

V. H. Cronhall's

from

R B Ewbank

New Year

1917

Gratefully received at Alibag

2-2-17

# CO-OPERATION

COMPARATIVE STUDIES

AND THE

CENTRAL PROVINCES

SYSTEM

BY

H. R. CROSTHWAITE

PRINTED AND PUBLISHED BY  
THACKER, SPINK AND CO., CALCUTTA  
FOR  
THE CENTRAL PROVINCES FEDERATION  
OF  
CO-OPERATIVE BANKS.

1916

*All rights reserved.*

XM.271.N2

EG

59853

Without the patient labour and unselfish devotion of a small band of unpaid workers there could never have been a Co-operative Movement in the Central Provinces and Berar. The gift of this book to the Movement is a small token of the writer's deep respect and admiration for the work of the unpaid Co-operator.

Dhananjayrao Gadgil Library



GIPE-PUNE-059853

## P R E F A C E .

To understand the meaning and importance of the Co-operative Movement in India, requires a knowledge of certain historical facts and some acquaintance with co-operative achievement in other countries. That is the reason for Parts I and II of this book.

In compiling a volume of reference it is legitimate to follow the example of Molière and to take what is good from where it is to be found. Accordingly, it is not so much in the character of an author as in that of an amanuensis that I tender my apologies to Messrs. Cahill, Fay, Hewins, Wolff, Dicksee, and Conant, for my borrowings from their standard works. I have also made much use of the admirable Bulletins issued by the International Institute of Agriculture in Rome, of the writings of Nicholson and Holyoake, and of the articles by that exceedingly well-informed expert "Home Counties," published in *The World's Work*.

It must be understood that nothing contained in this book is, in any sense, a declaration of Government policy. Such declarations are contained in Government Resolutions, and not in a book prepared by a humble co-operative worker for the use of his fellow-workers.

H. R. CROSTHWAITE.

June 15th, 1916.

# TABLE OF CONTENTS.

---

	PAGE:
INTRODUCTION .. .. .	vii

## PART I.

### THE GROWTH OF ENVIRONMENT.

CHAPTER I.—Some Pages of Commercial History .. .. .	I
CHAPTER II.—The Genesis of the Central Provinces and Berar .. .. .	II
CHAPTER III.—A Century of Progress .. .. .	19

## PART II.

### COMPARATIVE STUDIES.

CHAPTER I.—The Co-operative Movement—Co-operative Credit —Rural Credit Societies in the United Kingdom —Rural Co-operative Credit System in Germany —The Systems of Raiffeisen and of Haas—The Prussian State Bank .. .. .	36
CHAPTER II.—Rural Credit in Roumania—Rural Credit in Japan	119
CHAPTER III.—Overwhelming Importance of Agriculture in the Central Provinces—Agriculture the Source of Future Industrial Development—Class Industrial Societies not recommended—People's Banks the best for Industries—German Model—Italian Model—People's Banks, Co-operative Stores and Industrial Development .. .. .	142
CHAPTER IV.—Long Term Credit—Co-operative Mortgage Credit —Mortgage Banks—American Opinion—The <i>Ginko</i> of Japan .. .. .	164
CHAPTER V.—Co-operation in Agriculture .. .. .	195
CHAPTER VI.—The Co-operative Store .. .. .	227

## PART III.

### THE CO-OPERATIVE SYSTEM IN THE CENTRAL PROVINCES AND BERAR.

CHAPTER I.—General Description .. .. .	251
CHAPTER II.—The Primary Co-operative Credit Society with Unlimited Liability .. .. .	262

## TABLE OF CONTENTS.

	PAGE.
CHAPTER III.—The Circle Union of Primary Co-operative Credit Societies .. .. .	291
CHAPTER IV.—The Co-operative Central Bank .. .. .	307
CHAPTER V.—The Provincial Co-operative Bank .. .. .	328
CHAPTER VI.—The Central Provinces Federation of Co-operative Banks .. .. .	343
CHAPTER VII.—Co-operative Organization at present outside the Federation Circle .. .. .	352
APPENDIX I.—Co-operative Credit and the Central Bank .. .. .	374
APPENDIX II.—Wilhelm Haas .. .. .	379

## PART IV.

ACCOUNTS, PROCEDURE, AUDIT, PERIODICAL RETURNS,  
CIRCULAR INSTRUCTIONS.

CHAPTER I.—On Book-keeping .. .. .	383
CHAPTER II.—Primary Co-operative Credit Societies .. .. .	405
CHAPTER III.—Circle Unions of Primary Societies .. .. .	432
CHAPTER IV.—Central Banks .. .. .	441
CHAPTER V.—The Provincial Co-operative Bank .. .. .	454
CHAPTER VI.—Audit and Returns .. .. .	461
APPENDIX I.—Circular Instructions issued by the Registrar .. .. .	484
APPENDIX II.—The Co-operative Societies Act, 1912 (II of 1912) .. .. .	504
APPENDIX III.—Exemptions and Concessions .. .. .	519
APPENDIX IV.—Rules under the Act .. .. .	522

## INTRODUCTION.

---

“ Co-OPERATION leaves nobody out who works. Those who do not know this do not understand co-operation ; those who do know it and do not mean it, are traitors to the principle. Those who mean it and do not take steps to secure it, or are silent when others evade it, or do not advocate it when occasion offers, are unseeing or supine. Co-operation touches no man's fortune ; seeks no plunder ; causes no disturbance in society ; gives no trouble to statesmen ; enters into no secret associations ; it contemplates no violence ; needs no trades union to protect its interests ; it subverts no order ; envies no dignity ; it accepts no gift, nor asks any favour ; it keeps no terms with the idle, and it will break no faith with the industrious. It is neither mendicant, servile, nor offensive ; it has its hand in no man's pocket, and does not mean that any other hands shall remain long or comfortably in its own ; it means self-help, self-dependence, and such share of the common competence as labour shall earn or thought can win.” These are the words of that great English co-operator, George Jacob Holyoake, and they may be commended to all workers in the cause as an epitome of what “ Co-operation ” really means. Co-operation is mutual help ; and a co-operative society begins in persuasion, proceeds by consent, seeks success by common efforts. incurs risks, and shares losses, intending that all its members shall proportionately share whatever benefits are secured.

Co-operation produces equality ; but this equality is the result not the beginning. Any co-operative movement must start with inequality and authority, and must steer steadily towards self-government and independence. It will take time,

co-operators must remember, to regenerate the world. Co-operation is a religion which, though weak in creeds and collects, renders humanity service. The main creed of co-operation is that all co-operators should mean well, work well, and neither beg, steal, nor annoy.

Leslie Stephen has recorded that "Robert Owen was the most conspicuous figure in the early part of the nineteenth century." And when Robert Owen originated "Co-operation" most men said that the idea was contrary to human nature. What was new to them they concluded was new to humanity. But Aristotle tells us of nations who held the land in common and divided the produce, and of others who divided the land and stored the produce in common. Minos the Cretan would not suffer any of his people to lead an indolent life. Persons of all classes sat at common tables, partook of the same diet, and at the public expense. The laws of Minos remained in force for nearly a thousand years. When Lycurgus governed Sparta obedience to the law and *the dread of living for himself* were the earliest lessons imprinted on the mind of a Lacedemonian. Robert Owen was born in 1771, and thus was a contemporary of Wellington and of Napoleon. From being a humble draper's assistant he became a wealthy cotton manufacturer. Owen purchased and worked up the first bale of cotton imported into England, foreseeing at once the future importance to the spinning trade of England of encouraging the foreign supply of raw material. Owen's scheme of administering his factories shared with his labourers and their families a portion of the common gain. Amongst other arrangements for the welfare of his people Owen provided model schools for their children, and thus it came to pass that the education, or formation of character, of members of the co-operative body has always been deemed a part of the co-operative scheme amongst those who rightly understand it. A co-operative store was a mere detail of Owen's factory management. Huxley has written thus of Owen: "I think that every one who looks closely into the problem of popular education must be led to Owen's conclusion that the infants' school is, so to speak, the key of the position. Robert Owen discerned this great fact,



and had the courage and patience to work out his theory into a practical reality." Owen was the first who looked with practical intent into the kingdom of the unborn. He saw that posterity—the silent but inevitable judge of us all—if left untrained may efface the triumphs, or dishonour, or destroy the great traditions of the race. Robert Owen put infant schools into the mind of the world ; and he, when it seemed impossible to any one else, proposed national education. Moreover, Owen was not a sentimental, speculative, or barren reformer. He was for submitting every plan to experiment before advising it. He cared for no cause that reason could not win ; and whatever he commended he supported with his purse. He saw, as no man before him did, that environment is the maker of men. Robert Owen died in his 88th year, on the 17th November, 1858, at Newtown, Montgomeryshire, the place of his birth. In 1902 the co-operators of England and Scotland subscribed to erect a handsome screen round Owen's tomb.

{ Although England is the parent-country of the co-operative idea, Germany is that of co-operative banking and credit. } The German pioneers were Herr Schulze, Mayor of Delitzsch, and Herr F. W. Raiffeisen, Burgomaster of a group of villages round Neuwied. Both were men who had seen government service. Schulze-Delitzsch was a Judge and a member of the Prussian National Assembly of 1848. Raiffeisen, ex-soldier and wine merchant, who even to the age of eighty, when he was sick and blind, had a marvellous facility for arithmetical calculation, directed the building of the railway on the left bank of the Rhine. Both these great reformers broke entirely new ground, although Schulze-Delitzsch had learnt the powers of thrift from the English Friendly Societies, and Raiffeisen had seen from the public savings-banks and Schulze-Delitzsch's own institutions how some of the larger farmers could be accommodated with credit. Both began with an individual effort to relieve the distress in their particular districts. Both ended with the conviction that improvement was only possible when it depended upon and came from the people themselves. 1848 was a year of distress general throughout Europe. In 1849 Schulze-Delitzsch founded a Friendly Society for relief in

sickness, and in the same year an association of shoemakers for the purchase of raw materials. In 1850 he founded in Delitzsch-Eilenberg his first loan society with ten members, all artisans, and remodelled it two years later as a self-supporting institution with a capital and shares. He saw that the lack of good credit was at the root of the small man's helplessness, and that this credit could only be provided if the small man by self-help organized himself to obtain it. In 1848 Raiffeisen founded at Weyerbusch (Coblenz) a co-operative society for distributing potatoes and bread to the poor. In the year after he founded at Flammersfeld, in the Westerwald, a loan society for the support of small farmers; but, let us note, the members of this society were rich philanthropists who sold cattle at easy rates to the farmers, they were not the farmers themselves. In 1862—mark the long interval—Raiffeisen founded, at Anhausen, his second society. This was a co-operative credit society, and in it the borrowing farmers were themselves the members. It was at this stage that Raiffeisen discovered that the poor required no donations of money but the organization necessary to command this money for themselves.

Neither Schulze-Delitzsch nor Raiffeisen had a government commission to establish credit banks. Their sympathy stirred them to efforts of relief: their experience showed them the conditions under which permanent improvement was alone possible: their genius created triumphantly the conditions which their contemporaries thought to be unattainable. Schulze-Delitzsch was first in the field, but Raiffeisen worked out his own organization. Schulze-Delitzsch blinked suspiciously, when he detected certain variations from his own regulations, Raiffeisen held boldly to his position. Both observed that they had solved a great problem by principles essentially the same; neither understood that their differences of method were due to, and justified by, differences of environment. Now the German mind is peculiarly prone to proceed by formulæ. It draws from observation or study conclusions which in their place are correct. It celebrates their discovery by promoting them to an "ism" which, applied regardless of environment and context, is incorrect. An "ism" is to its disciples a universality;

variation from that "ism" is heresy and not an intelligent application of one principle to different conditions. The party of Schulze-Delitzsch railed at Raiffeisen for methods which in the town would have been insecure: the party of Raiffeisen reproached Schulze-Delitzsch for methods which in the country would have been impossible. Schulze-Delitzsch was right in raising share capital for his town banks, Raiffeisen in rejecting it for his country banks. Being Germans it did not occur to them to conclude, or if they concluded to confess, that each was right in his own line. To-day if you question a member of a Schulze-Delitzsch bank about Raiffeisen institutions, he turns up his nose and patronizes them as unsafe "charity" banks in a tone of contemptuous pity. If you question a member of a Raiffeisen bank about Schulze-Delitzsch institutions he shakes his head and apologizes for them, as for heretics convicted of capitalism and exclusiveness.

One word more. It is necessary for the student of co-operation to understand that there are two aspects of the movement and that they are linked inseparably together. The one aspect is material, the other moral. But morality is not a cloak which unsound business ought to wear. The moral enthusiast, blinded by the refulgence of his ideals, is apt to be impatient in his haste to reach the Promised Land. His head is amongst the stars, while his feet are stumbling in the gutter; and there will always be people vulgar enough to take advantage of him. But if the moral enthusiast is wise he will build up his scheme of reform on the solid foundation of material progress secured by sound business. Good economy is apt to produce good morals. And if the movement is to destroy the forces of ignorance and waste co-operators must be conscious of the efforts and sacrifices which their cause requires.

## APPENDIX I.

### CO-OPERATIVE CREDIT AND THE CENTRAL BANK.

(*The Agricultural Journal of India, January, 1907.*)

So many people have already written on the subject of Co-operative Credit that I hesitate to swell the number. My only excuse is that I do so by invitation. Some two years ago, when the first attempts to instil the principles of co-operative credit amongst the people of the Central Provinces were made, it was supposed that any effort to establish societies would probably fail unless the money-lending classes were first conciliated. "In order to love mankind," said Helvetius, "one must not expect too much from them;" an endeavour to induce the leopard to change his spots was no plank in the platform of co-operative credit. It was recognized that in dealing with men of business instinct and tradition, no "dusty answer" would be sufficient to convince those whose "souls are hot for certainties" in the shape of principal and interest. It was of primary importance to convince these classes that the co-operative credit movement would benefit them as well as others. The tactics adopted were cautious and may be described in the words of Francis Bacon—"not to undertake things beyond the strength of Government, not to row against the stream, not to wait for occasions always, but sometimes to challenge and induce them." It was amongst the money-lending classes that the gospel of co-operative credit was first preached.

It was necessary to explain to the capitalist the meaning of co-operative credit and to show that rural societies afford scope for safe investment with a prospect of a reasonable return. In order to do this satisfactorily, it was not forgotten that there is but one general rule of evidence—the best must be produced that the nature of the case will admit of. Recourse was had to practical demonstration. A few societies were started with capital raised partly by shares sold to members, and partly lent by Government or the Court of Wards. The rate of interest on loans to members was low—9 per cent.; members alone could borrow; after the provision of a reserve fund, profits were to be distributed *pro rata* to the shareholders.

The main objections taken to these societies were that they were not such societies as the Government of India contemplated when legislation was first undertaken, that they were mere profit-making machines run for the benefit of some of the non-borrowing members, and that neither Wolff nor Raiffeisen would be able to trace in them any resemblance to the societies of which they were the founders. These criticisms were sound and fair; but the initial

societies were formed as a stepping stone towards better things. As has already been pointed out, it was considered essential to enlist the sympathy of the non-borrowing classes. Accordingly in these first societies, borrowing and non-borrowing members were deliberately amalgamated in one body. "All confidence is dangerous unless it is complete," said La Bruyère; "there are few circumstances in which it is not best either to hide all or to tell all." It was clearly of great importance that the non-borrowing classes should have an opportunity of becoming acquainted *at first hand* with the working of societies having machinery bearing some resemblance at least to that of the rural societies which the later development of the Central Bank would finance.

These first societies are now flourishing in the Central Provinces and are fulfilling at least one function of Raiffeisen Societies. They are succeeding in providing any man, whose character stands high enough with his fellows to procure him election as a member, with money to carry on his cultivation at a reasonable rate of interest. The management of the affairs of a society is vested in a committee elected by the members themselves. The greatest objection to which these societies stand open at present is that they are more or less dependent on a certain amount of official supervision, but it would be wholly erroneous to say that the societies were started "by Government Order." The fact is that when the cause of co-operative credit was first pleaded with the people as they sat round the writer's camp fire they themselves stipulated for a certain amount of aid and supervision at the outset. Accordingly when the societies formed in the Hoshangabad District first started practical work, being still but infants, their steps were very carefully guided. The various committees received no orders; they were not peremptorily told that they must do this or must not do that; the *chaprassis* at the door had strict injunctions to usher at once the "Secretary Sahibs" and the "President Sahibs" into the presence, and many were the occasions on which they came to seek advice and assistance. It must be confessed that at first many of the people received the idea of co-operative credit *nec amore et sine odio*. But dawning perception has awakened a spirit of real interest, and these societies stand as successful object lessons, if not of the ideal form of co-operative credit, at least of the fact that joint responsibility and admission to membership by election produce a body of honest borrowers.

It is a common cry that there is no public spirit amongst the people of India. If one were to ask amongst which class there is the least desire for the welfare of others, the answer would probably be "amongst the money-lenders." But it is a fact that the Banias of the Central Provinces, just as the Jews of other countries, are the class whose application to business is greatest, and whose success is most proverbial. We know how in the history of the world the Jew has for centuries been cast for the rôle of the oppressed; we know the present position of the Jew in Russia and Germany. It would be too much to say that the Bania is the object of universal animosity, but it cannot be disputed that he is often regarded with the eye of suspicion, and generally of jealousy. Like Shylock, he wants his pound of flesh. In common with the

physician his services are only sought by those whose necessities demand them, and in common with the physician the price charged for the benefit bestowed is frequently condemned as extortionate. While, however, the services of the doctor frequently inspire feelings of gratitude, the usurer has in all countries and in all ages been unpopular. It was Tocqueville who said that "he who despises mankind will never get the best out of either others or himself." The saying is one which is worth the consideration of the worker in the cause of co-operative credit. "If by the term public spirit," wrote Major-General Sir W. H. Sleeman, "be meant a disposition on the part of individuals to sacrifice their own enjoyments or their own means of enjoyment for the common good, there is perhaps no people in the world among whom it abounds so much as among the people of India. To live in the grateful recollections of their countrymen for benefits conferred upon them in great works of ornament or utility is the study of every Hindu of rank and property. Such works tend in his opinion not only to spread and perpetuate his name in this world, but through the good wishes and prayers of those who are benefited by them to secure the favour of the Deity in the next."

Next, then, to pointing out to the money-lending classes that to invest money in Co-operative Credit Societies was worth their while, it was expedient to lay stress on the fact that the movement was a philanthropic one, designed to ameliorate the condition of the tillers of the soil. To aid in such a movement is to acquire merit. The inducement is one that tempts civilised men of nearly every race and creed. The argument gathered strength when the results of the money-lending transactions of some of the leading Banias were revealed. It fell to the lot of the writer to assess the income-tax and to hear the usual pleas for a decrease in the burden of taxation on the score of decrease in income. The task presented many opportunities to one desirous of ascertaining what proportion of interest (at the usual "sawai" or 24 per cent. per annum rate) was actually realized. If anything definite could be arrived at, then the guide to the rate of interest that would attract capital would be invaluable. Once satisfy the money-lender that new ways of employing his money would bring him in as much interest as the old, and a great deal would be accomplished. No one will dispute that the methods which entail the employment of lawyers and pleaders, attendance at court and legal costs, must necessarily be very expensive. The law too is uncertain, and just claims are sometimes defeated. When, then, several money-lenders proved that the income derived by them from the capital sunk in small loans yielded a return of only 8 to 10 per cent. co-operative credit scored another notch. The contest became one between knowledge and tradition. It was pointed out to the money-lenders that rural societies were small affairs for small people only; that the scheme of operations did not include such folk as large landholders anxious to borrow a few thousand rupees for fireworks; that the old game of a man burdening his resources with the interest on large sums borrowed for ceremonial expenditure and then being unable to pay the interest in poor seasons, must continue to be played; that, in fact, no encroachments

on the profitable portions of the money-lender's happy hunting ground were to be made. The writer recollects the keen interest with which the Banias heard of the enormous fortune left by the most notorious money-lender of recent years, the late Mr. Sam. Lewis, and of his methods; how Mr. Lewis never made small loans but confined his dealings entirely to advancing many thousands at a time on the security of very valuable property. In the end, many of the Banias were convinced that the creation of rural societies would afford them a safe means of investment without any of the expenses of collection attendant on traditional methods, that the net return would be as great, if not greater.

Had the writer stayed in the Hoshangabad District, his next step would have been to form Tahsil Central Banks to which rural societies would have applied for money. The last section of the Co-operative Credit Societies Act confers a very wide discretion as to registration. Nobody pretends that a Central Bank with capital subscribed by the leading men of the tahsil, managed on purely business principles, and existing solely for the purpose of lending money to rural societies, is itself a Co-operative Credit Society in any sense of the term. Yet it exists for the purpose of associating the best business talent available with the co-operative credit movement, and is intimately connected with the scheme for financing and testing the merits of the class of rural societies roughly sketched in this article. The Central Bank should then be registered under the Act. Shareholders in the Central Bank can, of course, reside anywhere, but the committee should be chosen from shareholders resident within the tahsil. What is wanted is a committee with good local knowledge of all parts of the tahsil. It will not only control the internal affairs of the Central Bank, but will consider the applications of rural societies for loans and decide to what extent individual societies are *bankable*. The Central Bank is not only to be the source whence rural societies are to derive their capital, but a means of gauging the worth of newly-formed rural societies. It may be argued that too much power will be left in the hands of the Central Bank, that as "interest speaks all sorts of tongues and plays all sorts of parts, even the part of the disinterested," the Central Committee will be able to starve the rural societies, and thus kill the movement. To this no present answer can be given. The question is one of confidence, and time alone can prove whether that confidence has been misplaced or not. It is idle to apply closet logic to schemes of co-operative credit. The personal equation must always count for much. Let us be content to go to school with experience. "English men," wrote Sir Henry Maine, "are wont to be content with the rough rule of success or failure as the test of right or wrong in national undertakings." Though rough, the rule is not a bad one when judging schemes of co-operative credit.

It may be suggested that the most convenient method of raising capital for the Central Bank is by guarantee and subsequent call for payment. This prevents the accumulation of idle money. It is from the Central Bank, then, that the rural societies are to obtain money. The district officer must form

the rural societies as he finds opportunities when in camp. He must explain the advantages of co-operative credit to the villagers ; he must aid in drawing up simple rules, the articles of association, and the application for registration ; and he must superintend matters until the rural society is launched as a body corporate. Once that is accomplished, the rural committee must look to the Central Bank for their funds. The Central Committee will enquire as to whether the new society is bankable or not, and, should their enquiries be satisfactory, will grant the rural society a credit, a cheque book, and a pass book. The cheques of the rural society will be cashed when presented, and interest will run from the date of disbursement only. A date must be fixed for the repayment of each sum disbursed, and default will mean suspension of further credit. Probably it will be found most convenient to settle accounts two months after each harvest. Government should not be asked for a rupee. The writer has not yet met a single man who urged that Government should aid with money in order to show that its purpose was earnest, without finding that the idea had been put into his head by an officer of Government. Directly the maker of such a request was invited to think for himself, he could discover no reason why Government should *not* be earnest.

These rural societies will be able to borrow at nine per cent. and lend to their members at twelve per cent. The small margin of three per cent. will provide all necessary working expenses and will in course of time furnish reserve and working capital. But no elaboration of the subject is required here. In attempting to solve the problems which confront us, let us steadfastly bear in mind that it is the first purpose of co-operative credit to provide the cultivator with capital at a reasonable rate of interest. The Government of India have laid down that the establishment of rural societies is to be our first care. Let us not then be too ready, as Mrs. Browning says,

" to talk by aggregates

And think by systems, and, being used to face

Our evils in statistics, be inclined

To cap them with unreal remedies

Drawn out in haste."

In matters co-operative we must not advocate too strenuously the rigid application of the methods of another hemisphere. It should be possible to clothe the spirit of co-operative credit in an Indian garb without the usual official trimmings. Very possibly her attire will not be the latest confection from Utopia, but it can be, none the less, a practical working garb.



## APPENDIX II.

### WILHELM HAAS.

WILHELM HAAS, the legal representative (*Generalanwalt*) of the National Federation of Agricultural Co-operative Societies, died at Darmstadt on the 8th of February, 1913. The German agricultural world has lost in him one of its most valuable members. For forty years he took a leading part in the agricultural co-operative movement of Germany, first of all in the somewhat limited sphere of his native country, the Grand Duchy of Hesse, but later, after 1883, as head of the National Federation of German Agricultural Co-operative Societies. This Federation, the proportions of which were at first but modest, developed under his direction until it became a powerful organization for almost the whole of German agricultural co-operation. But not only for the German farmers is his death a great loss. The sincere condolences sent to the National Federation from a large number of foreign countries show the high consideration in which Haas was held even beyond the frontiers of the German Empire. And, indeed, his action was not limited to the field of German agricultural co-operation, for the more the latter has developed, the more it has served as the model for foreign countries.

Haas always assisted the co-operative movement abroad both actively and with advice and, in the same way, he always did his utmost to profit by the experience of other countries and the results obtained in them for the benefit of German agriculture. He was in friendly relations with most of the men working for the same ends as himself in other countries, and his great services to the co-operative institutions received their fitting reward in 1906, when, on the foundation of the International Federation of Agricultural Co-operative Societies, he was appointed its President.

Haas was born at Darmstadt on October 26th, 1839. In 1862, he entered the service of the Government of the Grand Duchy of Hesse. In 1869 he was appointed district assessor of the Grand Duchy in the office of the Friedberg District in Upper Hesse. Ten years later, in 1879, he was Councillor of Police at Darmstadt, and, in 1886, he was District Councillor for the Offenbach District. He held this important office until 1900. Then he left Government service to devote himself entirely to co-operative work.

In 1872 he began his work in the field of co-operative organization. He founded that year the Agricultural Distributive Union of Friedberg. Already in his position as member of the Provincial Agricultural Union of Starkenberg, of which he was later on President, he had studied the needs and aspirations

of the agricultural world. With the loan and savings banks, the agricultural distributive unions were the earliest agricultural associations in Germany. It was in the Grand Duchy of Hesse they first extended themselves and in greater number than elsewhere. But, as long as they acted independently of each other they could only partly succeed. Haas conceived the plan of uniting the societies in a single Federation. Fifteen societies, with altogether 1,070 members, immediately adhered to the Federation.

Haas was elected President of the Federation. In that office he soon gave proof of extraordinary talent as an organizer and administrator. In a short time the agricultural distributive unions increased very remarkably in the Grand Duchy of Hesse, so that, at the end of 1875, the number of societies belonging to the Federation were already 40. The efforts of the Federation were crowned with complete success. It did not confine itself to doing its utmost to obtain better terms for the farmers by means of collective purchase. It also interested itself in arranging that the articles supplied should be of good quality.

The Federation continued working up to 1890 to the great advantage of agriculture in the Grand Duchy. It was then transformed into a Federation of all the different sorts of agricultural co-operative societies. Its action was now limited to the representation of the general interests of the co-operative societies and particularly to the inspection of the affiliated societies, as prescribed in the law on co-operative societies. Its work as intermediary for the collective purchase of goods was entrusted to a Central Co-operative Society, the foundation of which had been made possible by the new law.

The methods adopted by the Federation of the Grand Duchy of Hesse and the systems employed by it were soon taken as examples in the foundation of co-operative purchase societies and federations in other parts of the German Empire. Some associations founded in the States adjoining the Grand Duchy of Hesse, in the districts near the frontier, even requested to be affiliated to the Federation. Their applications could not be accepted. Haas, in fact, as he declared in 1876, thought it preferable that these associations should endeavour to promote the foundation of new societies in their own districts and afterwards unite with them in Provincial or National Federations.

But, at the same time, Haas showed the possibility of uniting the District Federations into a general federation. The idea became realisable in 1883, when it was decided to promote a federation of agricultural co-operative purchase societies and dairies, and this led to the formation of the Federation of German Agricultural Co-operative Societies. At first, it was composed of nine Federations, which had 239 societies as members. Again, Haas was elected president and manager. From this moment his name became closely associated with the most important events of German agricultural co-operative life. The development of this Federation, which in 1890 assumed the name of the General Federation, and in 1903 that of the National Federation of German Agricultural Co-operative Societies, cannot be considered apart from that of German agricultural co-operation generally.

After the death of Raiffeisen in 1889, it was decided to receive Credit Societies as members of the Federation. There had been two Federations, the one headed by Raiffeisen, the other by Haas, and they were long enemies. Raiffeisen and Haas had not the same conception of the manner in which agricultural co-operation must work nor of the aims to be assigned to it.

In the struggle for the leadership of the German Agricultural Co-operative movement between Raiffeisen's General Federation and the National Federation, the latter incontestably had the advantage. To understand this we must remember the contrasting principles of the two Federations.

The very basis from which Raiffeisen started in founding his loan and Savings Banks was the Christian idea of brotherly love. He did not place the economic advantages the societies offered their members in the first line. His principal object was the spiritual and moral elevation of the agricultural population by means of the educative influence of association, and, in addition, the support and encouragement granted, above all, to the needy and to persons in bad circumstances. He did not allow the profits obtained in the business to be distributed among the members at the end of the year or at the dissolution of the society. Raiffeisen made the recognition and the practice of these fundamental principles a condition for the admission of societies into his federation. Besides, his system was dominated by the idea of the strictest centralisation, not only as regards the representation of the general interests, the management and supervision of the Co-operative Societies on the part of the Federation, but also in everything relating to its business. The provincial branches of the Federation were only to be administrative branches. The Raiffeisen system was, in fact, really founded on a single type of Co-operative Society, that of the Co-operative Credit Societies also engaged in collective purchase, to which other types were regarded as subordinate in importance.

The fundamental and guiding principle of the National Federation was the autonomy and independence of the societies. From the start, Haas endeavoured to avoid subjecting co-operation to rigid theoretical rules. In founding the National Federation, he let himself be guided, in the first place, by purely economic considerations, and declared that there was no intention to place the Co-operative Societies under tutelage. The proposed Federation wished simply and solely to effect the union of scattered forces and at the same time to advise, instruct, and encourage. All the adherent societies would be free to profit as they judged best by the advice given and proposals made to them. This was in strong contrast to the centralising tendency of the Raiffeisen Federation. The dominating principle in the National Federation is decentralisation, rendering it possible for each member institution to develop according to its needs and its special conditions. Moreover, in the National Federation, it was not attempted to attain various ends, by means of a single type of society, but a particular form of society was founded for each special end.

These differences explain, to a large extent, why the two Federations developed differently. It is the foundation of autonomous territorial and

provincial organizations that have contributed to the wonderful development of the National Federation, for not only is autonomy a more effectual medium for the expansion of co-operation than a large managing federation would be, but it is better able to take account of economic, intellectual, and political differences.

In 1905 the General Federation was amalgamated with the National Federation and, as a result of negotiations often interrupted, an understanding was arrived at. The provincial organizations of the Raiffeisen Federation were transformed into territorial and provincial autonomous federations, with their special rules and the right to audit and inspect. In this respect the Raiffeisen party made a considerable concession to one of the most important principles of the National Federation, namely, that of decentralisation. For that matter, already in 1909, there had been a first modification in this direction in the organization of the Raiffeisen Federation. The union with the National Federation has not, however, lasted long. It soon became evident that it was impossible to arrive at an understanding with regard to certain differences of view, and the bond between the two Federations was again broken in 1913.

The National Federation, in addition to occupying itself with the development of the external relations of the societies for agricultural co-operation, has also concerned itself with promoting the improvement of their internal business. It is here that Haas rendered signal service. He was never tired of proposing new objects to the Federation and he succeeded in their realisation.

The work done by the National Federation, in the thirty years that Haas was at its head, has been of immense value to his country.

It was very natural that in view of his high position as head of the National Federation and his great personal prestige Haas should be entrusted with various other offices.

He was, for instance, member of the German Agricultural Council, in his capacity as representative of the agriculture of the Grand Duchy of Hesse, and a member of the Imperial Parliament.

In recognition of his beneficent and self-sacrificing work, he was the recipient of many distinctions. On June 8th, 1908, on the occasion of the celebration of the twenty-fifth year of the National Federation, the German Co-operative Societies offered him a gift of Rs. 46,667, collected for the foundation of a Wilhelm Haas Institute for the development of German agricultural co-operation.

In the history of agricultural co-operation in Germany, as a far-seeing, energetic, and persistent organizer, Haas will occupy a place of honour by the side of Raiffeisen and Schulze-Delitzsch.

## PART IV.

### CHAPTER I.

#### ON BOOK-KEEPING.

ANNUAL returns dealing with the work of the Province are submitted to the Government of India for the twelve months ending the 30th June. Quarterly returns dealing with the financial and banking position of the whole organization are submitted to the Local Administration. A regular system of accounts is, of course, indispensable. Central Banks and Societies in the Central Provinces and Berar maintain their accounts in the forms prescribed by the Registrar. This makes for accuracy, efficient control, sound business, and up-to-date statistical information. There is, at present, a great dearth of accountants trained in the methods which must be followed if the necessary returns just mentioned are to be tolerably accurate and easily compiled. It has, therefore, been found necessary to prescribe columnar books, so that inexperienced accountants may find it easy to write and post them without any scientific knowledge of accounts. Given the usual blank ledger, the average local accountant would not know whether to post a receipt on account of share capital on the debit or credit side. If, however, a column is marked off for "share payments received," matters are made easy for him. In brief, the columnar system enables an inexperienced accountant to keep his books correctly. One of our aims is to develop local talent and to spread a knowledge of modern business methods. There is much difference between mechanical work and intelligent work. Intelligent accountants may prove to be good candidates for higher posts. Unintelligent accountants will always remain in positions carrying low pay. This chapter is intended

specially for those workers, paid or unpaid, who wish to understand something about accounts.

### I.—BOOK-KEEPING.

*Book-keeping is the science of correctly recording in a set of account books in such a way as to present an easily intelligible statement of affairs at any moment, all those business transactions that involve the transfer of money or money's worth.*

Every business man must ask himself the following questions :—

- “ How much do I owe to others ? ”
- “ How much do others owe to me ? ”
- “ What am I actually worth after payment of my debts ? ”
- “ Are my dealings profitable or otherwise ? ”

It is impossible to rely upon memory to answer these questions faithfully and correctly. A business man, ignorant or careless of the advantages of the reliable and systematic registration and arrangement of the transactions in which he is interested, will never accomplish much. Account books must furnish :—

1. A reliable statement of the balance of indebtedness to or by the persons with whom business is transacted.
2. Easy access to the details of the transactions on account of which indebtedness has arisen.
3. An unerring check upon the values passing in and out of the business and of all liabilities incurred, and the prevention of speculation.
4. A true statement of profits made and losses incurred.
5. A suitable division of expenditure under various heads, so that extravagance may be prevented and necessary economies effected.
6. A comparison between different given periods to show the forward or backward movements of
  - (a) the volume or profit of the business as a whole, or in any one of its departments ; and
  - (b) the fluctuations of the various charges and other circumstances affecting net profit or loss.

7. The ready provision, at any time, of a true and full statement of assets and liabilities.

There are two systems of book-keeping: (i) single entry, and (ii) double entry.

*Single entry* merely gives a record of personal accounts. Transactions are posted *only once* in the ledger. There is no debit for a corresponding credit entry. Under this incomplete system, the accounts of capital, property, or profit and loss, cannot be efficiently kept. Information is meagre and results are unreliable, and the accuracy of the final statements cannot be proved.

In the system of *double entry*, every debit has its corresponding credit. Separate accounts of capital, property, values, gain and loss, as well as personal accounts are maintained in detail. The chances of error are diminished and the location thereof made easy, while the final statements can be proved.

*Every debit must have a corresponding credit.* This is the main principle on which the system of book-keeping by double entry is based. The secret of success in accountancy lies in the correct determination of the right heads under which to debit and credit each transaction.

## II. — WHAT IS AN ACCOUNT ?

An account is the collection of all the business transactions that refer to a particular head.

• Accounts are divided into two main classes: *personal* and *impersonal*. Personal accounts are the accounts of persons; all other accounts are impersonal.

Impersonal accounts are further subdivided into two classes: *real* and *nominal*. Real accounts are the accounts of things or of the property belonging to the business. Nominal accounts are the accounts showing gain or loss. We have, therefore, three classes of accounts to deal with: (i) personal, (ii) real, and (iii) nominal.

*The heading of an account determines its class.* If the name of an account is the name of a person, the account is a personal account; if the name of a thing or of property, it is a real account; and if it shows gain or loss, it is a nominal account.

Cash is the name of a thing ; furniture is the name of a thing ; house property is a kind of property ; all these would fall in the class of real accounts. The Central Banks and registered societies of all kinds, depositors, shareholders, are all persons ; their accounts are, therefore, personal accounts. Establishment, contingencies, stationery, rent, discount, interest, depreciation, bad debts, are all accounts showing either gain or loss and are, therefore, nominal accounts.

Each page of an account is divided into two equal parts by a double line drawn from the top of the page to the bottom ; the left hand division is called the debit side or debtor side and the right hand division is called the credit side. " Dr." stands for debit or debtor and " Cr." stands for credit.

*It is very necessary to remember that the terms Dr. and Cr. as used in double entry book-keeping should not be confused with the vernacular jamá and namé as they do not correspond.*

For instance, in a personal account in vernacular books, the debit side is the right hand side, and the credit side is the left hand side. Here are the headings of a properly ruled page for an account book :—

## NAME OF THE ACCOUNT.

Dr. \_\_\_\_\_ Cr.

