

A MANUAL
COOPERATIVE SOCIETIES

IN THE
BOMBAY PRESIDENCY

COMPILED BY
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A MANUAL

FOR

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BOMBAY PRESIDENCY

CONTENTS.

	PAGE.
1. Introductory. The Co-operative Movement	1
2. Act II of 1912	9
3. The Co-operative Societies Rules, 1913 ..	29
4. Credit Societies with Unlimited Liability (organization and model by-laws)	33
5. Credit Societies with Limited Liability (organization and model by-laws)	45
6. The General Management of Co-operative Societies.. ..	57
7. How to advance loans to members	77
8. Accounts	89
9. List of Privileges	107
10. Unions (organization and model by-laws)	109
11. Central Financing Institutions	121
12. Seed Societies and Granaries (organization and model by-laws)	131
13. Weavers' Societies (organization and model by-laws) ..	151
14. Distributive Stores Societies (organization and model by-laws)	161
15. Manure Supplying Societies (organization and model by-laws).	173
16. Inspection and Audit	185
17. Liquidation	191
18. Government Servants and the Co-operative Movement ..	195

APPENDIX.

1. Resolutions of the Government of India issued with Act X of 1904 and Act II of 1912	199
2. Bibliography	215

PREFACE.

This Manual embodies all orders of Government relating to Co-operative Societies up to December 31st, 1913, and is intended for the guidance of all persons, official, or non-official, taking part in the Co-operative movement. It has been found impossible to avoid expressions of opinion in the discussion of such questions as the causes of rural indebtedness, the best methods of its prevention and cure, and the lines along which Co-operative Societies should develop. On economic questions there is always room for divergence of views. It should be clearly understood that the opinions advanced are those of the Registrar only, and that the Local Government accepts no responsibility for them.

R. B. EWBANK,

Registrar,

Co-operative Societies, Bombay.

Belgaum, April 1st, 1914.

CHAPTER I.

INTRODUCTORY.

The Co-operative Movement.

The Bombay Presidency may fairly claim to be the pioneer of the movement in India for improving rural credit by the establishment of Agricultural Banks. In 1883 under the inspiration of Sir William Wedderburn, I.C.S., a committee of capitalists in the Poona District was formed with the object of founding a bank to finance the agriculturists of the Purandhar Taluka. Relying on the grant of powers of recovery through the Revenue Officers, and on a few smaller concessions, they were in a position to raise a capital of 10 lakhs, and intended to begin operations by redeeming all the outstanding debts of the ryots. However Lord Kimberley, who was Secretary of State at the time, was obliged to take objection to the scheme on the ground that the bank would virtually be a Government Institution and that its constitution was faulty on the financial side. In the meantime the Land Improvement Loans Act (XIX of 1883) and the Agriculturists' Loans Act (XII of 1884) were passed, and hopes were entertained that operating in conjunction with the Deccan Agriculturists' Relief Act (Bombay Act XVII of 1879) they would go far to meet the needs of the situation. The scheme was therefore allowed to drop.

2. It was some time before the example that had been given began to be taken up elsewhere. In 1892 Lord Wenlock, then Governor of Madras, placed Mr. (now Sir Fredrick) Nicholson on Special duty to study the theory and practice of co-operative credit in Europe, and to suggest means by which the movement might be popularised in India. The Madras Presidency afforded a hopeful field for experiment because a number of indigenous societies known as *Nidhis*, analogous to the Friendly Societies and Provident Funds of Great Britain, had already sprung into existence there and attained a considerable degree of success. In 1899 Mr. Nicholson issued an exhaustive report in two volumes, copies of which were sent to all Local Governments for consideration. At the same time Mr. Dupernex under the instructions of Sir A. P. Macdonell had

been making inquiries along similar lines in the United Provinces, and had issued a brief but suggestive study on "People's Banks in Northern India." In the Punjab the District Officers of Multan and Dera Ismail Khan districts had formed a few societies on their own initiative with promising results, and in Bengal similar experiments were being started. All indications pointed to a widespread demand for the amelioration of rural credit and the possibility of the co-operative system proving a royal road to this end.

3. In 1901 a committee under Sir Edward Law was appointed by the Government of India to examine and report upon the whole question. The result of its deliberations was the Co-operative Credit Societies Act (X of 1904). As this Act has now been superseded, it is not reprinted here, but the classic memorandum of Sir Denzil Ibbetson discussing its underlying principles is as applicable to-day as on the date of its issue and is therefore reproduced in the Appendix of this Manual. The Act itself was a short one and aimed at maintaining simplicity and elasticity and at imposing no avoidable restrictions on local experiments.

4. In all provinces of India Registrars were at once appointed to give effect to the intentions of the Act and in no case did they fail to secure striking results. The general progress of the movement may be gauged from the consolidated returns published annually by the Government of India.

Year.				No. of Societies.	Amount of working Capital.
					Rs.
1906-07	..	..	..	843	23,71,683
1907-08	..	..	..	1,357	44,14,086
1908-09	..	..	..	2,008	80,65,111
1909-10	..	..	..	3,498	1,23,97,682
1910-11	..	..	..	5,432	2,03,66,584
1911-12	..	..	..	8,177	3,35,74,162
1912-13	..	..	..	12,324	5,34,34,261

5. In the Bombay Presidency the first Registrar was Mr. J. McNeill, I.C.S., and the first Co-operative Credit Society organised by him was at Kanginhal in the Dhárwár District and was registered on 8th May 1905. Since that date the progress has been steady, and no untoward incidents have occurred. The following figures exhibit the course of development.

Year.				No. of Societies.	Amount of working Capital.
					Rs.
1904-05	..	..	..	12	Not reported.
1905-06	..	..	..	31	42,191 8 0
1906-07	..	..	..	70	1,68,023 0 0
1907-08	..	..	..	146	3,71,958 0 0
1908-09	..	..	..	170	5,88,932 0 0
1909-10	..	..	..	209	8,34,290 0 0
1910-11	..	..	..	256	13,56,492 0 0
1911-12	..	..	..	375	32,27,407 0 0
1912-13	..	..	..	526	49,65,200 0 0

It is true that progress in Bombay has been relatively slower than in most other parts of India. But for this there are adequate economic causes, and the fact in itself is not necessarily a cause for regret. Sir Robert Carlyle recently said at Simla "I wish to emphasise the fact that there is a danger in too rapid extension which may endanger the movement itself. Weak societies will in the long run tend to prevent the movement developing as it otherwise would do." It should be remembered that in Germany it took forty years to create 1,729 Raiffeisen banks, and only fifteen years (1890 to 1905) to increase this total to 13,181. If the movement is on right lines, it will gather its own momentum.

6. Under Act X of 1904 the problem of credit only was taken up. The success which was attained in dealing with this opened up further horizons and suggested the possibility of extending the principles of co-operation to purchase, sale, manufacture, and distribution. The new wine of the expanding movement had already burst the old bottles and was overflowing in directions which had not yet been fully mapped out. The Government of India met these new needs by passing an entirely new Act, the Co-operative Societies Act (II of 1912) which is included in this Manual. The resolution in which it explained the objects of the new provisions will be found in the Appendix. While the task of improving rural and industrial credit remains the primary function of the Co-operative Department, it has now been drawn towards a much closer connection with the Agricultural Department, and jointly with it must help Agriculturists to purchase their necessaries,—seed, implements, artificial manure, etc.

The second Co-operative Societies Act.

**OFFICIAL AGENTS FOR THE SALE OF INDIAN OFFICIAL
PUBLICATIONS.**

In England.

- Constable & Co., 10, Orange Street, Leicester Square, W. C.,
London.
Grindlay & Co., 54, Parliament Street, S. W., London.
Henry S. King & Co., 65, Cornhill, E. C., London.
P. S. King & Son, 2 & 4, Great Smith Street, Westminster, S. W.,
London.
Kegan Paul, Trench, Trübner & Co., 68-74, Carter Lane, E. C.,
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W. Thacker & Co., 2, Creed Lane, London, E. C.
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S. K. Lahiri & Co., Calcutta.
R. Cambray & Co., Calcutta.
Thacker & Co. (Ld.), Bombay.
A. J. Combridge & Co., Bombay.
Superintendent, Government Central Press, Bombay
D. B. Taraporevala, Sons & Co., Bombay.
Sunder Pandurang, Bookseller, etc., Bombay.
Gopal Narayan & Co., Booksellers, etc., Bombay.
N. M. Tripathi & Co., Booksellers, etc., Bombay.
Mrs. Radhabai Atmaram Sagoo, Bookseller, etc., Bombay.
Ramechandra Govind & Son, Booksellers, etc., Bombay.
Bombay Tract and Book Society, Bombay.
N. B. Mathur, N. K. H. Press, Allahabad.

and to sell their produce—milk, vegetables, fruit and grain in such a way as to avoid the expenses of unnecessary middlemen. In the field of industry it has also to guide artisans in the same direction. These two problems of credit, and of purchase and distribution, may best be considered quite separately.

7. What is the exact place which Co-operative Credit Banks are intended to fill in the economic system of the country? The answer to this question at once explains their proper function and gives a standard by which the success which they attain can be measured. Already there are in existence numerous joint stock banks with branches in every important centre. Their primary object is to organise credit and make it immediately available for industrial and commercial enterprise in any quarter where it may be required. In this object they have achieved a very great success, but with one important limitation. It is invariably found in practice that they confine themselves to the more safe and lucrative business of granting loans to established firms and well-known individuals, and do not trouble to furnish similar credit facilities to the small cultivator or artisan.

8. The small cultivator needs capital for buying manure, seed, or stock, improving his land or farm-buildings, dealing with his crop, or marketing his produce. The artisan wants it for buying machinery or raw material. Both have often to meet social and domestic calls, *e. g.*, education, marriages, the equipment of younger sons, obsequies, etc., which are nonetheless inevitable because unproductive and unconnected with their trade. This class of loans the joint stock bank avoids. Owing to its distance from the village it cannot know whom to trust nor can it make inquiries about security and title without difficulty and expense disproportionate to the expected profit. The actual profit in each case is probably trifling, while the trouble of bringing to account and making recovery is no less than in the case of big loans. The borrower on his side objects to the rigid rules of such a bank and usually wants loans for a longer period than the bank is prepared to allow. This branch of business has accordingly remained in the hands of the private money-lender, the village sowkar.

9. In this Presidency the normal rate of interest levied by sowkars varies according to the district and the character of the borrower from 5 to 25 per cent. Of course greed and monopoly often exact far higher rates. But the fact that apart from such

special profits ordinary village credit is exceedingly costly must handicap rural enterprise and act as a drag on prosperity. The attempt to cheapen rural credit must therefore begin with an inquiry into the causes of its present dearness. Summarily they may be stated as follows. A great part of the existing capital is hoarded and cannot be tempted from the places where the conservatism of ages has put it. Centuries of misrule and political disturbance have taught the small man to keep it under his own eye and to mistrust investment. The quantity of existing capital is probably inadequate to meet all the demands on it. Legislation which has aimed at preserving the land in the hands of the agriculturist has at the same time unavoidably curtailed agricultural credit. The borrower and the lender usually belong to different classes with adverse interests, and of the two the latter is much superior in education and business ability. In some places the delay and expense of recovery through the Civil Courts has made lenders shy of doubtful loans. The borrower too must bear his own share of the responsibility. Many classes of peasantry are so thriftless and lazy that loans to them can only be reckoned as speculations. They have no capital either of honesty or of tangible property which would justify a lighter rate of interest than they are usually charged.

