his average annual paying capacity, average annual requirements and his character. After fixing the credit limits of its members the society fixes its own borrowing limit having regard to the limit up to which the members as a body are prepared to pledge their joint liability. The Central Bank fixes a credit limit for the society which bears a close relation to its estimated annual paying capacity and average repayments made in the past; but it need not necessarily be the same as the borrowing limit fixed by the society for itself. Then a check limit for the society for disciplinary purposes is fixed by the Registrar on the recommendation of the Central Bank.

(iv) When a society sanctions the grant of loans to its members it makes an application to the Central Bank to advance a loan of the amount required. The Secretary or Sirpanch executes a pro-note and an agreement for the amount sanctioned by the Central Bank and obtains the money. When the society advances loans to its members entries are made in the Karz-Khat and the signatures or thumb-marks of the borrowers and their sureties are obtained.

(v) Repayments made by members are credited into the Central Bank. The society or any of its members desiring to make any payment shall take the pass book of the society, or the pass book of the individual member, and the cash to the Central Bank which shall receive payment from the society or the members on behalf of the union if the society is affiliated to a union, or on behalf of the society if it is not affiliated to a union. It is the duty of each society to see that its members repay punctually.

(vi) The Central Bank raises its funds by shares, deposits, and loans from the public and supplements local capital by loans from the Provincial Bank.

(vii) The Provincial Bank raises its funds by shares and takes loans and deposits from the public.

(viii) It must be remembered that the money which a member gets from his society is not Government money. Government does not undertake financial responsibility of any co-operative institution.

9. (i) Every member of a society must purchase at least one share of Rs. 5 in the society. If he borrows money from the society, he must purchase shares in the society of a total face value which shall bear such proportion to his borrowings as may be laid down in the byelaws.

(ii) Every society decides at registration whether to require its members to pay the full value of the shares purchased by them either at once on allotment or by annual instalments not exceeding 5 in number.

(iii) Shares held by members shall not be returned to them for a period of ten years from the date of commencement of the working of the society. At the end of this period the society shall decide whether to make shares returnable or not.

(iv) If shares are made returnable, they shall be returned to members at the end of ten years from first payment made in respect thereof, but after the return of original shares the members shall immediately start subscribing to fresh shares as before. All net profits of societies adopting a system of returnable shares are carried to reserve fund and no portion thereof can be divided among the share-holders.

(v) If shares are made non-returnable, the net profits accruing in the eleventh and each subsequent year may, after making adequate provision for bad and doubtful debts and carrying at least half of the remainder to the reserve fund, be divided among the share-holders on their fully paid up shares subject to a maximum dividend of 9 per cent or a dividend not exceeding the rate of interest on loans to members whichever is less provided ten years have elapsed from the date of the 1st payment on account of the share.

10. The society has to purchase in the Central Bank shares of a total face value not exceeding $\frac{3}{4}$ ths of the share capital subscribed by its members, and this gives a right to every one of its members to sit and vote at the annual general meeting of the Central Bank.

II. Formation and use of reserve fund.—

(i) The reserve fund is formed as follows :—

(a) All net profits of every society for the first ten years from the commencement of its working go to its reserve fund.

- (b) If a society decides at the end of ten years to make shares returnable, it has to continue to carry all its net profits to its reserve fund.
- (c) If a society decides to adopt the system of non-returnable shares, it has to carry at least 50 per cent of the net profits accruing in the eleventh and each subsequent year to the reserve fund.
- (ii) The functions of the reserve fund are as follows:—
- (a) It strengthens the society's credit.
- (b) It protects the creditors of the society against loss.
- (c) It is a source from which an annual income is derived to cheapen the rate of interest on loans to members of the society.

12. Every member of a society pays an annual subscription of Re. 1 to the Central Bank to which the society is affiliated. The subscription is utilized in payment of the staff employed to do the writing work of the societies and in the payment of the cost of books, forms and stationery supplied to societies. It must be remembered that the society moharrirs are not the masters of the societies, but their servants, and the societies must get all their writing work done by them properly.

13. No servant of Government, of the Provincial Bank, the Central Bank, or of the societies may ask for or accept any gratification whatsoever from any society or from any member of any society, and every Government servant or other servant employed in the service of co-operative societies is bound, on penalty of instant dismissal, to pay for his rasad. It is the duty of all members of societies to see that this rule is strictly observed. Breach of this rule by a member of a society or by a society will entail the stoppage of all credit, the cancellation of the society and immediate recovery of all loans.