Year and Month.	Date.	Particulars.	Folio.	Rs. A. P.	Year and Month.	Date.	Particulars.	Folio.	Rs. A. P.

Every entry in the " Particulars " or descriptive column on the dr. side of an account must begin with the word " To "



and that on the cr. side, with the word "By." To understand the reason for this, insert the word "is" after the heading of each account. For instance, cash  $a/c$ ; inserting the word "is," we read "cash  $a/c$  is dr. to such and such account and cash  $a/c$  is cr. by such and such account."

Some concerns enter two money columns in their accounts on both sides. This is to facilitate the totalling of the amounts under minor heads and the showing of the total under one major head. These two columns are called the "inner column" and the "outer column."

Columns are provided on each side of an account for the *folio* or *page number* to facilitate reference to the original source from which the entry has come.

On page 388 is a complete specimen of an ordinary form of account.

### III.—REAL ACCOUNTS.

Before he proceeds further, the student must understand clearly why *every debit must have its corresponding credit*. It is obvious that no transaction can take place unless there are two parties to it. It is impossible for a man to receive money unless there is some one to give it to him. Similarly, he cannot pay unless there is somebody to receive. There is no gain without a corresponding loss somewhere.

*Every book-keeper must remember that he himself, on behalf of his master, represents one of the parties to each transaction. He must view each transaction from his master's point of view and not from that of the other party; otherwise, his books will be topsy-turvy.*

In writing all real accounts, *debit the account when a thing comes in; and credit the account when the thing goes out*. All receipts of money or property are entered on the dr. side of *their respective accounts*. In all transactions involving a real account, it may be asked, "does the thing come in?" If the answer is yes, then an entry must be made on the dr. side of the account of that thing. But does the thing go out? If the answer is yes, then make an entry on the cr. side of the account of that thing.

NAME OF THE ACCOUNT.

*Dr.*

*Cr.*

Year and Month.	Date.	Particulars.	Folio.	Rs. A. P.	Rs. A. P.	Year and Month.	Date.	Particulars.	Folio.	Rs. A. P.	Rs. A. P.

Here are some *real accounts* in Co-operative Banks :—

Cash  $\frac{a}{c}$ ; building or house property  $\frac{a}{c}$ ; investments  $\frac{a}{c}$ , e.g., of reserve funds of Central Banks or of societies; furniture  $\frac{a}{c}$ ; stock  $\frac{a}{c}$  (if stock is treated as an asset and not written off as loss in the profit and loss account).

The cr. side of the cash  $\frac{a}{c}$  can never exceed the dr. side. It is impossible to pay more money than you have. The cr. side of a cash  $\frac{a}{c}$  must, therefore, necessarily be either less or equal to but can never be more than the dr. side.

There may, on the other hand, be loss or gain on the property accounts, such as building, investments, furniture, or stock. When the property is disposed of *in full*, the value realised may be (i) equal to, (ii) more, or (iii) less than the cost price to the debit of that account. (i) If equal, there is no gain or loss; (ii) if more, it is a gain; and (iii) if less, it is a loss. In the latter two cases the amount showing gain or loss is transferred to the profit and loss account at the time of closing. When the property is disposed of *in part*, the *value on hand* should be put on the cr. side first. If then the debit side is heavier than the credit side, the balance is net loss on the sale, and is carried to the loss side of the profit and loss account. If the cr. side is heavier than the dr. side, the difference is net gain, and is carried to the profit side of the profit and loss account. This is called the *double balance of property accounts*. It will be observed that the double balance of property accounts exists only when the property is disposed of in part. The *value on hand is an asset* and should be put on the asset side of the balance sheet at the time of closing. There is one more item in all property accounts which finds its way to the profit and loss account, whether the property is disposed of in full or part, or not. This is called *depreciation*. Depreciation is a periodical deduction in respect of the diminished value of any form of property caused by wear and tear and age. The essential point is that revenue should be charged with a proper sum to cover the deterioration in the value of wasting assets, and that the apportionment of this sum as between one year and another should be on equitable lines. This, of course, involves a debit to a nominal account, and a corresponding credit to some other

account. The credit may be either to the account relating to the asset in question, or to a reserve (or suspense) account. If the former, the value of the asset is gradually written down in the books to correspond with the deterioration in intrinsic value ; if the latter, the asset account remains unaltered, except in so far as it may be increased from time to time by further additions that may properly be capitalised.

There are four methods by which the charge against revenue to cover depreciation may be apportioned over the various years constituting the life of the asset, *viz.* :—

(1) An equal proportion of the cost may be written off each year.

(2) The asset may be written down from year to year by deducting depreciation at a fixed rate per cent. upon the balance standing to the debit of the account at the commencement of the year. Under this method the charges against revenue become gradually less as time goes on ; hence the method is often called the Reducing Instalment (or Fixed Percentage) Method.

(3) By writing off to revenue each year an equal sum, sufficient at the expiration of the life of the asset to reduce the asset to zero (or its residual value), after debiting the asset and crediting revenue each year with interest, at an agreed rate, upon the amount for the time being sunk in the asset in question. This method is called the Annuity System, and as the gross charge in respect of depreciation is constant, whereas the credits to revenue in respect of interest diminish as the asset is written down, the net effect of this method is to charge an increasing sum to revenue as years go on. The justification for so charging an increasing sum to revenue is that the depreciation instalments, remaining in the business, increase the working capital of the undertaking. The yearly increase in the instalments represents the amount of interest that might have been earned on the previous instalments during the period under review, if those instalments had been taken out of the business and invested at the contemplated rate per cent.

(4) By revaluing the assets from time to time and treating any diminution in value (after allowing for additions) as the

realised depreciation for the year. Under this method, for obvious reasons, the charges against revenue in successive years will be very unequal, as the gradual reduction in the market value of most articles has but little correspondence with the true depreciation, as measured by the amount of use that has been had out of the asset during the period in question.

Any of the above-named methods of providing for depreciation may be employed, either with or without accumulating a corresponding sum of money outside the business, available at short notice to repair the ravages caused by depreciation. Such accumulations outside the business are known as *Sinking Funds*.

The term "Sinking Fund" is used in various connections, with the result that considerable misapprehension has arisen as to its exact nature and significance. The term was first applied to the revenue monies employed by the British Government, from time to time, to reduce the British National Debt by the cancellation of Government Stock. At the present time it is very widely used to cover any systematic accumulation of monies for the repayment of liabilities becoming due at definite future dates. That the annual provision may be sufficient to provide the necessary monies at the end of the term it is necessary to enquire, in the first place, what rate of interest it will be possible to earn upon the annual instalments set aside, and then to calculate what sum per annum will, at this rate, amount to the required sum at the end of the prescribed term. From time to time, of course, the annual instalments may require to be adjusted, as the rate of interest actually earned on the investments may, perhaps, sometimes be below, and sometimes above, the anticipated rate. In order that there may be funds available to redeem the loan, debenture, or other liability on the date on which it matures, it is necessary that, each time an instalment is credited to the Sinking Fund Account, a corresponding sum of money be taken out of the general assets of the concern and invested in authorised securities. The entry in respect of this transaction would be to the debit of the Instalment Account and to the credit of Cash; so that the effect upon the balance sheet, each time an instalment is set

on one side, is to reduce the credit balance on Revenue Account, and increase the credit balance on Sinking Fund Account, simultaneously reducing the debit balance on Cash Account and increasing the debit balance on Investments Account. Whatever income may be derived from these investments is debited to Cash and credited to Sinking Fund Account ; and upon the income being reinvested, Cash is credited and Investments Account debited, so that at all times the credit balance of the Sinking Fund Account should agree with the debit balance on Investments Account. When the loans or debentures mature, the investments may be realised (when Investments Account will be credited and Cash debited), and the money be applied towards the redemption of the loans or debentures, Loans or Debenture Account being debited and Cash Account credited. As far as co-operative banks are concerned the great advantages of raising a Sinking Fund Account are (1) that at no subsequent date is the Sinking Fund Account encroached upon to equalise dividends, or for any purpose other than the discharge of specified liabilities ; and (2) that particular attention is called to the fact that certain investments are earmarked as being intended solely for such discharge. It is, however, essential that the Sinking Fund monies should be invested in the names of trustees for the benefit of the debenture holders ; for otherwise they remain the property of the Bank, and in the event of liquidation would have to be dealt with as part of the general assets.

*Reserves. Secret Reserves. Reserve Funds.* A reserve may be defined as a provision charged against profits with a view to covering an expected loss. The term, therefore, covers a range far wider than mere Depreciation, inasmuch as Reserves may be made *inter alia* to cover loss arising from bad and doubtful debts, disputed claims, contingent liabilities, etc. From the point of view of accounts, a Reserve may be said to be provided whenever a sum is charged against Revenue without the corresponding credit operating to reduce the debit balance upon an account representing an asset. Thus if a book debt be written off as "bad," the ordinary book-keeping entry is to the credit of the insolvent customer and to the debit of Bad

Debts Account, and no Reserve is thus created ; but if a debt (or series of debts) is not bad, but merely doubtful, it is not expedient to extinguish the debit in the customers' ledger accounts, while at the same time it is still necessary to debit Revenue with any loss which it is thought may be likely to occur under this heading. Under these circumstances, the course ordinarily pursued is to debit Bad Debts Account (and, therefore, in due course, Revenue Account) with the estimated loss, and to credit a corresponding sum to an account headed " Reserve for Bad and Doubtful Debts."

A Reserve created to cover loss through the deterioration in the value of any specific class of asset should, as a rule, be shown in the Balance Sheet, *not* as a liability but as a deduction from the particular asset in respect of which it has been created. When, however, a Reserve has been created to cover a *general* loss in respect of all assets, this procedure is no longer practicable, and under these circumstances the Reserve must appear as a liability in the Balance Sheet. If, however, it be so stated, it is important that it should be earmarked as a Reserve to cover *loss* in respect of Depreciation (or whatever the estimated source of loss may be), as otherwise there is a serious danger of such a Reserve being confused with the Reserve *Fund*, which is an entirely different matter.

When a Reserve is deliberately accumulated in excess of the estimated loss that is likely to occur under that particular heading, the excess constitutes a *Secret Reserve* made to cover future but unmaturing losses, because experience shows that, as a rule, these exceed expectation. Within reasonable limits, the practice is a prudent one and, moreover, one that is very generally countenanced by most thoroughly sound business men. It is especially in connection with Banks that Secret Reserves are most prevalent. They usually take the form of an excessive provision for loss by way of Bad and Doubtful Debts, the " secret " being maintained by deducting the amount of the Reserve from the amount of the debts in the Balance Sheet without showing the figures in detail. Arguments against the formation of Secret Reserves are (1) that the omission of valuable assets opens the door to the verification of these

assets being altogether overlooked by the auditors; (2) that it is practically impossible to have recourse to such Reserves in bad times without drawing such prominent attention to the fact as effectually to do away with all possible arguments that could be raised in justification of the employment of Secret Reserves at all.

A *Reserve Fund* is a sum set aside out of divisible profits and retained in hand for the purpose of strengthening the financial position of the undertaking. It differs from a Reserve in that it is impossible to create a Reserve Fund save out of divisible profits; whereas a Reserve may be provided even during periods when a loss has been sustained. A Reserve Fund is but a portion of the credit balance of the Profit and Loss Account, which has been separately "earmarked" as being "reserved." If, therefore, at any subsequent date, losses be sustained which cause the Profit and Loss Account to show a debit balance, any credit balance that there may be upon the Reserve Fund must be at once applied (so far as it goes) towards extinguishing this debit balance. It would be a contradiction in terms to state, upon the same Balance Sheet, an item representing a deficiency on Profit and Loss Account, and another item representing a surplus on Reserved Profits. The continued existence of a Reserve Fund is dependent upon the continued existence in the undertaking of the profits out of which that Fund was originally created. If those profits have been absorbed in subsequent losses, the Reserve Fund automatically ceases to exist. In co-operative banking the absorption of profits is a remote contingency, because there are so many safeguards interposed between the Reserve Fund and its liability for losses.

Technically speaking, the popular notion that a Reserve Fund is only "real" when represented by specific investments outside the business, of a corresponding value, is entirely misconceived. From the practical point of view, however, there is much to be said in favour of it. A rifle, for instance, is a rifle, whether a man takes it into the jungle with him or leaves it at home. But if he leaves his rifle behind him, goes into the jungle and meets a man-killing tiger, then the fact that



he owns a rifle will not save his life. And so, exactly, is the banker placed who, looking to his Reserve Fund for fluid resource, has it invested in securities that he cannot realise just when he wants cash. It is, in fact, impossible to say exactly how a Reserve Fund ought to be invested until it is clear *what the purpose of the particular Reserve Fund is to be*; and the purpose, of course, depends upon many considerations of a very variable nature. The Teuton would treat the investment of Reserve Funds as an "ism," and (as I have pointed out in the Introduction to this book) he would apply that "ism" without regard to the fact that circumstances alter cases. Our friend, in the illustration above, might, perhaps, have two rifles and take one with him. If, then, a banker maintains ample cash Reserves, the investment of the Reserve Fund need not be considered from the point of view which is most certainly necessary if the Reserve Fund be intended to furnish the necessary fluid resources. And as it is impossible to identify the Reserve Fund with any particular portion of the assets, it might be argued that as long as the fluid resources are there, the Reserve Fund is invested in them.

A Reserve Fund represents nothing more than the fact that certain profits (1) have been made, (2) have been set upon one side, or reserved, and (3) are still in existence. All that is necessary, therefore, to constitute a "real" Reserve Fund is the continued existence of a corresponding sum of undivided profits—that is to say, the maintenance of a corresponding surplus of assets over liabilities. The exact *form* that these assets take has nothing whatever to do with the reality, or otherwise, of the Reserve Fund, but, of course, has the most important bearing upon its practical utility. It must not, in fact, be supposed that the practice of effecting investments outside the business to a corresponding extent is not one to be encouraged. The advantage of such investments is in all cases analogous to the advantage of a Sinking Fund to provide for any other kind of contingency, in that it enables the undertaking readily to place its hands upon a definite sum of money whenever the need for an immediate supply of cash may arise. It thus follows that, in the absence of any special reason to the

contrary, it is desirable that, as the Reserve Fund is accumulated, corresponding investments should be accumulated outside the business ; but there is no more intimate connection between the Reserve Fund and these investments than there is between any other item upon the liabilities' side of the Balance Sheet and any other item upon the assets' side. The continued existence of the Reserve Fund will depend solely upon the continued existence of a corresponding surplus of assets as a whole over liabilities as a whole. It does not follow that a Reserve Fund is simply the whole amount by which assets exceed liabilities ; for, in a co-operative bank or society in the Central Provinces, the Reserve Fund is created out of divisible profits funded and made indivisible.

#### IV.—PERSONAL ACCOUNTS.

In dealing with personal accounts, the following question may be asked :—

“ Does the person *whose account it is* receive or give ? ”

If the answer is “ receives,” debit the account ; and if the answer is “ gives,” credit the account.

*Receipts by a person are debited to his account and payments by him credited to his account.*

When the Provincial Bank receives an amount from or for a customer, the Bank is debited ; when that Bank pays an amount to or for a customer, the Bank is credited. The accounts of rural societies are debited when money is advanced to them by Central Banks, or when they incur any other liability ; and they are credited when they in any way discharge or pay off their liabilities. When depositors or creditors pay in, their accounts are credited and when they receive payments out from the Bank, their accounts are debited. The persons to whom the Bank pays *receive*, and when the Bank receives, they *pay*. In order to determine whether to enter a debit or a credit in *their* accounts, in the Bank's books, the question to be answered is whether *they receive or pay*, not *whether the Bank receives or pays*.

The balances to debit of personal accounts are called *book debts*. The book debts may be either (i) good, (ii) doubtful,

or (iii) bad. Book debts are good when there is no probability of any loss on their realisation ; they are doubtful, when it is not certain if they can be realised in full ; and they are bad, when it is certain that a portion of, or the whole of, the amount due cannot be recovered.

It is prudent to estimate the character of book debts and to make provision for bad and doubtful debts out of profits. The amount thus provided out of profits to meet any doubtful or bad debt is called the *bad debts reserve*. This is a charge to the profit and loss account, or, in other words, appears on the loss side of that account.

#### V.—NOMINAL ACCOUNTS.

In dealing with nominal accounts, the guiding rule is *debit the account with losses and credit it with gains*.

If after asking whether a transaction pertaining to a nominal account is a loss or gain, the answer is loss, debit that account ; and if the answer is gain, credit that account. The loss or gain to be determined should be *from the Bank's point of view*. Establishment expenses, contingent charges incurred and paid, rent paid or due, taxes paid or due, interest paid and due on loans and deposits, bad debts, depreciation on furniture, loss on realisation or sale of property, printing and stationery, commission, etc., are all losses and are debits to their respective accounts. Interest received on loans or deposits, interest on investments, commission earned, gains on realisation or sale of property, etc., are all gains and are, therefore, credits to their respective accounts.

#### VI.—THE JOURNAL.

When any transaction is to be recorded, the book-keeper has, we have seen, to ask himself what two accounts are involved, to determine the classes of those two accounts, and to debit or credit them in accordance with the principles already explained. Take this transaction, for instance, "Advanced Rs. 1,000 to the Kareli Society." A is a book-keeper in the Narsinghpur Central Bank, who has made the advance. From

his Bank's point of view, cash goes out to the Kareli Society which incurs the liability. The two accounts involved are (i) the cash account, and (ii) the Kareli Society's account. The cash account is a real account. A asks, therefore, "does the cash come in or go out?" The answer is "goes out." Consequently he credits the Bank's cash account. Secondly, the Kareli Society's account is a personal account. The question A puts is "does the Kareli Society receive or give?" The answer is "it receives." A, therefore, debits the account of that society. A credit, it will be understood, automatically gets a debit. The technical dressing of the above transaction is as follows:—

Kareli Society Dr.	Rs. 1,000
To Cash	Rs. 1,000

After the words "To" or "By" in the "Particulars" column of the accounts, A enters the name of the account in which the corresponding entry is made. For instance, in the Kareli Society's account, in the "Particulars" column, the word after "To" on the dr. side would be "Cash"; because the corresponding credit entry is in the cash account. Similarly, in the cash account, after the word "By," the wording would be "the Kareli Society's account"; because the corresponding debit entry is in that account.

The above process of determining the correct debit and credit for every transaction and dressing the entries for the respective ledger accounts is called "*journalising*" and the book in which such dressing is recorded is called the "*Journal*." The Journal is a subsidiary book. *Subsidiary books* are those which dress entries for the ledger and are, therefore, original books of entries which are, subsequently, posted to the ledger. The *Cash Book* is also a subsidiary book to the ledger. The *Ledger* is a book which contains the different kinds of accounts in detail in their debit and credit form. It is the principal book of account, and to it the Cash Book, Journal, and other books of original entries are subsidiary. A most important rule in book-keeping is that *no entry can be made in the Ledger unless it has been dressed in a subsidiary book*. The Ledger, as it were, is too august a personage to visit without the formality

of giving intimation. A visiting card must be submitted through the orderly books which wait on the ledger. The process of dressing lessens the chance of making wrong entries on the wrong sides of the wrong accounts ; and gives the book-keeper breathing space.

The *Cash Book* is a record of all transactions in debit and credit form. The two sides are called dr. and cr. sides, or receipts and disbursements sides, or cash and contra sides, respectively. All entries on the dr. side, receipts side, or cash side of the *Cash Book* must be posted to the credit side of the linked accounts. Similarly, all entries on the cr. side, or disbursements side, or contra side of the *Cash Book* must be posted to the debit side of the linked accounts.

Where a Journal is maintained, only cash transactions are recorded in the *Cash Book*. Where a Journal is not maintained, all adjustments are also passed through the *Cash Book* and in this case, the *Cash Book* serves the purpose of the Journal. The latter method is cumbrous and it is better to keep both *Cash Book* and Journal.

When an entry is passed *through* the *Cash Book*, it is not necessary to say, in the case, for instance, of the transaction mentioned above, "Kareli Society dr. to Cash." It suffices to make an entry on the cr. side of the *Cash Book* and, in the column for "Particulars," to enter the name of the Kareli Society together with any necessary descriptive matter ; such a credit entry in the *Cash Book* when posted to the ledger necessarily entails a debit in the Kareli Society's account. But when passing the entry through the Journal, both the debit and credit heads must be mentioned as illustrated above.

Specimen forms with entries of the *Cash Book* and the Journal are given on the next page.

## CASH BOOK.

Dr.

Cr.

		Folio.	Rs. A. P.	Rs. A. P.			Folio.	Rs. A. P.	Rs. A. P.	
1916 March	1	To balance (opening)	..	..	3,000 0 0	1916 March	1	By Kareli Society Loan <i>a/c</i>	<u>152</u> S.L.	2,000 0 0
								„ Balance (closing)		1,000 0 0
					3,000 0 0					3,000 0 0
1916 March	2	To balance (opening)	..	..	1,000 0 0	1916 March	2	By balance (opening)	..	4,000 0 0
		„ Provincial Bank 7 % Loan <i>a/c</i> .	<u>10</u> L.L.	...	3,000 0 0					
					4,000 0 0					4,000 0 0
1916 March	3	To balance (opening)	..	...	4,000 0 0	1916 March	3	By Kauria Estate 6 % Fixed deposit <i>a/c</i> .	<u>45</u> F.D.L.	5,000 0 0
		„ Provincial Bank 7 % Loan <i>a/c</i> .	<u>10</u> L.L.	...	5,600 0 0			„ Interest on deposits <i>a/c</i> .	<u>160</u> L.L.	600 0 0
					9,600 0 0			„ Balance (opening)	...	4,000 0 0
										9,600 0 0
1916 March	4	To balance (opening)	...	...	4,000 0 0					

THE NARSINGHPUR CENTRAL BANK, LIMITED.

Journal.

Dr. \_\_\_\_\_ Cr.

Year and Month.	Date.	Particulars.	Folio	Rs.	A.	P.	Rs.	A.	P.
1916 March	1	Kareli Society. Dr.	152	1,000					
		To Cash	40				1,000		
		For loan advanced to Kareli Society this day ; repayable as follows :—	G. L.						
		Rs. •							
		1-3-17      300							
		1-3-18      350							
		1-3-19      350							
March	2	Cash Dr.	40	3,000					
		To Provincial Bank 7% Loan a/c	G. L.				3,000		
		Repayable as follows :—	10						
		Rs.	L. L.						
		1-4-17      1,000							
		1-4-18      1,000							
		1-4-19      1,000							
March	3	Kauria Estate 6% Fixed deposit a/c. Dr.	45	5,000					
		Interest on Fixed deposit a/c.	F. D. L.						
		To Provincial Bank 7% Loan a/c.	160	600					
		(For amount of Fixed deposit and Interest thereon repaid through Provincial Bank.)	G. L.						
		Note :— S. L. means Societies Ledger.	10						
		G. L.      „ General Ledger.	L. L.						
		L. L.      „ Loan Ledger.	F. D. L.						
		F. D. L.    „ Fixed Deposit Ledger.							

## VII.—THE TRIAL BALANCE.

The authenticated papers that support the entries made in the subsidiary books are called the *vouchers*. The items supported by these vouchers are posted in the subsidiary books, and the subsidiary books are posted in the ledger. *To post* means to write an entry in an account book on the support of a voucher or of an entry in a subsidiary book. When the subsidiary books and the ledgers are thus posted, and when every debit in the ledger accounts has its corresponding credit, it follows that *all debits put together must be equal to all credits put together*. The statement which verifies the postings and their correctness in this way is called a "*trial balance*." This trial balance is prepared in two ways; on the *gross postings system* or on the *balance system*. A trial balance on the gross postings system is prepared by totalling the debit side and credit side of each individual ledger account and putting these totals against the head of that account. A trial balance on the balance system is prepared by totalling the debit side and the credit side, and then deducting the smaller from the greater side and entering the difference on that side which is heavier. In both cases, the dr. and cr. sides of the trial balance must agree; if they do not, there is a mistake in posting, and before the books are closed, the mistake must be located.

*The balance of an account* is the difference between its two sides. If the dr. side is heavier than the cr. side, the balance is called a *dr. balance*. If the cr. side is heavier than the dr. side, the balance is called the *cr. balance*. Dr. and cr. balances of accounts are put in the dr. and cr. columns of the trial balance.

*To close an account* means to balance it, put the balance on the lighter side, thus make the totals of the two sides agree and *bring down* or show the balance. When the balance at the time of closing the account is to be placed on the lighter side to make it equal to the heavier side, the dr. balance is put on the cr. side and brought down on the dr. side after closing the account; and the cr. balance is put on the dr. side at the time of closing and brought down on the cr. side after closing the account. In order, therefore, to determine whether the balance



is a dr. balance or a cr. balance, it follows that a *dr. balance must appear on the cr. side at the time of closing and be brought down on the dr. side; conversely, the cr. balance must appear on the dr. side at the time of closing and be brought down on the cr. side.*

The diagrams below will be useful.

## DR. BALANCE.

<i>Dr.</i>	<i>Cr.</i>
<p>This side must be heavier, Here the Dr. balance must be brought down.</p>	<p>This side must be lighter, Here the Dr. balance must appear at the time of closing.</p>

## CR. BALANCE.

<i>Dr.</i>	<i>Cr.</i>
<p>This side must be lighter. Here the Cr. balance must appear at the time of closing.</p>	<p>This side must be heavier. Here the Cr. balance must be brought down.</p>

### VIII.—THE PROFIT AND LOSS ACCOUNT AND BALANCE SHEET.

When the trial balance agrees, the book-keeper may proceed to make the necessary closing adjustments, such as depreciation of furniture, charges incurred but not paid, profits due and earned but not received, calculation of any bad or doubtful debts; creation, or increase or decrease of any special reserve funds (such as that for bad and doubtful debts) *which should always exist.* He then makes the necessary debit and credit entries in the respective accounts, clears the suspense account as far as possible and prepares the final statements. The adjustment accounts will be dealt with later on. When the adjustments have been duly made, the book-keeper closes all the nominal accounts and carries the dr. balances of such accounts to the dr. or loss side of the Profit and Loss account. He also carries the cr. balances of all nominal accounts to the cr. or profit side of the Profit and Loss account. *The Profit and Loss account is, therefore, a statement of the debit and credit balances of all the nominal accounts in the Ledgers.*

The following diagram shows what the Profit and Loss account contains:—

**PROFIT AND LOSS ACCOUNT.**

Dr.	Cr.
<p>Dr. Balances of all Nominal Accounts.</p> <p>If the balance is net profit, it is carried to the liabilities side of the Balance Sheet.</p>	<p>Cr. Balances of all Nominal Accounts.</p> <p>If the balance is net loss, it is carried to the assets side of the Balance Sheet.</p>

The dr. balance of the Profit and Loss account, which in its abbreviated form is known as P. & L. account, is a *net loss*. The cr. balance of the P. & L. account is a *net profit*. Net profit is carried to the liabilities side and net loss to the assets side of the Balance Sheet.

**IX.—THE BALANCE SHEET.**

The Balance Sheet is a statement which collects all the dr. and cr. balances of all the real, personal and nominal accounts from the Ledger. The dr. balances of all real, personal and nominal accounts are *assets*; and the cr. balances of all real, personal and nominal accounts are *liabilities*.

*The assets and liabilities must agree; when they agree, the books are said to have been proved.*

When the assets fall short of the liabilities, and net loss appears on the assets side, the concern is said to be *insolvent*. When the assets are more than the liabilities, and the net profit appears on the liabilities side, the concern is said to be *solvent*. A discharged insolvent is called a *bankrupt*. All insolvents are not bankrupts. It is the legal discharge which makes an insolvent a bankrupt.

The following diagram shows how a balance sheet is made up:—

**BALANCE SHEET.**

<p style="text-align: center;"><i>Liabilities.</i></p> <p>Dr. Balances of all Real a/cs Personal a/cs; and Profit and Loss a/c</p>	<p style="text-align: center;"><i>Assets.</i></p> <p>Cr. Balances of all Real a/cs Personal a/cs; and Profit and Loss a/c</p>
--	---

Instead of closing and bringing the individual nominal accounts into the Balance Sheet, they are closed and brought in the Profit and Loss account (which is also a nominal account), and the Profit and Loss account is closed and brought into the Balance Sheet. This simply means that all nominal accounts are closed and brought into the Balance Sheet. The Balance Sheet is the final statement and it is the test of the worth of a concern. The principle that every debit must have a corresponding credit makes the trial balance agree ; it also applies to the agreement of the two sides of the Balance Sheet.

## CHAPTER II.

### PRIMARY CO-OPERATIVE CREDIT SOCIETIES.

1. When a society has been organized, it is necessary to prepare an application for registration, or Memorandum of Association. The following is the form in use :—

“(1) We, the undersigned (10 or more) persons, residents of \_\_\_\_\_, and all being above 18 years of age, request registration as a Co-operative Society with unlimited liability to be called the \_\_\_\_\_ Primary Co-operative Society, Unlimited, Tahsil \_\_\_\_\_ District \_\_\_\_\_. The Society will carry on its operations within the limits of \_\_\_\_\_ only. Its registered office shall be at \_\_\_\_\_ Post Office \_\_\_\_\_ Tahsil \_\_\_\_\_ District \_\_\_\_\_

(2) The object of the Society is to obtain money for its members at a cheap rate of interest and to encourage them to practise thrift, self-help and co-operation.

(3) We understand that our liability is joint and several and is unlimited save by the extent of the Society's liability.

(4) We undertake to repay all our existing debts as soon after registration as possible and to observe the by-laws which enjoin the avoidance of borrowing from any source other than our Society.

(5) Further, we have agreed to, and clearly understand, the by-laws forwarded with this application, which have been explained to us by \_\_\_\_\_, and we undertake to admit to election as future members only such persons as may agree to the by-laws after we have explained the by-laws to them. The qualification for membership shall be that laid down in the by-laws now submitted.

(6) We hereby declare that the information given in the form attached to this application is true and accurate, and we sign this application for registration in writing or by thumb mark after satisfying ourselves that it is true.

(7) We propose to raise the capital of the Society as follows :—

(a) By borrowing from the

\_\_\_\_\_ through the \_\_\_\_\_ Central Bank,  
Circle Union.

(b) By receiving deposits.

(8) We agree to get our society affiliated to the \_\_\_\_\_ Circle Union and to abide by its by-laws which have been explained to us.

OR

(8) We agree to get our Society affiliated to a Circle Union as soon as one is formed for the locality in which our Society is situated.

(9) We undertake to purchase on behalf of our Society one share of Rs. 10 of the \_\_\_\_\_ Central Bank.

Dated the \_\_\_\_\_ 191 .

Name.	Residence.	Occupation.	Signature or thumb impression.

2. With the Memorandum of Association must be submitted the Statement of Assets and Liabilities, the purpose of which is to give the Central Bank and the Registrar a tolerably correct idea of the society's position. It is the duty of the Central Bank, after full consideration of the information before it and after local enquiry, to fix a *maximum* credit limit for the society as a whole. The credit limit for each individual member must on no account be fixed by the Central Bank: *that must from first to last be done by the society itself.* The maximum credit limit fixed for the society by the Central Bank is subject to the Registrar's approval. It is *not* the Registrar's business to assess credit and his approval will generally be given as a matter of course. But should a society neglect the orders passed upon audit notes the Registrar can, if he wishes to do so, exercise his power of revision and reduce the *maximum* credit limit as a disciplinary measure: Provided Central Banks do their duty and keep the societies under them up to the mark, the Registrar will never have to use his special powers.

In filling up this statement, the Registrar's Circular No. IV of 1912, which is given below should be kept in mind.

*The Registrar notes that when forwarding applications for registration the total assets given in column XI of the Statement of Assets and Liabilities sometimes include the value of land. The value of land should be omitted from this column. All that is required is the total of columns 8, 9 and 10; and as regards land, details of right, area and rent or revenue are to be entered up in column 7.*

In column 13 only such debts as are secured to the creditor by mortgage of land, house or immoveable property are to be given; whereas in column 15, unsecured debts on personal credit should be given.

The most difficult column to fill in is column 12. To arrive at a correct figure for this column, it must be remembered that out of the average gross income from land or other sources must be deducted the rent of land, necessary household, and other expenses (such as those in connection with debts already

incurred), etc., etc. Only the net amount which the member can save in a fair average year out of the margin of income left to him should be shown. The column should, in fact, furnish a reliable estimate of the sum which the member can repay to the society annually from income *without borrowing elsewhere to do so*. If a member cannot repay *out of income* but has to incur debts elsewhere in order to repay his loans to the society, he cannot benefit himself and will injure others by joining a co-operative credit society. The object of the society is to extricate its members from debt; not to prop up hopelessly insolvent persons.

3. With the Memorandum of Association and the Statement of Assets and Liabilities, the organizer must submit the Articles of Association, or By-laws as they are called, which the society proposes to adopt. It is of vital importance that the members should really understand the by-laws and some organizers give very scanty and insufficient teaching.

4. With (a) the Memorandum of Association, (b) the Statement of Assets and Liabilities and (c) the By-laws, the organizer submits a short report in the following form:—

#### REPORT OF THE ORGANIZER.

##### A. *If the proposed society is agricultural:—*

1. Name of the Mālguzar
2. Name of the Patwari
3. What is the most important crop and are there any sources of irrigation?
4. Post Office

##### B. *If the society is industrial:—*

1. Whether raw material used by the members for their industry is purchased generally for cash or on credit; if on credit, then, whether the prices paid are moderate or high?
2. The nearest market where the finished product is sold? Has the finished product a good demand outside the locality? If so, where?
3. Do these people hand over finished products to their creditors? If so, do they get a reasonable price for them?

#### *General Remarks.*

Name of Society.

## STATEMENT OF ASSETS AND LIABILITIES.

Serial No.	PARTICULARS CONCERNING MEMBERS.					ASSETS.						LIABILITIES.					PARTICULARS OF LOAN REQUIRED.		REMARKS.				
	Name and father's name.	Caste.	Age.	Residence.	Occupation.	Particulars of land.			Value of houses.	No. of live-stock.*	No. of carts and their value.	Total assets.	Annual amount available for liquidation of Society's loans.	Encumbrances on land in column 7.		Arrears of rent.	Other debts.			Total encumbrances.	Has any decree been passed against the applicant, if so, give particulars.	Amount of loan required.	The purpose for which loan is required.
						Right.	Area.	Rent.						Name of creditor.	Amount of debts.		Name of creditor.	Amount of debts.					
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21			

**NOTE.**—The information in this statement is required only by the Registrar and the Central Bank merely to ascertain the financial position of the Society before loans are made.

\* In the column for the different kinds of cattle details should be separately given, e.g., plough cattle, cows, she-buffaloes, ponies, calves, etc.

PRIMARY CREDIT SOCIETIES.

PANCHAYAT PROVISIONALLY ELECTED.

1. Sirpanch
2. Secretary
- 3.
- 4.
- 5.

} Panches.

\_\_\_\_\_  
*Organizer.*

Dated \_\_\_\_\_

RECOMMENDATION OF THE CIRCLE UNION TO WHICH THE  
SOCIETY IS TO BE AFFILIATED.

\_\_\_\_\_  
*Secretary of the Circle Union.*

Dated \_\_\_\_\_

ENDORSEMENT OF THE CENTRAL BANK.

\_\_\_\_\_  
*Hony. Secy., Central Bank, Ltd.*

Dated \_\_\_\_\_

ENDORSEMENT OF THE DEPUTY COMMISSIONER.

\_\_\_\_\_  
*Deputy Commissioner.*

Dated \_\_\_\_\_

5. The documents enumerated above are prepared in triplicate; two sets are submitted to the Registrar, through (i) the Secretary of the Circle Union, (ii) the Honorary Secretary of the Central Bank, and (iii) the Deputy Commissioner of the district; the third set is for record in the Central Bank. Every society has its complete file, and individual files are maintained for each registered society (a) in the Registrar's office, and (b) (for credit societies) in the Central Bank. Special record cards are kept for each Central Bank and for each credit society in the office of the Provincial Bank.

6. On receipt of the application, the Registrar, if he accepts it, grants a Certificate of Registration.



With the Certificate of Registration, the Registrar returns one copy of the by-laws duly certified under his signature.

7. After registration, the Central Bank, on behalf of the Central Provinces Federation of Co-operative Banks, supplies the society with the following books and registers :—

- (1) Proceedings Book or Minute Book.
- (2) Cash Book.
- (3) Ledger of Loans.
- (4) Ledger of Deposits.
- (5) Register of Members.
- (6) Inspection Note Book.
- (7) Receipt Book.
- (8) Pass Books ; one for the society in account with the Central Bank, and one each for the individual members in account with the society.
- (9) File No. I.
- (10) File No. II.
- (11) Voucher Books.

On each book, a label with the title of the book and the name of the society must be affixed. The pages of all books are to be numbered consecutively before being brought into use.

8. The first book which the society has to write up after registration is the Register of Members in the form given below :—

MEMBERS' REGISTER.

Name and father's name.	Caste.	Age.	Residence.	Occupation.	Date of admission.	Signature or thumb mark of member.	Date of cessation of membership.
1	2	3	4	5	6	7	8

9. Under by-law 2 (2) of the society an entrance fee of annas eight and the Federation subscription of Re. 1 per member must be collected immediately after registration. Under section 12 of Act II of 1912, no member can exercise his rights as

such (e.g., he cannot be given a loan) until he has paid these dues. Central Banks do not give nearly enough attention to the requirements of the law in this matter which is important throughout the life of a society.