10. It is evident that these factors cannot all be removed or eliminated. But it is claimed for co-operative credit banks that they are the most effective known way of meeting the difficulties. Sir F. A. Nicholson has admirably defined the conditions which any method of cheapening rural credit must conform to:—"absolute proximity of lender and borrower; complete security to the lender as regards the title of the property offered, its freedom from prior encumbrances, the recovery of his capital and interest at due date; thorough safety and facility to the borrower in his ability to obtain cheap loans at any time to an amount proportionate to the security he can offer, and upon terms which will be so equitable that he can calculate on reaping the full fruits of his produce and find in credit a powerful auxiliary to his productive powers and stability." An analysis of the main features of the ordinary rural co-operative credit society of this Presidency, which follows a pattern invented in 1850 by a German named Raiffeisen, will show how far it answers to these conditions. The distinctive points in Raiffeisen's scheme may be summarised as follows:—

The Raiffeisen
method.

- (1) The society is absolutely local, the limits of a village being the limits of membership and operation. Members must

know each other personally and admit no one whom they do not trust.

- (2) The administration also is local, members only being eligible for appointment and service gratuitous.
- (3) Capital is raised by small entrance fees and by deposits at interest, secured on the unlimited liability of all the members and on the reserve fund.
- (4) All profits are carried to reserve, which is indivisible.
- (5) Loans are made only to members who must be residents in the village and are always given for some definite object.
- (6) Where necessary, loans may be given for long terms, repayable by instalments, and the interest should be fixed at the lowest rate consistent with a fair working profit.

11. The restricted area of operations secured the proximity postulated by Sir F. Nicholson. Complete security is of course a counsel of perfection, but that too is ensured as far as is humanly possible by the joint unlimited liability of members, and by the condition that the needs and character of every borrower must be known to the Managing Committee. The system engages every form of security which an agriculturist can possibly offer—his real or immovable property, his chattles or movable possessions, and his personal credit or general reputation for thrift and honesty, and allows him to take full advantage of them all. The rates charged are equitable and in this Presidency very rarely exceed $9\frac{3}{8}$ per cent. As a Society improves its credit, its lending rate can gradually be reduced. Borrowers have the benefit of clear and open accounts, annually audited by Government, in addition to cheap credit. A profitable and safe investment is provided for the hoarded wealth of the village. The conflicting interests of lender and borrower are reconciled. Borrowers are encouraged to become more thrifty and respectable, since otherwise they will not be received as members of the Society. This reformation, if it occurs, also ensures that resort need less often be had to the Civil Courts.

12. This type of Society is well suited to a village community which in India is accustomed to undertake many responsibilities in common, but it is not equally adapted to the needs of an urban population. In a town it is impossible for all the members of a Society to know

The advantages of the Raiffeisen method.

The Schulze-De-litzsch method.

one another personally. The circumstances make it more difficult to form a correct estimate of character or security. Members naturally therefore recoil from a mutual and unlimited liability. They prefer a type of a society which follows roughly the main principles which were first laid down by Shulze Delitzch, but throws overboard the combination of shares with unlimited liability which he originally favoured. It must be remembered that this form is very elastic and does not always in particular instances answer very closely to the model of its inventor. Subject however to variations, the following features generally appear:—

- (1) Credit must be based on self-help. Every member therefore in addition to paying an entrance fee must take up at least one share in the Society.
- (2) Liability is limited to the nominal amount of the share, of which part only is usually paid up.
- (3) At least one-fourth of the net annual profits must be carried to reserve.
- (4) The balance of the net annual profits may be distributed as bonus or dividend on the paid up portion of the shares.
- (5) Shares are transferable with the sanction of the Society.
- (6) The area of operation is limited so that the Society may have local knowledge of its members.
- (7) Fixed and current deposits are received at interest; but the total of these should not exceed four or five times the paid up capital.
- (8) Loans are granted only to members. These are for short periods with the option of renewal, because the capital must be liquid lest deposits be suddenly withdrawn. No credit is given without security real or personal.
- (9) All service is paid for in order that its efficiency may be secured.

13. It is claimed for this type of bank that it encourages thrift by insisting on members taking up and gradually subscribing at least one share, and by paying dividends on such savings. The member has a more direct interest in his own share with its dividend and transfer value than in the indivisible capital of a Raiffeisen bank. In place of an unlimited liability which is incommensurable, depositors have as a guarantee a definite share capital. The Society is run on strictly business lines and does not directly aim at the moral results which were the constant object of Raiffeisen. However

Advantages of
the Shulze-Delitzch
method.

it is found in practice that besides enforcing thrift, it tends to stimulate associated action, to give members some business education, to banish debt and usury, and to instil punctuality and mutual confidence.

14. It is not possible to lay down with equal distinctness the lines upon which purchase, manufacture, and distribution should be co-operatively organised. Co-operation in purchase and distribution. In this Presidency co-operation has up to date been applied to the storage of seed, to the purchase and storage of manure and farm implements, to the purchase of yarn and sale of manufactured cloth by weavers, and to shops for the supply of common necessaries. The conditions of every trade and industry differ so widely that without much further experience it would be unsafe to risk any generalizations. The fundamental theory of the method is of course that consumers or producers by uniting and jointly purchasing raw material or selling produce can eliminate the middlemen and secure for themselves the share of the profit which now goes to them as commission for their services. The method is yet in its infancy, but of its immense ultimate value there can be no shadow of doubt. His Majesty the King-Emperor himself said at Delhi on December 13th, 1911 : " If the system of co-operation can be introduced and utilized to the full, I foresee a great and glorious future for the agricultural interests of this country."

CHAPTER 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.
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.

Member not to exercise rights till due payment made.

SECTIONS.

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.
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.***SECTIONS.**

- 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.

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.

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 belong 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.

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

Application for registration.

(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.

Evidence of registration.

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.

Amendment of the by-laws of a registered society.

(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.

Votes 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 authorised 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.

III of 1909.
III of 1907.

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.

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

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

- (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.

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

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—

- (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 immovable property by any registered society or class of registered societies.

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 borrowing.

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.

Restrictions on other transactions with non-members

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

Investment of 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.

33. No part of the funds of a registered society shall be divided by way of bonus or dividend or otherwise among its members :

Funds not to be divided by way of profit.

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 or 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.
I of 1890.

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 Re-
gistrar.

(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

Recovery of
costs.

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.

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 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.

Dissolution.

(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.

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

Effect of cancellation of registration.

(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

V of 1908. 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 Recovery of sums due to Government. officer or member or past member of a registered society as such to the Government, including any cost awarded to the Government under section 37, may be recovered in the same manner as arrears of land-revenue.

(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 Power to exempt societies from conditions as to registration. 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.

46. The Local Government may, by general or special order, Power to exempt registered societies from provisions of the Act. 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.

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 :

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 provision 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.

48. The provisions of the Indian Companies Act, 1882, shall not apply to registered societies.

Indian Companies Act, 1882, not to apply.

VI of 1882.

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.

Saving of existing societies.
X of 1904.

50. The Co-operative Credit Societies Act, 1904, is hereby repealed.

Repeal.
X of 1904.

CHAPTER III.

THE CO-OPERATIVE SOCIETIES RULES.

1. (1) These rules may be called the Co-operative Societies Rules, 1913.

Govt.
Notifica-
tion
No. 2500
of March
14, 1913.

(2) In these rules—

(a) the expression “the Act” means the Co-operative Societies Act, 1912 (II of 1912);

(b) terms defined in the Act shall bear the meanings respectively assigned to them therein.

2. (1) Every application for the registration of a society under section 8, sub-section (1), of the Act shall be in the form of Schedule A.

(2) Two copies of the by-laws proposed for the society which should accompany the application for registration under section 8, sub-section (3), of the Act, shall be signed by not less than ten of the applicants.

(3) In cases where one of the members of the proposed society is a registered society, a member of the Managing Committee of that society shall sign the application for registration on its behalf, and a copy of the resolution of the Committee authorising him to do so shall be appended.

3. If the Registrar refuses to register the society and its by-laws under section 9 of the Act, he shall communicate to the applicants his reason for so doing.

4. Where the Registrar refuses to register a society, an appeal shall lie to the Governor in Council who may direct the Registrar to register the society.

5. (1) The matters in respect of which every society shall make by-laws are the following namely :—

(a) the name and address of the society ;

(b) the objects of the society, the purposes to which its funds are applicable, the terms of admission of members and their rights and liabilities, the consequences of default in payment of any sum due by a member, and in the case of Credit Societies the conditions on which loans may be granted ;

(c) the mode of holding meetings, the right of voting, and, subject to the provisions of rules 6 and 7, the manner of making, altering and abrogating by-laws ;

- (d) the mode of appointment and removal of a committee and of other officers, if any, and the duties and powers of the committee and such officers ;
- (e) the manner in which capital may be raised ;
- (f) the mode of custody and of investment of the funds and, subject to rules 9 and 11, the mode of keeping the accounts.

(2) Every society may make by-laws in respect of any other matters incidental to the management of its business.

6. When a society has been registered, the by-laws submitted under rule 2, sub-rule (2), shall, subject to any modifications approved by the Registrar, become the by-laws of the society on their being adopted at a general meeting by a majority of not less than two-thirds of the members.

7. By-laws may be made, altered or abrogated by a resolution passed at a general meeting of the society :

Provided that—

- (1) due notice of any proposal to make, alter or abrogate is given in accordance with the by-laws ;
- (2) the resolution is passed by not less than two-thirds of the members present at the general meeting ; and
- (3) the making, alteration or abrogation is approved and registered by the Registrar.

8. Where the Registrar refuses approval to the making, alteration or abrogation of any by-law, an appeal shall lie to the Governor in Council, who may direct the Registrar to withdraw his refusal.

9. (1) Every Credit Society shall keep the following accounts and books, namely :—

- (a) Register of members, including persons nominated under rule 12.
- (b) Register of Shares and Debentures (where capital is raised by shares or debentures).
- (c) Share transfer register (where capital is raised by shares or debentures).
- (d) Cash account.
- (e) Members' loan account.
- (f) Deposit account.
- (g) Interest account.

(h) Expenses account.

(i) Bank account.

(j) Minute book, recording the proceedings of general meetings

(k) Minute book, recording the proceedings of meetings of the committee.

(l) Such other accounts and books as may be prescribed by the Registrar.

(2) Societies other than credit societies shall keep accounts and books (a), (d), (j) and (k) mentioned in sub-rule (1) and such other accounts and books as may be approved or required by the Registrar.

10. For the purposes of section 26 of the Act, copies of entries in the books of any society may be certified by any officer of the society.