Account books, registers, etc., to be maintained by the Secretary of a Society with unlimited liability.

The Secretary of a Society with unlimited liability should maintain the following account books, registers, etc. :—

1. Register of Members.
2. Haisiyat Register.
3. Proceedings Book.
4. Cash Book.
- *5. Register of Shares.
- *6. Register of Share-holders.
- *7. Record of Dividend.
8. Karz-khat (Chittha adai karz).
9. Ledger of Loans.
10. Ledger of Deposits.
11. Register of annual financial statements.
12. Pass Book.
13. Receipt Book.
14. Visitors' Book.
15. File No. I.
16. File No. II.

On each book a label with a description of the book and the name of the society shall be affixed.

The pages of all books should be numbered consecutively before being brought into use.

I. Register of Members.—This register must be maintained in form No. 1. As soon as the certificate of registration of a society is received, the names of the signatories to the application for registration should be written out in this book and signatures or thumb-impressions should be obtained against the names. The date of admission should be the same as that entered on the certificate of registration of the society. Further entries in this register must be made from time to time as new members are admitted into the society, and signatures or thumb-impressions of the new members must always be taken.

If any member dies, withdraws or is expelled from the society, the date of death, withdrawal or expulsion shall be entered (with reasons) against his name.

This is a very important register and it should be kept neat and clean. No superfluous remarks or entries should find place in this register.

*(To be maintained only by societies with share capital.)

Serial numbers should be given for every member, sufficient space (about one inch and a half) being left between entries relating to any two numbers for the thumb-marks of members and signatures of attesting persons and for remarks in the last column. In the case of a joint member, the number of the principal member should be noted below his serial number and his relationship with the principal member should be explained in the column of remarks. In case of a member admitted as successor of a deceased member a remark to the effect "Successor to No." should be made against his name. In the same way a remark to the effect "Succeeded by No." should be made against the name of the deceased member.

2. Haisiyat Register.—This register must be maintained in form No. 2. It should be filled up every year in a general meeting and must be signed by the members concerned in token of the correctness of the information entered. In case a member is found guilty of concealment of debts or of obtaining money from the society by means of such concealment he will render himself liable for action under bylaw 2 (7).

3. Proceedings Book.—When any meeting is held the Secretary should write at the top of the page the date of the meeting, whether it is a general meeting (of all the members of the society) or a meeting of the Panchayat and the names of the members present at the meeting. Then the subjects for discussion should be written on the left hand half margin of the page and against each subject the decision arrived at in the meeting should be written in the other half margin.

NOTE.—In an annual general meeting the subjects will be considered in the following order:—

- (1) Election of the Sirpanch, Secretary and the Panchayat.
- (2) Election of a member to represent the society in the general meetings of the Central Bank and on the Circle Union, if any, to which the society is affiliated.
- (3) Fixation of maximum liability to be incurred by raising loans and deposits on behalf of the society during the year.
- (4) Fixation of the maximum amount of credit to be allowed to each member during the ensuing 12 months.

NOTE.—Fixation of credit is one of the most important duties of a general meeting and several factors have to be considered in determining it. In order, therefore, to ensure that all points have had due consideration information shown in the form attached to this note (Appendix I) shall be collected for each member and embodied in the proceedings under this subject.

- (5) Passing of annual statements.

After the proceedings are recorded in this manner the Secretary and Sirpanch must sign in token of accuracy.

4. Cash Book.—This book is to be maintained on the Mahajani system. Each page will be divided into two equal parts, the left side half margin being the credit side and the right side half margin the debit side. All amounts received are to be entered on the credit side and all amounts disbursed on the debit side. When any transactions occur the date shall first be entered at the top of the page and on the credit side the first entry shall be the balance brought forward from the last date on which transactions took place. Then receipts and disbursements for the day shall be entered, the totals of debit and credit being made to agree by adding the closing balance to the debit side.

Specimen entries are given below :—

Dated the 18th December 1911.