10. When the entrance fees or Federation subscriptions are collected, entries are, of course, to be made in the Cash Book. The Cash Book maintained by primary societies is on the *mahajani* system. No columns are prescribed. Each page should be cleanly folded exactly in the middle; the left hand half is for receipts, the right hand for disbursements. A fresh page must be started for each date on which transactions occur.

11. Entrance fees represent *gain* and are carried to the profit and loss account at the time of closing. The Federation subscriptions represent neither gain nor loss, for the society merely acts as a collecting agency on behalf of the Central Provinces Federation of Co-operative Banks and pays in amounts received on this account to the Central Bank which again is the treasurer and agent of the Central Provinces Federation.

In respect of the collection of both entrance fees and Federation subscriptions, the personal accounts of the individual members making payment should not be credited unless they have already been formally debited. *Personal accounts should not be touched unless a transaction creates or extinguishes a liability in full or in part.* These collections are, therefore, to be credited to the "Entrance fees a/c" and "Federation subscription a/c" respectively.

12. In approaching its Central Bank with a request for a loan, the credit society observes the following procedure. The members of the society, in general meeting, fix the borrowing limit for every individual member. This limit must be revised at least once a year and may be revised as often as is necessary in a general meeting of members. In fixing a credit limit, members are guided partly by the *haisiyat*\* or the "worth" of the individual, and partly by his personal credit, which is

---

\* Primary Societies have the necessary local knowledge and are aware of the value or worthlessness of the entries in the *Haisiyat* Register. Central Banks have not the necessary knowledge.

based not so much on real assets as upon considerations of character, honesty, and ability to earn and pay. The purpose of co-operative credit, it must be remembered, is the pledge of honesty. Societies must be carefully taught to consider particularly (1) their probable requirements for the year ahead, (2) the purposes for which loans are wanted, (3) the productive or unproductive, necessary or unnecessary nature of the expenditure contemplated, (4) the behaviour and reputation of each member, (5) the period for which the loan will be required, and (6) the state of the society's account with the Central Bank. Credit limits having been fixed for individual members, the total of such credits represents the borrowing limits fixed by the society for itself. In this way, unlimited liability can be converted by a society into a liability restricted by its own control. A prudent society will, as a rule, add to the total of the individual credits a small margin for unforeseen expenditure ; but every society must, of course, keep within the maximum limit fixed by the Registrar or the lesser limit fixed by the Central Bank (*see paragraph 2 above*). A copy of the society's proceedings fixing credit limits for its individual members and for itself must be forwarded without delay to the Central Bank. It is then the duty of the Central Bank to consider the society's proceedings and to determine upon the merits whether to pass the entire credit asked for or not. It is not the duty of the Central Bank, however, to deal with the individual members of the society but only with each society as a whole. The Central Bank, therefore, will not attempt to cut down or augment credits fixed by the society for its individual members. If revision of detail is necessary, the work must be done by the society itself, the Central Bank merely pointing out any item to which it takes objection and giving full reasons in support, with a view to the better instruction of the societies for the training and teaching of which it is responsible. It is important to note that the individual credits sanctioned by a society must be placed on record in the office of the Central Bank where they are required for future reference. When the business of credit fixation has been finally settled, the Central Bank must inform the society of the amount up to which its drawings will be met.

13. Societies are not all on the same level of co-operative efficiency. In the early stages of a society's career, it may be absolutely necessary for the Central Bank to protect the weaker members against the influence of one or two of the stronger members. It is always the duty of the Central Bank to guard against the abuse of credit and, at first, interference in detail may be unavoidable. Remembering, however, that self-help is the goal which Co-operation aims at, a good Central Bank will always be at pains to develop by every means in its power the capacity of the societies under it for their own self-government and self-management. It is only when primary societies have been thoroughly well instructed and have gained practical experience that they are fit for the next step in development, *viz.*, their grouping into Circle Unions. Where a Union already exists, it should be made the medium for propagandist work within the area of its operations and all new societies should be affiliated to it, it being the duty of the Union to give the necessary supervision and training to new societies within its sphere of influence. Unless, however, societies are included in Circle Unions, it is not safe to allow them to make use of the voucher system. Arrangements to pay money into and to take money from the Central Bank will, therefore, have to remain a matter for mutual agreement in the case of societies which are not affiliated to a Circle Union. Thus, the Central Bank will after sanctioning the credit limit, leave the society itself to carry out the actual distribution and collection of its loans.

14. Where a Union of primary societies exists, the Central Bank will, so far as possible, deal with the Union as a whole and not with the individual primary societies which are the members of the Union. The procedure to be followed after the Central Bank has sanctioned the credit limit for a Circle Union is laid down in by-law 25 of the by-laws for the Circle Union of Primary Co-operative Credit Societies. It is most important that individual members of the primary societies should be told that vouchers presented by them will not be cashed at the office of the Central Bank except when accompanied by the pass book belonging to the individual member presenting his

voucher for encashment. It is the business of the clerk or the accountant in the Central Bank office to refer to the papers which deal in detail with the credits granted by the primary society to its individual members, by the Circle Union to the primary society, and by the Central Bank to the Circle Union, and to see that the demand made is within the limits sanctioned to the individual member, the primary society, and the Circle Union. These "credit lists" are submitted by the primary societies to the Union, and are passed on by the Union to the Central Bank in support of its own demand for credit. It is, of course, the duty of the Central Bank to work within the maximum limits fixed by the Registrar for Unions and for individual societies. It must be explained here that although vouchers can be sent to Unions for distribution to primary societies to the full extent of the credit sanctioned for the Union as a whole, this does not do away with the obligation which the individual societies are under to grant loans to their members for approved purposes only, each request for a specific loan being considered by the society and granted or rejected irrespective of the credit limits sanctioned in favour of the individual member. Neither the Central Bank nor the Union will, however, interfere in detail with applications made by individual members to their societies for (a) credit, and (b) loans within this credit. Once the Union has passed and guaranteed the credits asked for by its constituent societies, it stands on one side and merely transmits to each society the vouchers received from the Central Bank. The Panchayats of the societies distribute the vouchers, as occasion may arise, in response to the needs of the individual members.

## FRONT OF VOUCHER.

No. \_\_\_\_\_ Dated \_\_\_\_\_ 19 \_\_\_\_\_  
 We, the \_\_\_\_\_ Co-operative Society  
 Registered No. \_\_\_\_\_ District \_\_\_\_\_  
 promise to pay to the Central Bank, Limited, at \_\_\_\_\_  
 the sum of Rs. \_\_\_\_\_ with interest at \_\_\_\_\_  
 per cent. per annum, with yearly rests value received \_\_\_\_\_

\_\_\_\_\_  
 Secretary.

## REVERSE OF VOUCHER.

\_\_\_\_\_ Circle Union Registered  
 No. \_\_\_\_\_ District \_\_\_\_\_  
 guarantees this loan.

The amount of this voucher may be paid to \_\_\_\_\_  
 \_\_\_\_\_ Co-operative Society Registered  
 No. \_\_\_\_\_ District \_\_\_\_\_, I sign for  
 and on behalf of the said Union.

\_\_\_\_\_  
*Union Secretary.*

15. The grant of blank cheques to societies has been attempted by some Central Banks but without much success. In the first place, the cheque is a document which is dangerous in the hands of a dishonest man. In the second place, very few societies are advanced enough to make use of blank cheques which have to be filled in. In the third place, the control of credit afforded by the use of cheques is incomplete and unsatisfactory. The grant of a cheque book pre-supposes that the officers of the primary society are not likely to abuse their powers. In the fourth place, it is possible to teach even illiterate people the exact value of specially designed and coloured vouchers, whereas it is extremely difficult to teach them the proper use of cheques. Fifthly, it will be seen that the procedure laid down in respect of the voucher system simply amounts to the issue of vouchers instead of actual cash. The advantages to be gained by the voucher system are (a) that the grant of credit is kept under complete control, and (b) that the disbursement of cash can be made to suit the time and convenience of the individual members of the primary societies.

16. The adoption of the voucher system necessitates the keeping of cash in hand by Central Banks with which to honour vouchers on presentation. A systematic Central Bank will guard against any failure to cash vouchers on presentation by fixing definite dates within which members of particular societies are expected to draw their money from the Central Bank. It is not necessary to lay down a hard-and-fast rule that no voucher shall be cashed unless it is presented within the period specified. Societies should, however, be brought on to a roster,

and members should be informed that unless they present vouchers within the time allotted to their society, they may be kept waiting for payment. Central Banks by taking a little thought and care can easily work the voucher system without any dislocation of business.

17. It is customary to authenticate payments made to individual members by their signatures or thumb impressions entered in the society's Cash Book opposite the entry regarding the loan advanced. The instalments fixed for repayment are also entered in the Cash Book opposite the entry of disbursement.

Pass books are issued to societies and to individual members of societies.

It is most important that the societies and members should be taught to produce their pass books *whenever business is to be transacted*, and that every effort should be made to keep the pass books up-to-date in respect of the information which they contain. The pass book is intended to furnish an authenticated copy of its owner's account as that account stands in the ledger of the Bank or of the society as the case may be. Inspecting officers should always question members closely in order to ascertain whether they know how their accounts stand. Every Secretary of a society is expected to be master of the contents of the society's pass book, and every member of a society is expected to understand how his account actually stands. Members are also expected to display an intimate acquaintance with the state of each other's accounts, thus showing whether the mutual control of credit is real or not.

18. As regards payments to Central Banks by societies affiliated to Unions, a reference is invited to by-law 25 of the by-laws for Circle Unions. It is important that Central Banks should give facilities to the members of societies to make repayments whenever they happen to have money in hand. It is equitable that a man should be called on to discharge his debt as soon as he is in a position to do so. The procedure laid down for repayment in the by-law just referred to, is equally applicable to societies which are not enrolled in membership of Circle Unions. When repayments are made, they are as a

rule tendered in the office of the Central Bank, and a careful system of check is employed in order to make sure that credit is given in full for all payments. As soon as a member comes to the Central Bank office with his money and his pass book, the accountant in the Central Bank prepares a *challan* in triplicate and sends the member with the *challan* to the Bank's Treasurer. The Treasurer receives the money from the member for credit of the Bank, keeps one copy of the *challan*, and returns the other two duly signed. The second copy of the *challan* is the hand receipt. The third *challan* is brought back to the Central Bank office by the member where, in return, he gets his own pass book, *and that of his society* written up.

The following are the book entries in respect of the transactions completed in the course of the procedure explained above:—

(1) When loans are taken by a society, they are entered on the receipt side of the Cash Book and the loan account of the Central Bank, or if the society is affiliated to a Circle Union, the loan account of the Circle Union is credited with the amount.

(2) When loans are distributed to individual members, entries are made on the disbursement side of the Cash Book and the individual borrowing members' personal accounts are debited.

(3) When loans are repaid by individual members, they are entered on the receipt side of the Cash Book and the individual members' personal accounts are credited.

(4) When repayments are made to the Central Bank, they are entered on the disbursements side of the Cash Book and the loan account of the Central Bank or of the Circle Union as the case may be is debited.

19. Interest is charged by Central Banks at the rate of 9% per annum to the primary societies; the Circle Unions merely act as guaranteeing and assessing or, perhaps, as distributing agencies; and the societies lend at 12% to their individual members. Interest on all loans runs from the date on which the money



leaves the creditor's hands to the date on which he receives it back, irrespective of the dates on which the debtor actually receives or repays it; the interest for periods of transit is paid by the debtor. Thus, interest on loans from Central Banks runs from the date on which the Banks disburse the money. If a society does not distribute money to its members promptly, it has to bear the loss. Members only pay interest on their loans from the date on which the money is actually received by them. The payment and appropriation of interest have been the subjects of much discussion. Some co-operative bankers advocate the *katmiti* or daily balance system; others favour the rule that whenever payments are made, appropriation is first to be made towards interest *due*, the balance going to principal; some maintain that interest up to date, *whether due or not due* should be deducted from each repayment; others urge that interest should be collected on the date of the promised instalments only; a few go still further and plead that interest should be collected only on the promised instalments, on the date on which the instalments fall due, and not on the whole amount of the loan; and yet others urge its capitalisation every year on the 30th June whether due or not.

The main points are that annual interest should be charged, that what is intended to be simple should not be turned into compound interest, and that the system should work equitably for borrower and lender alike.

The introduction of the system of Circle Unions of Primary Societies necessitates the adoption of one uniform procedure, and the *katmiti* or daily balance system is alone suitable. It is, therefore, necessary to lay down that all payments (*a*) by members to a society, (*b*) by a society to a Circle Union or Central Bank, (*c*) by a Circle Union to a Central Bank, and (*d*) by a Central Bank to the Provincial Bank are to be credited to principal throughout the year, interest calculated on the daily balances being debited to the loan account once a year on the 30th June.

The following is an example of interest calculation on the *katmiti*, or daily balance system:—

## CENTRAL BANK LOAN ACCOUNT.

Month.	Date.	Particulars.	Dr.			Cr.			Balance.	Days.	Product.		
			Rs.	A.	P.	Rs.	A.	P.				Rs.	A.
1916.													
March	1	By cash	..			1,000	0	0	1,000	0	0	61	61,000
April	30	By cash	..			3,000	0	0	4,000	0	0	31	124,000
May	31	To cash	500	0	0	..			3,500	0	0	15	52,500
June	15	To cash	1,000	0	0	..			2,500	0	0	15	37,500
June	30	By interest	..			67	12	11	2,567	12	11	..	275,000
June	30	By balance brought down.	..			..			2,567	12	11	..	..

On the 30th June, the total of the products is taken, and interest is then very easily calculated by reference to the book of Interest Tables supplied by the Central Provinces Federation, in vernacular, to all Central Banks for use by their Accountants and Society Moharrirs. The rule is:—

Products × rate of interest

$$\text{Interest} = \frac{\text{Products} \times \text{rate of interest}}{36,500}$$

In the above instance, interest on the 30th June at 9% amounts to  $\frac{275,000 \times 9}{36,500} = \text{Rs. } 67-12-11$ . By crediting this to the loan account on the 30th June, the credit balance is increased by that amount. A very important question, then, is "has this amount been paid in cash?" Looking at the payments made, *viz.*, Rs. 1,500 during the year, we find that they are far in excess of the amount of interest. The adjusted position, therefore, is as under:—

	Rs.	A.	P.		
Interest paid	..			67	12 11
Principal paid	..			1,432	3 1
<b>TOTAL</b>	..			1,500	0 0

It will be seen that by this method, the borrower gets interest on all payments made by him during the year up to 30th June; whereas, if interest had been appropriated during

the year, out of payments made during the year, he would have lost interest on those payments.

20. Societies accept deposits from their own members and will, when sufficiently advanced, accept them from non-members also. Primary societies pay 9% per annum on deposits. When a deposit is received, it is shown as a receipt in the Cash Book and the depositor's personal account is credited. Members' personal deposit accounts must be maintained in a separate ledger which is called the Ledger of Deposits, and deposit entries should, on no account, be made in the members' loan account maintained in the Ledger of Loans. At the same time the Society Moharrir, if the deposit is made in the village, or the Bank Clerk, if it is made in the Bank for the credit of the society's account, must write up the deposit account on the left hand side of the member's pass book. When a deposit is withdrawn, it is shown as a payment in the Cash Book, and the depositor's personal account in the Ledger of Deposits and in the pass book is debited. When interest is compounded on a deposit account, it is shown as a payment in the Cash Book on account of interest and as a loss in the interest account; again, it is treated as a receipt and shown as a fresh deposit received in the member's account in the Ledger of Deposits and the pass book. When interest is paid in cash, it is shown as a payment in the Cash Book and debited to interest account, no entries being made in the member's deposit account. Deposits carry interest and they must not lie idle as cash in hand with the society. The money should either be lent out immediately to members or be paid to the Central Bank thus reducing the debt to the Central Bank by a corresponding amount.

21. Every society has to purchase a share in the Central Bank to which it is affiliated. This share is, as a general rule, paid for out of profits. But the society has no profits on the day on which it is registered. The value of the share can, therefore, be shown as a loan from the Central Bank by crediting the Central Bank's loan account and by opening and debiting a separate account for the share. This share represents an investment and is therefore a real account, showing an asset. When at the close of the year, the Profit and Loss account is

calculated the full value of the share is entered as paid up, debiting the Central Bank's loan account and crediting Cash. The Profit and Loss account is not charged with the value of the share and the net profit is not reduced, because by investing the profit in the purchase of a share, no loss is sustained. One kind of asset has become another kind of asset; cash (which is an asset) being reduced, and a new asset (in the shape of a share) being created.

By-law 2 (4) for primary societies lays down that every borrowing member must purchase a share of Rs. 5 in the Central Bank for every Rs. 50 or part of Rs. 50 which he may owe to his society. The value of this class of shares, if not paid in cash at the time of purchase, is debited by the Central Bank to the society's loan account, and by the society, in its turn, to the individual member's loan accounts, entries being made in the Cash Book both on the receipts and disbursements side, in the pass books of the members, and in the pass book of the society. The value thus becomes part of the ordinary loan, and as repayments are made the loan account of the member is credited, and that of the Central Bank debited.

22. The admission of new members can only be made in accordance with the by-laws. A formal resolution must be recorded in the Society's Proceedings Book, the member must sign his name (or affix his thumb-mark) in the Register of Members, and he must pay his entrance fee and Federation subscription. Until all this has been done, membership is not complete, and *no loans can be legally made* except to a fully fledged member.\* A statement of the new member's assets and liabilities must then be sent to the Central Bank together with a copy of the society's resolution granting him admission. The society must then fix the new member's credit limit and inform the Circle Union and the Central Bank. Should an increase in the society's credit limit be necessitated by new admissions, the society must apply, in the usual way, to the Central Bank through the Circle Union (if there is one), or directly if there is no Circle Union.

---

\* *Vide* Section 12 of the Act.

23. Members may withdraw from the society if they have paid up all their dues to the society ; not otherwise. A member wishing to withdraw should first settle his loan account with interest thereon up to date, pay up the full value of the share or shares he may hold in the Central Bank, and settle his other liabilities, *e.g.*, that for the Federation subscription. His deposits will then be paid by the society with interest up to date or be deducted from the net amount payable by him to the society. Under Section 20 of the Act the society has a charge upon the shares and deposits of members and past members. A resolution should then be recorded in the Proceedings Book approving of the withdrawal, and a copy sent to the Circle Union and Central Bank. Columns 9 and 10 of the Register of Members should also be filled in, making reference to the resolution approving of withdrawal in column No. 10. The member should be given clearly to understand (if he does not know it already), that he will continue to be liable for a period of two years for the debts of the society as they stood on the day of his withdrawal.

24. On the death of members, immediate steps should be taken to get the successors to their estates enrolled in membership provided they are eligible, and to transfer to them the accounts of the deceased. Minor sons of a deceased member can be admitted if represented by a guardian. A resolution should be recorded in the Proceedings Book admitting the successor or successors of the deceased. Columns 9 and 10 of the Register of Members must be filled in, and the fact of death recorded against the deceased member's name. The name of the successor or successors must be entered and signatures or thumb impressions taken. No entrance fee will be charged to successors in interest. If, however, the successors of the deceased member are unwilling to join the society or if the society does not want to admit them, steps must be taken to recover the amount due by the deceased member. A deceased member's property is liable for his debts to the society for a period of one year after death (see Section 24 of the Act). But if this property has passed into the hands of a non-member recovery will have to be by means of regular suit.

25. If a member is expelled for bad conduct or for any other reason in accordance with the by-laws, he must forthwith discharge all his liabilities to the society. A resolution must be recorded in the Proceedings Book of the Society giving the reasons for the member's expulsion and entries should be made in columns 9 and 10 of the Register of Members. In this case the Registrar can be asked to grant an award against the member if he is not willing to pay. Even after expulsion, a past member is liable for the debts of the society, as they stood on the date of his expulsion, for a period of two years.

26. Serious disputes between members and the society, or between the society and the Circle Union or the Central Bank, or between the Circle Union and the Central Bank, may, if they cannot be amicably settled, be referred to the Registrar for decision. The Registrar will, however, not treat such references as a matter of course; he may, in fact, refuse his assistance in cases in which a needless reference has been made. The Registrar's decision is final and binding on all parties. When a request for an award is to be made, an application stating the facts of the case, together with a copy of the account of the party against whom the award is sought, should be sent to the Registrar through the Central Bank. The Registrar fixes a date for hearing and issues notices to the parties concerned to appear before him. Should they fail to appear, the Registrar proceeds to decide the dispute.

Awards must be filed in the nearest civil court having jurisdiction by the Sirpanch or Secretary of the society or by some other member duly authorised by formal resolution of the society (see By-law 20 of the by-laws for primary societies). The civil court is asked to issue a decree in terms of the award, and the necessary process fees, etc., must be paid. What is avoided is the expense and delay of a contested suit, and, perhaps, the further expense and delay of an appeal. The award procedure is, however, *not* intended as a means by which bad and reckless societies may avoid the inevitable consequences of lending money to members unworthy of credit.

It must be understood that the Registrar does not entertain applications made by a society for awards against its individual defaulting members, unless the society has been punctual in its payments to the Central Bank. Joint responsibility must be enforced; and if, when money is due to the Central Bank, some members fail to pay their dues to the society it is for the other members to see that the society, as a whole, keeps its promises and preserves its good name. Mutual discipline is what is wanted.

27. Every society must maintain a Haisiyat Register in the standard form prescribed by the Registrar. It should be filled in by the Annual General Meeting of members. The entries concerning each member are to be discussed and passed by the General Meeting, and every member has to sign or affix his thumb mark against the entries concerning him in token of correctness.

The Haisiyat Register is a private and confidential record, and it cannot be produced in a civil court or be inspected by any officer of Government without the express permission of the Registrar. This is because *under an implied pledge of secrecy* correct information is furnished by members to their bankers (*i.e.*, their societies); and it is against the public interest that any use should be made of such information for any purpose not directly connected with the business of the society.

The Haisiyat Register is at best a rough and inaccurate statement of the society's assets and liabilities, and its true purpose is to furnish an *index of progress* for the society as a whole and for the individual members. The Registrar has on many occasions pointed out the extreme danger involved in the use of the Haisiyat Register as a guide to credit. *There is no safe substitute for that intimate local and personal knowledge which is indispensable to the accurate assessment of personal credit.* The society alone can assess the credit of its individual members; any other agency must err and be too liberal or too parsimonious. But the Haisiyat Register is, for administrative and educative reasons, a record of great value, and particular attention should be given to its regular and accurate upkeep.

Haisiyat Register of the

Co-operative Society (Unltd.) Tahsil

District

Name of member

Son of

Caste

YEAR.	ASSETS.															LIABILITIES.						Signature or thumb mark of Member.	REMARK.	
	Revenue of Villages or Shares of Villages held	Revenue of Malik-makbuza land.	Rent of absolute occupancy land.	Rent of occupancy land.	Rent of ordinary land.	Savings deposits.	Value of houses.	Value of grain stock.	Value of carts.	CATTLE.				Total assets.	Annual income.	Rental arrears.	DEBTS.							
										Bullocks.	Buffaloes.	Cows.	Other cattle.				Due to Society.		To other creditors.		Total Liabilities.			
																	On Mortgage.	Other Debts.	On Mortgage.	Other Debts.				
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	

NOTE.—This form is to be filled up by the Secretary of the Society or by a Federation servant, or Director of the Central Bank on the 30th June each year. Every member is to sign entries concerning him in token that they are correct and the entries are to be discussed and passed by the members of the Society in general meeting.



28. The following form of mortgage deed is prescribed by the Central Provinces Federation and approved by the Registrar for general use:—

*Mortgage Deed.*

The mortgagee Sirpanch of the village co-operative credit society, unlimited, No. \_\_\_\_\_ of 191. \_\_\_\_\_ mouza \_\_\_\_\_ Circle No. \_\_\_\_\_ Pargana \_\_\_\_\_, Tahsil \_\_\_\_\_ District \_\_\_\_\_

The Mortgagor \_\_\_\_\_, son of \_\_\_\_\_, caste \_\_\_\_\_, age \_\_\_\_\_, occupation \_\_\_\_\_

Whereas I have this day borrowed from the aforesaid society the sum of Rs. \_\_\_\_\_ (Rupees \_\_\_\_\_). I agree to repay the same as follows:—

DETAILS OF REPAYMENT.

Date, Month, and Year.	Principal.	Interest.	Total.

Interest at rupee one per cent. per mensem, *i.e.*, 12 per cent. per annum will be paid on the amount borrowed. The society will have the right to appropriate the repayment first to interest due. All repayments made by me shall be entered in my pass book and I shall not be entitled to credit for any payment not entered in my pass book. As a security for the aforesaid loan, I hereby mortgage my property described below to the said society, and agree that the said property will not be mortgaged, gifted, sold or otherwise transferred till the liquidation of the aforesaid debt in full. I hereby guarantee that the mortgaged property is not mortgaged, gifted, leased or sold to anybody.

If it be found that the mortgaged property is transferred to anybody else I may be held guilty under the law. In the event of my failure to repay the amount borrowed with interest at the stipulated time, or in the event of my being found guilty of breach of any rules or by-laws of the society, or in the event of my leaving the society or being expelled therefrom, the society will have the right to recover the whole amount with interest at once. It is stipulated that the rules and regulations of the society that are in force at present, or that may hereafter come into force, will govern this mortgage deed. The society shall have the right to recover the amount due by me with interest by auctioning the mortgaged property and should there be a deficit, I hereby agree to make good such deficit with interest thereon, personally or from my other property.

We (sureties) \_\_\_\_\_

of \_\_\_\_\_ Tahsil \_\_\_\_\_

District \_\_\_\_\_ do stand surety and stipulate that in the event of the debtor's failing to repay the aforesaid loan we undertake to repay the same personally and out of our property. It is further agreed that in the event of there being a default in the payment of instalments as detailed above and if there arises any dispute between us and the society, we agree to and hereby appoint the Registrar, Co-operative Societies, Central Provinces and Berar, an arbitrator and agree to abide by his decision in the matter, and his decision will be treated as an award and the society will have the right to get a decree from the Civil Court in the terms of the award and recover the decretal amount.

Executed this \_\_\_\_\_ day of \_\_\_\_\_  
in the year \_\_\_\_\_ with full knowledge  
and understanding.

*Details of mortgaged property.*

I. \_\_\_\_\_ Witness. 2. \_\_\_\_\_

Mortgages of transferable rights in land are extremely useful provided they are in favour of the society and *not* of the Central Bank. A Bank saddled with the possession of land is, almost invariably, a Bank saddled with loss. Paragraphs 66, 67, 68 and 69 of the Report of the Committee on Co-operation in India are given below :—

66. It will be convenient for us here to explain briefly the attitude of co-operative institutions towards real security. It is a central principle of co-operation that security should be personal ; that is, that it should depend primarily on the man and his sureties and not on his property. The idea of personal security, however, implies the power of a member to repay, and this in its turn depends on his capacity as a worker, his honesty of character, and the amount of his property. A Co-operative Society differs from an ordinary money-lender in that it takes cognizance of all three factors, while the latter looks at the last only. There is nothing unco-operative in the hypothecation of immovable property, so long as it is recognized that personal security must be given and that the borrower's property is only a secondary or collateral protection. It follows from this that, when tangible property is accepted as security for a loan, it should be taken in addition to the instruments executed by the borrower and his sureties and not in place of them ; and we think that the existence of a pledge or mortgage should not absolve societies from taking sureties also or from proceeding, in case of default, against the sureties *before* taking action against the property.

67. Movable property, such as cattle or carts, is sometimes taken as security, and it may incidentally be noted that as the system of cattle insurance extends, the value of cattle as security will be enhanced. There are cases where other kinds of movable property are accepted, but the practice of hypothecating this class of property is uncommon. With regard to the hypothecation of shares we would wish to remark that we consider it undesirable that any society should permit its members to hypothecate their shares in the society as security for loans, because in such cases the society can only enforce the security by diminishing its " owned " capital and thereby reducing its general credit and the security of creditors.

68. As noted above, the mortgage of land should only be regarded as a form of collateral security in addition to sureties. In some provinces more general use has been made of mortgages than in others and in our opinion they have been more freely employed than is necessary. Though the practice, as we have said, is not in essence unco-operative and is in fact growing more common in Germany, it should be resorted to sparingly. It is justified in cases where land has been redeemed with the money advanced, as the new mortgage simply

takes the place of the old one, and also in cases of large or long-term loans where there is some risk in relying only on the personal element. In view of the unlimited liability of the members, a borrower's landed property is indeed always liable to sale in order to make good any default, and the main object of taking a formal mortgage is to prevent the alienation of the property to outside parties. We have found cases in which mortgages of the whole of their land have been made by the members of societies to societies and by whole societies to unions—especially in tracts newly colonized or irrigated—in order to protect the society from alienation to outsiders. The object of the societies in such cases is ordinarily to bind all the members together in a single self-contained body of borrowers and the motive is a high sense of co-operative unity. So long as the practice remains entirely voluntary we see no objection to its adoption from the point of view of co-operative organization. Mortgages as a rule should be without possession, as this forms a sufficiently unimpeachable security, and societies are by their nature unfitted to manage land corporately. In some places societies take a mortgage with possession, and relet the land to the mortgagor for an annual sum covering the instalment of the loan and the Government land revenue demand ; but this method seems to us to be cumbrous and to be unnecessary, unless it is done as part of a scheme for the co-operative management of land.

69. Owing to the laws prevalent in certain tracts for the protection of the peasantry, it is not always possible for a Co-operative Society to obtain a valid mortgage on which it can sue for sale. The society has ordinarily in Bombay, Berar, Madras, Coorg, Burma, Assam, Ajmer, and the Punjab to deal with the small occupant or landholder : while in Bengal, Bihar and Orissa, the Central Provinces and United Provinces its main constituents are tenants with a more or less secure right of occupancy. In the first five of the Provinces above-named there is usually (putting aside special cases and special tracts) no difficulty in obtaining a valid mortgage and suing for sale in default of payment : and in certain cases in Coorg and Burma a Co-operative Society is by a special order enabled to obtain a mortgage on land. In Ajmer a mortgage without possession can be obtained but, as sale in execution is forbidden, the only remedy in default is for the society to be placed in possession for a term of years ; and the same would appear to hold good as regards the land of a member of an agricultural tribe in the Punjab. It is, however, with regard to occupancy tenants that the difficulties regarding this form of security are most keenly felt. In the Agra Province an occupancy tenant can mortgage to co-sharers only : in the Central Provinces a mortgage by an occupancy or ordinary tenant in favour of a society can be voided at the instance of the heir or co-sharer and no decree can be passed for the sale in execution of a right of occupancy or of ordinary tenant rights : while in Bengal and Bihar a society can only obtain a valid mortgage from an occupancy tenant in cases where a custom can be proved establishing the tenant's right to mortgage, and a custom allowing such a right in the absence of the landlord's consent is said to be very

Concession in cases where alienation is forbidden.

difficult to prove. It has been represented to us that in the case of occupancy tenants a society should be specially entitled to obtain a mortgage and (subject to certain safeguards in respect of the sub-division of holdings and the right of the landlord to object to the transferee) to bring the land to sale in execution. It is contended that the restrictions which are intended to guard against rapacious money-lenders are out of place when the mortgagee is a benevolent co-operative society, and that in any case the power of sale would only be exercised in rare and extreme instances. It is further urged that, as a society has under the law a prior claim on crops grown with the aid of a loan given for seed or manure, there can be no objection in principle to its having a lien on land, at any rate in respect of land freed from encumbrance by loans made for the repayment of old debts. The question is, of course, one which has to be considered in connection with the general tenancy arrangements of the provinces concerned, but our feeling is that if arrangements can be made with the concurrence of the landlord class to secure this concession for societies in areas where they would ordinarily be unable to obtain a mortgage, there can be no reasonable objection to it on the mere ground that the concession is not enjoyed by other creditors. Evidence has been given to us of the extreme insecurity of tenure in certain tracts, and, without desiring to enter into a question beyond the scope of our report, we feel that we are justified in pointing out that unless a tenant, who is a member of a co-operative society, has a reasonable assurance of continuing in enjoyment of his holding, and is free from the liability of having his earning power suddenly terminated without any fault on his part, it is impossible to invest much money in financing him through co-operation.

29. Sections 35 to 38 of the Act should be made clear to the members of the primary societies. "All officers and members of the society *shall* furnish such information in regard to the affairs of the society as the Registrar or the person authorised by the Registrar may require." Section 37 empowers the Registrar to charge the society with the costs of an investigation. The Registrar will, of course, only exercise his powers with one object in view, namely, the health of the co-operative system. If societies behave well, they will be treated well. But the best of rice crops must be weeded; and it is the duty of the Registrar and of all responsible for the welfare of the movement to root up weeds and destroy them.

30. The Reserve Fund of a primary Co-operative Credit Society is the whole of its accumulated *net* profits. Societies with unlimited liability are not permitted to divide any profits amongst their members. The by-laws dealing with the Reserve Fund are intended to secure the maximum efficiency of

co-operative effort as an agency for the permanent advancement of the village, the creation of local capital, and the progressive economic betterment of posterity. Central Banks collect interest from societies at 12 per cent., but of this 12 per cent. one quarter is sent to the Registrar, through the Provincial Bank, for investment in gilt edged securities. The meaning and objects of the Reserve Fund must be clearly and constantly explained to the members of societies.

31. The co-operative year in the Central Provinces and Berar ends on the 30th June, on which date all accounts are closed, and the Profit and Loss statements and Balance Sheets prepared. Interest *at 12 per cent.* should be calculated on all the loan accounts of the members of primary societies up to the 30th June and be debited to those accounts and credited to interest account. Should the repayments made by a member during the year, and credited to principal according to the *kutmiti* system, equal or exceed the total amount of interest up to the 30th June, there is *no interest due*. If, however, the total repayments fall short of the interest, the deficit is *interest due*. Similarly, interest on all deposit accounts should be calculated at 9 per cent. and be credited to the deposit accounts and debited to interest account as a loss. Interest on the Central Bank loan account should be calculated up to the 30th June and be debited to interest account and credited to the Central Bank loan account. If the total repayments made by the society during the year to the Central Bank equal or exceed the interest which has accrued up to the 30th June, no interest is due on the 30th June to the Central Bank. If, however, they fall short, the deficit is interest due to the Central Bank. Dividend earned on the society's share in the Central Bank should be taken as profit in the Profit and Loss statement. The loan accounts of all the members should then be debited with the Re. 1 Federation subscription and the Central Bank loan account credited. This means that the repayments made by members during the year include the Federation subscription *paid in advance for the next year*. Should, however, the repayments fall short of the total interest and Federation subscription, the Federation subscription due on the 30th June

passes into the loan account and is capitalised, and is, in this way, never allowed to be in arrears. All nominal accounts are then closed and summarised in the Profit and Loss account. The total of the profit side represents *gross profit*; and the balance of the profit and loss account *net profit*, and this net profit is carried to the liabilities side of the balance sheet. All real and personal accounts are then transferred to the Balance Sheet in accordance with the procedure explained in Chapter I of Part IV.

32. Although, strictly speaking, the books of the societies ought to be closed and the final statements prepared on the 30th June, this is not possible because the members of primary societies have no knowledge of accounts. A very small percentage of them can read and write after a crude fashion. Professional letter and petition writers are, it must be remembered, firmly established features of Indian life. The accounts of all primary societies are kept by Society Moharrirs, who are paid by the Central Provinces Federation of Co-operative Banks (that is to say by the societies themselves) and controlled and supervised by the local Central Banks, which, of course, merely represent the societies. The Central Banks are responsible for the accounts of their affiliated societies and must see that they are maintained correctly and up to date. For about one month or more after the 30th June the combined efforts of the Government Auditors, the Federation Auditors, the Society Moharrirs, and the paid staff of Central Banks, are employed in the work of collecting and tabulating the information required for the compilation of the returns called for by the Government of India every year. Final statements can, under the circumstances, be audited only during the following year, Auditors being few, societies many, and travelling a matter of time.

33. Sections 39 to 42 of the Act regulate the liquidation or winding up of societies. Rule No. 41 of the rules framed by the Administration under the Act (Appendix IV to this part of this book) deals with the procedure to be followed. Liquidation may be voluntary or compulsory. Three-fourths of the members of a society may, of their own accord, determine upon

liquidation ; or the Registrar may pass an order for compulsory liquidation. Should the Registrar order liquidation, an appeal may be made, within two months of the date of his order, to the Local Administration.

A liquidator, appointed under Section 42 of the Act, will, after examination of the accounts of the society, prepare a correct and up-to-date Balance Sheet or Statement of Affairs. The next step is to convert all assets into cash. Should the cash realised be short of the liabilities to be discharged, unlimited liability must be enforced (a) with respect to the present members, and (b) with respect to such past members as are within the two year and one year limits prescribed by Sections 23 and 24 of the Act. After enforcement of unlimited liability, if the cash realised still falls short of the liabilities, the Reserve Fund must be used. If after the entire property of the members has been disposed of and the Reserve Fund is exhausted, the realised assets are insufficient to meet the liabilities of the society in full, the creditors are paid a rateable percentage of their debts. This percentage is called the *dividend*; but personal liability remains and the Registrar will not permit claims upon members to be relaxed until the society's debts have been paid in full.

When a society has ceased to exist its Reserve Fund is dealt with in the manner described in the by-laws for primary societies; the shares in the Central Bank held by the individual members remain, of course, their private property, but the shares which belonged to the defunct society and were paid for out of profits are transferred to the Central Provinces Federation of Co-operative Banks and thus become the property of the co-operative movement.