11. On or before April 20th of each year the committee shall publish an annual balance-sheet, showing (a) the profit and loss, and (b) the receipts and expenditure, of the previous financial year, and (c) the assets and liabilities as they stood on March 31st. This balance-sheet shall be open to the inspection of any member during office hours at the office of the society, and a copy thereof shall be submitted to the Registrar before April 30th.

12. (1) Every member of a society may nominate a person to whom under section 22 of the Act his share or interest shall be transferred or the sum specified in that section shall be paid.

(2) The name and address of every person so nominated shall be entered in the register kept under rule 9, sub-rule(1), clause (a).

13. The Registrar shall keep a register of the names and addresses of all societies.

14. The appointment of a liquidator shall be notified by the Registrar in the *Bombay Government Gazette*.

15. Where a liquidator has been appointed under section 42, sub-section (1), of the Act the following procedure shall be adopted :—

(a) The liquidator shall at once publish by such means as he may think proper a notice requiring all claims against the dissolved society to be submitted to him within three months of publication of the notice. All liabilities recorded in the account books of a society shall be deemed *ipso facto* to have been duly notified.

- (b) The liquidator shall submit a three-monthly progress report to the Registrar in such form as the Registrar may require.
- (c) All funds in charge of the liquidator shall be deposited either in the Post Office Savings Bank or in the Central Co-operative Bank, and shall stand in his name.
- (d) No appeal shall lie to any Civil Court from any order of the liquidator.

16. At the conclusion of the liquidation a general meeting of the dissolved Society shall be called at which the liquidator shall summarise the results of his proceedings, shall point out the causes of the failure of the Society and shall take a vote as to the disposal of any cash balance that may remain with him.

SCHEDULE A.

Form of Application for Registration.

1. Name of proposed Society _____
2. Address to be registered _____
3. Is liability limited or unlimited _____
4. Area of operations _____
5. Objects of the society _____
6. If the capital is to be raised by shares, what is the number and value of shares which it is proposed to issue _____
7. In other cases, what is the amount of the capital it is proposed to raise by loan or deposit _____
8. Language in which the books and accounts will be kept _____
9. With this application of registration are sent two copies of the proposed by-laws signed by the applicants (not less than ten).

Signatures—

Name and Father's name.	Age.	Caste.	Profession.	Place of residence. Village and Táluka.

CHAPTER IV.

CREDIT SOCIETIES WITH UNLIMITED LIABILITY.

1. *The use of Co-operative Credit Societies.*—The Co-operative Societies Act (II of 1912) was passed in order to make it easy for persons of small means to combine together for mutual assistance so that those who need to borrow small sums of money for short periods may obtain them more easily and at lower rates of interest on their joint security than they could have done separately, and those who are able to save small sums may invest them more safely and more profitably than they do at present.

The persons who will derive most benefit from being able to borrow small sums of money easily and at low rates are agriculturists and artisans in the villages. Carpenters, blacksmiths, weavers, and others living in villages want money to buy tools, wood, iron, yarn, etc., and would get all these articles much cheaper if they paid for them in cash. The agriculturist needs money to buy seed, cattle, manure, and implements, and for other purposes. In order to produce his crops a cultivator must incur expenditure 5 or 6 months and even up to a year, before the crop is harvested and sold. Also if he could borrow money for necessary expenditure at harvest time and hold over his grain for two or three months he would get a much large price for his grain. At present agriculturists borrow money required for their various wants either from Government as Tagái or from a Sávkár. Sometimes they borrow from both Government and the Sávkár. The interest charged by Government is small, but the agriculturist is never certain that he will be able to get a Government advance, and when an advance is sanctioned the money is usually paid at the Táluka Kacheri, and delay and inconvenience often occur in getting the money. The Government advances are also not enough for all the agriculturists in need of money, and Government will not give Tagái for all necessary purposes. The Sávkár usually charges a high rate of interest and often requires the agriculturist to execute bonds and mortgages which are charged with stamp duties. The agriculturist is seldom able to know if the Sávkár keeps a correct account.

2. *The Co-operative Method.*—The first point to be grasped is that without security there can be no credit. The ordinary agriculturist has two sorts of security to offer, firstly his good name for honesty and industry, and secondly, his property consisting of land, houses,

No credit without security.

cattle, farm implements, etc. If he combines with several other agriculturists, the amount of security gained becomes considerable. In order to get the full benefit of this, however, his liability must be joint with that of all the other members and unlimited. The members of a Co-operative Society must therefore be careful to see that only respectable persons well known to them are admitted to membership, as otherwise they may themselves be called upon to make good some default. On their united security members will be able to raise loans at a moderate rate of interest. Some of them, who have savings of their own, should be induced to make deposits for a fixed term in the society. The remainder of the necessary capital may be raised by means of loans from local gentlemen, land-holders, *Sávkárs*, etc., who are not members but who have capital to invest, and from the Bombay Central Co-operative Bank. This money the members may lend out among themselves at a slightly higher rate. The profits accruing will belong to the society and will be carried to the reserve fund in order to improve the credit of the society.

3. *The formation of a Co-operative Society.*—If any person thinks of forming a society in a village he should first inquire what is the rate of interest usually paid by agriculturists in the neighbourhood. If it is $6\frac{1}{2}$ per cent. or less, it is improbable that a society can be successfully organised. Where the rate is higher than this, he should collect a few respectable persons to discuss the idea. In most districts an Honorary Organiser has been appointed, who is always ready to visit a village and to advise on doubtful points. When the promoters are satisfied that they will be able to raise some capital among themselves and to conduct a society successfully, they should call a small meeting of persons who they think are likely to be interested and should go through the model by-laws. The gaps in by-laws 1, 3, 4, 6, 29, 32 should be filled up and they are at liberty to make any alterations in the model which they think proper. Two copies of the by-laws so corrected should be signed by at least 12 persons, and the form of application should be filled up and signed by the same persons who have signed the by-laws. These papers should then be posted either to the Honorary Organiser of the district or to the Registrar, Co-operative Societies, Poona, and a report should be added stating the name and address of the person to whom the registration certificate and account books and other papers are to be sent by Value-payable Post.

4. *Registration.*—The Registrar after making such inquiries and alterations in the by-laws as may seem necessary will register the society. Along with the registration

certificate, the rules issued by the local Government, the approved by-laws and a set of circular orders issued by the department, which are supplied free, he will send by V. P. P. a copy of Act II of 1912, a bound book of account forms, and a set of other forms needed by the society.

5. First General Meeting.—On receipt of the registration certificate, a meeting of the persons signing the original application and any other persons who wish to become members should be called. The Honorary Organiser should also be invited to attend. The original members should first admit to membership any of the applicants whom they consider to be trustworthy; and both they themselves and the newly admitted members should pay an entrance fee in accordance with the by-law 6. After doing this they should proceed to the following business:—

- (1) The members present should elect a President of the Meeting (by-law 16).
- (2) The approved by-laws should be read and formally adopted as the by-laws of the Society.
- (3) A Managing Committee should be elected in accordance with by-law 11 (1) and 20.
- (4) A Secretary of the society should be appointed and his pay fixed (by-law 11 (1).)
- (5) The limit up to which capital may be raised by the Managing Committee should be fixed (by-law 11 (4)).

The general meeting should then dissolve and the newly elected managing committee should hold its first meeting, the secretary attending to record the minutes.

6. First Meeting of the Managing Committee.—The Managing Committee Will—

- (1) elect its chairman (by-law 22);
- (2) pass a resolution fixing the rates of interest to be allowed on—
 - (a) current deposits,
 - (b) deposits for six months,
 - (c) deposits for one year,
 - (d) deposits for two years or more (by-law 39);

the rates recommended in ordinary cases are $\frac{1}{2}$ pie per rupee per month on (a), $\frac{2}{3}$ per month on (b), and one pie on (c) and (d);

- (3) collect deposits from members who have promised them, and receive and dispose of applications for loans in accordance with by-laws 28 to 38 ;
- (4) fill up the application for opening a Post Office Savings Bank Account, which will be found with instructions among the papers accompanying the registration certificate (by-law 41) ;
- (5) if a loan is required from the Central Bank, it will fill up the form of application which also will be sent along with the registration certificate ;
- (6) sanction the cost of the forms received by V. P. P. and any other initial expense that may be required (by-law 24 (6)).

If there is no further business, the meeting will then be brought to a close by the secretary reading out the minutes of the proceedings which should be signed by the Chairman.

MODEL BY-LAWS OF THE AGRICULTURAL
NON-AGRICULTURAL
CO-OPERATIVE CREDIT SOCIETY, UNLIMITED.

I.—Preliminary.

1. The name of the society is the Co-
operative Credit Society Unlimited, and its registered address is
Táluka District.

2. The objects of the society are to create funds by means specified hereafter, to be lent out to its members at the lowest rate consistent with a fair profit.

II.—Capital.

3. Funds may be raised in any or all of the following ways—
- (a) by entrance fees,
 - (b) by the issue of debentures,
 - (c) by receiving deposits,
 - (d) by raising loans from other Co-operative Credit Societies or from financing institutions,
 - (e) by donations.

Funds of the kind specified in (b) may be raised with the previous approval of the Registrar.

Funds of the kind specified in (c) and (d) may at any time be raised by the Committee on behalf of the society at such interest and for such period as may be arranged provided that the total amount so raised shall not exceed Rs. except with the special sanction of a General Meeting of the Society.

III.—Membership.

4. All persons who have signed the application for registration are original members. Other members shall be elected by the vote of the Committee of the society. Two adverse votes are sufficient to exclude an applicant. No person shall be qualified for election unless he resides in the village of

5. Applications for membership must be made in writing and signed by the applicant. If the applicant is illiterate he must make his mark or thumb mark on the application form in the presence of the Committee.

6. The entrance fee payable immediately on election shall be Rs. . . . On the payment of such fee the elected applicant becomes a member.

7. Every member of the society shall be jointly and severally liable for all debts incurred by the society.

8. A member may withdraw from the society by giving three months' written notice to the Secretary provided that he has first repaid any sums due from him and has discharged all his liabilities as a surety.

9. A member may be expelled from the society by the vote of not less than two-thirds of the members present at a General Meeting of the Society for any of the following reasons :—

- (a) if he is a persistent defaulter,
- (b) if he wilfully deceives the society by false statements,
- (c) if he is bankrupt or legally disabled,
- (d) if he is criminally convicted,
- (e) if he intentionally does any act likely to injure the credit of the society.

The Committee shall give such member fifteen days' written notice of the proposal to expel him.

IV.—The General Meeting.

10. The first meeting of members shall have the same powers as are herein given to the Annual General Meeting.

11. The Annual General Meeting shall be called in the month of April. Its duties are :—

- (1) to elect a Managing Committee, to appoint a Secretary, and any other officers required for the ensuing year, and to fix their remuneration ;
- (2) to receive from the Committee a report on the preceeding year's working of the society together with statements showing the receipts and expenditure, assets and liabilities, and profits and loss for the year ;
- (3) to consider the audit memo and any other communication from the Registrar or the Managing Committee ;
- (4) to fix the amount of the capital to be raised under by-law 3 ;
- (5) to consider any other business laid before it.