<i>Credit.</i>		<i>Debit.</i>	
Rs.	a. p.	Rs.	a. p.
125	10 0	550	0 0
	Balance brought forward.		Loans advanced.
500	0 0		Rs. 550 to Vishnu Dixit
	Loan from Nagpur Central Bank, at 9 per cent per annum interest, repayable :—		at 12 per cent per annum interest, repayable—
	Rs. 200 on 31st March 1912.		Rs. 200 on 31st March 1912.
	Rs. 300 on 31st March 1913.		Rs. 330 on 31st March 1913.
	Ledger page—		Ledger page—
1	0 0	12	0 0
	Entrance fee—		Savings deposits returned—
	Re. 1 from Vishnu Dixit.		Rs. 12 to Chotu Miyan
	Ledger page—		Ledger page—
10	0 0	120	0 0
	Savings deposits—		Central Bank's loan repaid—
	Rs. 5 by Vishnu Dixit.		Principal Interest.
	Ledger page		Rs. 100 Rs. 20
	Rs. 4 by Govind Gopal.		Ledger page—
	Ledger page—		2 10 0 Contingencies—
	Re. 1 by Ashraf Ali.		Paper. Ink. Forms
	Ledger page—		Re. a. p. Re. s. p. Rs. a. p.
50	0 0		0 5 0 0 2 0 2 3 0
	Recoveries of loan from Ganesh Prasad.		Ledger page—
	Principal Interest		5 0 0 Share money returned to Govind Prasad.
	Rs. 40 Rs. 10		Ledger page—
	Ledger page—		23 0 0 Closing balance.
25	0 0		
	Share payments received from Rampasad.		
	Ledger page—		
711	10 0	711	10 0

5. Register of Shares,

6. Register of Share-holders and

7. Record of Dividend.

} —These registers shall be maintained only in those societies which adopt the share system.

Register of Shares (Form No. 5).—Shares issued will be entered in consecutive order in column 1. In column 2 will be entered the face value and in column 3 will be entered the date of the payment of the first instalment of the share value. Column 4 will show the page number on which the member's account is opened in the share-holders' register. The share-holder's name will be entered in column 5. Columns 6 to 8 will be filled up when a share is redeemed or transferred. In case of redemption columns 7 and 8 will be left blank.

Entries in this register should not be too close, for sufficient space must be left to admit of entries in columns 6, 7 and 8 in the case of more than one transfer.

Register of Share-holders (Form No. 6).—Ordinarily one page to one share-holder should suffice. The form is divided into two parts. The columns in the upper part will be filled up from the register of members. The share-holder's number will be entered on the top. In the second part columns 1, 2, 13, 14 and 15 will be filled up from the register of shares. Columns 4 to 11 will be filled in as payments are made, the total in column 12 being made after the last instalment is paid.

Record of Dividend (Form No. 7).—Columns 1 to ³ will be filled up from the register of share-holders. Entries in column 4 will be made as soon as dividend is declared, while those in columns 5 and 6 when actual payments are made.

8 Karz-khat (Chittha adai karz) Form No. 8.—Entries in this register should be made only when a loan is actually advanced to a member, sufficient space about 3 inches should be left between two entries of loans to provide for thumb marks. No loans should be advanced unless the signatures of the borrowers and their sureties are duly obtained. When thumb marks are taken they should be duly attested. At the close of the year when loan accounts of members are balanced fresh *karz-khat* should be taken for the outstanding balances against them. Special care must be taken to see that sureties are solvent and that they realize their responsibilities.

9. Ledger of loans.—This book is to be maintained on the Mahajani system. Every member must have a separate account of his loan transactions in this book, the entries being made from the cash book. Besides the personal loan accounts of individual members, the Ledger should contain the following accounts :—

- (1) loan account of the Central Bank ;
- (2) total deposit account ;
- (3) total share capital account ;
- (4) reserve fund account ;
- (5) accounts of investments of Reserve Fund (each kind of investment to have a separate account),
- (6) account of Central Bank shares purchased by the society ;
- (7) account of per capita subscription realized from members and paid into the Central Bank (in a tabular form, *vide* appendix II) ;
- (8) total loan account of members ;
- (9) profit and loss account.

10. Ledger of Deposits.—This book should be maintained like the ledger of loans with a separate account for each depositor showing whether he is a member or a non-member.

11. Register of financial statements.—A copy of the financial statements of each year should be made in this book, as soon as they are ready. The auditor in the course of his annual audit should check these statements and correct them, if necessary.

12. Pass Book.—The form of this book is appended herewith (form No. 9). The book must be handy and strongly bound and should contain about 20 pages. Every member on admission into the Society should be supplied with a book. The left side of the book indicates share account and account of deposit of a member, the first two pages only being allotted for the former. The right side of the book will show the account of loans and their repayments. Whenever any amount is received from or paid to any member in respect of loans, deposits or shares, the member should be required to produce his pass book and the Secretary must make the necessary entries and return the book to him at once.

Whenever entries in respect of interest are made the word "interest" should be written below the amount in column 2 of the Deposit and Loan Account.