---

### CHAPTER III.

#### CIRCLE UNIONS OF PRIMARY SOCIETIES.

I. If a number of societies situated within a demarcated circle (see Union By-law 4 (a)), seek registration as a Circle



Union, they must proceed as follows. Each society must, by a majority of its members assembled in General Meeting, pass a resolution to the effect that it is willing to form a Union with certain other societies and to abide by the by-laws prescribed. Each society should then elect two of its members as the society's representatives, and these two members must be authorised to subscribe to the Memorandum of Association of the Circle Union on behalf of the society. When all the societies to be formed into a Union have recorded the necessary resolutions in their Proceedings Books, the Memorandum of Association is prepared and signed and then the Memorandum and the by-laws and copies of the resolutions are sent, through the Central Bank, to the Registrar. No special financial statement is submitted with the application for registration, as the financial position of the member societies is already known both to the Registrar and the Central Bank. Registration papers must, in order to provide the necessary records, be prepared in triplicate; but as the Union is simply a society of registered societies, they need not be submitted through the Deputy Commissioner of the district.

*Memorandum of Association.*

We, the undersigned representatives of the Primary Co-operative Credit Societies, named in column 2 of the list given below, and all being duly authorised by our respective societies as per copies of their resolutions herewith attached, to make this application, request on behalf of our respective societies, registration as a Circle Union of Primary Co-operative Credit Societies, with limited liability, to be called the \_\_\_\_\_ Circle Union of Primary Co-operative Credit Societies, Limited. The registered office shall be at \_\_\_\_\_, Post Office, \_\_\_\_\_ Tahsil \_\_\_\_\_, District \_\_\_\_\_.

2. This Circle Union will carry on its operations within the limits of the following villages situated in the \_\_\_\_\_ Tahsil of the \_\_\_\_\_ District and in such other villages as may hereafter be included in this Union with the sanction of the Registrar.

*Names of Villages.*

3. The objects of the Union are :—

- (i) To develop Co-operative Credit Societies to the utmost of its power within the area of its operations.
- (ii) To finance Co-operative Credit Societies situated within the area of its operations and affiliated to it.
- (iii) To provide means of guaranteeing the credit of each of the Co-operative Credit Societies affiliated to it.
- (iv) To control the Co-operative Credit Societies affiliated to it by careful and regular inspection.
- (v) To settle all matters of common interest, to advise and assist its affiliated societies and to further their interests in every way.

4. This Union proposes to raise its capital by borrowing from the \_\_\_\_\_ Central Bank, Limited.

5. In addition to the Primary Co-operative Credit Societies which subscribe to this Memorandum of Association, the following societies are eligible for membership of this Union :—

- (i) Co-operative Credit Societies which are situated within the area of operations of this Union and are solvent and sound in working.
- (ii) Co-operative Credit Societies that may be registered hereafter on the recommendation of this Union and are situated within the area of its operations, provided that such societies shall, by their Sirpanch and Secretary, sign a declaration accepting all the rights, duties, and liabilities as prescribed by the by-laws of this Union, and by the Co-operative Societies Act II of 1912, and the rules made thereunder.

6. We have, on behalf of our societies, agreed to the by-laws submitted with this application and we clearly understand these by-laws.

7. This Union agrees to purchase at least one share of Rs. 10 in the \_\_\_\_\_ Central Bank, Limited.

8. We sign this application for registration in writing or by thumb mark on behalf of our respective societies.

## LIST OF SIGNATORIES TO THIS APPLICATION.

Serial No.	Name of Society.	Registered No. of Society.	Signature or thumb mark of the authorised representative of the society.

*Report of the Organizer.*

This should state :—

- (i) The name of the President elect.
- (ii) The name of the Secretary elect.
- (iii) The arrangements it is proposed to make for keeping the accounts of the Union.
- (iv) The number of literate representatives of societies which have at present joined the Union and the names of such of them as are likely to do the work of inspection of societies.
- (v) Name or names of Central Bank Directors residing or having a place of business within the Union area.
- (vi) Whether any of the above Directors are members of any society in the Union ?

2. On registration, the usual Certificate of Registration is granted by the Registrar, and an approved copy of the by-laws is sent to the Secretary of the Union through the Central Bank. Societies within the Union circle, which become candidates for membership after the Union has been registered, must make the following declaration :—

" We, the undersigned Chairman and two Committee members of the \_\_\_\_\_ Co-operative Credit Society, being authorised so to do by resolution of the General Meeting of our society, hereby, on behalf of the said society, agree to accept all the rights, duties, and liabilities prescribed by the by-laws of the \_\_\_\_\_ Union of Co-operative Credit

Societies and to abide by its by-laws as a condition of our society being admitted into the said Union as an affiliated society."

- |    |                   |
|----|-------------------|
| 1. | <i>Sirpanch.</i>  |
| 2. | <i>Secretary.</i> |
| 3. | <i>Member.</i>    |

3. A Circle Union does not handle cash, and the books and records to be maintained by it can and should be few and simple.

The following books and records are to be maintained by every Union :—

- (1) List of Societies constituting the Union.
- (2) Loan Account Ledger.
- (3) Account of Vouchers.
- (4) Proceedings Book.
- (5) Two File Books.

4. In one of the two File Books provided, the Society Moharrir should carefully file (a) the application for registration, (b) a copy of the by-laws, (c) the Certificate of Registration, and (d) copies of the Registrar's Circulars. In the other file should be kept miscellaneous papers, such as the copies of the proceedings of the constituent societies, etc.

5. The Moharrir should then write the List of Societies in the prescribed form. In the column "Date of affiliation" should be written the date on which the Union was registered, and for societies subsequently enrolled, the date on which the resolution granting admission to a society was passed by the Union.

6. It is important to remember that the liability of the Union as defined in its by-laws begins from the date of its registration. The accounts of the Central Bank with the Union's constituent societies should, therefore, be transferred to the Union *as on the date of its registration*. The following is the correct procedure when transferring the loan accounts from the Central Bank to the Union.

*Central Bank Books.*

(i) The Central Bank must calculate interest on the loan accounts of each society up to the date of the registration of the Union and debit the interest to them. The accounts are then closed and the debit balances are transferred to a new account opened in the name of the Circle Union. This means that instead of keeping separate loan accounts for individual societies, the Central Bank keeps only one account for a number of societies called the "Loan Account of the \_\_\_\_\_ Circle Union." In this account, all advances to and repayments from the individual Primary Societies affiliated to the Circle Union are entered. *No separate loan accounts of Primary Societies affiliated to a Circle Union should be maintained by a Central Bank.* Decentralisation of work is one of the main objects of the Union.

*Books of Primary Societies.*

(ii) When the loan accounts of the individual Primary Societies have been thus transferred to the loan account of the Circle Union by the Central Bank, the Society Moharrir concerned takes copies of the accounts from the books of the Central Bank and proceeds to close the Central Bank's loan accounts in the books of the Primary Societies. - Here, too, interest up to the date of registration of the Circle Union is calculated on the Central Bank's loan account and credited to that account. The amount must agree with the amount of interest debited by the Central Bank to the Primary Society. When this has been done, the account of the Central Bank is closed, a new account is opened in the name of the Circle Union, and the credit balance of the Central Bank's loan account is transferred to the credit of the Circle Union loan account.

*Books of the Circle Union.*

(iii) When the books of the constituent Primary Societies have been written up, the Society Moharrir should forthwith proceed to write the books of the Circle Union. In the Loan Account Ledger, the date to be entered in the first and fifth columns should be the date of the registration of the Circle

Union, so far as the opening transfer entries are concerned. For subsequent transactions, the actual dates of the transactions should be written. Columns 2 and 4 contain merely statistical information and are meant to serve as a "diary" of the dates on which repayments fall due. Columns 7 to 9 constitute the real financial account. Separate loan accounts for every constituent society should be opened, giving one page or more to each individual society. The debit balance of each society, including the interest up to date as it stood in the Central Bank's books, should be the first entry in the society's loan account in the books of the Circle Union. A loan account for the Central Bank should then be opened and the sum total of the debit balances of the individual constituent societies' loan accounts should be posted to the credit of this account. After these transfers have been recorded in the books of the Central Bank, the Circle Union and the individual Primary Societies the following accounts must agree :—

Books of the Central Bank.	Of the Circle Union.	Of the Primary Societies.
(a) Closing debit balances of individual societies' loan accounts, including interest up to date.	Opening debit balances of the individual societies' loan accounts, including interest up to date.	Closing credit balance of the Central Bank's loan account including the interest up to date, and the opening credit balance of the Circle Union's loan account.
(b) Opening debit balance of the Circle Union's loan account.	Opening credit balance of the Central Bank's loan account.	
(c) Instalments due by the Union.	Instalments due to Central Bank.	Instalments due to Union by all the constituent societies put together.

It is important to remember that mere calculation and entry of interest in an account does not mean its *capitalisation*, unless interest is calculated on such interest. The debit and credit of interest, therefore, at the time of making the above transfers do not mean capitalisation of interest and *no interest should be calculated on such interest till the next 30th of June*. So long as interest on interest is not calculated, the *katmiti* system is strictly adhered to and it does not matter how many times during a year interest is calculated and entered in an account.

7. Vouchers are specially printed, engraved, and embossed, and are issued in serial numbers for denominations of Re. 1, Rs. 5, Rs. 10, Rs. 20, Rs. 50, Rs. 100. An account of vouchers must be kept very carefully in the prescribed form, receipts from the Central Bank being entered in the first three columns and issues to societies in the last three. The Union Secretary must, before distributing the vouchers to the societies, endorse each voucher on the back. The endorsement is printed, and the Union Secretary has merely to sign his name. The Union Secretary must furnish the Central Bank with a list of the serial numbers printed on the voucher books and vouchers supplied to each society. Vouchers are, of course, not transferable and can only be negotiated at the office of the Central Bank except by previous special arrangement.

8. One of the most important functions of the Union is to fix an annual cash credit for its affiliated societies. The societies, after fixing credit limits for their own individual members, send their representatives to the Union General Meeting with the detailed credit list and ask the meeting to sanction the credit limit of the society. The Union may or may not sanction a cash credit in full, but societies should themselves make any *individual* reductions necessary. Credit lists as finally passed by the Union are to be submitted to the Central Bank, with the Union's certificate of guarantee endorsed upon each list, thus:—"Passed for Rs.\_\_\_\_\_. The Central Bank may pay this sum to the\_\_\_\_\_ Society, registered No.\_\_\_\_\_." The Secretary of the Union must sign this certificate. The sum total of the credit limits of the constituent societies is the credit limit of the Circle Union. On this credit limit being sanctioned by the Central Bank, the Manager sends voucher books to the Union for the total amount of the credit limit sanctioned for the year; and the Union, in its turn, distributes the vouchers to the individual societies to the amount of credit sanctioned for each.

9. The Society Moharrir in charge of the Union accounts, must make abstracts every quarter (or more frequently), from the books of the Central Bank, of the accounts of the Union in his charge. From these abstracts, he checks and, where

necessary, writes up the books of the Circle Union and the books of the Primary Societies. The Central Bank writes up the members' pass books and the pass books of the societies as transactions take place in its office from time to time and issues receipts to the societies and to individual members for payments made. Moreover, the counterfoils of the vouchers issued are to be found in the books of vouchers distributed to the societies. These pass books, the receipts, and the counterfoils of vouchers are to be tallied with the entries dealing with the Circle Union's account in the books of the Central Bank, and with the books of the Union and of the Primary Societies.

10. No Cash Book is maintained for the Circle Union. The Union, as already pointed out, does not accept deposits; it borrows at 9% from the Central Bank and lends to affiliated societies at the same rate. Thus the Union makes no profit, and consequently has no Reserve Fund and no Profit and Loss Account. Should bad debts appear, the guarantee must be enforced to clear them.

11. Interest is calculated on the *katmiti* or the "daily balance" system already explained. Every year, on the 30th of June, interest is calculated and capitalised.

12. The Balance Sheet of the Union is exceedingly simple; the total of loans and interest due from member societies constituting the only asset, and the loans and interest due to the Central Bank, the only liability.

### FORMS PRESCRIBED FOR CIRCLE UNIONS.

#### CIRCLE UNION FORM No. I.

List of Societies constituting the \_\_\_\_\_ Circle Union.

No. \_\_\_\_\_ of \_\_\_\_\_ District.

Serial No.	Name of Society.	Registered No.	Date of affiliation.	Signature of thumb mark of the representatives.	REMARKS.



CIRCLE UNION FORM No. II.

*Loan Account.*

Credit Limit. \_\_\_\_\_ Society Registered No. \_\_\_\_\_

Month and year.	Date.	Loan advanced.	REPAYMENTS SETTLED.		Date.	Particulars.	Debit.	Credit.	Balance.	REMARKS.
			Date.	Amount.						

CIRCLE UNION FORM No. III.

*Account of Vouchers.*

Date.	Particulars of Vouchers received.	Amount.	Date.	Particulars of Vouchers issued.	Amount.	REMARKS.

CHAPTER IV.

CENTRAL BANKS.

THE efficiency of the Primary Societies depends, to a great extent, upon the efficiency of the Central Bank itself and that of its staff; and if the honorary worker has the satisfaction of knowing that the Bank's office and accounts are in good order, his hands are left free for organization, education, and supervision. Although the members of the paid staff are professional co-operators, they may be proud of the fact, for in no country has the movement progressed very far without paid staff. If, however, a man is a paid co-operator, he must understand and be constantly studying his work.

*Memorandum of Association.*

The Memorandum of Association of a Central Bank is in the following form:—

I. We, the undersigned persons, resident of \_\_\_\_\_ District, being above 18 years of age and having agreed to

purchase shares in accordance with the list herewith submitted, request registration as the \_\_\_\_\_ Co-operative Central Bank, Limited. The registered office shall be at \_\_\_\_\_, Post Office \_\_\_\_\_, Tahsil \_\_\_\_\_ District \_\_\_\_\_.

2. The liability of the Central Bank shall be limited to the face value of the shares issued.

3. The operations of the Bank shall be confined to the Tahsil or the \_\_\_\_\_ District.

4. The objects of the Central Bank are :—

(a) to finance registered Co-operative Societies affiliated to it and situated within the area of its operations as defined in paragraph 3 above ;

(b) by all means in its power to improve the material and moral condition of such affiliated societies.

5. The authorised share capital shall be Rs. \_\_\_\_\_ divided into \_\_\_\_\_ shares of Rs. \_\_\_\_\_ each. This capital may be increased by the issue of any number of additional shares of Rs. \_\_\_\_\_ each to registered co-operative societies that become members of the Bank and of any number of shares of Rs. 5 each to individual members of such societies. But no other increase of share capital may be made unless it has been approved of by the members of the Bank at a general meeting and duly sanctioned by the Registrar.

6. The Bank may also, within the maximum limits fixed by the Registrar from time to time, raise funds—

(a) by receiving deposits from members and non-members ; and

(b) by raising loans.

7. The qualification for membership shall be that laid down in the by-laws herewith attached.

With the Memorandum of Association, there must be submitted a list of subscribers and a copy of the proposed by-laws ; and this must be forwarded, through the Deputy Commissioner of the District, to the Registrar of Co-operative Societies, who will, if he thinks fit, register the Central Bank and issue his certificate accordingly.

The accounts of the Central Bank are maintained in the books and forms prescribed by the Registrar.

*Register of Shares.*

This book deals with the shares of the Bank in serial number in the first column ; and in columns 2, 3, 4, 5, 6, and 7 are recorded the date of purchase, name of purchaser, his address, the date of transfer (if any), the name of the transferee, and any remarks necessary—in the case of a transfer, for instance, the date and number of the resolution sanctioning the transfer. The writing up of this register follows allotment and should always be accompanied by the issue of share certificates.

*Register of Shareholders.*

The Register of shares deals with each share ; the Register of shareholders with each shareholder. In this register, the name of the shareholder's nominee (if any), is entered (see Section 22 of the Co-operative Societies Act and rule No. 34 of the rules issued by the Local Administration). *It is important to remember that a shareholder need not nominate his successor in interest unless he wishes to do so.* Other particulars given are the address of the shareholder, details of the shares held, and payments made by him and any transfer of such shares.

In the case of important transfers for consideration, it is as well to insist upon the execution of a transfer deed in the form below ; but, in this matter, Central Banks should use discretion and should not surround simple transactions with unnecessary formality.

*Transfer Deed.*

The \_\_\_\_\_ Co-operative Central Bank, Limited.  
 I \_\_\_\_\_ of \_\_\_\_\_ in  
 consideration of the sum of Rupees \_\_\_\_\_  
 \_\_\_\_\_ paid to me by \_\_\_\_\_  
 \_\_\_\_\_ of \_\_\_\_\_ hereby  
 assign unto the said \_\_\_\_\_ the  
 share (or shares) numbered \_\_\_\_\_  
 standing in my name in the books of the \_\_\_\_\_  
 Co-operative Central Bank, Limited, to hold unto the

said \_\_\_\_\_ subject to the several conditions on which I hold the same at the time of the execution hereof.

And I, the said \_\_\_\_\_ do hereby agree to take the share (or shares) subject to the same conditions.

As witness our hands this day \_\_\_\_\_ of \_\_\_\_\_  
 \_\_\_\_\_ One thousand nine hundred and \_\_\_\_\_

\_\_\_\_\_ *Witness* \_\_\_\_\_ *Seller.*

\_\_\_\_\_ *Witness* \_\_\_\_\_ *Buyer.*

### *Cash Book.*

On the left-hand side of the Cash Book, columns are provided for (i) date of receipt of cash, (ii) serial number of the entry in the Cash Book, (iii) the number of the Ledger page, (iv) payer's name, (v) the account to which the payment is taken, and (vi) the amount received. On the right-hand side of the Cash Book, similar columns are provided for disbursements, (iv) being the payee's name. A column is added for the "narrative" (as Bankers term it) or descriptive remarks concerning the item. After the numbers of the Ledger pages, ((iii) above), it is the practice to enter an index letter, such, for instance, as L (Loans) or D (Deposits) with reference to the Ledger to which the entry has been carried. The Cash Book must be balanced daily and the balance carried forward to the next day's account. The closing balance must agree with the actual cash in hand and at the Treasurer's, and auditors and inspecting officers should see that it does.

If no Journal is kept by a Central Bank, all adjustment entries, whether they refer to actual coming in or going out of cash or not, must be passed through the Cash Book, as no item can go into the Ledger except through a subsidiary book. It is as well, however, to maintain a separate Journal for all adjustments as very often the necessary entries cannot conveniently be passed through the Cash Book. For instance, Rs. 2,000 are transferred to the Building Fund from the Profit and Loss Account. This entry cannot very well be passed through the Cash Book; but in a Journal, the entry would be simply "Profit and Loss Account Dr. to Building Fund Account."

*Abstract Registers of Receipts and Disbursements.*

The entries in the Cash Book are to be posted daily into these registers. As many columns should be provided as there are heads of accounts, and the total of each column is to run (or be carried over) from page to page and month to month from the 1st July to the 30th June. The various totals provide, as it were, an analysis of the working of a Central Bank.

From the Abstract Registers, a General Ledger should be opened and posted. To do this, the entries on the last Balance Sheet should be posted under as many different headings as are necessary, the assets to the debit and the liabilities to the credit side. Thus maintained, the General Ledger will be self-balancing and from it the Central Bank can, at any time, prepare a Balance Sheet and Profit and Loss Statement.

*Ledger of Loans Advanced.*

This account gives the name and number of the registered society, the number of the pass book issued to it, and details of advances made to and repayments made by it. Each entry must be prefaced by a reference to the serial number of the corresponding entry in the Cash Book.

*Ledger of Deposits.*

In this book, the account of each depositor is entered in detail, at least one page being allotted to each account. Part of the book should be reserved for members; the other part left for non-members. This will facilitate the filling in of Returns. It is convenient, too, to group the different classes of deposits together.

In the case of deposits fixed for a period, interest calculated up to the 30th June is taken to the Profit and Loss Account. The amount of interest for each year is split, in fact, into two items for the sake of the Profit and Loss Account; but this does not mean that interest is to be allowed on the amount of interest credited on the 30th June. In the case of subject deposits, interest is calculated and is payable on the 30th June in each year, and if not paid in cash, is compounded. In

deposit accounts, each transaction is complete in itself, and although a total credit balance may be struck on the 30th June, the different items contributing to the total can on no account be amalgamated, because the conditions, period, rate of interest and due dates in respect of each deposit are different. It is, therefore, necessary after closing each depositor's account on the 30th June to carry forward the distinct items and not an amalgamated total.

#### *Register of Reserve Fund.*

This, as its name implies, is a record of appropriations from profit to the Reserve Fund and of their investment. It is important to remember that Central Banks are expected to remit their Reserve Funds for investment without unreasonable delay, that each Bank is liable to its Reserve Fund for at least 25% of its *annual* net profits, and that no Reserve Fund can be touched without the sanction of the Registrar.

#### *Treasurer's Pass Book.*

This is written up by the Treasurer of a Central Bank, and is a record of *cash* transactions between him and the Bank. Registrar's Circular No. II of 1915 (included in Appendix I) should be read.

#### *Pass Book for Depositors.*

In the case of savings deposit accounts (if any) and of fixed deposit accounts which are frequently operated, pass books may be issued; but in most cases, the issue of a deposit receipt in the Federation form will be sufficient. These receipts are *not transferable*, and they express clearly (i) that no payment of a deposit will be made before the due date, and (ii) that, unless notice is given to the contrary, the deposit will, from time to time, be renewed on the due date for the same period (as that for which it was fixed on deposit), on the same terms and at the same rate of interest.

When a fixed deposit receipt is lost by a depositor, an indemnity bond, in the form below, should be taken before any payment of the deposit or of interest thereon is made. All

indemnity bonds must bear *an eight anna stamp*, for they are not issued by the Bank in the course of its own business but by private persons in their own interest.

To

The Manager,

Co-operative Central Bank, Limited.

Having lost your \_\_\_\_\_% fixed deposit receipt No. \_\_\_\_\_, dated \_\_\_\_\_ for Rs. \_\_\_\_\_ in the name of \_\_\_\_\_,

I hereby agree, in consideration of your paying me the amount thereof with the interest due thereon amounting in all to Rs. \_\_\_\_\_ receipt of which is also hereby acknowledged by me, to hold you indemnified against any other claimant for the same, and to deliver up the receipt should it at any future time be forthcoming.

Dated the \_\_\_\_\_

*Signature.*

#### *Pass Book for Borrowing Societies.*

Central Banks must not only issue pass books to every society, but must insist on the production of a society's pass book at the time of each transaction. In the case of primary societies working the voucher system, it is the duty of the Central Bank to write the pass books of individual members presenting themselves on business at the Central Bank.

#### *Register of Promissory Notes.*

When the annual cash credit, or credit limit, is sanctioned, the Central Bank should at once obtain a Promissory Note for the whole amount sanctioned. This will secure all claims, and will make it unnecessary to enter the numbers of vouchers encashed in this register. The Registrar's instructions are that promissory notes are to be renewed every year; and if Central Banks faithfully observe these instructions, the salutary provisions of the by-laws of societies and Central Banks cannot very well be overlooked and business will be safe. Security, to be safe for banking purposes, must be fresh and realisable;





*Share Certificates.*

These clearly express that the Directors recognize no transfer of shares which is not made in accordance with the by-laws of the Bank. A single certificate may cover a large number of shares held by one shareholder. Each certificate should be signed by at least two Directors of the Bank. Sometimes a share certificate is lost, and in such cases the following form of indemnity bond should be used :—

“ I \_\_\_\_\_ having lost share certificate No. \_\_\_\_\_, for share or shares No. \_\_\_\_\_ to \_\_\_\_\_ in the \_\_\_\_\_ Co-operative Central Bank, Limited, of the face value of Rs. \_\_\_\_\_ each standing in my name in the books of the said Bank, hereby agree, in consideration of receiving a duplicate certificate, to hold the said \_\_\_\_\_ Co-operative Central Bank indemnified against any other claimant for the same and to deliver up the duplicate certificate should the original at any time hereafter be forthcoming.”

*Dated the* \_\_\_\_\_

*Signature.*

*Hand Receipts.*

Receipts should be granted in regular printed forms in cases in which entries are not made in the pass book. Receipts granted by or on behalf of the Bank are exempt from stamp duty.

*Federation Records.*

In general the Federation transactions with which a Central Bank is concerned are as follows :—

- (1) Federation collections ;
- (2) Federation disbursements on account of salary, establishment, printing, stationery, etc., etc. ;
- (3) Provident Fund accounts ;
- (4) Federation Head Office contribution ;
- (5) Investment of the Federation 25% contribution in the Central Bank shares ;
- (6) Dividend on Federation shares, interest on Provident Fund accounts, etc.

As Treasurer and local agent of the Central Provinces Federation of Co-operative Banks the Central Bank maintains the following records :—

(a) *Cash Book*.—Receipts and disbursements on behalf of the Federation should pass through the Central Bank's Cash Book. No separate Cash Book for the Federation is necessary. Against all receipts and disbursements the Central Bank will, of course, write "Federation account." These entries of receipts and disbursements will be collected in the appropriate columns of the Bank's Abstract Registers of Receipts and Disbursements.

(b) *Abstract Register of Receipts and Disbursements*.—The heading of this Federation register are as follows :—

<i>Receipts.</i>	<i>Disbursements.</i>
Federation collections.	Head Office.
Provident Fund.	Salary and Travelling allowance.
Interest received.	Provident Fund disbursements.
Dividend and bonus received on investments.	Printing and Stationery.
Other items.	Investments.
Total.	Other items.
	Total.

(c) *A Ledger Account* for each Primary Society, dealing with the Federation subscriptions due and paid by the individual members.

(d) *A Provident Fund Ledger for Federation servants*.—Every Federation servant is entitled to a pass book containing a copy of the ledger account concerning his Provident Fund.

#### *Inspection Note.*

The form of Inspection Note given below has been used by the Sihora Central Bank with satisfactory results. It deals, of course, with inspection work done by the staff of the Bank for the information of the Directors.

#### *Inspection Note.*

*Date.*

*Date of last inspection.*

*Name of society.*

*Registered No. and date.*

i. How many members are there ?

2. To what classes do the members belong ?
3. What was the date of the Society Moharrir's last inspection ?
4. Is the Society Moharrir's work up to date ? If not, what action has been taken to get the work completed ?
5. What were the defects pointed out in the last audit note and have they been removed ?
6. What action has been taken to recover the outstanding loans of members belonging to classes D and E shown in question 2 above ?
7. Have the ordinary requirements of the members been adequately met ; if not, why ?
8. Do the members complain of any difficulties in procuring loans from the Central Bank ? If so, what difficulties, and how can they be removed ?
9. Have you checked the ledger account of each member ? If so, are the members found punctual in paying ?  
Who are the usual defaulters, and what action has been taken to improve their conduct ?
10. Are the outside debts of the society increasing or decreasing ?
11. Do the members of the Panchayat understand their responsibilities and are the President, Secretary, and Treasurer of reliable character ? If not, what steps have been taken to remove them ?
12. Is there any case of embezzlement or illegal gratification ? If so, what action has been taken ?
13. What are the assets and liabilities of the society and the credit fixed by the Central Bank ?
14. Is any amount overdue from the society ? If so, what action has been taken to realise the same ?
15. Has the Federation subscription been paid in full ?
16. Have all loans been properly utilised ? If not, in how many instances have the loans been misused and what action has been taken to recover ?
17. Has the credit of each member been duly fixed at the General Meeting ?

18. Has any member's loan exceeded the amount of his credit fixed, and, if so, what action has been taken to reduce the loan or raise the credit ?

19. Were the last *rabi* and *kharif* harvests good or bad ? What are the prospects of the standing crops ?

20. Are the members satisfied with the dealings of the Society Moharrir ?

21. General Remarks.

*Notes.*—1. In answering these questions, the Inspectors will please note that they are always expected to state what definite action has been taken by them. It is not enough merely to issue orders to the Society Moharrirs.

2. Replies should never be vague. They should always be definite and comprehensive.

3. For the purposes of answering question 2, the members are to be classified thus :—

- A....Model.
- B....Good.
- C....Average.
- D....Bad.
- E....Hopeless.

It is of great importance that the Society Moharrirs should be instructed to furnish regularly to the Central Bank office information of the following points. This information should be obtainable from the books of the Primary Societies.

(1) The uses to which loans have been put.

(2) The borrowed money out on loan and spent by each individual member thus :—

- (a) Below Rs. 50.
- (b) From Rs. 50 to Rs. 100.
- (c) From Rs. 100 to Rs. 200.
- (d) From Rs. 200 to Rs. 500.
- (e) From Rs. 500 to Rs. 1,000.
- (f) Rs. 1,000 and above.

From these particulars, the Central Bank office must prepare statistical registers which will be found of great practical

value. The following forms are those which are recommended for general adoption :—

*Register showing employment of money borrowed by Primary Societies.*

(Additional columns may, of course, be added.)

Name of the Society.	Seed.	Cultivation expenses.	Purchase of cattle.	Purchase of agricultural or industrial implements.	Purchase of land.	Improvement of land.	House building.	Marriage expenses.	Payment of Rent or Revenue.	Payment of old debts.

*Analysis of Loans advanced to individual Members of Primary Societies.*

Name of the Society.	Below Rs. 50.	From Rs. 50 to Rs. 100.	From Rs. 100 to Rs. 200.	From Rs. 200 to Rs. 500.	From Rs. 500 to Rs. 1,000.	Rs. 1,000 and above.	Remarks.
Mainpur	$\frac{10^*}{200}$	$\frac{15}{750}$	$\frac{10}{2000}$	$\frac{1}{400}$	nil	nil	

\* The top figure 10 = Number of members ;  
The figure below the line = Loans in rupees.

*Compliance with Audit Notes.*

It is one of the Central Bank's most important duties to secure compliance with the instructions issued in the audit notes. If Central Banks do not give great attention and care to this vital matter, loss of money will follow. When audit notes are received from the office of the Registrar, the Manager of the Central Bank should make an entry in his Register of Audit Notes. The audit notes should then be given to the Society Moharrir in whose circle the society concerned is situated, or, if expedient, to some other competent Bank official. When the Audit Note has been complied with, an entry should be passed in the column provided in the register. Much misunder-

standing exists with regard to the meaning of "compliance"; some Central Banks consider that "compliance" is effected by writing "noted" on the instructions received. But "compliance" means that steps have been taken by the society to deal with the errors and weakness detected.

The following form is that in which the progress made in dealing with audit notes is to be recorded:—

Serial No.	Name and registered number of the Society.	Date of receipt of audit note from the Govt. Auditor.	Name of official to whom the note was given for compliance.	Date on which the note was given to the official.	Date on which the audit note was returned by the official after compliance.	Date on which the audit note was returned to the Govt. Auditor.	Date of return of audit note for final record.	Remarks.

Every use should be made of the Circle Unions of Primary Societies as agencies to compel compliance with audit notes.

## CHAPTER V.

### THE PROVINCIAL CO-OPERATIVE BANK.

The accounts of the Provincial Co-operative Bank are maintained on the double entry system. The statistical registers which do not contribute to the compilation of the balance sheet are maintained in the forms prescribed by the Registrar for Central Banks; whereas the books of account which directly contribute to the preparation of the balance sheet are like those generally used by Joint Stock Banks.

#### *Statistical Registers.*

1. Register of Shares.
  - (a) Founders.
  - (b) Preference.
2. Register of Shareholders.
3. Register of Reserve Fund.
4. Record of Dividends.
5. Register of Promissory Notes.
6. Stock Register.
7. Proceedings Book.
8. Inspection Book.
9. Diary of Loans and Deposits.

#### *Books of Account.*

1. Cash Book.
2. Abstract Registers of Receipts and Disbursements.
3. Ledger of Loans Advanced.
4. Ledger of Loans Taken.
5. Ledger of Fixed Deposits.
6. Ledger of Current Deposits.
7. Journal.
8. General Ledger.

*Register of Shares.*

This is maintained in Form No. 1 prescribed for Central Banks. Founders Shares are, however, written in one register and the Preference Shares in another.

*Register of Shareholders.*

This register differs from that used by Central Banks in that it contains accounts for two kinds of shares, Founders and Preference.

*Register of Reserve Fund.*

This is maintained in the same form as that in use by Central Banks.

*Record of Dividends.*

This register, too, is in the form prescribed for Central Banks. For the two kinds of shares, the dividend is entered separately and the record of the 1% commission on the capital of guarantee, which is payable to preference shareholders annually, is also maintained. Entries are passed in this register as soon as a dividend is declared by the general meeting. When payments are made, remarks are made in column 5. The Provincial Bank usually distributes its dividend by the issue of dividend warrants on Central Banks ; but shareholders desiring to avail themselves of this arrangement must empower a Central Bank to issue a receipt for payment on their behalf. A most valuable privilege conferred by Government on co-operative banks is that which allows them the use of the Government Treasuries and of remittance transfer receipts for the despatch of money.

*Register of Promissory Notes.*

This is also maintained in the form prescribed for Central Banks. The Provincial Bank accepts the promissory notes of Central Banks ; the Central Banks retain the promissory notes of the primary societies, but pledge themselves to hold, on behalf of the Provincial Bank, the societies' notes to the full amount of the loans granted by the Provincial Bank. The Provincial Bank negotiates the promissory notes of the Central Banks with the Allahabad Bank.

*Stock Register.*

This is maintained in the Central Bank Form No. 12. Such stock as is not written off in the Profit and Loss Account is entered here. The balance in hand is an asset.

*Proceedings Book and Inspection Book.*

These are blank books. The former is the Minute Book and the proceedings of all meetings of the Board of Directors and of the General Meeting of shareholders are recorded in it. In the latter book, inspecting officers record their remarks on the working of the Bank.

*Diary of Loans and Deposits.*

Separate diaries are maintained for loans and deposits. The diary of loans shows exactly upon what dates repayments fall due and it is a very important and necessary record. The diary of deposits is maintained in the usual commercial diary, the names of depositors and the amount payable to them being entered on the various dates on which they fall due. A careful watch is kept over both these diaries, Central Banks being reminded of their contracts well beforehand, while it is the custom of the Provincial Bank to solicit instructions from depositors a fortnight in advance of the due date, concerning the disposal of deposits and of the interest thereon. If no intimation is received from the depositor on or before the due date, interest is compounded and the deposit renewed on the same terms in accordance with the rules of the Bank and the conditions stipulated on the deposit receipt.

*The Cash Book.*

The Provincial Bank does not handle cash, all receipts and payments of cash being made direct to or through the Jubbulpore Branch of the Allahabad Bank. This, once more, does not mean, that the Provincial Co-operative Bank is, in any way, a branch or agency of the Allahabad Bank. The Cash Book is maintained in the same form as that used by Central Banks with the addition of one money column. There are two money columns ; one for " office cash," and the other for the " Bank "



on both the debit and credit sides. All remittances by cash order whether received or paid and, in fact, the receipts and payments of all monies, cash or paper, passing through office are shown both in the "office cash" and "Bank" columns, the office cash column balancing itself by a debit for a credit and leaving a net debit or credit in the Bank column. This is a faithful record of transactions and of the procedure observed. All receipts and payments *direct* by the Allahabad Bank are, however, passed through the "Bank" column only. It is thus easy to see what monies have passed through the office of the Provincial Bank and through the Allahabad Bank direct without coming to the office of the Provincial Bank. If, for instance, a Cash Order is received from a Central Bank late in the evening after the Allahabad Bank has closed, it is entered only in the office cash column as a receipt and not in the Bank column. Next morning the books show that a Cash Order is to be sent to the Allahabad Bank for collection and credit. The Cash Book is balanced daily and the necessary postings are made in the Abstract Registers of Receipts and Disbursements and in the linked Ledgers of Loans and Deposits.

*Vouchers.*

No transaction is recorded in any of the subsidiary books of the Provincial Bank without the authority of a voucher in the following form :—

The Provincial Co-operative Bank, Limited, Central Provinces and Berar.

*Voucher.*

Debit \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Credit \_\_\_\_\_

\_\_\_\_\_

*Posted*

*Manager.*

*Registrar, C. S., C. P. & Berar.*

*Accountant.*

*For and on behalf of the Directors.*

Vouchers in the above form are made up by the accountant for every transaction whether by cash or adjustment, and are signed by the Manager and then by the Registrar *for and on behalf of the Directors of the Bank*. Armed with such authority, the accountant makes up his books. This arrangement prevents debits and credits under wrong heads in the case of transactions of a complicated nature. These vouchers are carefully filed and are of great assistance to the Bank's Auditors.

*Abstract Registers of Receipts and Disbursements.*

These are, at the beginning of every year, blank registers. There are no prescribed columns, and the accountant is left to make fresh columns to match the new accounts which find their way into the General Ledger. These registers are posted daily from the Cash Book, running totals being carried over from day to day and month to month from the 1st July to the 30th June. The totals of each column are journalised every month and posted to the debit and credit of the respective ledger accounts in the General Ledger.

*Ledger of Loans Advanced.*

The Provincial Co-operative Bank charges interest on all accounts on the *katmiti* or "daily balance" system and maintains a diary for repayments falling due. An account of loans advanced is maintained in the following prescribed form:—

Month and Year.	Date.	Particulars.	Folio.	Debit.	Credit.	Balance.	Days.	Product.
				Rs. A. P.	Rs. A. P.	Rs. A. P.		

This register is posted from the Cash Book and the Journal. On the 30th June, interest is calculated on the product sand

debited to the loan account, and the balance is carried forward to the ensuing year.