The proceedings of General Meetings shall be recorded in a minute-book.

12. A special General Meeting of members may be called at any time by a majority of the Committee or on receipt of a requisition from one-fifth of the members or from the Registrar.

13. In the case of an annual General Meeting ten days' notice, and in the case of a special General Meeting five days' notice shall be given by the publication of a written notice outside the office of the society and in any other conspicuous place that may be convenient. The notice shall specify the day, hour, and place fixed for holding the meeting and shall state the nature of the business to be transacted at the Meeting.

14. With the permission of two-thirds of those present at a General Meeting any member may bring forward a proposal regarding any matter not specified in the notice on the meeting, provided that he may not so propose the expulsion of another member or an alteration in the by-laws or in the rates of interest affecting loans or deposits.

15. If on the day of the Meeting there is no quorum or if all business is not completed, the consideration of the remainder of the business may be abandoned or adjourned to another day. If on the day to which the Meeting is adjourned no quorum is obtained, the business shall be disposed of without a quorum.

16. At all General Meetings the President shall be elected by the members present.

17. Each member present shall be entitled to attend and exercise one vote. The President shall have a casting vote in addition to his ordinary vote.

18. Three-fifths of the total number of members or 30 members, whichever be less, shall form a quorum at any General Meeting.

V.—The Managing Committee.

19. A Committee consisting of five members shall be appointed to manage the affairs of the Society. This Committee may exercise all the powers of the society subject to the provisions of these by-laws and to directions for its guidance conveyed in resolutions passed at General Meetings of the society. The Committee shall meet as often as it considers necessary for the transaction of business but not less than once in a month. Three members shall form a quorum.

20. The Committee, which shall be elected by the annual General Meeting, shall hold office for one year. Vacancies occurring in the course of the year shall be filled by co-option.

21. A committee member may be removed during his term of office by a majority of votes obtained at a special General Meeting called for the purpose.

22. The Committee shall elect its own Chairman for the year. When present, he shall preside at all committee meetings. When he is absent, the members present may elect a Chairman from among themselves. The Chairman is entitled to give a casting vote in addition to his ordinary vote.

23. All acts done by the Committee or by any person acting as a member of the Committee shall, notwithstanding that it is afterwards discovered that there was some defect in the appointment of such committee or person, be as valid as if the Committee or every such person had been duly appointed.

24. The business of the committee shall be as follows :—

- (1) to receive deposits and repayments of loans ;
- (2) to consider applications for loans and to decide whether loans shall be granted, and if so, for what period and on what security ;
- (3) to dispose of applications for membership ;
- (4) to check the accounts of the secretary ;
- (5) to examine the loan register and take steps for the recovery of over-due instalments ;
- (6) to sanction working expenses, count the cash balance, consider applications for postponement and deal with other miscellaneous business ;
- (7) to see that the cash-book is written up promptly and is signed daily by one of the members of the committee.

25. All decisions of the committee sanctioning loans, granting extensions, ordering recovery, and authorising admissions of members shall be recorded in the committee's minute-book which shall also state the names of the members present, and shall be signed by the Secretary and two members.

26. The Committee may suspend any officers appointed under by-law 11 (1), recommend their dismissal to the General Meeting, and appoint acting substitutes pending the final decision.

VI.—The Secretary.

27. The duties of the Secretary shall be :—

- (1) to summon and attend all meetings of the society and of the Committee ;

- (2) to record the proceedings of such meetings in the minute-books ;
- (3) to make disbursements and to receive payments under orders of the Managing Committee ;
- (4) to keep all accounts and registers required by the rules and by-laws, to prepare all receipts, vouchers, balance-sheets, and other documents required for the transaction of the business of the society, to conduct correspondence, and to supply all needful information to the members.

In the absence of the Secretary the Committee may authorise any other person to perform his duties.

All documents or receipts passed on behalf of the society shall be signed by the Secretary and one member of the Managing Committee.

VII.—Loans.

28. Loans may be granted by the Committee to members only. They shall be granted for such period as the committee may decide. The Committee shall require two good sureties or a mortgage of immoveable property before sanctioning any loan. A member of the Committee may not vote on his own application for loan.

29. The sum due to the society from any single member shall never exceed Rs.

30. The total amount of loans granted for other than productive purposes shall not exceed one-fourth of the total amount of the capital raised by the society.

31. The total amount of loans granted for terms exceeding one year shall not exceed one-fourth of the total capital of the society.

32. The rate of interest at which loans are advanced shall be pies per rupee per month, until another rate is fixed at an annual General Meeting of the society. Interest shall be calculated from the date of advance to the date of receipt, fractions of a month if less than 16 days being counted as half a month and if 16 days or over as a complete month. Illustration :—

- (1) A borrows Rs. 80 on February 23rd and repays on April 3rd. He is liable for interest for one month and 9 days. Interest will be charged for $1\frac{1}{2}$ months.
- (2) A borrows Rs. 80 on June 20th and repays on September 5th. He is liable for interest for 2 months and 16 days. Interest for 3 months will be charged.

33. Notwithstanding by-laws 29, 30, 31 and 32 loans for the liquidation of members' old debts may be made under the following conditions :—

- (1) Such a loan to a single member may not exceed Rs. 750 without the previous approval of the Registrar.
- (2) Every loan shall be repayable in annual instalments which shall extend over a period not exceeding 10 years.
- (3) The rate of interest on such loans shall never be less than 8 per cent. per annum.
- (4) The security to be given for the repayment of such loans with interest shall be a possessory mortgage of immoveable property worth in the opinion of the Committee at least three times the amount of the loan. The bonds redeemed and the acquittance of the Sávkár shall be taken by the society on to its record.
- (5) The mortgaged property shall be let to the borrower during the term of the mortgage in consideration of his paying the land revenue and the local fund cess charged thereupon and an annual rent equal to the amount of the annual instalments.
- (6) In the event of default, the borrower may be ejected from the property, which shall be relet to others on such terms as the Committee think proper for the remainder of the term of the mortgage.

34. Loans may be made repayable either in a single payment or by instalments as the Committee may direct.

35. In the event of any loan or instalment of a loan not being paid on the date fixed for repayment, penal interest at three pies per rupee per month will be recoverable on the total amount overdue. When payment is not made on due date, the secretary shall in writing require the borrower and each of the sureties to pay. In the event of payment being delayed for one month, the Committee shall take steps to recover the amount due with interest unless they are satisfied that the borrower has shown sufficient reason for non-payment.

36. A member, applying for a loan, must state the amount of the loan, the purpose and the period for which it is required and the nature of the security offered. In dealing with such application the Committee may refuse or sanction a loan of such amount and on such terms as they think proper. When an applicant is unable to present a written application the Secretary shall record the necessary particulars of his application in the usual form.

37. When a loan granted for a specified purpose is *misapplied* the Committee shall have power to recall the loan with interest to date of repayment. The Committee's decision as to the fact of misapplication is final.

38. When a person who has stood as surety for a loan dies or becomes in the Committee's opinion unfit, the Committee may require the borrower to find another surety within 15 days. If the borrower fails to find another surety, when so required, the loan shall be repayable immediately with interest up to date of repayment.

VIII.—*Deposits.*

39. Deposits may be either fixed or current. Fixed deposits are those which may not be withdrawn within six months or some longer period of the date of deposit. Current deposits may be withdrawn on 10 days' notice, but withdrawals may not be made oftener than once a month by the same member. The Committee may refuse or accept deposits of either sort and shall fix the rates of interest which shall be payable on deposits that are (a) current, (b) for six months, (c) for one year, and (d) for two years or longer. Interest shall be calculated as in by-law 32 with the difference that no interest shall be allowed on periods less than half a month and interest for half a month only shall be allowed on periods less than a complete month.

IX.—*Pass-Book.*

40. Each member shall have a pass-book in which the Secretary shall enter amounts paid to, or received from, such member, loan and deposit accounts being kept separately in ledger form.

X.—*Balances.*

41. The balance of the society's funds, not utilized as loans to members, shall be kept in the Post Office Savings Bank or as provided in section 32 of the Co-operative Societies' Act. A sum not exceeding Rs. 10 may be kept in the custody of the Secretary to meet petty expenditure. No outlay may be incurred from this sum by the Secretary except under the authority of a resolution of the Committee recorded in the minute-book.

XI.—*Profits.*

42. All profits shall be carried to reserve fund but an amount not exceeding $7\frac{1}{2}$ per cent. of the net profits, may be devoted by the society to any charitable purpose.

XII.—Right of Inspection.

43. Any member of the society may inspect any of the Registers or accounts provided that no member is entitled to inspect the loan account or deposit account of another member. A copy of the Act, rules, and by-laws shall also always be kept open to inspection.

XIII.—Amendments.

44. None of the by-laws herein contained shall be altered or rescinded and no by-law shall be added except by a vote of a majority consisting of at least two-thirds of the members present at a General Meeting convened for the purpose. The notice convening the meeting shall specify the proposed alteration, addition, or rescission and shall be issued not less than 10 days prior to the meeting. The amendment shall not take effect until it has been approved and registered by the Registrar.

XIV.—Appeals.

45. An appeal shall lie from all decisions of the Managing Committee to the General Meeting.

XV.—Service of Notice.

46. When by these by-laws it is provided that written notice shall be given to any member, the delivery of such a notice at the house at which such member ordinarily resides shall be sufficient service of notice.

CHAPTER V.

CREDIT SOCIETIES WITH LIMITED LIABILITY.

An urban or limited society is intended to meet conditions for which a rural or unlimited society is unsuitable. **Scope of limited societies.** In country villages the members are usually thoroughly acquainted with each other's character, means, and behaviour, and know exactly how much money a particular person requires and how far he can be trusted. They therefore are not unwilling to accept joint and unlimited liability for each other. This joint and unlimited liability forms the basis of the credit of their society and enables it to raise funds from depositors and outside lenders. In a town circumstances are different. Members of different classes or professions cannot all be acquainted with each other; they are usually artisans or traders who own very little land or other real property and therefore have no very substantial security to offer. They want funds for their own business but do not want to be troubled with their neighbour's affairs. It would be unreasonable to expect such persons to submit to joint and unlimited liability.

2. The great majority of urban societies therefore start with limited liability. At the same time by limiting their liability they reduce the security to depositors. **Share capital.** In order to raise working capital, therefore, they have to provide some sort of guarantee in place of unlimited liability. This is done by the issue of share capital. Every member is required to take up and subscribe at least one share, and the total fund raised by shares affords a reserve security to depositors and lenders. The share-holders undertake most of the risk involved in the working of the society and in return are entitled to divide the profits among themselves and to control the management of the society. As the reserve fund increases, their risk of course diminishes proportionately. It is generally found convenient to have shares of a nominal value of Rs. 10 each, Rs. 5 only being paid up and the balance remaining uncalled as a possible resort in case of emergency. Where it is desirable to encourage thrift, shares may be made payable by monthly instalments.