The Secretary must see that the accounts in the pass books agree with the corresponding accounts in the ledger.

13. Receipt Book (Form No. 10).—Each book should contain 100 forms which must be numbered consecutively, the number being given on the counterfoil also. When any amount is received, the Secretary should immediately fill in particulars on the original and the counterfoil and after affixing his signature shall issue the original to the person making payment, and retain the counterfoil in the book itself for purposes of check and audit.

14. Visitors' Book.—This book is intended for the inspection notes of any officers who inspect the Society. As far as possible these notes should be recorded in vernacular. When an inspection note is recorded in this book the Secretary of the Society shall make a copy thereof and forward it to the Secretary of the Central Bank.

15. File No. I.—This file is intended only for the application for registration of a Society with all connected papers, such as the certificate of registration and the approved bylaws.

16. File No. II.—This file is to contain all orders and instructions from the Central Bank and from the Registrar, Co-operative Societies, and any other important papers and documents not contained in File No. I.

Members' Register.

Serial No.	Name and father's name.	Caste.	Age.	Residence.	Occupation.	Date of admission.	Signature or thumb-mark of members.	Signature of attesting witness against thumb-marks.	Date of cessation of membership.	Remarks.
1	2	3	4	5	6	7	8	9	10	11

Haisiyat Register of the _____ Co-operative

Name of member _____

Year.	Villages or shares of villages held.		Malik-makbuza land.			Absolute-occupancy land.			Occu-pancy land.		Deposits and shares in the soci-ety and in the Central Bank.	Value of houses.	Value of grain stock.	Value of carts.	As
	Revenue.	Value.	Area.	Rental.	Value.	Area.	Rental.	Value.	Area.	Rental.					
	1	2	3	4	5	6	7	8	9	10					

NOTE 1.—In columns 22 and 23 will be entered such expenses as those

NOTE 2.—The figure to be shown in column 25 will be the difference between amount which may be borrowed to meet

Society (unlimited) _____ Tahsil _____ District _____

son of _____ caste _____

sets.				Liabilities.										Signature or thumb mark of member.	Remarks.		
Number and value of cattle.				Debts due						Total liabilities.							
Bullocks.	Buffaloes.	Cows.	Other cattle.	To society.		To other creditors.											
				On mortgage.	Other debts.	On mortgage.	Other debts.										
16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33
				Total assets—(Total of columns 16, 17, 18 and 19.)	Annual income.	Annual cultivation expenses.	Annual household and other current expenses.	Estimated annual payment towards the liquidation of outside debts.	Annual paying capacity towards the society's debts.	Rental arrears.							

In respect of which loans, if advanced, are made repayable in one year. the figure in column 21 and the total of figures in columns 22, 23 and 24, plus any expenses shown in columns 22 and 23.

REGISTER OF SHAREHOLDERS.

Number _____

Name of shareholder _____ father's name _____ caste _____ age _____

Nominee (if any) _____

Number of shares.	1st call.		2nd call.		3rd call.		4th call.		5th call.		Total.	Date of redemption or transfer.	Name of transferee.		Remarks.
	Date.	Amount.	Date.	Amount.	Date.	Amount.	Date.	Amount.	Date.	Amount.			Full name.	Page of account in this register.	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16

53
52

Share Account.

Number of share.	Face value.	Date of issue.	Signature of Secretary.	Date of transfer or redemption.	Signature of Secretary.
1	2	3	4	5	6

Particulars of payments.

Date.	Amount paid by the member on account of shares.	Amount returned to the member.	Balance of share-money.	Signature of Secretary.
1	2	3	4	5

Pass Book.

The _____ Co-operative Society, Unlimited.

_____ Tahsil _____ District _____

Name of member _____

Ledger of loans page No. _____

_____ deposits page No. _____

Share-holders' Register page No. _____

Instructions to members.

This book should be carefully kept. At the time of every transaction it should be presented to the Secretary and an entry to that effect should be obtained from him.

After each entry the book should be carefully examined and checked to see whether all the entries have been correctly made and signed by the Secretary.

If there is any mistake it should be immediately brought to the notice of the Secretary and corrected and initialled.

Receipt.

The Co-operative Society, Unlimited.
 Tahsil District
 No.
 Date 192 .
 From whom received
 Amount received (in words) Rs.
 annas pies only.
 On what account

Rs.

Signature of Secretary.

Receipt.

The Co-operative Society, Unlimited.
 Tahsil District
 No.
 Date 192 .
 Received from Rupees (in words) †
 annas and pies
 only on account of

Rs.