#### *Ledgers of Fixed and Current Deposits.*

Separate ledgers are maintained for fixed and for current deposits, and these are alphabetically indexed. *Current deposits are accepted only from Central Banks* and the fixed deposits are divided according to the rates of interest they carry. These ledgers are maintained in the same form as the Ledger of Loans Advanced and interest thereon is, in the case of fixed deposit accounts, credited (but not compounded) every 30th of June. Compound interest on the amount credited on the 30th June to current deposit and subject deposit accounts is, of course, allowed because in the case of these deposits there is no fixed or known date of maturity.

#### *Ledger of Loans Taken.*

This is maintained in the same form as the Ledger of Loans Advanced. The daily debit and credit transactions with the Allahabad Bank are maintained in this account and are posted from the Cash Book and the Journal. The Provincial Bank's ledger account in the books of the Allahabad Bank may not, at times, agree with this account, the difference being due to the fact that cheques issued by the Provincial Bank and credited to the Allahabad Bank Loan account have not been presented. The Accountant of the Provincial Bank must see that receipts and payments recorded by him are, in due course, recorded by the Allahabad Bank.

#### *The Journal.*

It has already been explained that the Abstract Registers are journalised every month and posted in the General Ledger. The entries refer to the actual movements of cash and they come through the Cash Book. There are various other entries in the Journal which are of the nature of adjustments, such, for instance, as renewals of loans and deposits, closing adjustment entries for depreciation, etc., etc., and they are made in the Journal from time to time as transactions take place, and are then posted to the General Ledger. When the accounts are

finally balanced, the balances are taken to the Profit and Loss Account and to the Balance Sheet through the Journal. This book serves an important purpose, and with its help, actual cash transactions can be distinguished from mere adjustments very easily.

#### *The General Ledger.*

This is a blank register of accounts with dr. and cr. sides and two money columns on each side as explained and illustrated in Chapter I. The General Ledger contains all the accounts of the Bank, real, personal and nominal. The various personal accounts in the Ledger of Loans Taken, Ledger of Loans Advanced, Ledgers of Fixed and Current Deposits are all totalled every month and posted in this ledger which is self-balancing. From the General Ledger, the Balance Sheet is prepared. When all the accounts in the General Ledger have been closed and the balances taken to the respective sides of the Profit and Loss Account and the Balance Sheet, the two sides of the Balance Sheet *must agree*. The Manager of the Provincial Bank prepares a trial balance every month and this is placed before the Directors and signed by them. No mistake can escape the notice of the Accountant for long for it will come to light when striking the monthly trial balance.

#### *The Accounts of the Federation.*

The accounts of the head office of the Central Provinces Federation of Co-operative Banks are maintained in the Provincial Bank. All Central Banks contribute Rs. 10 and the Provincial Bank Rs. 50 annually to the head office expenses of the Federation. In addition, contributions are made by Central Banks, from time to time, for special purposes of common interest such as the printing of Conference Reports, etc., etc. The Provincial Bank is the Treasurer of the Federation. Only two books, a Journal and a Ledger, are maintained for the Federation head office. At the beginning of each co-operative year, all Central Banks are debited with the subscriptions due to the Federation head office and credited from time to time as payments are received from them. The whole amount of

the subscriptions received is treated as profit and expenses incurred on account of printing, stationery, establishment, contingencies, etc., are debited to nominal accounts which are closed in a Profit and Loss Account at the end of the year. The balance of the Provincial Bank account in the books of the Federation and that of the Federation account in the books of the Provincial Bank must agree. This balance represents the cash balance of the Federation in the hands of the Provincial Bank.

When funds have been sufficient, the Federation has paid and trained candidates for employment under Central Banks, and all such trained candidates have immediately found employment. In this direction, the activities of the Federation are bound to develop.

Every Central Bank has to submit to the Federation in the months of May and June budget estimates of income and of administrative expenses for the ensuing year. The Governor of the Federation subjects these budgets to careful scrutiny, paying special regard to such questions as staff and emoluments, the provision of suitable business premises, provision of reserve and sinking funds, bad and doubtful debts, etc., etc.

Monthly business returns are submitted by every Central Bank to the Secretary of the Federation through the Circle Auditor, who is held responsible for the correctness of the information given. These monthly returns are most important and they are placed before the Governor for his information and orders.

---

## CHAPTER VI.

### AUDIT AND RETURNS.

SECTION 17 of the Co-operative Societies Act imposes the responsibility for the audit of Registered Societies upon the Registrar. *The Registrar shall audit or cause to be audited by some person authorised by him by general or special order in writing in this behalf the accounts of every Registered Society once at least in every year. The audit shall include an examination of overdue debts, if any, and a valuation of the assets and liabilities of the society.* It is most important to note the fact that

overdue debts *must* be examined, and that the valuation of assets and liabilities required by law applies to the society in its corporate capacity only, and not to its individual members in their private capacity. It is not part of an Auditor's legal duty to write up the Haisiyat Register, which, as I have already pointed out, is a most dangerous guide if used blindly in the assessment of credit.

At present the Registrar is, in the Central Provinces and Berar, the Governor of the Federation as well. But the agency by means of which audit is regularly carried out is not altogether official; the staff of 1 Chief Auditor and 22 District Auditors employed and paid for by Government, is supplemented by a staff of Federation Auditors. The money with which to pay the servants of the Federation comes, as we have already seen, from the annual subscription of Re. 1 which every member of a primary society undertakes to pay, and from the revenues of the Provincial and Central Banks. The audit of these latter institutions is carried out, in the case of the Provincial Bank, by a firm of chartered accountants, and, in the case of the Central Banks, by the Government Auditors. The Federation Auditors are, in fact, intended to deal with the audit of primary societies only.

It is not the intention of Government to increase the number of Auditors employed and paid for by the State. This policy is based not so much upon considerations of expense as on the indisputable fact that the experience of every country is that State audit is never as searching, as thorough, and as complete, as the audit of a staff employed and paid for by co-operative institutions themselves. State audit is prone to be mechanical if it is performed by a State establishment, and on this point great experts such as Wolff, Luzzatti, and Haas are unanimous. It is, however, necessary that the system of audit should be regulated by, and be under the control of the State. "The duties of control and audit" declare the Government of India\* "cannot be left entirely to the private agency of

---

\* Paragraph 29, "Co-operation in India," Resolution No. 12-287-1, Simla, the 17th June, 1914.

Unions and Central Banks. It is desirable that this non-official agency should be utilised as much as possible and that purely departmental routine in the work of audit and control should be avoided, but the success of the movement would be endangered if this principle were carried out to an extreme. Without some degree of Government supervision Registrars would lose touch with the societies; and the outside public, who depend largely on the information possessed by Registrars, and who value the scrutiny carried out by those on whom they rely, would lose that confidence in the financial position of the societies which it is so essential to maintain. Had this safeguard been neglected, it is doubtful whether societies would have escaped—as fortunately they have almost everywhere escaped—the evil effects of the recent banking crisis in India, and the circumstances attending that crisis indicate that any arrangement which would dispense altogether with Government supervision is impracticable. The audit, moreover, of a group of societies by a central society, whose own credit is bound up with that of the societies dependent on it, will not be accepted by the public as equivalent in value to an audit by an outside agency. It is necessary, therefore, that societies should be controlled and audited by a reliable staff which can keep the Registrar informed of the financial position of the societies, and it is also necessary that the agency employed should be such as will ensure the confidence of the money-lending public. The staff need not be paid by Government, and it is indeed as a rule better that societies should themselves be responsible for the payment of the controlling and auditing staff than that they should be indebted to Government for its services, but whether the staff is paid by the societies or not, it is ordinarily advisable that it should be appointed subject to the approval of the Registrars, and that it should remain under their general control. If by this or any other means the two main conditions above noted are satisfied—first, that Registrars should possess reliable information regarding the financial position of societies, and secondly, that the outside public should have confidence in the control and audit—it is an advantage that the number of Government officials employed should be as small

as possible, and every effort has been made to reduce to the lowest figure the agency directly employed by Government." "In order to be fully co-operative and thoroughly business-like," remark the Committee on Co-operation in India,\* "a society must live up to a high standard. Considering the class of people who compose the bulk of the agricultural societies it is useless to expect the maintenance of such a standard without frequent audit and unceasing supervision from without. It is difficult to exaggerate the importance of such audit and supervision. Without them a good society may soon degenerate and a bad society may soon come to ruin. The work of audit and supervision should in the first instance be vested in the higher co-operative institutions, Unions † and Central Banks, but the ultimate responsibility for these duties must rest with the Government as represented by the Registrar. There is indeed no reason, in our opinion, why the whole of such supervision and audit should fall on the Government staff and be met at Government expense. A full audit by a Government staff of the accounts of each society is essential, but this might take place once in two or three years, the audit in the meanwhile being conducted either by the Unions, where these exist, or by the central financing institutions. Constant supervision is part of the duty of a Union, and where there is no Union it should be incumbent on the central financing institutions to carry out the duties of supervision and to maintain an efficient staff for the purpose. The cost of this can fairly be met by the societies either by a direct contribution or by the central financing institution's charging on loans to them a rate of interest which will cover the expenditure. At the same time we hold that the Registrar cannot abrogate his responsibility in the matter of directing and supervising this co-operative audit and supervision, and that he must see that the influence of central financing institutions is not misdirected or applied in wrong, improper or mischievous ways, and must maintain an efficient direction and control to ensure that the movement

---

\* Page XVI of their Abstract Report.

† "Federations" is the correct term.



is kept on co-operative lines and is confined to these lines. The exercise of due care before formation and the ensuring of full and proper supervision after formation we consider indeed the most important part of the Registrar's duty. If the Primary Societies are sound and solvent the whole provincial edifice must be sound unless there is instability in the higher finance. If the Primary Societies are unsound, if they are based on mere money lending and not on co-operative principles, no matter how sound the higher finance may apparently be, its assets will be locked up in indifferent or bad securities and sooner or later serious trouble, if not failure, is bound to result."

In co-operative work the term "audit" includes an enquiry into all the circumstances which determine the general position of a society; and it is clear that an audit in this sense entails a much more comprehensive examination than is usually made in the case of purely commercial concerns, the reason being that it is not only money which is at stake, but the moral and material progress of the co-operative movement which, of course, is a matter of great public importance deeply affecting the future of India.\* Audit, in fact, must include inspection; and inspection made by a man with local knowledge and experience, dependent for his bread upon the welfare of the societies, is far more likely to be efficient than the inspection made by a man without such knowledge and sense of dependence.

In course of time, therefore, the number of Federation Auditors will increase; and as the movement gathers that internal strength which it is the purpose of Government to foster, the organization of the Federation will gradually become complete and its staff thoroughly efficient and reliable. Finally, when the goal has been reached, it will be possible for the Governor of the Federation to step into his proper place in the system and to take over, from the Registrar, the control of the Federation Auditors. The present Government Auditors will, most probably, become Government Inspectors, and the Registrar,

---

\* "If the system of co-operation can be introduced and utilised to the full, I foresee a great and glorious future for the agricultural interests of this country."

H. M. The King-Emperor.

13th December, 1911.

while remaining responsible for the efficiency of audit, will be able, with the assistance of the Federation organization, to deal with the vast amount of work which the future ought to have in store. It is in this direction that the movement towards co-operation ought, in the writer's opinion, to develop.

The Federation Auditors are on a separate provincial cadre of their own; they are not, in any way, under the control of the Central Banks nor of the primary societies, though the members of the latter are fully aware that they pay for Federation audit and that they can, if they have any complaints to make, make a representation either to their Central Bank, or to the Government Auditor, or to the Governor of the Federation, or to the Registrar. For the executive and administrative work assigned to the Central Banks as such, and conducted by the staff controlled by the Central Banks, the Federation Auditors are not responsible. Their functions are strictly confined to the work of statutory audit, and for this work they are specially trained. Incompetent men are weeded out by the Registrar, and would, if there was a separate Governor of the Federation, responsible to the Registrar, be dealt with by him. Subject as it is to check by the Government Auditor, and to a somewhat jealous scrutiny on the part of the Central Bank, the work of a Federation Auditor must reach a high standard if it is to give satisfaction. Moreover, the work of the Federation and of the Government Auditors is inspected by the Chief Auditor (who is bound to make a *local* examination of the audit of a certain number of primary societies in detail, in each Government Auditor's charge), by the Deputy Registrars, and by the Registrar. As might be expected, it is no easy matter to recruit and train men for the Federation audit staff; for the work involves constant touring in the villages, and requires strength and health as well as integrity and intellectual ability. The future before the co-operative movement is, however, fraught with great possibilities, and a good career is already open to the right stamp of man.

What are the qualifications which a Federation Auditor must possess? He need not necessarily know English, though if he is to rise high in the service of the Federation he will find

that a knowledge of English is necessary. Most Central Banks, for instance, prefer to employ a man who knows English. He should be young; for if, by hard and zealous work, he contributes to the success of the co-operative movement he will find that the people whom he helps and benefits will be grateful to him. He must be intelligent enough to study local problems and conditions and to study the interests of the people who pay him, that is to say of co-operators. He must be patient, upright, and steadfast; and he must be content to live on his salary and not corrupt those with whom he works nor allow them to corrupt him. The first quality a Federation Auditor must possess is *character*.

Now, as a rule, Federation servants either cannot look or do not take the trouble to look beyond "the daily round, the common task." Not that these furnish all that they ask for—far from it. Promotion, they think, is simply a matter of time; the mango ripens on the tree, the salary should increase automatically. But in the business of co-operation, it is very necessary to take a strictly business view of merit. Let us, for instance, take the case of an audit circle. In size such a circle is from about 70 to 100 villages, varying according to local conditions; it is, at any rate, a very considerable tract of country. To the circle is posted a Federation Auditor without the qualities required of a co-operative worker. The societies remain dull, uninstructed, lifeless; "borrowing" societies they are, and nothing else. The Auditor points out, in an apathetic way, all the defects which the societies exhibit. He then considers that he has done his duty, and although the societies fail to make progress and regard the visits of the Auditor as a nuisance, he expects promotion and is pained and surprised because he does not get it. The inspecting authorities (if they are worth anything at all) notice the stagnation in the circle, and they change the Federation Auditor. The new man has sympathy, energy, and that desire for knowledge which is characteristic of the business intellect. He gets into touch with the societies, teaches and exhorts without stopping, and learns the needs of the locality. Being a good judge of men he gets rapidly into touch with the leading members of the

societies and is wise enough to use them and work through them. The societies improve, thrift increases, mutual supervision becomes a reality and not a farce. The societies begin to clamour for improved seed and to take a keen interest in the demonstration work of the Agricultural Department. The inspecting authorities note the results obtained, and they mark down the Auditor as a valuable servant. In the management of co-operative business it is fatal to ladle out promotion without strict attention to worth. It is not sufficient to say "B, it is true, is a far more valuable servant than A but there is nothing against A. Therefore, promotion must go to A because he is the senior man." The point is (and it is to this outlook that the Directors of Central Banks and others must adjust their view) that B is worth more salary than A because he obtains results which A cannot obtain. In other words, B is the better man.

It is of very great importance that it should become known that the service of the Federation offers a career to talent, and quick promotion to men of real ability. Otherwise, the Federation staff will be of inferior material.

#### *Audit of Primary Societies.*

The audit of a primary society, and indeed of any co-operative institution must be made at its registered headquarters. If audit is to include a searching inspection as many members of a primary society as possible must be in attendance. Auditors are absolutely prohibited from summoning the members of primary societies away from their villages, and the account books and registers are not to be removed from the custody of the Secretary. A formal paper audit serves no practical purpose. Local information is what is wanted and this can only be obtained by enquiries made in the village itself.

All Auditors are supplied with a printed form containing questions which they are expected to answer fully and intelligently. The trend of these questions will be apparent to readers who have studied the preceding portion of this book. The questions are given below.

*Preliminary.*

1. What is the area to which the society's operations extend? And is this area restricted in accordance with the by-laws?

2. Has the Society Moharrir kept the books and accounts properly? What sum is in arrears (not paid into the Central Bank) on account of Federation subscriptions?

*Register of Members and Haisiyat Register.*

3. Is the register of members property maintained?

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

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

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

7. Has the Haisiyat Register been properly maintained? And is it kept up to date?

8. Is the Haisiyat Register entered up by the Society Moharrir in a General Meeting of all the members of the society?

9. How many entries in the Haisiyat Register have you tested in detail and with what results?

*Capital.*

10. What is the capital of the society and how is it raised? What is the credit limit fixed for the society by the Central Bank?

11. Is there any prescribed limit to the capital? If so, has the limit been exceeded?

12. Have repayments on account of principal and interest been punctually made?

13. Are the borrowing powers of the society duly fixed by the members in general meeting? Have these powers been exceeded?

*Rokar (Cash Book).*

14. Does the opening balance of the present audit agree with the closing balance of last audit?

15. Is the daily balance signed by the Secretary?

16. Have you checked all items of receipts and expenditure with subsidiary accounts and vouchers? If not, why not?

*Khatas (Ledger).*

17. Have you traced all the entries to the Rokar?

18. Are credits and loans to individual members granted only after full consideration by all the members assembled in General Meeting?

19. Are there any overdue loans? If so attach a list of these to the note and mention against each the date of the original advance and the prospects of recovery as far as can be ascertained.

20. Is the purpose of each loan duly recorded?

21. Are repayment kists fixed with reference to the purpose of loans?

22. Have any loans been misapplied? If so, what action has been taken?

*Deposits and Loans taken by the Society.*

23. What is the amount of the deposits made by (a) members, and (b) non-members? Is the society allowed to accept deposits from non-members?

24. Have you scrutinized the Pass Books of the members present and found that the deposits and withdrawals are properly accounted for in the Rokar?

*Proceedings Books.*

25. Are the minute books properly written and meetings regularly held and attended?

26. Are credit limits for each member fixed and are the purposes for which loans are granted duly considered and sanctioned by the members in General Meeting? And does the Panchayat, within such limits, subsequently carry out the duties of supervision and careful scrutiny imposed on it by by-law?

*General.*

27. Have you verified the Cash Book balances with the cash in hand and found it correct?

28. Have you explained the meaning and importance of the Reserve Fund ?

29. What is the amount of the Reserve Fund ?

30. What rate of interest does the society pay on loans and deposits ?

31. Is the working capital of the society sufficient for the legitimate needs of its members ? If not, what steps does the society propose to take to find sufficient capital ?

32. Was the Annual General Meeting held and were the Panchayat and office bearers duly elected ?

33. Have you explained the society's by-laws to the members ?

34. Has the society a copy of the Co-operative Societies Act ? Have you explained the important sections in the Act and the "dispute"\* procedure to the society ?

35. Has the society a copy of the Registrar's Vernacular Circulars ? Do the members understand the Circulars ? If not, have you carefully explained them ?

36. Are the accounts on the whole well, punctually, and correctly kept ?

37. Is the management efficient ?

38. Have the defects pointed out in the last audit note been remedied ?

39. Are there any remarkable or unusual matters to bring to the Registrar's notice ?

*Note 1.*—Statement No. 2 appended to the Audit Note is to summarise all receipts and disbursements for the co-operative year to which the Profit and Loss Statement and the Balance Sheet relate. It should not be prepared for the broken period running from the date of the last audit to the date of the current audit. Receipts and disbursements must be abstracted from the Cash Book in order to compile the Statement. There is no Government money employed in loans to co-operative institutions in the Central Provinces and Berar and primary societies have no share capital. In the case of

---

\* See rules 25—33 of the rules made by the Administration under section 43 (2) (1) of the Act. (Appendix IV).

primary societies, therefore, serial items Nos. 2 and 6 on the "Receipts" side and items Nos. 1, 6, 7 and 9 on the "Disbursements" side will be blank.

*Note 2.*—Statement No. 5 is to contain an abstract of the entries in the Cash Book from the preceding 1st of July to the date of the current audit.

*Note 3.*—Statement No. 7 is an abstract of the Haisiyat Register. The value of land held in non-transferable right is not to be included in serial item No. 5 on the "Assets" side and in dealing with item No. 7 on the "Assets" side the greatest care should be taken to avoid enquiries of an inquisitorial nature. Serial item No. 6 is instructive as backward villages very frequently have no carts at all, and the number of carts in a village is often a very useful guide to its economic condition. The main purpose of this Statement is to ascertain whether co-operative credit is increasing the material prosperity of the members of the society or is merely adding to their indebtedness.

*Note 4.*—The Auditor is required to distinguish between debts which are (a) good, (b) doubtful, and (c) bad.

*Note 5.*—On completion of the audit a certificate is to be furnished in the following form:—

#### AUDIT CERTIFICATE.

I certify that I have this day completed the local audit of \_\_\_\_\_ Tahsil, \_\_\_\_\_ District.  
the accounts of the \_\_\_\_\_ *Bank Limited.* No. \_\_\_\_\_  
*Society,*  $\frac{\text{Limited}}{\text{Unlimited}}$

The certificate of registration is correct and in order and is held by the  $\bigcirc$   $\frac{\text{Bank}}{\text{Society}}$  and business has been transacted with fairness, legality and honesty.

The accounts for the period \_\_\_\_\_ to \_\_\_\_\_ have been scrutinized in detail,

\* In the blank circle enter capital A, B, C, D or E.



corrected where necessary, and left in clear order and up to date.

The  $\frac{\text{Bank}}{\text{Society}}$  is  $\left\{ \begin{array}{l} \text{A—(Very good.)} \\ \text{B—(Good.)} \\ \text{C—(Fair.)} \\ \text{D—(Bad and unco-operative.)} \\ \text{E—(Financially dangerous.)} \end{array} \right.$   
 (Signature) \_\_\_\_\_

Dated \_\_\_\_\_ 191 .

*Brief reasons for class allotted (The Auditor should be clear and brief.)*

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

From the information contained in the audit note an abstract is entered on the reverse of the audit certificate thus :—

BALANCE SHEET AS ON 30TH JUNE 191 .

(Registrar's Form No. 3.)

LIABILITIES.		Rs.	ASSETS.		Rs.
Central Bank's loans	..		Loans outstanding	..	
Deposits of members	..		Interest outstanding	..	
Interest due on :—			Investment % of :—		
Loans and deposits	..		Reserve fund	..	
Other items	..		Other funds	..	
Reserve Fund			Other items	..	
Profit and Loss account :—					
Profit up to 30-6-19	..				
Profit for 19 —19	..				
Carried to reserve					
			Cash Balance		
Total Liabilities	..	_____	Total Assets	..	_____

ASSETS AND LIABILITIES OF THE SOCIETY ON \_\_\_\_\_ 191

(Registrar's Form No. 7).

ASSETS.		Rs.	LIABILITIES.		Rs.
Value of landed property	..		Debts due to society	..	
Other assets	..		Outside debts	..	
Total	..	_____	Total	..	_____

*Registrar's Office note regarding compliance by the Society with the Audit Note.*

The classification of societies is a most difficult matter and the general tendency is to underclass. For instance, if a society has had bad crops and has for that reason been unpunctual in repayment it does not follow that it is either unsound or bad from the co-operative point of view. Erroneous classification is generally due to lack of local knowledge ; for lack of local knowledge is responsible for a want of confidence on the part of those responsible for supervision and audit. The tests to apply to co-operative efficiency are roughly as follows. A progressive society must show :—

- (a) increasing deposits by members ;
- (b) increasing reserve funds ;
- (c) profitable use of money borrowed, as betokened by increased assets ;
- (d) diminishing outside debts ;
- (e) punctuality in repayment ;
- (f) a full sense of mutual responsibility ;
- (g) full mutual knowledge ;
- (h) an intelligent understanding of the main principles as set forth in the leaflet described in the Chapter on Primary Societies and pasted in each member's Pass Book ; and
- (i) mutual control and keen interest on the part of all the members.

Societies must be given to understand that failure to progress in co-operative efficiency will result in a loss of prestige and, therefore, of credit.

All audit notes pass through the hands of the Government Auditor responsible for the District in which the society is situated and are submitted to the Deputy Registrar in charge of the territorial Division.

As regards the submission and disposal of the audit notes of primary societies the following procedure is observed :—

- (a) The Auditor prepares or causes to be prepared two copies of the audit note in Vernacular.
- (b) He sends one copy of the note and the audit certificate to the Deputy Registrar.

- (c) The Deputy Registrar passes orders on the audit note and returns it to the Auditor and keeps the audit certificate with him. The Deputy Registrar has thus a pending file of audit certificates the reduction of which is one of his principal duties.
- (d) The Auditor enters the remarks of the Deputy Registrar on the second copy of the audit note and then sends the complete note to the Central Bank for necessary action.
- (e) The Central Bank *after necessary action has been taken* returns the note to the Deputy Registrar through the Auditor with a certificate of compliance.
- (f) The Deputy Registrar after satisfying himself that all is in order declares on the back of the audit certificate that audit is complete and then despatches the audit note and the certificate to the Registrar's office.
- (g) In the Registrar's office the necessary entries are made in the register of statutory audit ; and in the Provincial Bank office statistics are entered on record cards which are maintained in the following form and cover a period of ten years :—

		Co-operative Society				
Bank	_____	Registered No. _____				
		Date of Certificate _____ 19				
		19	19	19	19	19
Number of Members ..				•		•
Total Assets ..						
Total Liabilities ..						
Reserve Fund ..						
Members' Deposits ..						
Loans from Central Bank ..	..					
Class of Society ..						

(h) Finally, the audit note is returned by the Registrar's office to the Central Bank through the Auditor. Thus, each Central Bank and each Government or Federation Auditor has a complete series of the audit notes prepared for primary societies, while essential information regarding each society has been abstracted and tabulated in the offices of the Registrar and of the Provincial Bank. The audit certificate is filed on the society's permanent record.

In order to keep in touch with the progress of annual audit, weekly returns are submitted to the Deputy Registrars by the Auditors and passed on by the Deputy Registrars to the Registrar. From the weekly returns the Chief Auditor prepares for the Registrar's information a monthly progress return of audit for the whole Province.

*The Audit of Circle Unions of Primary Societies.*

The books of each Circle Union must be audited once in a year. The Auditor must see that the List of Societies is correctly maintained; that new admissions are legally made; that credit limits are properly fixed and not exceeded; that the voucher system has been intelligently used and that the Proceedings Book of the Circle Union and other records are maintained and the by-laws observed.

The Ledger of Loans must be checked from the Advice Notes of the transactions received from Central Banks. A list of overdue debts must be prepared. Interest on all loan accounts must be calculated and debited or credited as on the preceding 30th June, and the accounts must be left in clear order and up to date.

The Unions make no profit. The necessary statements, therefore, are (1) the Statement of Receipts and Disbursements, (2) the Balance Sheet, and (3) the list of overdue loans.

The Audit Note and Audit Certificate are submitted in the same way as those of Primary Societies.

*The Audit of Central Banks.*

The Central Banks are at present audited by the Government Auditors ; and the following instructions issued by the Registrar will be useful to Directors and others who make periodical inspections :—

- “ 1. Furnish information on the following points :—
- (a) Name of the Bank, Tahsil, District, date of registration and date of audit ;
  - (b) the period covered by the audit ;
  - (c) the amount of the authorised and of the working capital and the manner in which the latter has been raised ;
  - (d) the area of the Bank's operations and the number of societies financed.

*Review of last audit.*

2. See whether the defects pointed out in the last audit have been remedied.

*Register of Shares.*

3. See that the shares are properly entered in the Register of Shareholders and that share certificates have issued.

*Register of Shareholders.*

4. See that the register is properly maintained, that members have been properly elected and that admission fees and the amount of calls made have been duly paid.

*Cash Book.*

5. See that the opening balance of the present period of audit agrees with the closing balance of the preceding period. Also see that the totals have been correctly made every day, and the correct balances carried forward from day to day.

6. State whether the daily cash balance is certified by the signature of the Secretary or other authorised officer of the Bank.

7. Check all receipts on account of share payments and entrance fees with the Register of Shareholders ; all receipts

on account of deposits with the depositors' accounts ; all loans taken with their respective loan accounts ; the sale proceeds of stock with the stock account, and all loans repaid by societies with the societies' loan accounts.

8. In all cases in which receipts cannot be traced in any register, the papers relating to them should be carefully scrutinized and the receipts checked.

9. Check loans and deposits repaid, with interest thereon, with the Ledger of Deposits ; Loans to societies with the Ledger of Loans Advanced ; dividend and bonus paid with reference to the Record of Dividends ; stock bought with the Stock Account, and " Establishment and Contingencies " with papers relating to them and with the " payment orders."

10. For all important items of disbursement, the receipts obtained should be inspected and examined and defaced so that they cannot be produced to support a second charge.

*Abstract Registers of Receipts and Disbursements.*

11. See that these are properly posted in the correct columns and are maintained up to date.

*Ledger of Loans Advanced.*

12. Check the calculations in each account throughout.

13. See that every entry on the receipt and payment side is supported by an entry in the Cash Book.

14. Make a list of all overdue loans and note against each loan the prospect of recovery (as far as can be ascertained), and make also a list of all doubtful loans.

15. Scrutinize the list of loans prepared as above at last audit, and if any item on that list is still outstanding, deal with the case in detail.

16. See that all societies to which loans have been made are registered societies.

17. Scrutinize the agreements, pro-notes, and vouchers, and check them with the books of accounts.

18. Check (and state how many you check) a number of pass books and see whether the entries therein agree with the societies' ledger accounts.

*Ledger of Deposits.*

19. Check the calculations of each account throughout and see whether payments of interest have been regularly made or capitalised, and the deposits formally renewed on due dates.

20. See whether any deposits fell due for payment during the period covered by the audit and whether they were punctually withdrawn or renewed.

21. See that all receipts and disbursements entered in these Ledgers are supported by entries in the Cash Book.

*Reserve Fund Accounts.*

22. Is the Reserve Fund properly maintained in accordance with the provisions of the Act, the rules, and the by-laws of the Bank? See whether the Registrar's orders regarding the investment of Reserve Funds have been properly carried out. Also see whether the collections made on account of the Reserve Funds of Societies have been promptly and fully remitted to the Provincial Bank for investment.

23. See whether the Register of Reserve Funds is maintained in accordance with the instructions, and check the entries in the Register with the Cash Book.

*Treasurer's Pass Book.*

24. See that all entries in this book are properly supported by challans and cheques *and are attested by the Treasurer*, and that the book is kept in proper custody.

*Pass Books.*

25. Ascertain whether printed pass books have been supplied to all societies, members of societies, and to depositors if fixed deposit receipts are not issued. Also see whether these pass books are kept up to date and written up regularly.

*Register of Promissory Notes.*

26. See that this Register is maintained and that all promissory notes are renewed in time. State the position of

the Central Bank's account with the Provincial Bank and whether the Central Bank has met its obligations towards the Provincial Bank punctually or not.

*Record of Dividend.*

27. Check the calculations with reference to share payments and see whether disbursements are properly acknowledged.

*Stock Register.*

28. See that this Register is maintained according to instructions.

*Proceedings Books.*

29. State whether the Proceedings Books are properly recorded and meetings are regularly held and properly attended, and whether proceedings are duly signed.

30. Comment on any measure of special importance recorded in the Proceedings Book.

*Forms.*

31. Make sure that the Central Bank gives a sufficient supply of forms and books, etc., to the societies and that these are paid for from Federation funds.

*Federation Accounts.*

32. See whether the Federation subscriptions are properly realised in advance, and state the amount in arrears. Also see whether the Abstract Register of the Federation, the Federation Societies' Ledger, and the Provident Fund Register are properly maintained and posted from the Bank's Cash Book. Also see whether the Federation expenses are in keeping with the local income.

State whether the Bank's contribution to the permanent and indivisible fund of the Federation is regularly and fully made.

*General.*

33. State whether the capital is sufficient and whether the Bank is prospering or decaying.



34. State whether Committee and other office bearers of the Bank have been properly elected and whether their duties have been properly allocated. State, also, whether the committee members work collectively and whether members take an individual interest in the work of the Bank.

35. State whether the working Committee meet regularly for the transaction of business, whether the accounts have been on the whole properly kept, whether applications for registration and for loans are promptly dealt with, whether any such applications are pending, whether the instructions issued on the societies' audit notes are satisfactorily and promptly complied with and returned, and whether the paid staff is sufficient and efficient.

36. Append the following financial statements :—

- (1) Receipts and Disbursements for the last financial year ending the 30th June.
- (2) Balance Sheet as on the last day of the financial year namely, the 30th June.
- (3) Profit and Loss Statement for the same period as for (1) and (2).
- (4) Abstract of Cash Receipts and Disbursements from the last 30th June to the date of audit."

The Central Bank audit note is recorded in a blank register kept for the purpose. The Auditor forwards this to the Deputy Registrar in charge of the Circle together with an audit certificate in the same form as for Primary Societies. The Deputy Registrar forwards the audit note to the Registrar with his remarks. The Registrar then passes orders on any important points raised in the audit note. The Registrar's office then makes two copies of the audit note embodying the remarks of the Deputy Registrar and the Registrar. One copy is sent through the Deputy Commissioner of the District to the Central Bank concerned, and the other copy is filed in the Registrar's office for record. The original audit register is returned to the Government Auditor through the Deputy Registrar.

From the copy of the audit note filed in the Registrar's office the Provincial Bank fills up record cards in the form below. Each card covers a period of ten years.

District _____		REGISTERED NO. _____																																		
Bank. _____		Tahsil _____ of 19 _____																																		
		19 _____	19 _____	19 _____	19 _____	19 _____																														
Societies Financed .. Rural ..																																				
<table border="1" style="display: inline-table; vertical-align: top;"> <tr><td>A</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>B</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>C</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>D</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>E</td><td></td><td></td><td></td><td></td><td></td></tr> </table>		A						B						C						D						E										
A																																				
B																																				
C																																				
D																																				
E																																				
Industrial																																				
Others ..																																				
Working Capital .. ..																																				
Share Capital (paid up) .. ..																																				
Deposits held .. ..																																				
Loans from Provincial Bank .. ..																																				
Other loans .. ..																																				
Reserve Fund .. ..																																				
Pro-notes held by Provincial Bank .. ..																																				

Behind the record card for each Central Bank are filed the record cards of the societies working under it.

*The Audit of the Provincial Bank.*

The audit of the Provincial Bank is in the hands of a firm of regular Chartered Accountants acting on behalf of the Registrar. The Auditors are appointed by the shareholders in their Annual General Meeting subject to the Registrar's approval.

*The Audit of the Central Provinces Federation of Co-operative Banks.*

The accounts of the Federation are maintained partly by the Central Banks, and partly by the Provincial Bank. The Central Banks, as the authorised agents of the Governor of the Federation collect Federation subscriptions and disburse the salaries of Federation servants. The accounts maintained by

the Central Banks are audited by the Government Auditors. The Provincial Bank keeps only the head office accounts of the Federation, and these are audited by the Auditors of the Provincial Bank.

*Monthly Returns regarding Deposit Business and Increase of Share Capital.*

Central Banks, as we have already seen in the chapter dealing with them, submit monthly financial statements to the Governor of the Federation. These statements are carefully scrutinized by the Government or Federation Auditors, by the Deputy Registrars, and by the Provincial Bank. In addition, monthly returns are prepared by each Central Bank dealing with the deposit business for which it is responsible and with the increase of its share capital. These returns are submitted to the Governor of the Federation and to the Registrar, and every care is taken to see that the Provincial Bank maintains the fluid resource necessary to provide for deposit liabilities as these accrue. Attention is also devoted to the proportion which paid up share capitals bear to liabilities incurred. The rule of the Federation is that no Co-operative Bank may borrow, whether in the shape of loans or deposits, more than a sum equivalent to eight times its paid up share capital *plus* its reserve fund invested in approved securities outside its own business. As regards fluid resource the standard maintained by the Provincial Bank is one-third of the total deposits falling due for repayment throughout the Provinces during the succeeding twelve months. An additional safeguard is provided by the quarterly financial returns prepared by the Registrar and submitted to the Local Administration. These returns deal with the financial position of the movement as a whole. The Registrar is also responsible for the preparation of complete statistical statements every year. These statements deal with the twelve months ending the 30th of June, are appended to the Registrar's annual report on the working of the Co-operative Banks and Societies in the Central Provinces and Berar, and are forwarded by the Local Administration, with a Resolution on the report, to the Government of India.

## APPENDIX I.

### CIRCULAR INSTRUCTIONS ISSUED BY THE REGISTRAR.

#### REGISTRAR'S MEMORANDUM No. 1 OF 1911.

##### *Duties of Auditors.*

Auditors constantly "point out to the Secretary" or "advise the members" that such and such a procedure is wrong and such an entry has been omitted. This is insufficient. It is an Auditor's duty not only to criticize but also to put things right himself, not merely to find fault, but to help.

---

#### REGISTRAR'S MEMORANDUM No. 2 OF 1911.

##### *Duties of Auditors.*

The exact duties and functions of a co-operative Auditor cannot be precisely defined. They certainly extend far beyond the mere audit of accounts. A co-operative Auditor is not to be a mere official but, he is to be, in the truest sense, the friend of the people, and it is necessary that he should be on the most cordial terms possible with them. Unless he places a very high ideal before him he cannot expect to exercise a stimulating influence upon others. An Auditor is employed not merely to give orders but to get things done.

All Auditors are expected to pass an examination set by the Registrar, and are liable to be called up for examination or re-examination at any time. Failure to pass may mean stoppage of promotion, while persistent failure will entail removal from the service.