3. Any person organising an urban society must first decide what classes of persons the society is intended to benefit. **Organization.** He must find out what industries are carried on in the town, and where and how the raw material is

obtained. Carpenters are usually provided with timber by the persons giving orders to them. It would therefore be doubtful whether loans for the direct wholesale purchase of timber could be used by them advantageously; and such a point should be carefully studied. In the same way weavers get their yarn from local dealers, and unless a large number of them combine together to buy a quantity regularly they would probably be unable to get it direct from a dalal in Bombay. It would be necessary to consider the amount of yarn consumed, the commission charged by the local dealers, the extent to which the weavers are independent and at liberty to strike out a new line for themselves before starting a society for their benefit. On the other hand it will be found that as a matter of fact the great majority of artisans are handicapped in their work by the absence of working capital. Take the example of coppersmiths. They receive sheet copper from the local dealers on credit and have in return often not only to repay the advance with interest but also to sell their finished product to the lender at such a rate as he may be inclined to fix. Smiths have to buy their own iron and amalgam, dyers to purchase their own dyes. Small tradesmen often can improve and extend their business by putting a little more capital into it. Lower in the scale come such men as tongawallas, porters, etc., who at a bad season need some small advance to keep their animals alive or to repair their equipment. The point to remember is that a Co-operative Society will not automatically and necessarily benefit all the classes that need money for business purposes. Before launching a society the organiser should ascertain how far the members will be free to take loans and how far they can use them profitably.

4. The most important point of all however which he has to consider is the current rate of interest charged by Sowkars. This should be found out by inquiries into several particular cases and not from mere general statements. An ordinary urban society should be able to raise deposits up to about four times its subscribed share capital at a rate not exceeding $6\frac{1}{4}$ per cent. and should be in a position to advance loans profitably to members at $9\frac{3}{8}$ per cent. ($1\frac{1}{2}$ pies per rupee per month). If the Sowkar's rate is less than this it is improbable that a society will be of much use and it should only be promoted with great caution. In cases where the current rate exceeds this, the organiser would be well advised to inquire whether owing to the untrustworthiness of the people themselves or the uncertainty of their trade the higher rate of interest is not perhaps justified. A society cannot any more than a Sowkar

afford to give money at a cheaper rate than is commanded by the credit whether real or personal of the borrower. If however the high rate of interest seems to be due to the greed of the Sowkars, there is every hope that the society would meet a real need and flourish.

5. Having satisfied himself that a society might be made successful, the organiser should arrange an informal preliminary meeting of the promoters, at which the by-laws should be scrutinized and corrected where necessary. The blank spaces in by-laws 1, 5, 8, 42, 44 and 49 should be filled up. Two copies of the by-laws together with one application form should then be signed by at least twelve of the promoters for submission to the Registrar. At the same meeting the organiser should roughly ascertain whether the necessary capital will be forthcoming, how many shares will be taken up and what deposits will be received. No society should start without a fair proportion of initial capital subscribed by its own members. He should also make certain that a competent secretary will be available for account keeping at a low rate of pay. If the preliminary meeting is successful, the application should be posted to the Registrar and he should be informed to whom account-forms, etc., should be sent by V. P. P. along with the registration certificate.

6. If an urban society is projected on a small scale, by-laws 3 (3) and 19 to 24 may properly be omitted.

**BY-LAWS OF THE NON-AGRICULTURAL CO-OPERATIVE
CREDIT SOCIETY, LIMITED.**

I.—Preliminary.

1. The name of the society is Limited, and its registered address

Any change of address shall be notified to the Registrar within 14 days and published in a local paper.

2. The first meeting of the members after registration shall have the same powers as are herein given to the Annual General Meeting.

II.—Funds.

3. The objects of the Society are :—

- (1) to encourage thrift and co-operation among its members ;
- (2) to create funds by means specified hereafter to be lent out at interest to members of the society, to affiliated societies, and to other registered co-operative societies ;
- (3) to discount bills and to deal in stocks, shares, and other securities on behalf of its members.

4. Funds may be raised—

- (a) by the issue of shares or debentures ;
- (b) by receiving deposits ;
- (c) by raising loans ;
- (d) by donations.

5. The amount of capital to be raised by the sale of shares shall not exceed Rs. . The nominal value of each share shall be Rs. . The general meeting shall decide what sum shall be paid on allotment and by what instalments (if any) the balance shall be called up.

6. Deposits and loans may be received for fixed periods or upon current account at such rates of interest and to such an amount as may be determined by the Managing Committee ; provided that the total of loans and deposits shall never exceed eight times the subscribed share capital *plus* the reserve fund.

7. The funds of the society when not utilized shall be invested or deposited as required by section 32 (1) (a), (b) or (d) of the Act.

III.—*Membership.*

8. No person shall be a member unless—

- (1) he is a resident in _____ ;
- (2) his written application for membership has been approved by an absolute majority of the Managing Committee ;
- (3) he has paid an entrance fee of Re. 1 ; and
- (4) he has subscribed to at least one share and paid his instalment within 15 days of allotment.

Members who signed the original application are exempt from condition 8 (2).

9. If a member fails to pay any instalment due on his shares within 30 days of the call, the share or shares in respect of which default has been made may be forfeited and become the property of the society.

10. Any member may withdraw from the society at any time with the sanction of the Managing Committee, but this will not be given while he is in debt to the society or is surety for another member who is in debt.

11. A member of the society may be expelled by a vote of General Meeting—

- (1) if he is a persistent defaulter ;
- (2) if he wilfully deceives the society by false statements ;
- (3) if he is bankrupt or legally disabled ;
- (4) if he is a criminally convicted ; or
- (5) if he intentionally does any act likely to injure the credit of the society.

Expulsion involves the forfeiture of all shares held by him.

12. A person ceases to be a member—

- (1) on death ;
- (2) when his resignation is accepted by the Managing Committee ;
- (3) on expulsion ; or
- (4) on the transfer or forfeiture of all the shares held by him.

IV.—*Shares.*

13. Application for shares shall be made in writing and shall be disposed of by Managing Committee.

14. The liability of a member is limited to the nominal value of the shares held by him.

15. A member may transfer his share or shares, after holding them for one year, to another member with the approval of the Managing Committee. The transfer is not complete until the name of the transferee has been entered in the Share Transfer Register, and such fee as the Managing Committee may prescribe has been paid.

16. A share certificate bearing a distinctive number shall be issued for every share subscribed.

17. Any member of the society may by a writing under his hand deposited with the society nominate any person (other than a servant or officer of the society) to whom the whole or any part of his interest in the society should be transferred in the event of his death. A fee of four annas will be charged for recording such nominations and any subsequent revocation or variation.

18. On the death of a member the amount standing to his credit by way of shares or dividends shall, subject to deductions on account of his liabilities, be paid to his heir nominated by him or in the absence of such nominee to such person as may appear to the committee to be entitled to receive the amount as heir or legal representative of the deceased member on his executing a deed of indemnity to the society. The deposits of the deceased member may be withdrawn by such heir, only if the period of deposit has expired.

V.—Branches.

19. The General Meeting may, with the previous sanction of the Registrar, open branches for the purposes of its business. Such branches shall be subject to the control of the main society in all matters not specially delegated to them by the general meeting.

20. The amount of loan which the branch committee is authorised to grant to an individual member and the total amount of loan which the branch may issue to all its members together shall be subject to limits to be prescribed by the general meeting.

21. Every branch shall post a summary of its transactions to the head office in such form and at such intervals as the managing committee may prescribe.

VI.—Affiliation.

22. The General Meeting may affiliate any society with unlimited liability, provided that—

- (a) it becomes a member of the society by paying an entrance fee and taking up at least one share ;

(b) it deposits at least half of its reserve fund with the society.

23. A cash credit shall be opened on behalf of each affiliated society, up to a limit to be fixed annually by the Managing Committee. Within this limit the affiliated society may draw and repay funds at its convenience.

The society may arrange to keep the accounts of an affiliated society in return for such monthly remuneration as may be agreed upon.

VII.—Meetings.

25. The Annual General Meeting shall be held during the month of April.

26. The functions of the Annual General Meeting are—

- (1) to elect a president for the ensuing year, whose duty shall be to preside at General Meetings, to supervise the administration of the society generally; and to summon through the secretary general meetings whenever necessary;
- (2) to appoint persons to audit the accounts of the society during the ensuing year and to fix their remuneration;
- (3) to elect a Managing Committee for the ensuing year and to appoint a secretary and any other officers that may be required, and to fix their remuneration;
- (4) to receive from the Managing Committee the Balance sheets of the last year and to sanction the distribution of the profits;
- (5) to fix the maximum up to which the Managing Committee may raise funds under by-law 6;
- (6) to consider any communication or audit memorandum that may have been received from the Registrar or any other business duly brought forward.

27. A Special General Meeting can be summoned by the President or by a majority of the Managing Committee or on a requisition from the Registrar or from 25 ordinary members. It shall be the duty of the President to call such a meeting.

28. In the case of an Annual General Meeting 14 days' notice and in the case of a Special General Meeting 7 days' notice shall be given. The notice shall specify the date, hour, and place of the meeting and the business to be transacted.

29. With the permission of two-thirds of the members present at a general meeting, any member may bring forward a proposal not mentioned in the notice convening the meeting, provided that such proposal does not relate to the expulsion of a member or the alteration of a by-law.

30. The president shall have a casting vote, in addition to his ordinary vote.

31. A member owning one to five shares shall be entitled to one vote, 6 to 10 shares two votes, 10 to 20 shares three votes, 20 to 50 shares four votes, and more than 50 shares five votes. Any member may appoint another in writing to vote for him as his proxy.

32. Two-fifths of the total number of members or 25 (whichever is less) shall form a quorum at a general meeting. If there be no quorum the meeting shall be adjourned for at least 7 days, and at the adjourned meeting the business of the original meeting shall be disposed of, whether there is a quorum or not.

VIII.—The Managing Committee.

33. The Managing Committee shall consist of not less than five members or more than 7. Three members shall form a quorum. It shall elect its own Chairman, who shall have a casting vote.

34. Subject to the by-laws and the resolutions passed at a general meeting the Managing Committee shall have full authority to carry on the business of the society. It shall meet for the transaction of business not less often than once a month.

35. Vacancies on the Managing Committee from death or any other cause shall be filled up at the next ensuing general meeting by election.

36. A committee minute book shall be maintained by the secretary in which the names of members present and the proceeding at each meeting shall be recorded. It shall be open to the inspection of all members.

37. No member shall be present or vote on any matter in which he has a personal interest.

38. The powers of the Managing Committee shall be—

- (1) to appoint, suspend, punish or dismiss all salaried servants of the society subject to by-law 26 (2) and (3);
- (2) to hear and deal with complaints;
- (3) to deal with applications for loans;

to supervise affiliated societies ;
 to examine and check the accounts ;
 to prepare annual balance sheets ;
 to inquire into and take action in cases of arrears ;
 to raise loans ;
 to fix rates of brokerage ;

(10) to institute, defend, or compromise legal proceedings ;

(11) generally to conduct the business of the society.