Signature of Secretary.

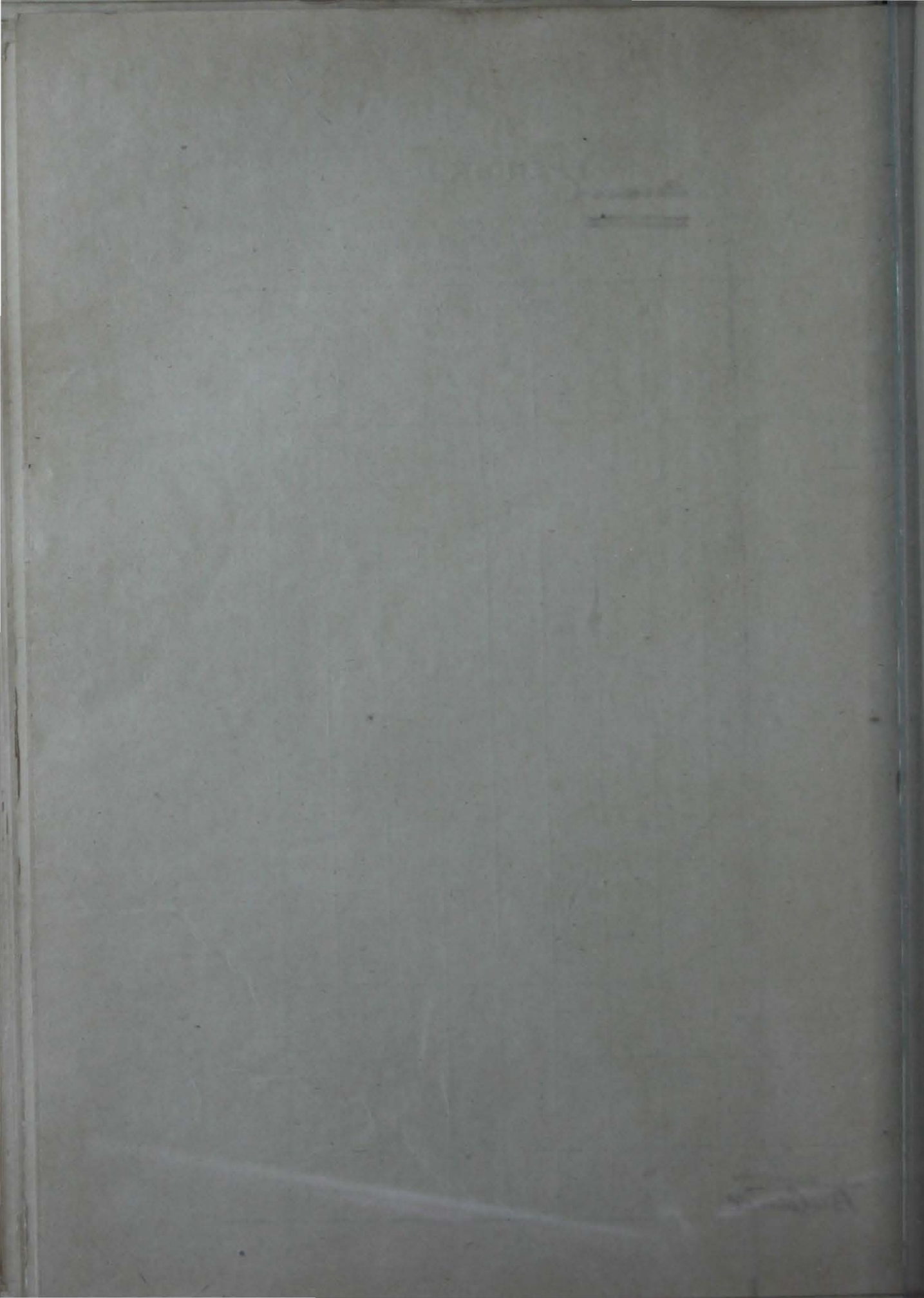
APPENDIX I.

Serial No.	Name of member.	Lands both transferable and non-transferable.		Value of transferable lands.	Value of houses.	Other assets.	Annual income.	Annual paying capacity towards society's debts for		Rental arrears.	Outside Society's debts.	Society's debts.	Credit limit.	Remarks.
		Area.	Rest.					Annual cultivation, household and other current expenses.	Other purposes.					
		3	4.	5	6	7	8	9	10	11	12	13	14	15
1	2													

NOTE 1.—The figure in column 9 will represent the amount which a member requires to borrow to meet his annual cultivation, household and other current expenses for the year.