---

#### CIRCULAR No. I OF 1912.

##### *(Enforcement of prior claims under Section 19 of the Co-operative Societies Act, No. II of 1912.)*

When property bought with money lent by a Society, or crops for which it has advanced money or seed, are attached, the Society must enter and prove its claim under clauses 58 and 59 of Order XXI of the First Schedule in the Code of Civil Procedure. If this claim is rejected, it can file a regular suit under clause 63 *ibid*, and, if necessary, file an appeal on that. If the claim is upheld, the property will either be (a) freed from attachment, or (b) sold under or free from the charge as the Society may agree, according to Section 73 of the Code of Civil Procedure.

It is incumbent on the Society to prove its claim or its right to object by showing, firstly, that it has lent money to the judgment-debtor and, secondly, that this money was spent in buying the cattle or implements, etc., under attachment. It is not enough merely to state the claim. Only when proved can the claim rank before those of other creditors by virtue of Section 19 of the Co-operative Societies Act.

The Society would generally be well advised to consent to sale by the Court free of the charge and then to obtain payment from the sale-proceeds in priority to other creditors.

---

REGISTRAR'S MEMORANDUM NO. 1 OF 1912.

*Equalisation of Dividend.*

For the purpose of equalisation of dividend, that is to say to make dividend up to an even figure in years when business is poor, a fund should be created; and to this fund a certain portion of the profits, after providing for reserve, should be allotted every year. It is a well-known rule of banking practice that dividend should be even and that it should never be allowed to fall below the figure of the previous year. It is, therefore, essential that young Banks should start their career with a very small and modest dividend to shareholders. If a Bank starts off by paying nine per cent. it is extremely unlikely that it will be able to continue to pay such a dividend in bad years, because no provision will have been made for the contingency fund; and in bad years profits will be small and will require adding to in order to equalise dividend. It must be remembered that we are not establishing Banks to last for a few years only but to last for ever. Permanent growth and stability will never be gained except by methods of prudence and foresight, and the same qualities that have made for success in the management of other business concerns can alone be looked to for the successful issue of the co-operative movement.

---

REGISTRAR'S MEMORANDUM NO. 2 OF 1912.

*Preparation of Annual Returns.*

Central Banks should endeavour to dispense with official assistance in the preparation of their Annual Statements and Returns. It is the duty of a Central Bank to supervise the rural societies with which it is connected; and this supervision should extend to the keeping of accounts and the submission of returns. It must be remembered that Central Banks are profit making concerns managed on business principles and constituted on lines that are intended to be as far as possible self-governing. It is clear, therefore, that a business concern distributing profits to its shareholders has no right to expect executive assistance from Government free of charge. It is the task of Government to point out the correct route to success, to give expert supervision, and to assist in the creation of a spirit of independent self-help. But Government cannot do the work of Central Banks for them.

## CIRCULAR NO. II OF 1912.

*(Advance of money by the Central Banks to their Constituent Societies for the repayment of the old debts of their members.)*

The business of advancing money for the repayment of old debts is still insufficiently understood by Central Banks, and the Registrar hopes that the following instructions will prove useful:—

1. No Society should be formed for the express and *sole* purpose of paying off old debts in mass. The main object of co-operative banking is to bring capital into brisk circulation and to increase the earning power of the people by teaching them to make better and more frequent use of their money. This object can best be achieved by the employment of loans in productive work; the loan with interest to be paid back out of profits, and the borrower left, by the product of his loan, better off than he was before. Such productive loans are generally for *short terms*, they must result in brisk circulation, and they assist co-operative banking by keeping assets liquid.

2. Short term loans for productive purposes can, with safety, be granted to Societies on the strength of unlimited liability, and to individual members of such Societies on personal security. But safety disappears unless Central Banks carefully supervise the Societies working under them and unless the members of Societies exercise that mutual check which ensures that loans are not misapplied and that the dealings of every member with his Society are honest. Moreover, very powerful reasons must be required for failure to observe strict punctuality in repayment, and, in addition, it must be impressed on all Societies that it is their duty to repay and not the duty of the Central Bank to send and collect.

3. Short term loans for the relief of slight indebtedness can, generally, be given with safety on personal security. But, even in the case of such loans, a careful scrutiny of the borrower's resources is necessary. The question to be decided in each case is this: "Is the borrower's income large enough and secure enough to justify the expectation that he will be able to meet his ordinary expenses and pay interest charges and instalments of principal?"

4. Long term loans cannot, as a rule, be safely granted on mere personal security. There is always a grave risk of loss involved in such loans. The borrower may die without estate and without heirs, he may change his abode, his character may alter, his land may go from him. A thousand things may happen any one of which would result in loss of money if not to the Central Bank at any rate to members of the Society of which the defaulter is a member. The furnishing of sureties and real security may, with absolute propriety, be insisted on before granting any loan the repayment of which is to extend over a term of years. Even so, great care must be exercised in approving sureties and in making a very moderate valuation of real security, and, in almost every case, a Central Bank should gain practical business experience of a Society before undertaking to grant it long term loans.

5. Above all, it must be remembered that there is but one safe rule which can be laid down and universally applied by Banks and Societies, and that is "Lend no money about the recovery of which there is room for doubt."

---

CIRCULAR NO. III OF 1912.

*(Admission of minors to the benefits of a Co-operative Society.)*

In cases in which it is considered necessary to admit minors to the benefits of a Co-operative Society it must be clearly understood that they cannot possibly be admitted as members. The proper course is to make the guardian a member and to enter up the guardian as "A" guardian of "B." But in the matter of advancing money supposed to be borrowed on behalf of minors great discretion is necessary. The safest rule to adopt is to take the guardian's credit alone into consideration and to consider whether the whole of the sum advanced could be recovered from the guardian's separate estate if necessary. This precaution will, in no way, deter an honest guardian, whose intentions as regards his ward are above suspicion, from making use of the benefits of the Society on behalf of his ward. It must be remembered that no legal claim for money advanced directly to a minor can be made. In any case where there is doubt as to the sufficiency of the guardian's security for money borrowed by him on behalf of a minor, additional sureties or real security may be quite reasonably insisted upon.

---

CIRCULAR NO. IV OF 1912.

*(Exclusion of value of land from the statement of assets and liabilities.)*

The Registrar notes that when forwarding applications for registration, the total assets given in column II (of the statement of assets and liabilities) sometimes include the *value* of land. The value of land should be omitted from this column. All that is required is the total of columns 8, 9 and 10; and as regards and details of right, area and rent or revenue are to be entered up in column 7.

---

CIRCULAR NO. V OF 1912.

*(Importance of encouraging local deposits in Co-operative Societies.)*

The Registrar desires to invite attention to the extreme importance of encouraging local deposits. The very best guarantee for the sound working and control of Co-operative Credit Societies is the fact that members themselves have contributed substantial amounts to working capital in the shape of savings deposits. It must be remembered that these deposits remain with the Societies and are under the direct supervision of the members. It is not enough to lay down that small compulsory deposits shall be made. Credit must be regulated by the extent to which Societies show an inclination to practise thrift; and this inclination can best be measured by an increase in the amount of savings deposits. This point cannot be too strongly insisted upon.

and all Directors and Secretaries are urged to exert themselves to encourage and obtain local deposits.

These remarks apply to Central Banks as well as to Credit Societies and all other Co-operative Institutions. The matter is an extremely urgent and important one and the Registrar trusts that all Directors and Secretaries will co-operate with him in securing large and steady increases in the amount of deposits. It must be remembered that too free a use of borrowed money is apt to lead to carelessness in management and mutual supervision.

REGISTRAR'S MEMORANDUM NO. I OF 1913. TO ALL AUDITORS.

*Education in Co-operation.*

I want you to remember that it is far more important to pay careful attention to existing societies than to press for expansion before you have seen and attended to the wants of existing societies. In particular, I do not think that you pay sufficient attention to the co-operative education of members. They must be taught the real meaning of the reserve fund and they must be made to understand that it is to the growth of the reserve fund and the annual income from the reserve fund that they must look for gradual reduction of interest on their loans. Secondly, it is most important that members should understand that loans once granted are not to be lost sight of; that the uses to which money is put must be carefully observed and effort must always be made to make money productive. Once more, our purpose is not to plunge people deeper into debt but to give them the necessary capital with which to improve their status and increase their assets, for all money taken is intended to be made profitable use of. There must not only be confidence between members but there must also be mutual supervision between members.

Next, you must impress upon the people that no effort must be spared to repay money punctually according to the terms agreed on. If members are slack in this respect and too indulgent to each other the movement cannot progress satisfactorily. The rule should be that the borrower is to have time to repay out of his profits. If profits do not accrue for reasons entirely beyond the borrower's control then postponement can rightly be given provided always that the interest is paid up. But if profits do accrue, there must on no account be any failure to repay the money according to agreement.

Next, I want you to impress upon members that if a man is worthy of confidence and trust at all he is worth financing properly. For instance, if a man wants a pair of bullocks it is useless to advance him a sum which will only purchase diseased bullocks. If the man is to have bullocks at all by far the safest course is to supply him the best and healthiest bullocks available.

Next, I find that members do not understand what they should do as regards the fixation of kists. Here the rule should be (as stated before) that the money should be repaid out of the profits resulting from the loan and that due regard must be had to the continuance of the object achieved by the loan. Take for instance a loan for seed. This should be repaid out of the crop which



is grown from the seed and should on no account be allowed to remain over as a charge on succeeding harvests. The security for the seed is the crop produced from it, and that security should not be allowed to disappear until the loan for seed has been repaid. Then, again, take the case of a loan for bullocks. Here we cannot expect the whole sum to be repaid in one kist ; two or three kists may be fixed but the member should on no account be allowed to sell the bullocks which are the security for the loan until he has paid back the money borrowed for their purchase. Loans for unproductive purposes should be cut down to the lowest figure possible with a view to protecting members from useless and extravagant expenditure. Loans for marriages may be given, but the marriage expenses should be as small as they can possibly be made ; and societies should be taught to protect the economic interests of their members in this respect.

Next, you must always take care to point out the value of thrift deposits and dwell on the fact that it is far better to allow your money to earn interest for you than to allow it to lie idle in the ground. Members can keep their own savings deposits with their societies and thus employ them under their own supervision ; or, if they prefer it, they can lodge their savings with the Central Bank. Societies, moreover, must be taught that it is the duty of all members to fix each other's credit in general meeting. Members can then be granted loans within their respective credits but it must always be understood that the Sirpanch and Secretary may, for really good reason, stop a member's credit provided they at once call a general meeting and explain and justify their action to all the members with whom the ultimate decision rests.

Lastly, you should spare no pains to impress upon societies the higher aspects of the movement. You should show them how these societies will steadily grow in importance and resources. You should show them that money put to productive purposes must result in the increase of the wealth and assets of members ; and increase of wealth means increase in comfort and better living. Members must not only work for themselves but for each other and for the future welfare and prosperity of their children. A society once established is not intended to be a temporary institution but is supposed to last for ever and to grow steadily. I find from my inspections that there is still much to be done in the way of educating the members of societies on these very important points ; and I trust that you will spare no pains to advance the cause of co-operation by patiently talking to members and explaining these important matters very clearly to them. Unless we realise, and unless Central Banks realise, that the main object of the movement is to teach societies co-operative principles and to make them self-contained self-governing bodies, we are bound to fail. It is useless having hundreds of weak societies ; and I shall be far more satisfied if, during my inspections, I find that societies are making real co-operative progress than if I find that expansion has merely resulted in the creation of a large number of weak societies ignorant of the principles of co-operation and wholly unable to control their own affairs on safe and sound lines.

## CIRCULAR NO. I OF 1913.

(Subject:—*Mortgage by members of Co-operative Societies of their transferable interests.*)

It seems necessary to explain what the policy should be as regards the mortgage by members of Co-operative Societies of their transferable interests in houses and land and immovable property of all descriptions. It is dangerous for any Central Bank to rely on mortgage security, simply because in the event of realisation being necessary the position of the Central Bank will be an extremely difficult one. The full value of property is very seldom realised when the sale is a forced one; and it is very hard to value accurately the property which is to be mortgaged. Central Banks are, therefore, warned against placing too much reliance upon mortgage security.

2. But, where members have transferable interests and these can be mortgaged *to their own societies* in order to reinforce and strengthen the joint unlimited liability which is the main security offered to Central Banks, then Central Banks would be well advised to encourage such mortgages, it being understood that mortgage security is *collateral* only to the security offered by joint unlimited liability and by sureties.

3. Where members have transferable rights they, in fact, protect themselves by making over such rights to their society; for they make it difficult for themselves to raise money on their immovable property except from their society. Moreover, should a member decide to raise money on the strength of his land or houses from an outside moneylender, he would first have to inform the society of his intention and obtain cancellation of the mortgage bond and this would certainly make for the protection of the society's interests.

## CIRCULAR NO. II OF 1913.

(Subject:—*Inspection and taking copies of records of rights and papers (kept by Patwaris) by Co-operative Societies and members of societies interested therein.*)

The following extracts from the Central Provinces Land Revenue Act (XVIII of 1881) and the Patwari Rules are reproduced for general information:—

\* \* \* \* \*

Section 147—Patwaris shall produce at all reasonable times, for the inspection of all persons interested therein, all records and papers which they are so required to prepare or keep, and shall allow such persons to make copies of such records and papers.

Patwaris to produce papers for inspection, and to allow copies to be made.

Rule CIII.—The Patwari shall allow any one interested to inspect his records in his presence and to take notes of the same, and he shall, if required, give an extract of any portion directly affecting his rights to any applicant whose name is therein recorded on being provided by the applicant with paper for the purpose.

*Note.*—By the Government of India's Notification No. 316, dated the 18th January 1889, copies of extracts certified by Patwaris to be true copies of or true extracts from records or papers which they are required to prepare or keep by any rule made by the Chief Commissioner under Section 146 of the Central Provinces Land Revenue Act are exempt from stamp duty.

CIRCULAR NO. III OF 1913 (REVISED).

(*Subject:—Control of Bank and Federation Staff.*)

Some confusion still appears to exist with regard to the Federation staff. Under the Federation by-laws every salaried servant (excepting those on the menial staff on less than Rs. 10 per mensem) working under the control of a Central Bank is bound to obtain the Governor's license to work. It follows, therefore, that all servants of Central Banks are Federation servants, no matter whether their salaries be paid by Central Banks or by the Societies under them. The Federation staff working under a Central Bank consists of (a) Bank staff proper, that is to say, Manager, Inspector, Accountant, etc., etc., and (b) Societies' staff, *viz.*, Federation Auditors and Society Moharrirs. The Bank staff is paid from the income which a Central Bank earns, and not from the Federation subscriptions which Societies pay. The Bank staff is appointed by and dismissed by the Directors of the Central Bank, subject, of course, to the Governor's licensing powers, and is thus under the discipline and control of the Central Bank. Federation Auditors are, on the other hand, licensed by the Registrar and appointed and dismissed by the Governor of the Federation. They are paid out of the subscriptions contributed by Societies. Society Moharrirs are, however, in the same position as members of the Bank staff proper, except for the fact that their salaries are paid out of the subscriptions of Societies.

2. Government is maintaining its responsibility for the control of audit. The Registrar's power to delegate authority to audit to any competent person is vested in him by law; and until Federation Auditors have been properly trained and taught, it will be impossible to delegate independent powers to them. Moreover, all Central Banks have not yet worked up to the minimum scale of one Federation Auditor and two Society Moharrirs for every circle of 100 Societies. That, however, is the minimum scale in view, and Central Banks should keep it carefully in mind and see that it is worked up to without unnecessary delay.

3. Directors of Central Banks are particularly requested to see that their touring servants maintain proper diaries showing the work they do.

The diaries of Federation Auditors will go to the Government Circle Auditor. Federation Auditors should work on definite tour programmes arranged by the Government Auditor and the Honorary Secretary of the Central Bank in consultation. All diaries kept by members of the staff under Central Banks will, in the first instance, go to the Honorary Secretary for orders and then to the Government Circle Auditor for information.

4. It is not to be understood that the maintenance of diaries does away with the submission, when necessary, to Central Banks by their staff, of separate reports dealing with any matter of special interest. If any case of defalcation is detected, an urgent report should be immediately submitted to the officer to whom the Federation servant submits his diary, that is to say, a Federation Auditor will report cases of defalcation to the Government Circle Auditor direct, while other Federation servants will submit their reports to the Honorary Secretaries of Central Banks.

5. Society Moharrirs should keep their diaries in the same form in which Patwaris keep theirs. The various entries under different dates should be signed or initialled by the Sirpanch of the Society visited, or by the Director in charge of the Circle, or by the Federation or Circle Auditor, in token of the correctness of the entries made. When preparing monthly salary bills, diaries should be carefully inspected in order to see that honest work has been done.

6. Federation Auditors should maintain their diaries in the same form as that used by Revenue Inspectors, and these diaries should be carefully scrutinized when monthly salary bills are prepared. It is requested that if these orders are incomplete in any way, a reference may at once be made to the Registrar.

---

REGISTRAR'S MEMORANDUM NO. 2 OF 1913.

*Importance of proper accounts.*

The grant of an Audit Certificate is not to be easily made. It is the clear duty of the Central Bank to see that all the accounts of its constituent societies are properly kept; and I insist on this duty being efficiently carried out. Central Banks must clearly understand that I place safety and effective control and supervision of societies above all other considerations. Unless a Central Bank's control is really efficient there is no excuse for the existence of the Central Bank. If, then, I find that audit certificates cannot be granted by Auditors because Central Banks have failed in their duty I have to deal with the Central Banks and see that they mend their ways. We must have a reasonably high standard of work in this vital matter of accounts. To be slipshod and careless must be, in the end, ruinous to all concerned.

There appears to be some misapprehension regarding the duties of Government in this matter of account keeping. I will, therefore, try and make the position clear. It is not for Government to provide men to go round and write up the accounts of societies. I know that Auditors have had to write

up accounts in the past. But this can now no longer be done ; at best, such a procedure is a mockery of "Self-help." Societies cannot, as a rule, keep their accounts properly. Therefore men must be provided for the service of societies, and societies must pay for this service. Hence our Society Moharrirs. A sufficient and well-trained staff of Federation men is indispensable. These men want supervision. They get it (i) from the Central Bank, (ii) from the Registrar and his staff. For supervision Central Banks must, no less than Government, maintain a good staff of men. But the Government staff is there to exercise guidance and general control and not to execute every detail. The Central Bank staff is there to see that the wants of societies are promptly attended to, and to do all the necessary routine business involved in the working of a Central Bank. The Central Bank makes profits for its shareholders and is a paying concern. But Government pays for the Registrar and his staff out of the public purse, the sole justification for the charge on the taxpayer being the benefits which the country *as a whole* is reaping from the co-operative movement. Now these benefits have their origin in one thing, and one thing only. If that thing be absent then co-operative credit is merely so much poison to the manhood and strength of the people obtaining it. This vitally necessary thing is "self-help," the desire to make an honest effort to pay full value for benefits obtained, to work for results. It is the strengthening of moral fibre and the development of character and capacity which are the main aims of the co-operative movement. Some obstinate and ignorant people will, I fear, never understand the movement simply because they are too stupid to be able to see beyond the narrow horizon of "cheap money." "Cheap money" is obtainable only if self-help be exhibited ; the greater the personal effort, the stronger the self-help, the more earnest the united effort, the cheaper will money become for co-operators.

---

REGISTRAR'S MEMORANDUM NO. 3 OF 1913.

*Policy when crops fail.*

The early withdrawal of the rains will, it now seems certain, cause crop failures of varying degrees of severity in areas in which Central Banks and co-operative credit societies are situated. It will, therefore, be of assistance to the Directors of Central Banks if I lay down the general lines of policy which should be adopted by co-operative banks and societies in times such as the present.

The principle underlying co-operative finance is that the borrower must be given time to realise the purpose of the loan which he has taken and pay back the loan and interest out of the profits he makes, leaving his estate the better off for the transaction. Now it is obvious that when crops are bad postponements will have to be granted to borrowers. But I cannot too sufficiently impress upon Central Banks that postponements should bear a direct relation to the degree of crop failure experienced by the particular society and

the particular member concerned. It is bad policy to grant wholesale postponements when conditions vary from village to village and from holding to holding. In the matter of agricultural prospects certain districts are this year much better off than others. Again certain parts of districts, and even of tahsils, are badly affected by this season while other parts have, owing to the local nature of the rainfall, been more favoured. It will therefore be necessary for Central Banks to use great discretion in the coming year, and to make full use of the staff at their disposal in order to acquaint themselves thoroughly with the circumstances of each credit society. Enquiries of this nature cannot be conducted merely from headquarters, nor can any accurate opinion be obtained by merely listening to the vague rumours and reports of people who have no direct interest in the welfare of co-operative societies. Each bank must face the task before it in a methodical manner and must accumulate its own evidence in order to enable it to deal justly with its constituent societies.

It is in times of uncertainty, and even of distress, such as the present that Central Banks should make it their business to put good heart and confidence into the societies the affairs of which they are responsible for. The people must not be allowed to suppose that co-operative institutions are merely intended for good seasons and are not likely to be of service to borrowers in bad years. Loans should, therefore, be granted for every reasonable and legitimate purpose provided that credit is sufficient. It would be unreasonable for borrowers to expect, in times like the present, large loans on easy terms for ceremonial expenditure or for unproductive purposes. Economy must be the watch-work of all concerned, and expenditure must be reduced, if unproductive, to the lowest limits. I trust that it will be understood by all Central Banks that the present season furnishes them with an opportunity of showing how valuable they can be as friends to the people and how wisely their Directors can administer their affairs during periods of distress and difficulty. It would be fatal, I need scarcely point out, to restrict credit unreasonably and thereby to drive the members of co-operative credit societies back into the clutches of private money-lenders. The *Sahukar* is no doubt on the watch and will not fail to take full advantage of the slightest weakness which may now be exhibited by the Directors of our Central Banks.

Most of our banks are now in the position of having to expand their business in order to find the funds with which to pay the staff which is indispensable for the work of a bank and its societies. This expansion of business may either take the form of increasing the membership of the existing societies or the organization of fresh societies. As a general principle I would lay down that a Central Bank should first make certain of satisfying all the reasonable requirements of its existing societies and their present members before seeking for expansion. Thus, it must be borne in mind that a bad *kharij* harvest followed by a poor *rabi* crop will probably lead to short collections and to small turnovers. About June or July, 1914, when the rains break there will be a demand for money for *kharij* operations, and this will be followed again by a

demand for the needs of *rabi* cultivation later in the year. It will not be until May, 1915, that money will begin to come back to the banks from the societies in normal fashion. I am, however, of opinion, after most careful deliberation, that it will be the best and soundest policy to allow all our Central Banks to expand, at any rate up to their budget requirements ; and I would go further than this and say that the universal rule should be that all good and sound business well tested and well enquired into should be accepted and that all doubtful business involving unusual risk of any kind should be steadfastly rejected. I think that we are in a position, thanks to the steps that we have taken in the past year or so to strengthen our resources and organization, to meet the present difficulties of the situation calmly and to continue the even flow of our business just as though prospects were favourable and harvests likely to be excellent.

I cannot close this letter of instructions without once again impressing upon the Directors of Central Banks the absolute necessity for good, sufficient and capable paid Federation staff. Where I see that banks are failing to carry out the accepted policy of the Federation I shall absolutely refuse to help expansion. Nor, of course, shall I permit expansion on unsound lines.

The time has now passed for experimental measures ; and it is only by effective organization and constant care and attention to business that we can hope to make of our co-operative banks and societies that tremendous machine for good which we all hope they will prove to be.

CIRCULAR NO. V OF 1913.

(Subject:—*Custody and renewal of pro-notes.*)

1. It has been the practice for Central Banks to forward the pro-notes executed by Credit Societies to the Provincial Bank, and for the Provincial Bank to forward these pro-notes to the Allahabad Bank. - This procedure has been necessary in order to introduce Central Banks and Societies to, and educate them in, the pro-note system. With experience, however, we are now able to take another step forward.

2. The present practice produces unavoidable difficulties. Central Banks cannot obtain ready access to the pro-notes of their Societies ; and it thus comes about that the pro-notes held by the Allahabad Bank and the Provincial Bank are not infrequently out of date in respect of the transactions they relate to. The Registrar, therefore, directs that, in future, the simple rules given below shall be strictly observed.

3. (i) No Central Bank shall lend money borrowed from the Provincial Bank except to Co-operative Societies registered *with unlimited liability*.
- (ii) Such loans must invariably be secured by a pro-note or pro-notes in the form prescribed by the Registrar.
- (iii) Pro-notes executed by Societies must be kept in safe custody in the offices of Central Banks.

- (iv) When a Central Bank borrows money from the Provincial Bank it shall execute a pro-note or pro-notes in favour of the Provincial Bank; and the Manager of the Provincial Bank shall see that all pro-notes forwarded to him are duly signed by the person or persons authorised by by-laws, or by resolutions passed in accordance with by-laws, to sign on behalf of each Central Bank.
- (v) Pro-notes executed by Central Banks shall be forwarded, when necessary, to the Allahabad Bank after proper endorsement by the Provincial Bank.

4. The Assistant Registrar, the Chief Auditor, and all Government Auditors are ordered to see that the above rules are scrupulously observed. Auditors are, at the time of passing and testing the monthly returns from Central Banks which have been prescribed by the Registrar, to check and examine the pro-notes of Societies held in safe custody. It must, in particular, be seen that the loans granted to Credit Societies are fully secured by pro-notes held by the Central Bank; and all pro-notes must be very carefully examined and checked with reference to the cash-book and ledger of loans. Care must be taken to see that pro-notes are up to date with respect to the transactions they cover, and that they are not time barred. The regular annual overhaul of all pro-notes as already laid down by the Registrar must be insisted on. It may also be mentioned, in this connection, that the Registrar expects his Auditors, at their monthly inspections of Central Banks, to see that all work is up to date, that applications for registration are promptly disposed of, applications for loans promptly attended to, etc., etc. These orders do not in any way affect the standing orders of the Department on the subject of audit which is an annual affair and distinct from regular and systematic inspection.

CIRCULAR NO. I OF 1914.

*(Subject:—Necessity of scrutinizing the composition of Credit Societies from time to time with a view to weeding out bad and doubtful members.)*

Experience of the working of young co-operative credit societies shows that cases are not infrequent in which, by some means or other, insolvent persons succeed in obtaining enrolment in membership. Cases have also occurred in which men of doubtful character have been elected as members owing to the ignorance of the people of the fundamental principles of co-operation. Central Banks must not omit that important part of their duty which consists of scrutinizing the composition of credit societies from time to time, with a view to weeding out bad and doubtful members and making the financial position as strong as possible. The Registrar would point out that the enrolment of heavily indebted men in co-operative credit societies is a source of very real danger to the movement; and it is for Central Banks to carefully consider whether the position of a member is such as to warrant the expectation that he will eventually be relieved from the load of old debt which he carries, or whether his



position is beyond hope and irretrievable by means of co-operative credit. In the latter class of case the proper course is to remove the hopelessly involved member from the society, while in the former class of case the Central Bank must see that steps are taken to grapple with the member's old debts ; either the member must gradually pay them off himself, or the debts may be consolidated (and, if possible, conciliated) and taken over by the Society. On no account must old debts be neglected and allowed to accumulate until they threaten ruin. It must be borne in mind that co-operative credit is not a cure for every kind of evil ; and it must be the aim of Central Banks to deal with solvent and honest men, in the reasonable expectation of maintaining them in solvency and honesty. To attempt the hopeless task of rescuing bankrupt people wholesale is to allow the movement to run mad. If the composition of societies is carefully scrutinized from time to time when annual credit limits are fixed, and if the members of societies are taught to fix each other's credit limits with due care and consideration, the soundness of co-operative banking business will be established on a firm basis. If, on the other hand, people are allowed to continue incurring outside debts and to let old debts accumulate, heavy losses must follow. It is, moreover, certain that unlimited liability and joint responsibility, strong security as they offer, will not stand the strain of careless or imprudent finance. The Registrar trusts that these words of warning will receive the attention of all workers in the field of co-operation, and especially of the Directors of Central Banks and of the non-official and official staff employed to safeguard the interests of the public.

---

CIRCULAR NO. II OF 1914.

(Subject :—*Audit to be local audit and to include inspection.*)

All Auditors, Government and Federation, are expressly prohibited, on pain of most severe penalty, from summoning the members of Co-operative Societies away from their villages for the work of inspection and audit. Under section 17 (2) of the Co-operative Societies Act, the Registrar's audit (which is carried out on his behalf by a Government or Federation Auditor) must include an examination of overdue debts, if any, and a valuation of the assets and liabilities of the society. Moreover, in the audit of Co-operative Societies education and the inspection of detail play a most important part ; and satisfactory answers cannot possibly be given to the questions put by the Registrar in his form of audit note unless the work is patiently and thoroughly done within the village and amidst the actual surroundings of the members. The Registrar must point out that the certificate of audit required is so worded as to solemnly declare that audit has been *local* audit ; and no audit is local which renders it necessary for either the books or the members of a society to leave the village which is the society's registered head-quarters. To grant a certificate for work which has not been done on the spot is a very serious matter.

2. The Registrar finds it necessary to warn Central Banks that they must not allow the process of statutory audit to blind them to their own duties and responsibilities. The opinions and judgments of the Government and Federation Auditors must, at best, provide a most unsatisfactory substitute for the independent decisions of Central Banks. Experience in all countries has proved that the inspection and audit of Government Co-operative Auditors are apt to become lifeless and mechanical; and though the Registrar is fully alive to this danger and will, with the active co-operation of Central Banks, do his best to guard against it, it must be clearly understood by all concerned that Central Banks must form their own opinions of credit capacity for themselves, and, therefore, must inspect for themselves. In carrying out the work of statutory audit, Government accepts no financial responsibility whatever; and it is not intended that the staff engaged in the work of statutory audit should be used as part of the necessary executive machinery which every Central Bank must possess for its own work. Every decision to grant or to refuse credit must be made in the first place, as far as individual members are concerned, by the societies to which they belong, and, in the second place, as far as societies corporate are concerned, by the Central Banks which finance them. Societies must be live working bodies, and not mere puppet shows the strings of which are pulled by outside agency to make an imitation of life; and the same remark applies to Central Banks. To disregard these fundamental principles of co-operation is to stifle the movement at its birth.

---

CIRCULAR NO. IV OF 1914.

*(Subject:—Periodical scrutiny of Societies by Central Banks.)*

The Directors of Central Banks are reminded of the responsibility which devolves upon them of carefully scrutinizing the affairs of each society from time to time. Great care has to be taken to see that security remains good and does not decay; and no society should be permitted to continue in existence unless its ledger account with the Central Bank is a healthy one.

---

CIRCULAR NO. V OF 1914.

*(Subject:—Annual payment of interest—a condition to govern all loans by Central Banks to societies and by societies to their members.)*

The Registrar begs to point out that Central Banks cannot, for their own sakes, allow the interest on loans to societies to run from year to year. Central Banks have their own annual charges to meet, and in order to meet them they must realise their income from invested capital or, in other words, the interest on loans made to societies. It must, therefore, be made an *inflexible* condition (to govern all loans by Central Banks and by societies to their members) that interest shall fall due and shall be settled once a year on such date as may be agreed upon.

## CIRCULAR NO. VI OF 1914.

(Subject :—Method to be followed in arriving at the annual income to be shown in column 12 of the Statement of Assets and Liabilities of the applicants for registration of a Co-operative Society, and in the Haisiyat Register of the Members of Societies.)

The attention of Central Banks is invited to the different methods now followed in arriving at the figures entered in column 12 of the Statement of Assets and Liabilities appended to applications for registration, and in column 16 of the Haisiyat Register. Sometimes gross income is shown, and sometimes net income ; the net income being arrived at in all sorts of different ways. This want of uniformity of method renders it almost impossible to make any intelligent use of the information which the figures are intended to convey. The Registrar thinks that, on the whole, it will be best if the figures in the columns mentioned above show what amount a member may be expected to be able to pay in an average year towards the liquidation of his debt with the society ; and it is requested that this procedure may be followed in future.

## Registrar's Memorandum No. 1 of 1915.

*On Weak Societies.*

I am now coming across cases of societies the members of which have been driven back into the hands of the moneylenders owing to the refusal of Central Banks to finance them even for seed. The particular societies I have in mind required money for the last *kharij* sowings, and in some cases they failed to obtain money either from the moneylenders or from their Central Bank. In these cases the members could get no seed and their lands remained unsown. The assets of these societies have steadily deteriorated, and they are rapidly drifting into a position in which loss of money is almost certain to occur. I would suggest that when a Central Bank finds that it cannot even trust a society with further advances for the purchase of seed, the Central Bank should at once take steps to recover its outstandings and not allow the society to drift into a position of increasing insolvency. When a Central Bank refuses to grant loans to enable the members to get their lands sown, the Directors, I take it, have come to the conclusion that the Bank cannot have further dealings with the society. The decision is a serious one both for the society and for the Central Bank. At this audit the societies indicated in this letter have been placed correctly in the " D " class ; and I now ask that your Directors will give the position of these societies detailed consideration in order that the movement may be freed from the stain of their existence, or that steps may be taken to revive or to instil the co-operative spirit amongst the members. I find that in almost every case societies which have worked badly have not received careful instruction in their duties. If societies do not fully understand their by-laws they cannot be expected to carry out the duties which are required of them. Central Banks, too, are prone in some instances to pass

over flagrant breaches of the by-laws, thus, in a measure, contributing to the deadening of the "co-operative conscience" which it is the object of our system to create. I take this opportunity of repeating once more that too great pains cannot be expended upon the training and instruction of societies in their duties. Trouble taken in this direction is sure to be rewarded by good results.

---

Registrar's Memorandum No. 2 of 1915

*Punishment of Dishonesty.*

Attention is invited to sections 35 to 38 of the Co-operative Societies Act. We have here a useful weapon with which to punish intentionally dishonest members of societies; and use should be made of these sections to visit dishonesty with prompt and immediate punishment.

---

CIRCULAR NO. II OF 1915.

*(Subject:—The Pass Books kept by Treasurers of Central Banks.)*

The Pass Book kept by the Treasurer of a Central Bank must be an accurate record of *cash* transactions between the Treasurer and the Central Bank. Unless an actual disbursement of money has been made by the Treasurer to, or on behalf of, the Central Bank, or by the Central Bank to the Treasurer, no entry is to be made in the Treasurer's Pass Book. Auditors must not alter the Treasurer's Pass Book so as to make the book tally with the Cash Book of the Central Bank; for the Cash Book may contain entries which refer to mere paper transactions or book adjustments (such entries are, it is directed once more, to be made in red ink); and once the Treasurer has signed the entries in his Pass Book nobody except the Treasurer himself, under his own signature, has any right to correct the entries. A Treasurer's Pass Book is not one of the Central Bank's books of account, but is the Treasurer's own statement of his dealings with the Bank and of his liabilities to the Bank, and is a copy not of any book of the Bank but of the ledger account opened by the Treasurer himself in his own books in the Bank's name.

---

CIRCULAR NO. III OF 1915.

*(Subject:—Scrutiny of the financial condition of societies by the Directors of Central Banks.)*

The attention of all Central Banks is invited to the provision in their by-laws which lays upon the Board of Directors, or upon the Working Committee of the Directors, the duty of scrutinizing the financial condition of societies with a view to safeguarding the shareholders of Central Banks against loss. The Registrar considers it necessary to point out that the duty imposed is a personal one and carries personal responsibility with it.

## CIRCULAR NO. IV OF 1915.

*(Subject:—Enrolment in membership of all the members of a joint family of which the managing co-parcener is a member of a society, and their exemption from the entrance fee and Federation subscription.)*

In order to protect societies against loss and to avoid troublesome disputes, all the members of a joint family of which the managing co-parcener is a member of a society should be formally enrolled in membership. In cases of this kind it is fair to collect the entrance fee and Federation subscription from the managing co-parcener only, it being understood, of course, that the other members of the joint family cannot take loans from the society in their individual capacities.

---

 Registrar's Memorandum No. 3 of 1915.
*Reserve Funds of Cancelled Societies.*

The reserve funds of cancelled societies may, in all cases, and without further reference to the Registrar, be transferred to the Reserve Fund of the Central Bank. Shares purchased by cancelled societies stand on a somewhat different footing: (i) in cases in which shares have been purchased out of profits which would have otherwise been transferred to reserve, the most suitable course is to transfer the shares to the Governor of the Federation, and this practice should be followed: (ii) in cases in which shares have been purchased out of subscriptions or savings deposits, they must stand in the name of the societies cancelled, until transfer to the Bank or to some other person can be arranged for by purchase. Dividends, of course, cannot be distributed to cancelled societies as they are no longer members of the Bank and lose all rights under the Act. Shares held by cancelled societies will not rank for dividend so long as they are so held.

---

 Registrar's Memorandum No. 4 of 1915.
*Supervision of Society Moharrirs.*

Your attention is invited to the necessity for a closer co-operation between the Government Auditors and the Federation Audit Staff on the one side and the Central Bank and the Society Moharrirs on the other. In the first place, I beg to point out that the Society Moharrirs must be sufficiently well trained and educated to impart elementary co-operative teaching and instruction in the by-laws to the members of the societies. Secondly, I would point out that the Managers of Central Banks are directly responsible for the co-operative quality and efficiency of the societies affiliated to the Central Banks. Thirdly, I must insist on the necessity for the strict supervision of the work of Society Moharrirs by the Directors and executive staff of the Central Banks. Unless the accounts of the societies are regularly written up and proper instruction and teaching are given to the members of the societies far too great a strain is placed on the audit machine.