39. An appeal shall lie from all decisions of the Managing Committee to the General Meeting.

40. It shall be the duty of the auditors appointed under by-laws 26 (2) to audit the accounts and documents of the society quarterly ; and of the Managing Committee to produce all the requisite books for their inspection.

41. The Managing Committee shall control the Secretary, whose duty shall be—

- (1) to carry on the correspondence of the society, and to maintain all its books, accounts, and registers ;
- (2) to receive applications for loans, withdrawals of deposits, etc., and to lay them before the Managing Committee ; and to prepare receipts and vouchers ;
- (3) to receive and disburse money on behalf of the society under the orders of the Managing Committee.
- (4) to attend to all other business entrusted to him by the Managing Committee.

IX.—Loans.

42. Loans may be granted to any member on such terms and for such periods (not exceeding 10 years) as the Managing Committee think fit, subject to any resolutions passed by the General Meeting, provided that the rate of interest shall in no case be higher than per cent. or less than per cent.

43. Not more than one-tenth of the total capital of the society may be on loan at any time with the members of the Managing Committee.

44. The Committee shall prescribe the instalments by which loans are to be recovered and may grant extensions when necessary. Penal interest at the rate of per cent. shall be levied on instal-

ments not repaid within 14 days of the due date. These shall be entered in a pass book which shall be supplied to the borrower.

45. A loan may be granted on personal surety or on the security of immovable property at the discretion of the Committee. For every loan a bond shall be executed stating the rate of interest from the date of the instalments, and the nature of the security.

X.—Deposits.

46. Deposits may be received at any time within the limits fixed by by-law 6 and 26 (5) either in current account or for a fixed period. A pass-book shall be supplied to each depositor in which interest shall be credited half yearly on April 1st and October 1st.

47. After the period of a fixed deposit has expired, interest shall be paid on it at current deposit rates unless the deposit has been accepted by the Committee for a further fixed period.

XI.—Distribution of Profits.

48. The distribution of profits shall be decided on at the Annual General Meeting. The balance remaining after carrying 25 per cent. to reserve, and paying a bonus, if any, to office holders, shall be available for paying a dividend on shares.

49. The dividend shall not exceed _____ per cent. until the maximum lending rate to members has been reduced to _____ per cent.

XII.—Reserve Fund.

50. In addition to the sum prescribed under section 33 of the Act, all admission fees and receipts on account of forfeited shares, fines and donations, shall be carried to reserve.

51. Not less than half the reserve fund shall be deposited with some outside society or bank approved by the Registrar.

52. Any loss on the year's working may with the previous sanction of the Registrar be made good from the reserve fund.

XIII.—Accounts and Records.

53. Accounts and records shall be maintained in the forms prescribed by the Registrar with such additions as the Managing Committee think necessary. The Chairman and Secretary have power jointly to execute documents, grant receipts, and sign share certificates on behalf of the society.

54. Any member of the society may inspect any of the registers or records during office hours so far as they relate to his own business transactions.

55. Before April 15th annually the Managing Committee shall draw up statements showing the receipts and expenditure, assets and liabilities, and profit and loss for the previous year. A copy of these statements shall be supplied to the Government auditor.

XIV.—Amendment of by-laws.

56. Subject to the rules framed by the local Government by-laws can be amended provided that notice of the amendment has been given to the Registrar, the Collector of the District and the members at least 10 days prior to the meeting. Amendments take effect after being registered under section 11 (3) of the Act.

CHAPTER VI.

THE GENERAL MANAGEMENT OF CO-OPERATIVE SOCIETIES.

1. *General Meetings*.—Notice of all general meetings must be issued by the Secretary in the manner prescribed by the by-laws, stating the time and place of the meeting and the business to be transacted. The first general meeting of the Society has the same powers as an annual general meeting. The business of a first general meeting will ordinarily be—

Business of General Meetings.

- (a) to elect a President of the Meeting ;
- (b) formally to adopt the approved by-laws ;
- (c) to elect a Managing Committee ;
- (d) to appoint a Secretary and fix his pay ;
- (e) to fix the limit up to which capital may be raised by the Managing Committee.

The annual general meeting held in April will transact the same business with the exception of (b) and will also—

- (f) receive the balance sheets of the last year from the Managing Committee ;
- (g) consider any communications or audit memorandum received from the Registrar or his staff ;
- (h) consider any business placed before it by Managing Committee ;
- (i) consider any matter brought before it after due notice by a private member.

The President is responsible for seeing that business is conducted in an orderly manner. Every name proposed for election should be duly proposed by one member and seconded by another. Votes may be taken either by show of hands or by ballot, and it is the business of the President to announce the result. Subjects such as those recapitulated in (f), (g) and (h) should be laid before the meeting by the Secretary. They should then be open to discussion and if any member wishes to propose a resolution or alteration on any point he may do so and the President must put it to the vote. The Secretary should note the names of the proposer and seconder

Procedure.

he minutes, the substance of the discussion, the final resolution and the number voting *pro* and *con*. A general meeting cannot be held unless a quorum is present as fixed by the by-laws, or unless the meeting has already once been adjourned for want of a quorum. The names of all the members present should be recorded by the Secretary.

2. *Managing Committee Meetings*.—The Managing Committee may dispose of its business more informally than the general meeting; but here again a quorum is necessary and a Chairman is elected annually who is responsible for seeing that all questions are properly discussed and voted upon. The decisions of the Committee must be fully recorded by the Secretary in a separate minute book, and he should see that no important point on which a decision is required is overlooked. For instance, in sanctioning a loan the Committee must decide (a) amount of loan, (b) purpose of loan, (c) nature of security or names of securities, (d) the period of repayment. The Chairman should sign the minute book which should contain the names of all committeemen present.

3. *Amendments of By-laws*.—By-laws may be amended at a General Meeting of a society provided that—

Amendments
how made.

- (1) due notice of the proposal of amendment is given in accordance with the by-laws;
- (2) the resolution is passed by not less than two-thirds of the members present at the general meeting;
- (3) the amendment is approved and registered by the Registrar.

No amendment can take effect until a certificate of approval is received from the Registrar under section 11 (3) of the Act.

In forwarding an amendment to the Registrar for sanction, a society should report whether due notice of the general meeting was given, the number of members attending the meeting, and the number who voted for the adoption of the amendment, and should attach an accurate copy of the resolutions of the general meeting, relating to each by-law amended or rescinded.

4. *Deposits and loans*.—The success of a society will largely depend on the amount of deposits and loans which it is able to collect. Interest should be paid regularly, either yearly or half-yearly, at the rates fixed in the by-laws or by the general meeting of the Society. Different rates should ordinarily be allowed on deposits which are—

- Deposits and loans.
Interest
- (a) current,

- (b) fixed for six months,
- (c) fixed for one year,
- (d) fixed for two years or more.

In ordinary cases $\frac{1}{2}$ pie per rupee per month is recommended on (a), $\frac{3}{4}$ pie on (b), 1 pie on (c), and $6\frac{1}{2}$ per cent. on (d). If deposits are not taken away when the fixed period expires, interest at current rates should be allowed on them from the date of expiry until the owner either withdraws the money or gives notice that he deposits it for a further fixed term. Agricultural Societies should receive deposits of class (c) and (d) only.

Deposits are sums obtained by a society from other members or non-members on the ordinary terms prescribed by its by-laws or general meeting. Loans are sums raised from a Central Bank or other financing agency on such terms as may be laid down by the lender. Ordinarily a society should prefer deposits since they are a proof of its own credit and are generally cheaper than loans.

Deposits and loans are not part of the capital of a society as understood in Section 21 of Act II of 1912 and are therefore not exempt from attachment by Civil Courts (Government Resolution No. 8989 of September 20th, 1906, Revenue Department).

Courts of Wards have been specially invited by Government to deposit their funds in Co-operative Societies, after satisfying themselves of their security (Government Resolution No. 2302 of March 11th, 1910, Revenue Department).

5. *Debentures*.—Debentures resemble deposits in that they bear a fixed rate of interest, the payment of which is the first charge on a society's income. They differ from deposits because they cannot be surrendered to a society at will or withdrawn, but can only be transferred or sold to another member. They differ from shares in that share-holders after deducting 25 per cent. of the profits as reserve fund are entitled to divide up the balance as dividend, while debenture-holders receive a fixed rate of interest. Debentures may be issued either by limited or unlimited societies. Shares may only be issued by the former because under section 33 of the Act, unlimited societies may not distribute their profits. In the event of a limited society failing, the claims of the debenture-holders must be fully paid off before the share-holders can receive anything. On the cancella-

tion of an unlimited society, all the members are unlimitedly liable for the repayment of the debentures to their holders.

6. *Purchase of Quinine.*—Societies can purchase fresh quinine from the Superintendent of the Yeravda Central Prison, Poona, for re-sale to their members. A bundle of 68 packets of 10 grains each costs one rupee. Bundles of the value of less than two rupees are not supplied, and all payments must be in cash.

7. *Suits in Civil Courts.*—Societies will occasionally find that it is necessary to recover money from persistent defaulters or their securities through the Civil Courts. The Secretary or other members of the Managing Committee should be authorised by a special resolution of the Managing Committee to file a suit on behalf of the society. The following form of plaint has been adapted from that prescribed as Appendix A of the Civil Procedure Code :—

Pleading.

In the Court of _____

1. Name _____ Chairman
of the _____ Secretary
Co-operative Credit Society on behalf of the } Plaintiff ;
Managing Committee of the said Society, age
caste , occupation , residence . }

versus

1. Name , age , caste
occupation , residence . } Defendant.

Claim Rs.

The abovenamed plaintiff, duly authorised on behalf of the Co-operative Credit Society, states as follows :—

(1) On the _____ day of _____ 19 _____ the Co-operative Credit Society lent the defendant, who is a member of the said Co-operative Credit Society, Rs. _____, repayable on the _____ day 19 _____ with interest at the rate of _____ per cent. and with _____ penal interest under by-law _____ of the said Society's by-laws at the rate of _____ per cent. from the date of default.

(2) The defendant has not paid the same except Rs. _____ paid on the _____ day of _____ 19____

(3) The loan was paid to defendant at the office of the said Society in the village of _____, which is within the jurisdiction of this Court, and the cause of action arose on _____, the date of default.

(4) The bond of the defendant is attached and also a duly certified copy of his khata in the account books of the Society as evidence under section 26 of the Act II of 1912 and under rule 10 of the Co-operative Societies Rules, 1913, published in the *Bombay Government Gazette* under Notification No. 2500, dated March 14th, 1913.

(5) The said Society has been registered under the Co-operative Societies Act (Act II on 1912) and hence the Society is exempt from the provisions of the Deccan Agriculturists' Relief Act, under Bombay Act I of 1912.

(6) The value of the subject matter of the suit for purposes of jurisdiction is Rs. _____ and for the purpose of Court-fee is Rs. _____

(7) The plaintiff claims as under :—

(a) The principal amount Rs. _____ with interest Rs. _____ at the rate of _____ per cent. from the _____ day of 19____, up to the day of filing the suit, Total Rs. _____

(b) Costs of the suit

Date _____

(Signed) _____,

Co-operative Credit Society.