NOTE 2.—The figure in column 10 will be the difference between the figure in column 31 and the total of figures in columns 27, 23 and 24 of the Haisiyat Register (Form No. 2).

NOTE 3.—Total of columns 9 and 10 will agree with the figure in column 25 of the Haisiyat Register (Form No. 2).



AUDIT NOTE OF PRIMARY CREDIT SOCIETIES.

Date of present audit _____	Submitted to C. A. by F. A. or Licensed Auditor on _____
Date of last audit _____	Forwarded to C. B. on _____
Name of Society _____	Copy taken by C. B. and original note submitted to C. O. on _____
No. and date of registration _____	Returned to C. B. for compliance on _____
Number of members _____	Given over to Society Moharrir for compliance on _____
Tahsil _____ District _____	Returned to C. B. after compliance on _____
	Filed on _____



AUDIT NOTE OF PRIMARY CREDIT SOCIETIES.

PRELIMINARY.

1. Does any member reside outside the village or villages for which the society was organized? If so, what action do you recommend?

REGISTER OF MEMBERS.

2. Is the register of members properly maintained?

Are all joint members entered? Are all signatures duly obtained and thumb-marks attested?

Note the conditions under which widows and guardians of minors have been admitted.

Is it advisable to retain them?

3. How many new members have joined since last audit?

4. Have all new members been elected formally and paid their admission fees?

Was the election a genuine one?

5. Have any members been expelled or withdrawn? If so, for what reasons?

Do any members wish to withdraw now and why?

Have any members been retained against their will?

What is the effect of withdrawal or expulsion of members on the society?

Have their shares of the Central Bank been redeemed?

Do they acknowledge receipt of share money?

ROKAR (CASH BOOK).

6. Are all balances in the cash book duly struck and signed by the Secretary or Sirpanch and does the cash in hand agree with the balance shown in the cash book?

Who holds the cash balance and how long has the cash balance been in his hands?

Has any cash been retained for an unnecessarily long time?

7. Have the loans advanced by the Central Bank been distributed in full to the members?

Have the payments collected from the members been remitted in full to the Central Bank?

8. Have you checked all the items of receipts and expenditure in the Rokar with khatas, vouchers, and the Society's Pass Book?
9. Is the Society's Pass Book up to date and duly attested?
If so, by whom?
Is the Pass Book taken to the Central Bank and entered whenever a loan is taken or repaid? If so, by whom?

KHATAS (LEDGERS).

10. Are credits to individual members granted only after full consideration by all the members assembled in the General Meeting?
How many of the members understand the meaning of a credit limit?
On what are the credits granted based?
Do you consider the credits granted suitable? If not, give instances of unsuitable credits with reasons for your opinion.
11. What is the total amount of credit limit granted to members in the General Meeting?
12. What is the borrowing limit fixed by the Society for itself? What is the check limit sanctioned by the Registrar?
13. What is the total amount of loans outstanding against members?
What interest do they carry?
Has any member received a disproportionately large loan?
If so, give details.
14. Mention cases in which individual members have been granted loans in excess of their credit limits.
Give reasons for such excess.
15. Is the Chitha Adai Karja (Karja-khat) properly maintained?
Are all signatures duly obtained and thumb-marks attested?
Are all sureties adequate and are they still members of the society?
Do the sureties realize their responsibility? In case of outsider—sureties, have agreements been taken from them?
16. Is the purpose of each loan duly considered and recorded in the proceedings book?

17. Have any loans been misapplied?

If so, how have they been spent and what action has been taken?

N. B.—Misapplication includes application to any purpose other than the purpose for which it was granted.

If no action has been taken do you recommend any action?
Does the misapplication affect the instalments fixed?

18. What is the total amount of overdue debts? Are they within the paying capacity of the members in one year? If not what instalments do you suggest?

To what do you attribute the arrears?

19. What is the total amount for which renewals have been granted? What kists have been fixed? Was renewal necessary? If so why? Was it asked for by the members? Are the instalments suitable? Is this the first renewal? If not, how many have there been of the same loan?

20. Give a list of bad and doubtful debts, with reasons for your estimates? What are the prospects of recovery? What action do you recommend? How have these debts become bad or doubtful?

Has any provision been made by the society for bad and doubtful debts? If so, how much has been provided for this purpose from:—

- (a) Profits of the year.
- (b) Reserve fund.
- (c) Share capital.