As far as possible care should be taken to visit societies during their slack seasons ; and in this connection I mention that the slack season for a *kharij* village is not that which is slack for a *rabi* village. In most villages either the *rabi* or the *kharij* crop is predominant.

In conclusion, I have to state that in considering the question of licenses (which, of course, are always subject to cancellation) the quality of societies under Central Banks will be given full consideration. Good teachers will, as experience has proved, succeed in turning out a very large proportion of really good sound co-operative societies. There is far too great a tendency on the part of the paid staff to look upon themselves as masters and not as servants of the societies ; and I am afraid the paid staff fail to perceive that this attitude is particularly foolish, for the continuance of their salaries depends upon the co-operative health of the societies of which they are the servants. These observations may be translated into Hindi by all Central Banks and circulated to each member of the Bank and Federation Staff.

---

Registrar's Memorandum No. 1 of 1916.

*Applications for Awards.*

It seems that some instructions are necessary as regards applications for awards or for orders under section 35, Act II of 1912, by societies and Central Banks.

(1) Recently a number of societies have applied for awards against defaulting members. It should not be necessary for any properly constituted society to apply for assistance in recovering its loans. All members are supposed to know the character and financial position of other members ; and living, as they do, in the same village they do have such knowledge except in very rare cases. It is open to them to refuse to allow a dishonest, lazy, or insolvent person to join the society. It is also open to them to expel any member whom they consider dishonest, lazy, or insolvent. If they do not do so they cannot complain if they have to make good any losses incurred by the default of any such member, as they are all jointly and severally responsible for the debts of each member. If societies are able, without trouble or financial loss, to recover by an award or an order of the Registrar, the loans due from defaulters, they will never realise their duties and responsibilities in regard to the admission and expulsion of members. Awards should therefore only be recommended in favour of societies against their members in very rare cases.

(2) The conditions are quite different as regards the application for awards by the Central Bank against societies. A society may be quite solvent owing to its joint and unlimited liability although it contains one or two dishonest defaulters. It is quite unreasonable for a Central Bank to wait until the society has recovered by award or otherwise the loans due from such defaulting members. When the loan to the society becomes overdue the Central Bank should (unless there are good reasons to the contrary, such as failures of crops, etc.), apply to the Registrar for an award against the society.

## Registrar's Memorandum No. 2 of 1916.

*Collection of Reserve Funds.*

It is noticed that some Central Banks, in order to reduce their outstanding arrears, take all the payments made by the societies to loan accounts and do not pass the necessary credits to the Reserve Fund accounts.

It should be understood that the Reserve Funds of the societies constitute a first charge on the interest collected.

## Registrar's Memorandum No. 3 of 1916.

The main purpose of insisting on the purchase of shares by members of primary societies is to enable Central Banks which, of course, include in their organization primary societies working under them, to accumulate a large capital of their own as rapidly as possible. Experience in other countries emphasises the great necessity for this policy, for in times of strain money borrowed, no matter from what source, is apt to be called in. Shortly after the South African War, and again in 1907, 1912, and 1914 the German societies which depended to a very unsafe extent on borrowed money were put in the direst straits by the general scarcity of loanable money which prevailed. Accordingly, it has now been accepted by all co-operative bankers that a policy which aims at as large a permanent owned capital as possible is indispensable to stability of organization.

In the next place, it is very necessary to teach the villager that co-operation does not begin and end inside his own village society. What is required is education of every kind, and practical measures as well, to instil into the villagers a sense of association. In Japan, where every village has its own Agricultural Association and 75 per cent. of the total number of towns, villages, and hamlets, their own co-operative credit societies, a sense of association has been instilled into the people in a most remarkable degree. But it is not to be expected that the villagers will understand the steps which are being taken on their behalf and strictly in their own interests, unless instruction is given them.

## APPENDIX II.

### THE CO-OPERATIVE SOCIETIES ACT, 1912 (II OF 1912).

#### CONTENTS.

##### *Preliminary.*

#### SECTIONS.

1. Short title and extent.
2. Definitions.

##### *Registration.*

3. The Registrar.
4. Societies which may be registered.<sup>1</sup>
5. Restrictions on interest of member of society with limited liability and a share capital.
6. Conditions of registration.
7. Power of Registrar to decide certain questions.
8. Application for registration.
9. Registration.
10. Evidence of registration.
11. Amendment of the by-laws of a registered society.

##### *Rights and liabilities of members.*

12. Member not to exercise rights till due payment made.
13. Votes of members.
14. Restrictions on transfer of share or interest.

##### *Duties of registered societies.*

15. Address of societies.
16. Copy of Act, rules and by-laws to be open to inspection.
17. Audit.

##### *Privileges of registered societies.*

18. Societies to be bodies corporate.
19. Prior claim of society.
20. Charge and set-off in respect of shares or interest of member.
21. Shares or interest not liable to attachment.
22. Transfer of interest on death of member.
23. Liability of past member.
24. Liability of the estates of deceased members.
25. Register of members.



## SECTIONS.

26. Proof of entries in societies' books.
27. Exemption from compulsory registration of instruments relating to shares and debentures of registered society.
28. Power to exempt from income-tax, stamp-duty, and registration-fees.

*Property and funds of registered societies.*

29. Restrictions on loans.
30. Restrictions on borrowing.
31. Restrictions on other transactions with non-members.
32. Investment of funds.
33. Funds not to be divided by way of profit.
34. Contribution to charitable purpose.

*Inspection of affairs.*

35. Inquiry by Registrar.
36. Inspection of books of indebted society.
37. Costs of inquiry.
38. Recovery of costs.

*Dissolution of society.*

39. Dissolution.
40. Cancellation of registration of society.
41. Effect of cancellation of registration.
42. Winding up.

*Rules.*

43. Rules.

*Miscellaneous.*

44. Recovery of sums due to Government.
45. Power to exempt societies from conditions as to registration.
46. Power to exempt registered societies from provisions of the Act.
47. Prohibition of the use of the word "co-operative."
48. Indian Companies Act, 1882, not to apply.
49. Saving of existing societies.
50. Repeal.

## ACT NO. II OF 1912.

PASSED BY THE GOVERNOR-GENERAL OF INDIA IN COUNCIL.

(Received the assent of the Governor-General on the 1st March, 1912.)

An Act to amend the Law relating to Co-operative Societies.

WHEREAS it is expedient further to facilitate the formation of Co-operative Societies for the promotion of thrift and self-help among agriculturists, artisans,

and persons of limited means, and for that purpose to amend the law relating to Co-operative Societies ; It is hereby enacted as follows :—

*Preliminary.*

Short title and extent. 1. (1) This Act may be called "The Co-operative Societies Act," 1912 ; and

(2) It extends to the whole of British India.

Definitions. 2. In this Act unless there is anything repugnant in the subject or context —

- (a) "by-laws" means the registered by-laws for the time being in force and includes a registered amendment of the by-laws :
- (b) "committee" means the governing body of a registered society to whom the management of its affairs is entrusted :
- (c) "member" includes a person joining in the application for the registration of a society and a person admitted to membership after registration in accordance with the by-laws and any rules :
- (d) "officer" includes a chairman, secretary, treasurer, member of committee, or other person empowered under the rules or the by-laws to give directions in regard to the business of the society.
- (e) "registered society" means a society registered or deemed to be registered under this Act :
- (f) "Registrar" means a person appointed to perform the duties of a Registrar of Co-operative Societies under this Act : and
- (g) "rules" means rules made under this Act.

*Registration.*

3. The Local Government may appoint a person to be Registrar of Co-operative Societies for the Province or any portion of it, and may appoint persons to assist such Registrar, and may, by general or special order, confer on any such persons all or any of the powers of a Registrar under this Act.

4. Subject to the provisions hereinafter contained, a society which has as its object the promotion of the economic interests of its members in accordance with co-operative principles, or a society established with the object of facilitating the operations of such a society, may be registered under this Act with or without limited liability :

Provided that unless the Local Government by general or special order otherwise directs—

(1) the liability of a society of which a member is a registered society shall be limited ;

(2) the liability of a society of which the object is the creation of funds to be lent to its members, and of which the majority of the members are agriculturists, and of which no member is a registered society, shall be unlimited.

Restrictions on interest of member of society with limited liability and a share capital. 5. Where the liability of the members of a society is limited by shares, no member other than a registered society shall—

- (a) hold more than such portion of the share capital of the society, subject to a maximum of one-fifth as may be prescribed by the rules ; or
- (b) have or claim any interest in the shares of the society exceeding one thousand rupees.

Conditions of registration. 6. (1) No society, other than a society of which a member is a registered society, shall be registered under this Act which does not consist of at least ten persons above the age of eighteen years and, where the object of the society is the creation of funds to be lent to its members, unless such persons—

- (a) reside in the same town or village or in the same group of villages ; or,
- (b) save where the Registrar otherwise directs, are members of the same tribe, class, caste, or occupation.

(2) The word "limited" shall be the last word in the name of every society with limited liability registered under this Act.

7. When any question arises whether for the purposes of this Act a person is an agriculturist or a non-agriculturist, or whether any person is a resident in a town or village or group of villages, or whether two or more villages shall be considered to form a group, or whether any person belongs to any particular tribe, class, caste, or occupation, the question shall be decided by the Registrar, whose decision shall be final.

Power of Registrar to decide certain questions.

Application for registration. 8. (1) For purposes of registration an application to register shall be made to the Registrar.

- (2) The application shall be signed—
  - (a) in the case of a society of which no member is a registered society, by at least ten persons qualified in accordance with the requirements of section 6, sub-section (1) ; and
  - (b) in the case of a society of which a member is a registered society, by a duly authorised person on behalf of every such registered society, and where all the members of the society are not registered societies, by ten other members or, when there are less than ten other members, by all of them.

(3) The application shall be accompanied by a copy of the proposed by-laws of the society, and the persons by whom or on whose behalf such application is made shall furnish such information in regard to the society as the Registrar may require.

9. If the Registrar is satisfied that a society has complied with the provisions of this Act and the rules and that its proposed by-laws are not contrary to the Act or to the rules, he may, if he thinks fit, register the society and its by-laws.

Registration.

10. A certificate of registration signed by the Registrar shall be conclusive evidence that the society therein mentioned is duly registered unless it is proved that the registration of the society has been cancelled.

11. (1) No amendment of the by-laws of a registered society shall be valid until the same has been registered under this Act, for which purpose a copy of the amendment shall be forwarded to the Registrar.

(2) If the Registrar is satisfied that any amendment of the by-laws is not contrary to this Act or to the rules, he may, if he thinks fit, register the amendment.

(3) When the Registrar registers an amendment of the by-laws of a registered society, he shall issue to the society a copy of the amendment certified by him, which shall be conclusive evidence that the same is duly registered.

*Rights and liabilities of members.*

12. No member of a registered society shall exercise the rights of a member unless or until he has made such payment to the society in respect of membership or acquired such interest in the society, as may be prescribed by the rules or by-laws.

Member not to exercise rights till due payment made.

13. (1) Where the liability of the members of a registered society is not limited by shares, each member shall, notwithstanding the amount of his interest in the capital, have one vote only as a member in the affairs of the society.

Vote of members.

(2) Where the liability of the members of a registered society is limited by shares, each member shall have as many votes as may be prescribed by the by-laws.

(3) A registered society which has invested any part of its funds in the shares of any other registered society may appoint as its proxy, for the purpose of voting in the affairs of such other registered society, any one of its members.

14. (1) The transfer or charge of the share or interest of a member in the capital of a registered society, shall be subject to such conditions as to maximum holding as may be prescribed by this Act or by the rules.

Restrictions on transfer of share or interest.

(2) In case of a society registered with unlimited liability a member shall not transfer any share held by him or his interest in the capital of the society or any part thereof unless—

(a) he has held such share or interest for not less than one year; and

(b) the transfer or charge is made to the society or to a member of the society.

*Duties of registered societies.*

15. Every registered society shall have an address, registered in accordance with the rules, to which all notices and communications may be sent, and shall send to the Registrar notice of every change thereof.

Address of societies.

16. Every registered society shall keep a copy of this Act and of the rules governing such society, and of its by-laws, open to inspection free of charge at all reasonable times at the registered address of the society.

Copy of Act, rules and by-laws to be open to inspection.

17. (1) The Registrar shall audit or cause to be audited by some person authorized by him by general or special order in writing in this behalf the accounts of every registered society once at least in every year.

Audit.

(2) The audit under sub-section (1) shall include an examination of overdue debts, if any, and a valuation of the assets and liabilities of the society.

(3) The Registrar, the Collector, or any person authorized by general or special order in writing in this behalf by the Registrar shall at all times have access to all the books, accounts, papers, and securities of a society, and every officer of the society shall furnish such information in regard to the transactions and working of the society as the person making such inspection may require.

*Privileges of registered societies.*

18. The registration of a society shall render it a body corporate by the name under which it is registered, with perpetual succession and a common seal, and with power to hold property, to enter into contracts, to institute and defend suits and other legal proceedings and to do all things necessary for the purposes of its constitution.

Societies to be bodies corporate.

19. Subject to any prior claim of the Government in respect of land-revenue or any money recoverable as land-revenue or of a landlord in respect of rent or any money recoverable as rent, a registered society shall be entitled in priority to other creditors to enforce any outstanding demand due to the society from a member or past member—

Prior claim of society.

(a) in respect of the supply of seed or manure or of the loan of money for the purchase of seed or manure—upon the crops or other agricultural produce of such member or person at any time within eighteen months from the date of such supply or loan ;

(b) in respect of the supply of cattle, fodder for cattle, agricultural or industrial implements or machinery, or raw materials for manufacture, or of the loan of money for the purchase of any of the foregoing things—upon any such things so supplied, or purchased in whole or in part from any such loan, or on any articles manufactured from raw materials so supplied or purchased.

20. A registered society shall have a charge upon the share or interest in the capital and on the deposits of a member or past member and upon any dividend, bonus, or profits payable to a member or past member in respect of any debt due from such member or past member to the society, and may set off any sum credited or payable to a member or past member in or towards payment of any such debt.

Charge and set-off in respect of shares or interest of member.

21. Subject to the provisions of section 20, the share or interest of a member in the capital of a registered society shall not be liable to attachment or sale under any decree or order of a Court of Justice in respect of any debt or liability incurred by such member, and neither the Official Assignee under the Presidency-towns Insolvency Act, 1909, nor a Receiver under the Provincial Insolvency Act, 1907, shall be entitled to or have any claim on such share or interest.

Shares or interest not liable to attachment.

22. (1) On the death of a member a registered society may transfer the share or interest of the deceased member to the person nominated in accordance with the rules made in this behalf, or, if there is no person so nominated, to such person as may appear to the committee to be the heir or legal representative of the deceased member, or pay to such nominee, heir, or legal representative, as the case may be, a sum representing the value of such member's share or interest, as ascertained in accordance with the rules or by-laws :

Transfer of interest on death of member.

Provided that—

(i) in the case of a society with unlimited liability, such nominee, heir, or legal representative, as the case may be, may require payment by the society of the value of the share or interest of the deceased member ascertained as aforesaid ;

(ii) in the case of a society with limited liability, the society shall transfer the share or interest of the deceased member to such nominee, heir, or legal representative, as the case may be, being qualified in accordance with the rules and by-laws for membership of the society, or on his application within one month of the death of the deceased member to any person specified in the application who is so qualified.

(2) A registered society may pay all other moneys due to the deceased member from the society to such nominee, heir, or legal representative, as the case may be.

(3) All transfers and payments made by a registered society in accordance with the provisions of this section shall be valid and effectual against any demand made upon the society by any other person.

23. The liability of a past member for the debts of a registered society as they existed at the time when he ceased to be a member shall continue for a period of two years from the date of his ceasing to be a member.

Liability of past member.

24. The estate of a deceased member shall be liable for a period of one year from the time of his decease for the debts of a registered society as they existed at the time of his decease.

Liability of the estates of deceased members.

25. Any register or list of members or shares kept by any registered society shall be *prima facie* evidence of any of the following particulars entered therein:—

Register of members.

(a) the date at which the name of any person was entered in such register or list as a member ;

(b) the date at which any such person ceased to be a member.

26. A copy of any entry in a book of a registered society regularly kept in the course of business, shall, if certified in such manner as may be prescribed by the rules, be received, in any suit or legal proceeding, as *prima facie* evidence of the existence of such entry, and shall be admitted as evidence of the matters, transactions, and accounts therein recorded in every case where, and to the same extent as, the original entry itself is admissible.

Proof of entries in societies' books.

27. Nothing in section 17, sub-section (1), clauses (b) and (c), of the Indian Registration Act, 1908, shall apply to—

Exemption from compulsory registration of instruments relating to shares and debentures of registered society.

(1) any instrument relating to shares in a registered society, notwithstanding that the assets of such society consist in whole or in part of immoveable property ; or

(2) any debenture issued by any such society and not creating, declaring, assigning, limiting, or extinguishing any right, title, or interest to or in immoveable property except in so far as it entitles the holder to the security afforded by a registered instrument whereby the society has mortgaged, conveyed, or otherwise transferred the whole or part of its immoveable property or any interest therein to trustees upon trust for the benefit of the holders of such debentures ; or

(3) any endorsement upon or transfer of any debenture issued by any such society.

28. The Governor-General in Council, by notification in the *Gazette of India*, may, in the case of any registered society or class of registered society, remit—

Power to exempt from income-tax, stamp-duty, and registration-fees.

(a) the income-tax payable in respect of the profits of the society, or of the dividends or other payments received by the members of the society on account of profits ;

(b) the stamp-duty with which, under any law for the time being in force, instruments executed by or on behalf of a registered society or by an officer or member and relating to the business of such society, or any class of such instruments, are respectively chargeable ;

- (c) any fee payable under the law of registration for the time being in force.

*Property and funds of registered societies.*

Restrictions on loans. 29. (1) A registered society shall not make a loan to any person other than a member :

Provided that, with the general or special sanction of the Registrar, a registered society may make loans to another registered society.

(2) Save with the sanction of the Registrar, a society with unlimited liability shall not lend money on the security of moveable property.

(3) The Local Government may, by general or special order, prohibit or restrict the lending of money on mortgage of immoveable property by any registered society or class of registered societies.

Restrictions on borrowing. 30. A registered society shall receive deposits and loans from persons who are not members only to such extent and under such conditions as may be prescribed by the rules or by-laws.

Restrictions on other transactions with non-members. 31. Save as provided in sections 29 and 30, the transactions of a registered society with persons other than members shall be subject to such prohibitions and restrictions, if any, as the Local Government may, by rules, prescribe.

Investment of funds. 32. (1) A registered society may invest or deposit its funds—

- (a) in the Government Savings Bank ; or
- (b) in any of the securities specified in section 20 of the Indian Trusts Act, 1882 ; or
- (c) in the shares or on the security of any other registered society ; or
- (d) with any bank or person carrying on the business of banking, approved for this purpose by the Registrar ; or
- (e) in any other mode permitted by the rules.

(2) Any investments or deposits made before the commencement of this Act which would have been valid if this Act had been in force are hereby ratified and confirmed.

Funds not to be divided by way of profit. 33. No part of the funds of a registered society shall be divided by way of bonus or dividend or otherwise among its members :

Provided that after at least one-fourth of the net profits in any year have been carried to a reserve fund, payments from the remainder of such profits and from any profits of past years available for distribution may be made among the members to such extent and under such conditions as may be prescribed by the rules or by-laws :

Provided also that in the case of a society with unlimited liability no distribution of profits shall be made without the general or special order of the Local Government in this behalf.



34. Any registered society may, with the sanction of the Registrar, after one-fourth of the net profits in any year has been carried to a reserve fund, contribute an amount not exceeding ten per cent. of the remaining net profits to any charitable purpose, as defined in section 2 of the Charitable Endowments Act, 1890.

Contribution to charitable purpose.

*Inspection of affairs.*

35. (1) The Registrar may of his own motion, and shall on the request of the Collector, or on the application of a majority of the committee, or of not less than one-third of the members, hold an inquiry or direct some person authorized by him by order in writing in this behalf to hold an inquiry into the constitution, working, and financial condition of a registered society.

Inquiry by Registrar.

(2) All officers and members of the society shall furnish such information in regard to the affairs of the society as the Registrar or the person authorized by the Registrar may require.

36. (1) The Registrar shall, on the application of a creditor of a registered society, inspect or direct some person authorized by him by order in writing in this behalf to inspect the books of the society :

Inspection of books of indebted society.

Provided that—

- (a) the applicant satisfies the Registrar that the debt is a sum then due, and that he has demanded payment thereof and has not received satisfaction within a reasonable time ; and
- (b) the applicant deposits with the Registrar such sum as security for the costs of the proposed inspection as the Registrar may require.

(2) The Registrar shall communicate the results of any such inspection to the creditor.

37. Where an inquiry is held under section 35, or an inspection is made under section 36, the Registrar may apportion the costs, or such part of the costs as he may think right, between the society, the members or creditor demanding an inquiry or inspection, and the officers or former officers of the society.

Costs of inquiry.

38. Any sum awarded by way of costs under section 37 may be recovered, on application to a Magistrate having jurisdiction in the place where the person from whom the money is claimable actually and voluntarily resides or carries on business, by the distress and sale of any moveable property within the limits of the jurisdiction of such Magistrate belonging to such person.

Recovery of costs.

*Dissolution of society.*

39. (1) If the Registrar, after an inquiry has been held under section 35 or after an inspection has been made under section 36 or on receipt of an application made by three-fourths

Dissolution.

of the members of a registered society, is of opinion that the society ought to be dissolved, he may cancel the registration of the society.

(2) Any member of a society may, within two months from the date of an order made under sub-section (1), appeal from such order.

(3) Where no appeal is presented within two months from the making of an order cancelling the registration of a society, the order shall take effect on the expiry of that period.

(4) Where an appeal is presented within two months, the order shall not take effect until it is confirmed by the appellate authority.

(5) The authority to which appeals under this section shall lie shall be the Local Government :

Provided that the Local Government may, by notification in the local official Gazette, direct that appeals shall lie to such Revenue-authority as may be specified in the notification.

40. Where it is a condition of the registration of a society that it should consist of at least ten members, the Registrar may, by order in writing, cancel the registration of the society if at any time it is proved to his satisfaction that the number of the members has been reduced to less than ten.

Cancellation of registration of society.

Effect of cancellation of registration.

41. Where the registration of a society is cancelled, the society shall cease to exist as a corporate body—

- (a) in the case of cancellation in accordance with the provisions of section 39, from the date the order of cancellation takes effect ;
- (b) in the case of cancellation in accordance with the provisions of section 40, from the date of the order.

42. (1) Where the registration of a society is cancelled under section 39 or section 40, the Registrar may appoint a competent person to be liquidator of the society.

Winding up.

- (2) A liquidator appointed under sub-section (1) shall have power—
  - (a) to institute and defend suits and other legal proceedings on behalf of the society by his name of office ;
  - (b) to determine the contribution to be made by the members and past members of the society respectively to the assets of the society ;
  - (c) to investigate all claims against the society and, subject to the provisions of this Act, to decide questions of priority arising between claimants ;
  - (d) to determine by what persons and in what proportions the costs of the liquidation are to be borne ; and
  - (e) to give such directions in regard to the collection and distribution of the assets of the society, as may appear to him to be necessary for winding up the affairs of the society.

(3) Subject to any rules, a liquidator appointed under this section shall, in so far as such powers are necessary for carrying out the purposes of this section, have power to summon and enforce the attendance of witnesses and

to compel the production of documents by the same means and (so far as may be) in the same manner as is provided in the case of a Civil Court under the Code of Civil Procedure, 1908.

(4) Where an appeal from any order made by a liquidator under this section is provided for by the rules, it shall lie to the Court of the District Judge.

(5) Orders made under this section shall, on application, be enforced as follows :—

(a) When made by a liquidator, by any Civil Court having local jurisdiction in the same manner as a decree of such Court.

(b) When made by the Court of the District Judge on appeal, in the same manner as a decree of such Court made in any suit pending therein.

(6) Save in so far as is hereinbefore expressly provided, no Civil Court shall have any jurisdiction in respect of any matter connected with the dissolution of a registered society under this Act.

*Rules.*

43. (1) The Local Government may, for the whole or any part of the Province and for any registered society or class of such societies, make rules to carry out the purposes of this Act.

*Rules.*

(2) In particular and without prejudice to the generality of the foregoing power, such rules may—

(a) subject to the provisions of section 5, prescribe the maximum number of shares or portion of the capital of a society which may be held by a member ;

(b) prescribe the forms to be used and the conditions to be complied with in the making of applications for the registration of a society and the procedure in the matter of such applications ;

(c) prescribe the matters in respect of which a society may or shall make by-laws and for the procedure to be followed in making, altering, and abrogating by-laws, and the conditions to be satisfied prior to such making, alteration, or abrogation ;

(d) prescribe the conditions to be complied with by persons applying for admission or admitted as members, and provide for the election and admission of members, and the payment to be made and the interests to be acquired before the exercise of the right of membership ;

(e) regulate the manner in which funds may be raised by means of shares or debentures or otherwise ;

(f) provide for general meetings of the members and for the procedure at such meetings and the powers to be exercised by such meetings ;

- (g) provide for the appointment, suspension, and removal of the members of the committee and other officers, and for the procedure at meetings of the committee, and for the powers to be exercised and the duties to be performed by the committee and other officers ;
- (h) prescribe the accounts and books to be kept by a society and provide for the audit of such accounts and the charges, if any, to be made for such audit, and for the periodical publication of a balance sheet showing the assets and liabilities of a society ;
- (i) prescribe the returns to be submitted by a society to the Registrar and provide for the persons by whom and the form in which such returns shall be submitted ;
- (j) provide for the persons by whom and the form in which copies of entries in books of societies may be certified ;
- (k) provide for the formation and maintenance of a register of members and, where the liability of the members is limited by shares, of a register of shares ;
- (l) provide that any dispute touching the business of a society between members or past members of the society or persons claiming through a member or past member or between a member or past member or persons so claiming and the committee or any officer shall be referred to the Registrar for decision or, if he so directs, to arbitration, and prescribe the mode of appointing an arbitrator or arbitrators and the procedure to be followed in proceedings before the Registrar or such arbitrator or arbitrators, and the enforcement of the decisions of the Registrar or the awards of arbitrators ;
- (m) provide for the withdrawal and expulsion of members and for the payments, if any, to be made to members who withdraw or are expelled and for the liabilities of past members ;
- (n) provide for the mode in which the value of a deceased member's interest shall be ascertained, and for the nomination of a person to whom such interest may be paid or transferred ;
- (o) prescribe the payments to be made and the conditions to be complied with by members applying for loans, the period for which loans may be made, and the amount which may be lent, to an individual member ;
- (p) provide for the formation and maintenance of reserve funds, and the objects to which such funds may be applied, and for the investment of any funds under the control of the society ;
- (q) prescribe the extent to which a society may limit the number of its members ;
- (r) prescribe the conditions under which profits may be distributed to the members of a society with unlimited liability and the maximum rate of dividend which may be paid by societies

(s) subject to the provisions of section 39, determine in what cases an appeal shall lie from the orders of the Registrar and prescribe the procedure to be followed in presenting and disposing of such appeals ; and

(t) prescribe the procedure to be followed by a liquidator appointed under section 42, and the cases in which an appeal shall lie from the order of such liquidator.

(3) The Local Government may delegate, subject to such conditions, if any, as it thinks fit, all or any of its powers to make rules under this section to any authority specified in the order of delegation.\*

(4) The power to make rules conferred by this section is subject to the condition of the rules being made after previous publication.

(5) All rules made under this section shall be published in the local official Gazette and on such publication shall have effect as if enacted in this Act.

*Miscellaneous.*

44. (1) All sums due from a registered society or from an officer or member or past member of a registered society as such to the Government, including any costs awarded to the Government under section 37, may be recovered in the same manner as arrears of land-revenue.

Recovery of sums due to Government.

(2) Sums due from a registered society to Government and recoverable under sub-section (1) may be recovered, firstly, from the property of the society ; secondly, in the case of a society of which the liability of the members is limited, from the members subject to the limit of their liability ; and, thirdly, in the case of other societies, from the members.

45. Notwithstanding anything contained in this Act, the Local Government may, by special order in each case and subject to such conditions, if any, as it may impose, exempt any society from any of the requirements of this Act as to registration.

Power to exempt societies from conditions as to registration.

46. The Local Government may, by general or special order, exempt any registered society from any of the provisions of this Act or may direct that such provisions shall apply to such society with such modifications as may be specified in the order.

Power to exempt registered societies from provisions of the Act.

47. (1) No person other than a registered society shall trade or carry on business under any name or title of which the word " co-operative " is part without the sanction of the Local Government :

Prohibition of the use of the word " co-operative."

Provided that nothing in this section shall apply to the use by any person or his successor in interest of any name or title under which he traded or carried on business at the date on which this Act comes into operation.

(2) Whoever contravenes the provisions of this section shall be punishable with fine which may extend to fifty rupees and in the case of a continuing offence with further fine of five rupees for each day on which the offence is continued after conviction therefor.

Indian Companies Act, 1882, not to apply. 48. The provisions of the Indian Companies Act, 1882, shall not apply to registered societies.

49. Every society now existing which has been registered under the Co-operative Credit Societies Act, 1904, shall be deemed to be registered under this Act, and its by-laws shall, so far as the same are not inconsistent with the express provisions of this Act, continue in force until altered or rescinded.

Repeal.

50. The Co-operative Credit Societies Act, 1904, is hereby repealed.

## APPENDIX III.

### EXEMPTIONS AND CONCESSIONS.

#### SEPARATE REVENUE DEPARTMENT.

##### Income Tax.

*No. 681-F., dated Delhi, the 28th December 1912.*

In exercise of the powers conferred by section 28, clause (a) of the Co-operative Societies Act (II of 1912), the Governor-General in Council is pleased to remit the income tax payable in respect of the profits of any Co-operative Credit Society for the time being registered under that Act, or of the dividends and other payments received by the members of any such society on account of profits.

2. The Notification of the Finance and Commerce Department No. 6216-S.R., dated the 30th September 1904, is hereby cancelled.

##### *Separate Revenue.*

##### Stamps.

*No. 683-F., dated Delhi, the 28th December 1912.*

In exercise of the powers conferred by section 28, clause (b), of the Co-operative Credit Societies Act, 1912 (II of 1912), the Governor-General in Council is pleased to remit the stamp duty with which, under any law for the time being in force, instruments executed by or on behalf of any Co-operative Credit Society for the time being registered under that Act, or instruments executed by any officer or member of any such Society, and relating to the business of the society, are respectively chargeable.

2. The Notification of the Finance and Commerce Department No. 6220-S.R., dated the 30th September 1904, is hereby cancelled.

### NOTIFICATION.

*No. 376, Home Department (Judicial), dated Simla, the 24th April 1914.*

In supersession of the Home Department Notification No. 2025, dated the 20th June 1910, and in exercise of the powers conferred by section 28,

clause (c), of the Co-operative Societies Act, 1912 (II of 1912), the Governor-General in Council is pleased to remit the following fees payable under the law of registration for the time being in force, namely :—

- (a) All fees payable by or on behalf of any Co-operative Society for the time being registered under that Act ; and
- (b) All fees payable in respect of any instrument executed by any officer or member of such a society and relating to the business thereof.

#### NOTIFICATION.

*No. 363, dated Nagpur, the 13th August 1912.*

In exercise of the powers conferred by section 46 of the Co-operative Societies Act II of 1912, the Chief Commissioner is pleased to exempt the Central Provinces and Berar Provincial Co-operative Bank, Limited, from the following provisions of the said Act, namely :—

Section 5, clause (b).

- .. 14 (1).
- .. 23.
- .. 24.
- .. 33.

#### CONCESSION FOR THE ISSUE OF REMITTANCE TRANSFER RECEIPTS AT PAR.

*Article 143B (9) of the Civil Account Code :—*

*“ Co-operative Societies (credit and non-credit).—For remittances between societies provided that the amount to be remitted is not less than Rs. 150.”*

#### ISSUE OF CASH ORDERS ON SUB-TREASURIES.

*Note to Article 390 of the Civil Account Code :—*

*“ Note.—Remittance transfer receipts are not payable at sub-treasuries save as expressly provided in Appendix D. But if the money payable on a remittance transfer receipt is required at a sub-treasury there is no objection to the issue of a cash order to the payee for presentation at the sub-treasury. In such case the payee should receipt the remittance transfer receipt as ‘Received payment by a cash order on \_\_\_\_\_ Sub-treasury,’ and the Treasury Officer at the district treasury should finally deal with the remittance transfer receipt, and should take the same precautions regarding the delivery of the cash order as are prescribed in the case of payment in cash.”*



*Note.*—In cases of slight clerical irregularities the Central Banks may encash Remittance Transfer Receipts under Article 391 of the Civil Account Code, which runs as follows :—

“ The points in order are, that the bill has been advised ; that it corresponds in all particulars with the advice ; that it bears the genuine signature of the drawer ; that it bears the signature purporting to be that of the Treasurer unless issued by a Presidency Bank or one of its branches ; that it has not been tampered with ; and, of course, that it is not a cancelled or a lapsed bill or one of which a duplicate has been paid. Yet a bill may be paid—

*Without advice*, if there is no reason whatsoever to doubt its genuineness, and if sufficient security is offered. In the case of well known and reliable holders, this security may be dispensed with. The Treasury Officer should in all such cases apply for the necessary advice without delay.

*Even though differing from the advice*, at the discretion and risk of the drawee, provided there is no suspicion of fraudulent alteration, nor any possible doubt of the genuineness of the bill. But great caution should be exercised before paying on a bill an amount larger than that named in the advice.

*Note.*—If the Remittance Transfer Receipt bears no signature purporting to be that of the Accountant the fact should be immediately brought to the notice of the Treasury Officer who issued the bill, in order that he may ascertain whether the amount was correctly brought to book.”

#### INVESTMENTS AND DEPOSITS BY GOVERNMENT SERVANTS IN CO-OPERATIVE BANKS.

The Local Administration has permitted Government servants of every class to make investments or place deposits in the Provincial Co-operative Bank, Limited, Jubbulpore, and in all Co-operative Central Banks situated in the Central Provinces and Berar.

## APPENDIX IV.

*The following rules have been framed by the Central Provinces Administration under Section 43 of the Co-operative Societies Act II of 1912. They have been made applicable to the Central Provinces by Notification No. 355 of the 26th of September, 1916, and to Berar by Notification No. 356 of the same date.*

### RULES.

1. In these rules—

The " Act " means the Co-operative Societies Act, 1912 (II of 1912), and " Rules " mean Rules made under the Act and for the time being in force.

2. Subject to the provisions of Section 5 of the Act, where the liability of a member is limited by shares, no member other than a registered society shall hold more than one-fifth of the share capital of the society.

3. Every application for the registration of a society shall state—

- (1) the name and address of the society proposed for registration ;
- (2) whether it is intended to be limited or unlimited ;
- (3) the area of operations ;
- (4) the objects of the society ;
- (5) the amount of initial capital it is proposed to raise ;
- (6) the manner in which the capital is to be raised, *i.e.*,  
by the issue of shares,  
by receiving deposits,  
by borrowing,  
by donations,  
and the amount of capital already subscribed or promised ;
- (7) the qualifications for membership of the society ;
- (8) the names and residences of the applicants ; and

(g) whether each applicant is an agriculturist or non-agriculturist.

4. Every such application shall be attested by the signature (or the thumb impression) of each applicant, and shall be forwarded to the Registrar through the Deputy Commissioner of the District in which the place of business of the society is situated.

5. In forwarding the application the Deputy Commissioner shall recommend (a) registration, or (b) refusal of registration. If the recommendation be that registration should be refused, the Deputy Commissioner shall state the reasons for it clearly.

6. The Registrar shall consider the application and may, if necessary, order further enquiry or refuse registration. Should he decide to allow registration he shall register the society in a register to be kept for that purpose.

7. Every such entry shall be attested by the seal and signature of the Registrar, and shall be open to inspection by the public without fee.

8. The Registrar shall communicate to the society his decision to allow or refuse registration by an order under his own signature. He shall also forward to the society a certified copy of the by-laws, as finally approved by him, as soon as they have been finally passed.

9. If the Registrar refuses to register a society, an appeal shall lie to the Financial Commissioner, within two months from the communication of such refusal to the applicants, who may direct the Registrar to register the society.

10. No society with unlimited liability shall be registered unless it agrees to purchase at least one share in the Central Bank to which it proposes to become affiliated.

11. Every application for registration shall be accompanied by by-laws dealing with the following matters :—

(1) the election and admission of members and the payment to be made or interests to be acquired before exercising rights of membership ;

(2) the withdrawal and expulsion of members and the payments to be made to members who withdraw

or are expelled and for the liabilities of past members ;

- (3) the mode in which the value of a deceased member's interest shall be ascertained ;
- (4) the liability of the members of the society ;
- (5) the conditions on which loans to members may be granted, the period for which loans may be made, and the amount which may be lent to an individual member ;
- (6) the formation of a reserve fund, and in the case of societies with limited liability the proportion to the total liabilities to which it should attain and the rate to which interest on loans to members should be reduced before profits may be distributed to the members ;
- (7) the manner in which the capital of the society may be raised ;
- (8) the procedure at general meetings of members, the powers to be exercised by such meetings, and the intervals at which they must be held ;
- (9) the appointment of a committee and other officers of the society, the procedure at meetings of the committee, the powers and duties of the committee and other officers and the suspension and removal of officers of the society ; and
- (10) the rate of interest on deposits, the objects to which reserve funds may be applied and the investment or utilization of such funds or of any other funds under the control of the society.