I _____ plaintiff verify on my own knowledge that the facts stated in paragraphs number _____ are true and the facts mentioned in paragraphs number _____ are stated upon information received and believed to be true.

Date _____

Place _____

(Signed) _____,

Co-operative Credit Society.

Filed in the Court on _____ day _____ 19____ .

Chairman
Secretary

Co-operative Credit Society.

List of documents filed.

In the Court of _____.

1. Name _____ Chairman
 _____ Secretary' } Plaintiff ;
 of the Co-operative Credit Society, residence .

versus

1. Name _____, residence Defendant.

Claim Rs. .

List of documents and papers filed on behalf of the plaintiff in the said suit are as under :—

No.	Description of documents.	Date of documents.	Signature.
1	A certified copy of resolution of the managing committee authorising plaintiff to file the suit on its behalf.	.... .... ....
2	A certified copy of the khata of the defaulter in the account books of the Society.	....
3	Original bond of the defendant ..	....	(Signed) _____
4.	Certified copy of by-law prescribing penal interest.	....	Secretary.

Date _____.

(Signed) _____,

Secretary,

Co-operative Credit Society.

The plaintiff must attach as many copies on plain paper of the plaint as there are defendants (Section 9 (1) of Order V of 1908). The two sureties will usually be associated with the borrower as defendants. If the Sub-Judge asks for the original account books of the society to be produced under Section 17 of Order VII of Act V of 1908, his attention should be drawn to the fact that Co-operative Societies are exempted from this provision under

Section 26 of Act II of 1912. Co-operative Societies are not exempt from Court-fees. The plaint therefore should be properly stamped. The amount of the Court-fee is 6 annas for every Rs. 5 claimed (section 6 of Act VII of 1870). The amount shown in paragraph 6 of the plaint should be the same as the amount of the claim.

A suit may be filed for the recovery of loans advanced on bonds with personal sureties within 3 years of the date on which the instalment claimed became due (item 74 of Schedule I of Act IX of 1908). When the security for the loan is a mortgage on immovable property the period of limitation is 12 years (item 144 of the same Schedule). If before the period of limitation has expired the debtor or his surety acknowledges his liability in writing or if he pays interest on his debt, a fresh period of limitation sets in from the date of such acknowledgment or such payment of interest.

8. Enforcement of prior claims of the Society.—When property bought with money lent by a society or crops raised from funds or seed advanced by it are attached by some other creditor, the Society must enter and prove its prior claim in the Civil Court under clauses 58 and 59 of Order XXI of the First Schedule of the Code of Civil Procedure. A society may prove its claim and its right to object to the attachment under Section 19 of the Co-operative Societies Act by showing firstly that it lent money to the judgment-debtor and secondly that this money was spent in buying the cattle or raising the crop under attachment. If the claim is admitted, the property will be either freed from attachment, or sold under or free from the charge, as the society may agree, under section 73 of the Code of Civil Procedure. If the claim is rejected the society can file a regular suit under section 63 and, if necessary, make an appeal on that. As a rule societies will be well advised to consent to a sale by the Court free of the charge, and then to obtain payment from the sale-proceeds in priority to other creditors.

9. Pay of Societies' Officers.—In all agricultural societies and in the smaller non-agricultural societies the Chairman and the members of the Managing Committee should serve without remuneration. The duties of the Secretary are heavier and less attractive and therefore he will probably require pay. The most convenient method is to allow him small a monthly stipend together with an annual bonus of 25 per cent. of the net profits, to be sanctioned in the annual general meeting of the society provided that not more than 10 per cent. of the outstanding loans of the society are overdue for

collection. His bonus should be reduced at $12\frac{1}{2}$ per cent. of the net profits (*i. e.*, $\frac{1}{3}$ th) when the arrears exceed 10 per cent. but are less than 20 per cent. If they exceed 20 per cent., no bonus should be paid at all. Loans which have been duly extended by the Managing Committee should not be considered to be arrears for the purpose of this rule but paper transactions should be treated as arrears. In this way the society is enabled to force its Secretary to show activity in recovery work.

10. *Utilization of Cash Balances.*—A society ought never to keep a large cash balance on hand idle. If the money is not required by members it may be used under Section 32 of Act II of 1912 in any of the following ways :—

- (a) Deposited in the Post Office Savings Bank.
- (b) Invested in any of the securities specified in Section 20 of the Indian Trusts Act, 1882.
- (c) Invested in the shares or on the security of any other registered Society.
- (d) Deposited in any bank approved by the Registrar.

Co-operative Societies are authorised under Section 42 (b) of the Savings Bank Rules to open public accounts in the Post Office Savings Bank. The sanction of the Post Master General is first required and should be obtained by an application in the accompanying Form A forwarded through the Registrar, Co-operative Societies. Under the Post Master General's No. 449 of May 4th, 1907, Sub-Post Masters have been authorised to open accounts in anticipation of sanction on receiving an intimation from the Registrar. Two members of the Committee must be selected to operate the account jointly with the Secretary.

When the public account is opened a declaration in Form B (1) and (2) must be filled up and should be signed by the Secretary and the two selected members. At the same time a deposit should be made. If any of the three persons (*i. e.*, Secretary and two selected members) do not attend at the Post Office when the account is opened, the absent members must send specimen signatures.

When money is withdrawn, the application for withdrawal signed by the Secretary and the two selected members must be made in a form that will be supplied at the Post Office. The pass-book should be produced at the same time.

If at any time one of the selected members is unable to sign applications he should give a letter of authority to another member of the Committee selected for the purpose at a Committee Meeting and a new declaration should be presented to the local Post Office.

If one of the selected members dies or refuses to give a letter of authority the Committee should make a fresh application to the Post Master General through the Registrar specifying the names of the two members and Secretary who will henceforward sign applications.

No Co-operative Society may have more than Rs. 10,000 at its credit in the Postal Savings Bank. Special facilities with regard to withdrawals have been conceded under the Post Master General's general letter No. 15, dated August 1st, 1913 :—

Restrictions on accounts.

- (a) Societies may withdraw sums up to Rs. 3,000 from their accounts on three days' notice at all post offices situated at district head-quarters or at taluka head-quarters where there is also a telegraph office.
- (b) Societies may withdraw sums up to Rs. 3,000 on seven days' notice from all other post offices.
- (c) Societies may withdraw sums exceeding Rs. 3,000 but less than Rs. 10,000 on ten days' notice from all post offices.

Investments under the Trusts Act.

Under Section 20 of Act II of 1882, Co-operative Societies may invest their funds—

- (1) in promissory notes, debentures or stock of the Government of India or Great Britain ;
- (2) in bonds or debentures secured on Indian Revenues ;
- (3) in shares of Railway Companies guaranteed by the Secretary of State ;
- (4) in debentures or bonds issued by any Municipality in British India ;
- (5) in first mortgage on immovable property in British India, of which the value exceed the mortgage-money by at least one-third ;
- (6) any other security approved by the High Court.

A co-operative society is at liberty to purchase shares or debentures in any other co-operative society. It may also deposit its funds with any other society for any term at the ordinary rates allowed by the rules of the borrowing society. If however it advances money to any society on special terms dictated by itself as lender, then the

Investments in other Co-operative Societies.

advance must be regarded as a loan and the sanction of the Registrar obtained under Section 29 (1) of the Act. The Bombay Central Co-operative Bank, in order to encourage the outside investment of Reserve Funds by societies, allows $3\frac{1}{2}$ per cent. on reserve funds placed with them as deposits on call and 4 per cent. when the deposit is withdrawable at one month's notice.

Joint-stock banks often allow attractive rates of interest on deposits, and societies in the larger towns will usually find them very convenient. As the financial position of these banks in India is occasionally not all that could be desired, no society may open accounts with them without the Registrar's previous approval. Besides this the Registrar is prepared to allow the deposit of a society's funds with old-established and trustworthy village shroffs on current account, when no other convenient means of investment is available, but his consent will not be given without full inquiry.

When a society is unable except at unreasonable cost to deposit its funds and papers in a Government savings bank or with an approved banker or in some other safe manner, under Government Resolution No. 7135 of September 4th, 1905, Revenue Department, it may be allowed by a special order of the Local Government to keep its strong box in the local treasury, provided that there is room for it.

11. *Transmission of Funds.*—Most societies at one time or another have to remit money to other societies or private persons at a distance. It is important that this should be done expeditiously to save interest. The following methods of transmission are available :—

(1) *Remittance Transfer Receipts.*—Under Government Resolution No. 9146, dated September 25th, 1906, remittance transfer receipts are supplied at par for remittances between co-operative credit societies. Societies desiring to use this privilege should fill up the following form :—

1. Name in full of the applicant society
2. Amount of draft required (in words and figures)
3. Name and address in full of society to whom remittance is to be made
4. Name of Treasury at which draft is to be made payable
5. Signatures of Secretary and one Committee member of the remitting society
6. Date

Remittance Transfer Receipts are obtainable at district treasuries and also at sub-treasuries with the previous approval of the Huzur Deputy Collector. On receiving the Transfer Receipt from the Treasury Officer the society should send it by registered post to the recipient. The amount of a Remittance Transfer Receipt may not be less than Rs. 25. It may be cashed immediately at a district treasury; but if payment is required at a sub-treasury it should be handed to the Sub-Treasury Officer duly receipted and he will make payment after a few days on receiving a cash order from the Treasury Officer.

Under Government Resolution No. 5588 of June 10th, 1911, Revenue Department, the privilege of the use of Remittance Transfer Receipts at par has been extended to remittances from branches of co-operative credit societies to their head office, or to other branches or to other societies or their branches.

Under Government Resolution No. 3907, dated April 25th, 1913, Revenue Department, remittance transfer receipts sent from Bombay to the mofussil may be obtained from the Bank of Bombay payable to the Huzur Treasury Officer of the district concerned. The remitter may send such receipts direct to the Treasury Officer who will issue immediately a cash order in favour of the payee at the Sub-Treasury nearest to the Society. The remitter should inform the payee direct of the Sub-Treasury at which payment will be made and should direct him to present himself there with proofs of his identity.

Conversely under Government Resolution No. 353, dated January 13th, 1914, Revenue Department, rural societies, wishing to despatch a Remittance Transfer Receipt but to make payment for it at a Taluka Sub-Treasury, may at the time of making payment and presenting their application for the issue of a Remittance Transfer Receipt, request the Sub-Treasury Officer to move the Huzur Treasury Officer to forward it direct to the payee instead of returning it to them for transmission.