21. Have any awards been taken by the society? Give details for such members with dates, amounts, and recoveries? Have they been executed? What was the result? Are any more awards necessary? Where full recovery has been made has the member withdrawn, been expelled or retained? If the latter, has he been refinanced?

SHARE CAPITAL.

22. Has the society adopted share system? If so, whether the shares are returnable or non-returnable?

23. What is the subscribed share capital of the society?

24. Have all members purchased shares according to by-laws?

Are instalments of shares regularly paid? If not, give names of defaulters and note what action the society has taken against them?

25. In case of returnable shares, has the share money been returned to members according to bye-laws and have the members acknowledged the receipt of their share money?
Have such members commenced subscribing to fresh shares?
26. Have any shares been redeemed or transferred? If so, for what reasons? Have the members acknowledged the receipt of share money returned to them?
27. What is the total face value of the shares held by the society in the Central Bank? What proportion does it bear to the total share capital of the society subscribed by its members? How much of it has been actually paid?

CENTRAL BANK LOAN.

28. What is the credit limit fixed for the society by the Central Bank?
Has it been increased or reduced since last granted? Do you consider it suitable? If not why not?
29. What is the amount of Central Bank loans outstanding against the society? How much is overdue? What action, if any, has been taken by the Central Bank to effect recovery? What interest does it carry?

DEPOSITS.

30. What is the amount of deposits made by members and non-members? Is the society allowed to accept deposits from non-members? What rate of interest does the society pay on deposits?
31. Have you scrutinized the Pass Books of loans and deposits and found that they agree with the Khatas?
Are all members' Pass Books duly entered? Are they kept by the members? Do the members know what is in them and attach any value to them?

PROFITS.

32. What was the net profit of the year?
33. What was the amount of unrealized interest if any?
34. What amount has been carried to Reserve Fund out of the year's profit? Is it according to the by-laws?

35. What is the amount of the Reserve Fund?
How much is invested in Provincial Bank shares? Is the interest being used to reduce the rate of interest to members? If so, what is the present rate payable by members?
36. If any shares have matured for dividend, what was the rate of dividend paid? Are dividends paid duly acknowledged?
Is the record of dividend properly maintained?
37. Have any profits been invested in working capital?
What is the amount of such profits?

PROCEEDINGS.

38. Are the minute books properly written and meetings regularly held and attended? Was the annual general meeting held and were the Panchayat and office-bearers duly elected?
Ascertain whether all the members have any knowledge of the proceedings. State from their replies whether you consider they take any interest in them.

GENERAL.

39. Has the society a copy of the Registrar's vernacular circulars, a copy of the Co-operative Societies Act, the Rules thereunder, the registration certificate and by-laws and leaflet? Do the members understand them? If not, have you explained them?
Do the members understand and accept the principle of joint and unlimited liability? Has it ever been given effect to by voluntary subscriptions?
40. Is the management efficient? Do the office-bearers realize their responsibilities and discharge them properly? Are the members satisfied with their work? If not, mention any complaint for which you think there is any reasonable ground.
41. Have the defects pointed out in the last audit note been remedied?
42. Are there any remarkable or unusual matters to bring to notice?
Is the society improving or deteriorating as a whole? State briefly the grounds for your opinion. Any

dishonest dealing such as misappropriation of funds should be stated here.

Give instances of any striking improvement in the condition of members, directly attributable to the society.

What class would you assign to the society?

43. Has the society a copy of the annual financial statements? Have you checked them and corrected where necessary?

44. Append a copy of balance sheet for the last 30th June duly checked and corrected, statement of receipts and disbursements and profit and loss statement for the year ending 30th June last and statement of receipts and disbursements from 1st July last to date of audit.

45. Have you written the audit note on the spot?

Have you explained the main points in the note to the members present?

NOTE.—Please note also time spent in audit and number of members present at the audit.

Cash Account for the period from 1st July 192 to 30th June 192

Serial No.	Receipts.	Amount.			Serial No.	Disbursements.	Amount.		
		Rs.	a.	p.			Rs.	a.	p.
1	Opening Balance ...				1	Purchase of Central Bank shares.			
2	Withdrawal of Central Bank shares.				2	Share capital withdrawn.			
3	Share payments				3	Deposits with drawn—			
4	Entrance Fees ...					(a) Savings Deposits.			
5	Deposits—					(b) Other Deposits.			
	(a) Savings Deposits								
	(b) Other Deposits.								
6	Loans from Central Bank.				4	Interest paid on deposits.			
7	Loans from Government.				5	Loans repaid to Central Bank.			
8	Loans repaid by members.				6	Interest paid to Central Bank.			
9	Interest received ...				7	Loans repaid to Government.			
10	Other receipts (give details).				8	Interest paid to Government.			
					9	Loans to members..			
					10	Dividends paid ...			
					11	Establishment and contingent charges.			
					12	Carried to Reserve Fund.			
					13	Other items (give details).			
					14	Closing Balance ...			
	Total ...					Total ...			