12. All by-laws must be passed at a general meeting by a majority of not less than two-thirds of the votes of members present.

13. No by-laws shall be made, altered, or abrogated without the sanction of the Registrar.

14. (1) Every applicant for admission as a member must agree to pay such admission fee as may be prescribed in the by-laws. In the case of borrowing societies with unlimited liability no member shall be granted a loan unless he agrees

to purchase at least one share of Rs. 5 in the Central Bank to which his society is affiliated; and his debt to his society shall not be allowed to exceed a sum greater than ten times the value of the share or shares in the Central Bank which he has agreed to purchase. The Registrar may apply this rule to any society or class of societies with limited liability.

(2) No person shall be granted a loan from the funds of a registered society unless he produces from amongst his fellow members two sureties who shall in the first instance be personally responsible for his borrowings up to the amount of the credit duly sanctioned by the society in his favour.

(3) No person shall be admitted to membership of a registered society who does not satisfy the requirements of the Act or who is legally or mentally disabled or who is a bankrupt or against whom a conviction stands of a cognizable and non-bailable offence or, in the case of a society with unlimited liability, who is already a member of another society of unlimited liability.

(4) Any member who may at any time be found to be disqualified for any of the reasons mentioned in clause (3) above shall be removed from the society.

(5) In case of doubt, the decision of the Registrar as to whether a person is, or is not, eligible for membership of a registered society, or is, or is not, liable to removal from membership of a registered society shall be final.

15. (1) Subject to such limit as the Registrar may impose from time to time on its maximum borrowing powers and the maximum rates of interest to be paid on its borrowings, a registered society may borrow funds to be used in its business from members and non-members.

(2) Subject to the limit imposed by the Registrar a registered society shall determine annually at a general meeting the maximum limit of indebtedness in respect of existing and new borrowings which may be incurred in the coming year; such limit may be modified at a subsequent general meeting.

16. The issue of bonds or debentures by a registered society shall be subject to such conditions as the Registrar may prescribe.

17. With the previous sanction of the Registrar, any society may invest its funds or a portion thereof in the purchase or leasing of land or in the construction of buildings or in such other manner as may be necessary for the conduct of its business and the welfare of the co-operative movement.

18. If a registered society requires financial assistance from Government, it shall forward an application through the Deputy Commissioner to the Registrar setting forth in full the reasons which lead the society to ask for such assistance.

19. Notwithstanding anything contained in these rules or in the by-laws of a registered society as to the mode of summoning a general meeting and the object, time, and place of such meeting, the Registrar or any person authorized by the Registrar may summon at any time a special general meeting of the society in such manner and at such time and place as he may direct and may specify what matters shall be discussed by the meeting. Such meeting shall have all the powers of, and be subject to the same rules as, a general meeting called according to these rules or the by-laws of the society.

20. Every society shall maintain such accounts and registers as the Registrar may from time to time prescribe, and shall publish a balance sheet annually in such manner as the Registrar may, by general or special order, prescribe.

21. Every registered society shall be liable to pay such audit fees as the Registrar may prescribe.

22. Every society shall from time to time furnish the Registrar with such information and with such returns as may be called for by him.

23. Copies of such entries in the books of societies as may be required for the purposes of Section 26 of the Act shall be made by the Secretary of the Society and shall be certified by him and by another officer of the society or member of the committee to be true copies.

24. Every society shall maintain a register of members, and where there is share capital a register of shares.

25. Any dispute touching the business of a Co-operative Society between members or past members of the society or persons claiming through a member or past member, or between

a member or past member or persons so claiming and the committee or any officer, shall be referred to the Registrar.

26. The Registrar, on receiving notice of such dispute, shall, at his discretion, either decide the dispute himself or shall appoint an arbitrator or shall refer it to three arbitrators, of whom one shall be nominated by each of the parties to the dispute and the third shall be nominated by the Registrar and act as chairman. If any party to a dispute fails to nominate an arbitrator within 15 days, the Registrar may himself make the nomination.

27. The Registrar or the arbitrator or arbitrators shall have power to administer oaths, to require the attendance of all parties concerned and witnesses, and to require the production of all books and documents relating to the matter of the dispute, by a summons sent by registered post to the party's last known address.

28. The arbitrator appointed by the Registrar, or the arbitrators to whom the Registrar has referred a dispute, shall record a brief note in English or the vernacular of the evidence of the parties and witnesses who attend and, upon the evidence so recorded and after consideration of any documentary evidence produced by either side, a decision or award, as the case may be, shall be given in accordance with justice, equity, and good conscience and shall be reduced to writing. In the absence of any party duly summoned to attend, the dispute may be decided against him in default. In cases where three arbitrators are appointed, the opinion of the majority shall prevail.

29. Any person duly summoned by the Registrar or arbitrator or arbitrators to appear before him or them, or to produce any document, and failing to do so shall be liable to the penalties prescribed in Rule 7 (2) of the Second Schedule of the Code of Civil Procedure, 1908 (V of 1908).

30. Any party aggrieved by an award of an arbitrator or arbitrators may appeal to the Registrar within one month of the date of the award.

31. An award of the arbitrators, if not appealed against within one month, and any decision or order of the Registrar

shall, as between the parties to the dispute, not be liable to be called in question in any Civil or Revenue Court and shall be in all respects final and conclusive.

32. Decisions and awards mentioned in Rule 31 shall, on application to any Civil Court having local jurisdiction, be enforced in the same manner as a decree of such Court.

33. In proceedings held under Rules 25 to 30 no party shall be represented by any legal practitioner, except with the permission of the Registrar or arbitrator or arbitrators.

34. (1) Any member of a registered society may, in writing or by a declaration duly made, nominate any person or persons to whom his share or interest, or the value of such share or interest and all other monies specified in Section 22 of the Act that may be due to him, may on the death of such member be paid or transferred under the provisions of the said section, and may in similar manner from time to time revoke or vary such nomination :

Provided that the value of the member's share or interest shall be represented by the sum actually paid by the member to acquire such share or interest, unless the by-laws provide for calculation thereof otherwise.

(2) Every registered society shall keep a register of all persons so nominated.

35. Every registered society shall form and maintain a reserve fund to which at least one-fourth of the net profits must be carried.

36. The reserve fund of a registered society shall be indivisible and no member shall be entitled to claim any specified share in it.

37. On the dissolution of a registered society, the reserve fund shall be applied—

- (i) to discharging such liabilities of the society as may remain undischarged after the enforcement in full of the liability of the individual members of the society;
- (ii) to the repayment of share capital paid up, if any;
- (iii) to the payment of dividend upon such share capital at a rate not exceeding 10 per cent. per annum



for any period or periods for which no dividend has been paid.

38. Any balance of the reserve fund which may remain after making the payments specified in Rule 37 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.

39. In no registered society shall the rate of dividend paid on shares exceed 12 per cent. per annum without the sanction of the Registrar.

40. Except for the appeal allowed under Section 39 of the Act and under Rule 9 of these rules, no appeal shall lie against any order of the Registrar passed in any matter dealt with in the Act or in the rules framed under the Act.

41. The following procedure shall be adopted by a liquidator appointed under Section 42 of the Act :—

(a) The liquidator shall take into his custody or under his control all the books, registers, and accounts belonging to the society and all the property, effects and actionable claims to which the society is entitled.

(b) The liquidator shall ascertain what the dues and other assets of the society and its debts and liabilities are, and shall investigate all claims against the society. The liquidator may publish in such manner as he thinks proper a notice requiring all claims against the dissolved society to

- be submitted to him within two months from the date of publication thereof.
- (c) The liquidator shall decide questions of priority arising between claimants and shall draw up a scheme for the payment of their dues.
  - (d) The liquidator shall recover all sums and other properties to which the society is entitled and may institute such suits for that purpose or such suits incidental to the liquidation proceedings as he may think proper.
  - (e) The liquidator may empower any person to make collections and to grant valid receipts on his behalf.
  - (f) If the assets of the society (including the amounts recovered by the liquidator) are not sufficient to cover the costs of liquidation and to pay off the liabilities of the society, the liquidator shall—
    - (i) determine the contribution to be made by the members and past members, respectively, to the assets of the society, and
    - (ii) determine by what persons and in what proportion the costs of liquidation are to be borne.
  - (g) The liquidator may apply to the Civil Court, having local jurisdiction, for the enforcement of his orders in respect of the payment of contribution and the costs of liquidation. Every such application shall be made in the same manner and (so far as may be) shall contain such particulars as is provided in the case of applications for the execution of decrees under the Code of Civil Procedure, 1908.
  - (h) The liquidator may from time to time revise his orders determining the amounts of contribution and the costs of liquidation, and may apply to the Civil Court for the enforcement of such revised orders or for the modification of any application already made.

- (i) The liquidator may send to the Deputy Commissioner for service or execution all processes for the enforcement of the attendance of witnesses and of the production of documents, including all orders for the attachment of property and orders for the levy of fine made by the liquidator in exercise of the powers vested in him by Section 42, Sub-section (3) of the Act :

Provided that all costs for serving or executing such processes shall be payable in Court-fees in accordance with the scale fixed for, and in the same manner as is provided in the case of process issued by Revenue Courts, under the Court-fees Act, 1870.

- (j) The liquidator shall keep such books and accounts as may from time to time be prescribed by the Registrar, who may at any time cause such books and accounts to be audited.
- (k) The liquidator shall deposit the funds and other assets of the dissolved society which are collected by him or which may come into his possession as liquidator, in such manner and in such place as may from time to time be determined by the Registrar.
- (l) The liquidator shall every three months submit to the Registrar a report stating the progress made in winding up the affairs of the society, and shall on completion of the liquidation proceedings submit a final report and make over to the Registrar all books, registers, and accounts belonging to the society and all books and accounts relating to such proceedings kept by him.
- (m) The liquidator shall also submit such information and particulars with regard to the liquidation proceedings as may from time to time be required by the Registrar.

42. No appeal shall lie from any order of the liquidator.

# INDEX.

	PAGES.
Absolute occupancy tenant, right of an .. .. .	169—70
Accounts, Definition of .. .. .	385
Classes of .. .. .	385
Impersonal .. .. .	385
Nominal .. .. .	385, 397
Personal .. .. .	385, 396
Property .. .. .	389
Real .. .. .	387
Admission of Primary Co-operative Credit Societies to a Circle Union of Primary Co-operative Credit Societies .. .. .	297
Admission of minors .. .. .	487
Admission to membership of a Primary Co-operative Credit Society .. .. .	272
Advance of money by Central Banks to Societies .. .. .	486
Advisory Committee, Federation .. .. .	64, 345
Affiliation of a Primary Co-operative Credit Society, to a Central Bank .. .. .	290
To a Circle Union .. .. .	290
Age limit for membership of a Primary Co-operative Credit Society .. .. .	262
Agricultural conditions, in Germany and in the United States, a contrast between .. .. .	184—5
Agricultural Co-operative Societies, origin and development of .. .. .	196
Agricultural Co-operative Supply Society, description of an .. .. .	197—200
Agricultural Union, constitution of an .. .. .	362—5
Agriculture, Activities of the Provincial Department of .. .. .	360
Co-operation in .. .. .	354
Effects of climate on .. .. .	197
In Great Britain .. .. .	196
Progress of Co-operation in—in C. P. and Berar .. .. .	360—73
Progress of Co-operation in—in Provinces other than C. P. .. .. .	355—60
Aim of every Union .. .. .	132
Annual Budget of the Federation .. .. .	345, 346
Annual payment of interest .. .. .	498
Annual Returns .. .. .	383
"    "    preparation of .. .. .	485
Annuity System .. .. .	390
Applications for Awards .. .. .	502
Appraisal Committee .. .. .	186—7
Assets and Liabilities, a full and true statement of his—must be furnished by a candidate for admission to the membership of a Primary Co-operative Society .. .. .	263
Attachment, shares or interest of a member of a Co-operative Society not liable to .. .. .	276
Audit Certificate, form of .. .. .	472

	PAGES.
Audit notes of Central Banks, procedure for the disposal of .. .. .	481
Audit notes of Primary Societies, procedure for the disposal of .. .. .	474
Audit of Central Banks, instructions regarding .. .. .	477—81
Audit of Circle Unions of Primary Societies .. .. .	476
Audit of Primary Societies .. .. .	468
Audit to be local .. .. .	497—8
Auditor, Federation, qualifications to be possessed by a .. .. .	466—7
Auditor, questions to be answered by an .. .. .	469—71
Auditors, duties of .. .. .	484
Balance Sheet of a Central Bank .. .. .	404
Bank and Federation staff, control of .. .. .	491—2
“Bhaiya chara” tenure .. .. .	167
Bill Business .. .. .	99—100
Bill Collection and Transfers .. .. .	100
Book-keeping, Definition, and Explanation of .. .. .	384
Single entry and double entry systems of .. .. .	385
Books to be maintained by a Circle Union .. .. .	436
Borrowing, except from his Society without the consent of the Pañchayat, prohibited in the case of a member of a Primary Society .. .. .	263
Restriction on —— of a Primary Co-operative Society .. .. .	285
Why such restriction as regards——from outside is necessary .. .. .	265
Branch Farm of Seed Union .. .. .	362
Buck, Sir Edward, Views of——on the interdependence of water and manure .. .. .	369
Budget, Annual Federation .. .. .	345, 346
Business of the Prussian Central Co-operative Bank with public Savings Banks .. .. .	92—3
By-laws, amendment of the .. .. .	
———— of a Primary Co-operative Society .. .. .	290
———— for a Central Bank .. .. .	317—27
———— for the Central Provinces Federation of Co-operative Central Banks .. .. .	343—51
———— for a Circle Union of Primary Societies .. .. .	293—306
———— for a Primary Co-operative Credit Society with unlimited liability .. .. .	262—90
———— for the Provincial Bank .. .. .	332—9
Full acquaintance with the meaning of the —— compulsory for a member of a Primary Society .. .. .	263
Capital of guarantee .. .. .	332
Capital, restriction on the investment of .. .. .	318
Capital, share .. .. .	317
Cash book .. .. .	398, 399
Cash book, specimen form of .. .. .	400
Cash credit, explanation of .. .. .	150—51
Cash Orders, issue of .. .. .	520
Cattle-Breeding Societies, the Nawagaon and Khandwa, in the Raipur District .. .. .	371
Cattle-Breeding Societies, the Swiss .. .. .	213
Cattle Insurance Societies .. .. .	220
Importance, organization, and methods of raising funds of .. .. .	221
In Burma .. .. .	358, 359
In Mainpuri .. .. .	355

	PAGES.
Cattle Insurance Societies, Prospects of the establishment of — in the Central Provinces and Berar .. .. .	223
State aid to — and conditions imposed by the French Government ..	222
Central Bank, Affiliation of a Primary Co-operative Credit Society to a ..	290
An agency for supply .. .. .	201
Area assigned to .. .. .	308
Assessment of credit by .. .. .	322, 323
Co-operative Credit and the .. .. .	374, 378
Description of registers of a .. .. .	443—54
Education of societies and improvement of agriculture by .. .. .	308
Encouragement of thrift by .. .. .	312
Instructions regarding the audit of .. .. .	477—81
Memorandum of Association of a .. .. .	441
Objects of a .. .. .	442
Standard by-laws of a .. .. .	317—27
Success in the attraction of local deposits, a test of the stability of ..	309
Supervision and guidance of, non-credit societies by .. .. .	353, 363—4
Supply of seed by .. .. .	309
Central Banks' borrowings, restrictions on .. .. .	483
Central Organization Unions .. .. .	53—8
Central Union .. .. .	203
Central Union, Haas System .. .. .	354
Charge, in respect of shares or interest of members of a Co-operative Society ..	276
Cheque Business .. .. .	99
Circle Union, affiliation of a Primary Co-operative Society to a .. .. .	290
List of books in a .. .. .	436
Memorandum of Association of a .. .. .	433
The objects of a .. .. .	434
Circle Unions of Primary Societies, audit of .. .. .	476
Classes of tenants in the Central Provinces .. .. .	167—8
Collection of Reserve Funds .. .. .	503
Committee, Appraisement .. .. .	186—7
Concealment of debts .. .. .	263
Conditions governing loans by land mortgage banks .. .. .	186
Conditions governing bond issues by land mortgage banks .. .. .	186
Contrast between agricultural conditions in Germany and in the United States ..	184—5
Control of Bank and Federation staff .. .. .	491—2
Co-operation, the meaning of .. .. .	vii, 131
The future of industrial — in the C. P. and Berar .. .. .	144—5
Co-operative Agricultural Credit, Causes and effects of the recent want of success in the Department of — in Germany and the lessons to be learned from it	234
Co-operative Credit Institutions in Italy, Federation of .. .. .	162
Co-operative Credit Societies in Italy, Federal Bank of .. .. .	162
Co-operative Credit Societies in Germany, a table of .. .. .	50
Co-operative Dairy, Irish .. .. .	203—4
Co-operative Education .. .. .	488—9
Co-operative Efficiency, tests to apply to .. .. .	464
Co-operative Mortgage Credit Associations, the principal merits attaching to ..	181—2
Co-operative Mortgage Credit Society, non-payment by a member of .. .. .	178
Co-operative Principles, acquaintance with the main — compulsory for a member of a Primary Society .. .. .	263

	PAGES.
Co-operative Principles, Why such acquaintance of — by members of Primary Societies is necessary .. .. .	265
Co-operative Societies, Definition of the object of Central Association of ..	130
General Federation of .. .. .	114
Origin and development of agricultural .. .. .	196
Co-operative Societies Act .. .. .	504—18
Co-operative System in the C. P. and Berar, early difficulties experienced in the introduction of .. .. .	252
False ideas and notions among the pioneers of the movement for the establishment of .. .. .	253
Position which the Registrar and his Assistants occupy with respect to the movement for the establishment of .. .. .	255
The different units in the .. .. .	259
The main principles upon which — is based .. .. .	251
Cotton Seed Farms, Mr. Clouston's views on the management of .. .. .	362
County Society in Hungary .. .. .	311
Custody and renewal of promissory notes .. .. .	495—6
Dacca Co-operative Dairy .. .. .	358
Dairy, Irish Co-operative .. .. .	203—4
The Lucknow Baraf-khana Co-operative .. .. .	204—7
Co-operative — at Benares and Lucknow .. .. .	355, 356
Dacca Co-operative .. .. .	358
— Society at Gaya .. .. .	359
Jambul Hanuman — near Kalyan .. .. .	356
Views of the Bombay Committee regarding milk supply .. .. .	357, 358
Debentures, Issue of — by a Central Bank .. .. .	321
" " — by the Provincial Bank .. .. .	334
Debts, classes of .. .. .	396, 397
Deposits, acceptance of — by Central Banks .. .. .	321
Acceptance of fixed — by a Primary Co-operative Society .. .. .	286
By the Provincial Bank .. .. .	334
Definition of general .. .. .	127
Limitation of .. .. .	187
Savings — of members of Primary Co-operative Credit Societies .. .. .	285
Depreciation .. .. .	389, 390
Diaries of touring servants of Central Banks .. .. .	491—2
Directors, Constitution of the Board of — in a Central Bank .. .. .	319
" " " " — in the Provincial Bank .. .. .	335
Powers and duties of the Board of — in a Central Bank .. .. .	321, 322
" " " " — in the Provincial Bank .. .. .	335, 336
Qualifications for — in a Central Bank .. .. .	319
" " — in the Provincial Bank .. .. .	335
Dividend, Co-operative principle of .. .. .	308
Equalisation of .. .. .	485
Restrictions in Central Banks on payment of .. .. .	325
Dodaikin .. .. .	127
Education, Classification of work done in respect of .. .. .	231
Co-operative, as defined by the Educational Committee of the English Co-operative Union .. .. .	231

	PAGES.
Education, In Co-operation .. .. .	488—9
Efficient society, tests applicable to an .. .. .	464
Encouragement of local deposits .. .. .	487
Enforcement of prior claims .. .. .	484
Enrolment in membership of all the members of a joint family .. .. .	501
Entrance Fee, An ————— of annas eight compulsory for the membership of a Primary Co-operative Society .. .. .	262
Payment of the prescribed ——— compulsory after admission of a person to membership of a Primary Co-operative Society .. .. .	272
Utilization of .. .. .	264
Equalisation of dividend .. .. .	485
Estate, Liability of the ——— of a deceased member of a Primary Co-operative Society .. .. .	275
Evaluation for Credit .. .. .	94—6
Exclusion of value of land .. .. .	487
Exemptions and concessions .. .. .	519—21
Expulsion, Grounds for ——— of members of a Primary Co-operative Society .. .. .	273
————— of a Primary Co-operative Society from a Circle Union .. .. .	298
Famine Insurance Fund .. .. .	348
Farms, seed .. .. .	360
Farms, Central and Branch .. .. .	362
Federal Bank of Co-operative Credit Societies in Italy, the formation of a .. .. .	162
Federation Auditor, qualifications to be possessed by a .. .. .	466—7
Federation, C. P. ——— of Co-operative Central Banks, Advisory Committee of .. .. .	345
By-laws of the .. .. .	343—51
General ——— of German Agricultural Co-operative Societies .. .. .	381
Governor of .. .. .	344
Imperial .. .. .	43
Membership and objects of .. .. .	343
National .. .. .	43
National ——— of German Agricultural Co-operative Societies .. .. .	381—2
————— of Co-operative Credit Institutions in Italy, the formation of a .. .. .	162
————— of Co-operative Industrial Societies, the Central .. .. .	114
————— of Co-operative Societies based on Self-help, the General .. .. .	114
————— of Distribution Societies .. .. .	114
Permanent and Indivisible Fund of .. .. .	346
Raiffeisen .. .. .	43, 111
Schulze-Delitzsch .. .. .	43
Staff of .. .. .	348
Federations .. .. .	58—72
Federations of Swiss Co-operative Cattle-Breeding Societies .. .. .	219
Fidelity Guarantee .. .. .	150
Fixed Deposits, Acceptance of ——— by Primary Co-operative Societies .. .. .	286
Fluid resources, maintenance by the Provincial Bank of .. .. .	339
Form of record cards for Central Banks .. .. .	482
" " " for Primary Societies .. .. .	475
Fund for village improvements, the raising of .. .. .	138—9
Future of Industrial Co-operation in the C. P. and Berar .. .. .	144—5
General lines of policy when crops fail .. .. .	493—5



INDEX

537

	PAGES.
General Meetings, Of a Central Bank .. .. .	326
Of a Primary Co-operative Society .. .. .	284
Of the Provincial Bank .. .. .	338
German Agricultural Co-operative Societies, Association of .. .. .	58
"    "    "    "    National Federation of .. .. .	59
German Central Loan Bank .. .. .	60
German Landschaften .. .. .	38
German Model and Italian Model differ in five special points .. .. .	158—61
Germany, agricultural conditions in .. .. .	184—5
Ginko .. .. .	189
Ginning Society .. .. .	365
Government Savings Banks .. .. .	25
Government Servants in Co-operative Banks, investments and deposits by .. .. .	521
Governor of the C. P. Federation of Co-operative Central Banks .. .. .	344
Guarantee-members .. .. .	41
Granary Society .. .. .	211
Great Britain, agriculture in .. .. .	196
Haas System, description of .. .. .	202—3
Haas, Wilhelm, Organization by — of the National Federation of German	
Agricultural Co-operative Societies .. .. .	379—82
Short sketch of the life and work of .. .. .	App. II, Part III
Societies under the — System .. .. .	354
Hail Insurance, Reasons why the French mutual — Societies are making no	
progress .. .. .	227
Mr. Wolff's remarks on the subject of .. .. .	225
Writer's opinion about — in the C. P. and Berar .. .. .	224
Holyoake, George Jacob, defines Co-operation .. .. .	vii
Hoto-kusha .. .. .	127
Implements, Stocking of agricultural — by Central Banks .. .. .	372, 373
Importance of encouraging local deposits .. .. .	487
Importance of proper accounts .. .. .	492
Inspection and taking copies of records of rights and papers .. .. .	490—1
Insurance, Cattle — Societies at Mainpuri .. .. .	355
Cattle — Societies in Burma .. .. .	358, 359
Cattle — in Belgium and France .. .. .	222
Famine — Fund .. .. .	348
Local organizations of a mutual or co-operative character most suited to	
Cattle .. .. .	221
Partial compensation for loss, a feature of Cattle — schemes in every	
country .. .. .	223
Prospects of the establishment of Cattle — in the C. P. and Berar .. .. .	223
Three methods practicable and actually in use for the raising of funds for	
Cattle .. .. .	221
Insurance against Hail, Reasons why the French Societies for — are making	
no progress .. .. .	227
Remarks of Mr. Wolf on the subject of .. .. .	225
Writer's opinion about — in the C. P. and Berar .. .. .	224
Interest, Charge and set-off in respect of members' .. .. .	317
Charge and set-off in respect of — of members of Co-operative Societies	
	276

	PAGES.
Interest, not liable to attachment .. .. .	317
On capital of the Prussian Central Co-operative Bank .. .. .	91
Of a member of a Co-operative Society not liable to attachment .. .. .	276
Of a past member of a Primary Co-operative Society defined .. .. .	275
Payment of a deceased member's .. .. .	319
Rate of — on loans advanced by a Primary Co-operative Society .. .. .	288
Rates of .. .. .	325, 334
Restrictions on share .. .. .	318, 333
Transfer of — on death of a member .. .. .	276
Value of members' — defined .. .. .	319
Investments and deposits by Government Servants in Co-operative Banks .. .. .	521
Irish Co-operative Dairy .. .. .	203—4
Irrigation, a safeguard against the danger of famines .. .. .	367, 368
Improvement of rice cultivation by — and transplantation .. .. .	370
Interdependence of manure supply and .. .. .	368, 369
Issue of cash orders on Sub-Treasuries .. .. .	520
Issue of Remittance Transfer Receipts at par .. .. .	520
Japanese Co-operative Societies classification of .. .. .	128
Japanese society, the object of a .. .. .	127
Journal .. .. .	397—9
Land, as the basis of credit .. .. .	184
Land mortgage banks .. .. .	38 186, 187
Land mortgage credit, definition of .. .. .	183
" " " system, of .. .. .	177—82
Leaflet containing the Essentials to be known by all members of Co-operative Credit Societies .. .. .	266—70
Ledger, definition of .. .. .	398
Liability, explained .. .. .	201
of a Circle Union of Primary Co-operative Credit Societies .. .. .	295
of a member of a Primary Co-operative Credit Society .. .. .	273
of a past member of a Primary Co-operative Credit Society .. .. .	275
of a Primary Co-operative Credit Society affiliated to a Circle Union .. .. .	299
of shareholders in a Central Bank .. .. .	318
of shareholders in the Provincial Bank .. .. .	337
of the estate of a deceased member of a Primary Co-operative Credit Society .. .. .	275
Overlapping of .. .. .	352
Separate societies for limited and unlimited .. .. .	353
Limitation of deposits .. .. .	187
Loans, On Effects .. .. .	100
Periods of — advanced by a Primary Co-operative Credit Society .. .. .	280
Rate of interest on — advanced by a Primary Co-operative Credit Society .. .. .	288
Malik makbuza tenure .. .. .	167
Manure Supply Societies at Kelva Mahim in Thana and at Mutha Canal in Poona, Bombay Presidency .. .. .	356
Membership, Admission to — of a Primary Co-operative Credit Society .. .. .	272
Maximum limit of — in a Primary Co-operative Credit Society with unlimited liability .. .. .	262

	PAGES.
Membership, payments compulsory after admission to — of a Primary Co-operative Credit Society .. .. .	272
Qualifications for — of Primary Co-operative Credit Societies .. .. .	262
Memorandum of Association, for a Central Bank .. .. .	441
For a Circle Union .. .. .	433
For a Primary Co-operative Credit Society .. .. .	405
Milk Selling Societies .. .. .	207
Mortgage credit association, principal merits attaching to .. .. .	181—2
Mortgage by members of Co-operative Societies .. .. .	490
National Federation of German Agricultural Co-operative Societies .. .. .	59, 381, 382
Nippon Kangyo Ginko, Development of .. .. .	192
Functions of .. .. .	190—91
Origin of .. .. .	189
Noko Ginko, description of .. .. .	192—5
Non-Agricultural Societies .. .. .	373
Non-co-operative Business done by the Prussian Central Co-operative Bank .. .. .	101
Non-payment by a member of Co-operative Mortgage Credit Society .. .. .	178
Occupancy tenant, right of an .. .. .	170—72
Old debts, Money advanced for the repayment of .. .. .	486
Views of the Committee on Co-operation on the subject of .. .. .	271
Ordinary tenant, right of an .. .. .	173—4
Panchayet, Formation, duties and responsibilities of the — of a Primary Co-operative Society .. .. .	277
Panches, faults in .. .. .	313, 314
Pass Books kept by Treasurers of Central Banks .. .. .	500
Past Member, Interest of a — of a Primary Co-operative Credit Society .. .. .	275
Liability of a — of a Primary Co-operative Credit Society .. .. .	275
Patwaris to produce papers for inspection, and to allow copies to be made .. .. .	490—1
People's Banks, discouragement of direct dealings in land or houses in .. .. .	150
Periodical scrutiny of Societies by Central Banks .. .. .	498
Primary Co-operative Credit Society with Unlimited Liability, Affiliation of a — to a Central Bank .. .. .	290
Affiliation of a — to a Circle Union .. .. .	290
Standard by-laws for a .. .. .	262—90
Principle underlying all forms of co-operative credit .. .. .	38
Prior claims, enforcement of .. .. .	484
Proceedings, Record of — of the meetings of the Panchayat and of a Primary Co-operative Credit Society .. .. .	280
Promissory Notes, custody and renewal of .. .. .	495—6
"    "    presentation in cases of default of .. .. .	340
Property Accounts .. .. .	389
Provident Fund, Rate of subscription and custody of — of Federation servants .. .. .	349
Provincial Bank, Aim of the — in respect of the power of control .. .. .	330—1
By-laws of the .. .. .	332—9
Description of registers in the .. .. .	455—61
List of registers in the .. .. .	454
Views of the Committee on Co-operation with regard to the position of .. .. .	328—30
Proxy, Voting by — in a Central Bank .. .. .	326

	PAGES.
Proxy, Voting by — in the Provincial Bank .. .. .	338
Prussian Central Co-operative Bank .. .. .	80—119
Punishment of dishonesty .. .. .	500
Purchase of shares by members of Primary Societies .. .. .	503
Purge, advantages of the application of the legal mode of — in respect of acquisition of immoveable property .. .. .	270
Quarterly Accounts .. .. .	101
Quarterly Returns .. .. .	383
Raiffeisen, Central Loan Bank .. .. .	78
— Federation .. .. .	43; 59, 60, 111
Organisation of General Federation of German Agricultural Co-operative Societies .. .. .	381
— Society is the basis of all agricultural organization .. .. .	157
The fundamental principles of the — system .. .. .	43
Rate of interest on loans advanced by a Primary Co-operative Credit Society .. .. .	288
Rates of interest of the Prussian Central Co-operative Bank .. .. .	98
Real Accounts .. .. .	387
Record card, Form of — for Central Banks .. .. .	482
Form of — for Primary Societies .. .. .	475
Registers, description of — maintained in a Central Bank .. .. .	443—54
Description of — maintained in the Provincial Bank .. .. .	455—61
Re-insurance, schemes of — necessary for local cattle insurance societies .. .. .	221
Remittance Transfer Receipts, issue of .. .. .	520
Repayment of old debts, Money advanced for the .. .. .	486
Reserve Fund .. .. .	392
Collection of — of cancelled societies .. .. .	501
Definition of .. .. .	394
Formation, Purpose, Investment, and Disposal of — of a Primary Co-operative Credit Society .. .. .	288
Investment of — .. .. .	394
— of a Central Bank .. .. .	325
— of the Provincial Bank .. .. .	337, 338
Reserves, Secret .. .. .	392, 393
Secret — for bad and doubtful debts .. .. .	393, 397
Restriction, on borrowings of a Primary Co-operative Credit Society on Central Banks' borrowings .. .. .	285
on lending or making deposits by a Primary Co-operative Credit Society .. .. .	288
Returns, Annual .. .. .	383
Quarterly .. .. .	383
Right, of an absolute-occupancy tenant .. .. .	169—70
of an occupancy tenant .. .. .	170—2
of an ordinary tenant .. .. .	173—4
of a ryot .. .. .	175
of a sub-tenant .. .. .	173
of village service tenants .. .. .	173
Rights of Primary Co-operative Credit Societies affiliated to a Circle Union .. .. .	298
Rosea, Contrast with Jari Cotton .. .. .	366
Distribution of — through cotton seed farms on a co-operative basis .. .. .	363

INDEX

541

	PAGES.
Rostand M., Views of — on co-operative banking .. .. .	322
Rules under the Co-operative Societies Act .. .. .	522—31
Safeguards for loans given on personal security .. .. .	39—40
Sale, Co-operative Society for — of <i>ghi</i> at Allahabad .. .. .	356
Savings, Banks in different places .. .. .	182—3
Boxes .. .. .	51
Deposits of members of Primary Co-operative Credit Societies .. .. .	285
Schulze-Delitzsch, Federation .. .. .	43
The defects in the People's Banks of the .. .. .	154—6
The keystone of the .. .. .	149
Scrutiny of the financial condition of societies .. .. .	500
Secret Reserves .. .. .	392, 393
Seed Farms .. .. .	360
Branch .. .. .	362
Central .. .. .	362
Set-off in respect of shares or interest of a member of a Co-operative Society .. .. .	276
Share(s), Capital .. .. .	317
Purchase of one — of Rs. 5 in the Central Bank, to which his society is affiliated, for every Rs. 50 or a fraction thereof which he may owe to his Society, compulsory for a member of a Primary Co-operative Society .. .. .	262
Restrictions on — interest .. .. .	318
Why such purchase of — is necessary .. .. .	264
Shares in a Central Bank, Allotment of .. .. .	323
Charge and set-off in respect of .. .. .	317
Liability to attachment of .. .. .	317
Redemption of .. .. .	322
Transfer of .. .. .	318
Shares in the Provincial Bank, Applications for .. .. .	333
Charge and set-off in respect of — held by members of a Primary Co-operative Society .. .. .	276
Held by members of co-operative societies not liable to attachment .. .. .	276
Founders' .. .. .	332
Preference .. .. .	332
Redemption of .. .. .	335
Transfer and withdrawal of .. .. .	337
Signature of a member of a Primary Co-operative Society compulsory after admission to membership .. .. .	372
Sinking Fund .. .. .	391, 392
Store, General outline of the object, business, management, and benefits of the Co-operative .. .. .	227
The Co-operative — an immediate means of economy, thrift, and general education for town dwellers in India .. .. .	233
Subscription, Annual Federation — should be regularly collected in advance .. .. .	272
The payment of annual — of Re. 1 to the funds of the C. P. Federation of Co-operative Banks compulsory for the membership of a Primary Co-operative Credit Society .. .. .	262, 272
Supply Society, Agricultural — at Mainpuri .. .. .	355
Taxation, Exemption from — on the land mortgage banks and mortgage bonds .. .. .	185

	PAGES.
Tenants, Classes of — in the Central Provinces .. .. .	167—8
Tenure, " Bhaiya chara " .. .. .	167
" Malik makbuza " .. .. .	167
Thrashing Societies, Specimen business rules for .. .. .	209
Thrift, Encouragement of — by Central Banks .. .. .	310
Trade Bill of Exchange, explanation of .. .. .	151
Transfer of interest on death of a member of a co-operative society .. .. .	276
Trial Balance, of a Central Bank .. .. .	402
Union, Affiliation of a Primary Co-operative Society to a Circle — of Primary Co-operative Societies .. .. .	290
Bavarian National .. .. .	56
By-laws for a Circle — of Primary Co-operative Credit Societies .. .. .	293
Central — under the Haas System .. .. .	354
Dantzic .. .. .	56
Hanoverian .. .. .	57
Hessian — of Agricultural Supply Societies .. .. .	58
The aim of .. .. .	132
The English Co-operative —, a general unifying link for the security of commercial and social harmony .. .. .	231
The necessity for the establishment of a Circle — of Primary Co-operative Credit Societies .. .. .	291
Unions, Agricultural .. .. .	362—5
Central Organization .. .. .	53—8
United States, agricultural conditions in the .. .. .	184—5
Village improvements, the raising of funds for .. .. .	138—9
Village service tenants, right of .. .. .	172—3
Voting, By Proxies .. .. .	326, 338
In a Central Bank .. .. .	326
In the Provincial Bank .. .. .	338
Vouchers .. .. .	439
Weeding out bad and doubtful members .. .. .	496—7
Withdrawal, Of members of Primary Co-operative Credit Societies .. .. .	275
Of Primary Co-operative Credit Societies from a Circle Union .. .. .	298
Wolfe, Mr. H. W., Views of — on the methods of raising funds for Cattle Insurance Societies .. .. .	221
Views of — on the necessity for the appointment of Registrar of Co-operative Societies and the duties which he is expected to discharge .. .. .	258
Views of — on the State Aid to Cattle Insurance Societies .. .. .	222
Views of — on the subject of Insurance against Hail .. .. .	225
Working Committee, constitution of — in a Central Bank .. .. .	321
Powers and duties of .. .. .	323, 324
Young Men's Associations in Japan, Discipline of .. .. .	133
Functions of .. .. .	134—5
Young Women's Associations in Japan, the object of .. .. .	135—6