Cash Account for the period from 1st July 192 to 192

Serial No.	Receipts.	Amount.			Serial No.	Disbursements.	Amount.		
		Rs.	a.	p.			Rs.	a.	p.
1	Opening Balance ...				1	Purchase of C. B. shares.			
2	Withdrawal of C. B. shares.				2	Share capital withdrawn.			
3	Share payments ...				3	Deposits withdrawn—			
4	Entrance fees ..					(a) Saving Deposits.			
5	Deposits—					(b) Other Deposits.			
	(a) Savings Deposits.				4	Interest* paid on deposits.			
	(b) Other Deposits.				5	Loans repaid to Central Bank.			
6	Loans from Central Bank.				6	Interest paid to Central Bank.			
7	Loans from Government.				7	Loans repaid to Government.			
8	Loans repaid by members.				8	Interest paid to Government.			
9	Interest received ...				9	Loans to members.			
10	Other receipts (give details).				10	Dividends paid ...			
					11	Establishment and contingent charges.			
					12	Carried to Reserve Fund.			
					13	Other items (give details).			
					14	Closing Balance ...			
	Total ...					Total ...			

AUDIT CERTIFICATE.

I certify that I have this day completed the local audit of _____
 Bank Union Society Limited Unlimited No. _____ affiliated to _____ Circle Union Central Bank
 Talsil _____ District _____

The certificate of registration is correct and in order and is held by the _____ Bank Union Society and business has been transacted with fairness, legality and honesty.

The accounts for the period _____ to _____ have been scrutinized in detail, and the mistakes have been pointed out in the audit note.

The Bank Union Society is {
 A.—(Very Good.)
 B.—(Good.)
 C.—(Fair.)
 D.—(Bad and Unco-operative.)
 E.—(Financially dangerous.)

Dated _____

Signature.

Designation _____

(Brief reasons for class allotted.)

Brief remarks by the Circle Officer. (The Circle Officer should be brief and to the point.)

Explanatory Note on the Revised form of the Audit Note of a Primary Society with unlimited liability.

The revision of the present form of Audit Note has been found necessary, owing to the introduction of a new type of societies with share capital of their own. The present form has been so drafted as to be suitable for both kinds of societies whether with share capital or without share capital.

2. The additions made to the present questionnaire are the latter portion of question No. 20 and questions Nos. 22 to 27, 32 to 34, 36 and 43. In some of the other questions there are a few verbal changes.

3. Provision must be made for bad and doubtful debts in the balance-sheets of all societies, whether they are on a share-basis or otherwise. Provision for bad debt is made indirectly at present, since the figure of bad debts to Central Banks is arrived at after deducting the reserve fund and shares held by members in societies, but such provision is not shewn in the balance-sheets of societies. It is desirable that the practice followed with regard to bad and doubtful debts in Central Banks should be adopted in the case of societies.

4. In the case of non-share societies questions Nos. 22 to 27 and No. 36 should be left blank. While answering question No. 25 if the Auditor finds that the period, for which shares must remain in the society before being returned, has not elapsed, he should make a note to that effect against the question; but, in other cases, he should state the required facts.

5. In the statements appended to the note, additional side-heads have been inserted to suit the requirements of share societies.

(a) *Cash account statement.*— Side-heads "withdrawal of Central Bank shares" and "purchase of Central Bank shares" have been provided in the "Receipts" and "Disbursements" sides, respectively, to show transactions of shares purchased by the society in the Central Bank.

*(b) Balance sheet—**Assets—*

Side-head 1.—In the old form the head was intended to represent the investment of Reserve Fund. This has been made clear in the revised form, and separate sub-heads have been provided to show the details of investments.

Side-head 2.—A new head has been provided to show the share holding of the society in the Central Bank. This will remain blank in non-share societies.

Side-head 3.—Sub-heads for showing the classification of loans into good, doubtful and bad have been provided.

Side-head 4.—Side-heads 3 and 5 of the old form have been brought under one head.

Liabilities—

Sub-head 8.—New head has been provided to show the provision made and the sources from which it has been made to meet bad and doubtful debts.