(2) *Postal Money Orders*.—These can be despatched from nearly all post offices. The amount must not exceed Rs. 600 and must not include fractions of an anna. A commission of 1 per cent. on the sum remitted is charged. Under Government Resolution No. 564 of January 21st, 1910, a refund of three quarters of the money order commission paid on all remittances between a society and its

financing agents has been allowed for a period ending March 31st, 1915. Under Government Resolution No. 1674, dated December 23rd, 1912, a similar refund has been allowed on money order commissions paid on remittances between a society which has opened a store and the broker or dalal who supplies its stock. Societies claiming a refund should submit the following form annually in April together with the post office receipts for the remittances to the Registrar who will make the necessary payment :—

Date of money order.	Name of sender.	Name of recipient.	Amount sent.	Commission charged.	Refund claimed.	Remarks.
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(3) *Registered and Insured Post.*—Cheques, hundis and Registered Post, currency notes can conveniently be sent by registered and insured post, but no special privileges have been conceded to societies which use this mode of transmission. In addition to the ordinary postal charges, a registration fee of two annas only, and an insurance fee of one anna for every Rs. 50 or fraction of Rs. 50 insured will be charged. Packets must be strongly fastened, tied with string or thread, and sealed. The name and address of the sender, and the amount for which the packet is insured must be clearly written on the cover. Packets up to the value of Rs. 500 can be insured at branch post offices and up to the value of Rs. 2,000 at other post offices. A receipt will be given by the Post Master, which should be preserved on the society's file.

12. *Registration of Documents.*—Under Section 17 of Act XVI of 1908 (Registration Act) the following documents in use among co-operative societies must be registered :—

What documents registrable ?

1. All gifts of immovable property.
2. All sales, transfers or mortgages of immovable property of the value of Rs. 100 and upwards. If the value is less than

Rs. 100 also the document must be registered unless delivery is made. (Transfer of Property Act, section 54.)

3. All leases of immovable property for terms exceeding one year.

4. All receipts for payments in virtue of which the above transfers, mortgages, and leases are cancelled or released.

Documents must be presented to the Sub-Registrar within whose sub-district the whole or some portion of the property to which it relates is situated within 4 months of execution. No stamp need be affixed because under Notification No. 683-F., dated December 28th, 1912, the Government of India has remitted in the case of registered co-operative societies stamp duty on all documents executed by a society or its members relating to the business of the society. The documents should be presented to the Sub-Registrar by one of the persons executing it or by one of the officers of the society claiming under it. All the persons executing such a document must present themselves before him before it can be registered. The Sub-Registrar will satisfy himself of their identity. If the kulkarni or patil is unwilling to attend, one of the members of the Managing Committee might be duly authorised by a special resolution of the Managing Committee to accompany them as identifying witness and if necessary his expenses might be paid by the society. The person chosen should, where possible, be personally known to the Sub-Registrar.

The property leased, mortgaged, or sold must be fully described in the document. Land should be described by reference to the survey number, area, and assessment shown in the village records, and the names of the adjoining properties should be given. With regard to houses, the names of the street or road should be entered and it should be stated on which side they are situated and what properties adjoin them.

In order that the time of the parties may not be wasted in waiting while the Sub-Registrar makes a manuscript copy of the registered document, the Inspector General of Registration has in his circular, dated January 30th, 1912, ordered Sub-Registrars to accept printed duplicates of all documents executed by or in favour of co-operative societies, to complete registration immediately and to return the original document on the day of presentation. Printed duplicate forms should be presented blank and will be filled up by the Sub-Registrar at the time of registration.

Under Notification No. 2025, dated June 20th, 1910, the Government of India have remitted the following fees payable under the law of registration :—

- (a) All fees payable by or on behalf of any co-operative credit society.
- (b) All fees in respect of any instrument executed by any officer or member of such a society and relating to the business thereof.

The Government of Bombay under Government Resolution No. 7504 of August 22nd, 1910, have withdrawn these exemptions in the following cases :—

- (1) fees for attendance at a private residence or jail ;
- (2) fees for the safe custody of unclaimed documents ;
- (3) fees for issuing warrants, summonses and commissions ;
- (4) fines for delay in the presentation of documents or in the appearance of parties.

Before taking land on mortgage as security for a loan, the society should always satisfy itself that the land is unencumbered, *i. e.*, that it has not been previously sold or mortgaged to another person. The simplest method of doing this is to require the applicant for a loan to produce a copy of the entry in the Record of Rights relating to the land offered as security. But where the committee suspects the accuracy of the entry, or where no Record of Rights is available, as in towns, it is wise to inquire in the Sub-Registrar's office in order to make sure of the facts. The Secretary of the society should first look up the name of the alleged owner of the land in the Sub-Registrar's Index No. I and should then look up the description of the land in Index No. II. If after searching these two Indices for the preceding 12 years no entry is found relating to the land in question, it will generally be safe to assume that the land is unencumbered.

It should be brought to the notice of Sub-Registrars that under Bombay Act I of 1912 Co-operative Societies have been exempted from the operation of the Deccan Agriculturists' Relief Act of 1879 and therefore that documents need not be drawn up or executed in their presence.

Under Section 27 of Act II of 1912 the share certificates and debenture-bonds of registered societies are exempted from compulsory registration.

13. *Thumb-impressions* should be taken on all bonds passed by illiterate members. The rolled impression of the ball of the left thumb is required. The apparatus which consists of a tin slab, a roller, and some printing ink can be bought cheaply in any bazaar. A drop or two of printing ink by means of the roller and with the aid of a drop or two of kerosine should be spread evenly over the plate. The clean thumb of the person executing the document should be pressed gently but firmly on the tin slab and rolled (not rubbed) from side to side. The inked thumb should then be placed lightly on the document and rolled so as to leave a clear impression free from smudges. On registered documents this process should be gone through in the presence of the Sub-Registrar.

14. *The Co-operative Societies Act.*—Under Section 16 of Act II of 1912 every Society is bound to keep a copy of the Co-operative Societies Act and of the rules under it made by the Local Government. The rules are provided free along with the registration certificate. Copies of the Act may be obtained from the Registrar's Office at the following prices :—

	A.	p.
English	6	6
Gujaráti	3	0
Maráthi	3	0
Kánarese	4	0

Paragraph 15 Takavi Loans.

In Press Note No. 1312 of February 8th, 1907, published in the *Government Gazette*, Government have accepted the principle that takávi loans to members of Co-operative Credit Societies under the Agriculturists Loans Act, XII of 1884, should be advanced through the Societies and not direct, but should only be granted when the Societies have no funds on hand for necessary loans and are not in a position to raise them locally. The Assistant or Deputy Collector on receiving a petition for takávi from any village in which a Society has been established, will first enquire whether the petitioner is a member of the Society. If so, he will refer the petition to the Society and ask it to draw up a list of members requiring takávi, for whom it is willing to stand surety. The list should show the amounts required, the period of repayments and the object of the loans. The Assistant or Deputy Collector will at once sanction as many of these loans as he considers that the Society is unable to grant out of its own funds. There will be no enquiry into the

security offered by individual applicants, because instead of this the Society itself will be required to sign each separate takávi bond through its representatives as a surety. In return for being surety the Society may charge as commission a rate not exceeding two per cent. per annum on the amount advanced. Any Society wishing to obtain takávi for its members on these terms should first adopt the following resolutions at a General Meeting :—

- (1) No member may be granted a takávi loan of more than
Rs. on the security of the Society.
- (2) The Society shall levy as commission a rate of 2 per cent.
per annum on takávi sums outstanding with members
on its security.
- (3) The Chairman and Secretary of the Society are authorised
on behalf of the Society to sign the takávi bonds as
sureties, it being clearly understood that liability attaches
to the Society and not to them personally.

FORM A

Form of Application of Authorisation to the Post Master General.

To

THE POST MASTER GENERAL,
Bombay.

Sir,

We, the undersigned, being the Secretary and the Members of the Managing Committee of the undermentioned Co-operative Credit Society, apply for permission to open a Postal Savings Bank account in the name of the Society at the _____ Post Office.

*The name of the Society is _____

*Its registered address is _____

*The objects of the Society are _____

*The funds are raised in one or more of the following ways :—

(a) _____

(b) _____

(c) _____

(d) _____

(e) _____

†The account will be operated upon by _____ the Secretary, and
by _____ and _____ two

* These entries should be filled in from by-laws of the Society.

† Here enter the names of persons selected and authorised by the Committee to operate the account.

Members of the Committee. When the Secretary or one of these two Members is changed, intimation will be given to the Post Office and the required documents furnished through the Registrar.

- ‡(1) _____
- (2) _____
- (3) _____
- (4) _____
- (5) _____
- (6) _____
- (7) _____
- (8) _____
- (9) _____
- (10) _____ Secretary.

Through—

The Registrar, Co-operative Credit Societies,

Bombay Presidency.

As the signatures of the Members of the Committee signing the application to the Post Master General are often illegible, the names should be written legibly in this form, which should accompany the application.

Members selected for operation of account.	{	1. _____ 2. _____
Secretary	3.	_____
All Members of the Committee.	{	1. _____ 2. _____ 2. _____ 3. _____ 4. _____ 5. _____ 6. _____ 6. _____ 7. _____ 8. _____ 9. _____

‡ The application should be signed by all Members of the Committee and Secretary.

B (1)

Savings Bank Index Card.

Entries to be filled up in English by the Post Office.

Head Office

Account No. _____

Member .. { Name _____
Occupation _____
Residence _____

Member .. { Name _____
Occupation _____
Residence _____

Secretary { Name _____
Occupation _____
Residence _____

B (2)

FORM OF DECLARATION.

(To be signed by the Secretary and the two selected Members.)

We hereby declare that the Post Office Savings Bank Rules have been read ^{by} us, and that we accept them as binding upon us.

^{to:} We have opened this account with a first deposit of Rupees _____ in words—
_____ and have received a
Pass Book in which this sum is acknowledged.

We understand that if at any time our account is transferred to a Sub or Branch Post Office, we ought to receive for every deposit made at the Sub or Branch Office a separate acknowledgment by post, stamped by the Head Office, the name of which is shown on the cover of our Pass Book.

The _____ 191 .

Member (1) _____

Member (2) _____

Secretary _____

CHAPTER VII.

HOW TO ADVANCE LOANS TO MEMBERS.

The Managing Committee of a society should hold its meetings regularly as prescribed by the by-laws and at every meeting should receive and dispose of applications for loans. All applications should be submitted in writing in the accompanying Form I, or if the applicant appears in person before the Committee, should be reduced to writing by the Secretary. In considering applications the Committee should have regard to the purpose for which the loan is required, and form its own opinion about the amount needed, the security offered, and the time to be allowed for repayment. If it is dealing with money lent to it on deposit, it must so arrange the dates for the recovery of loans that money will be available for repaying the depositors on the due dates. Societies dealing with an urban population should be particularly careful on this point, as unpunctuality will damage their credit with the public and prevent fresh deposits coming in. As soon as a loan has been sanctioned, the money should be paid over to the borrower in the presence of the Committee if the society has sufficient balance in hand; if not, arrangements should at once be made to withdraw the required sum from the postal savings bank. At the time of disbursement a formal agreement should be taken from the borrower in one of the forms mentioned below.

2. In the case of small loans (up to Rs. 200 or 300) required for reasonably short periods by respectable members, personal surety will usually be sufficient. Form II should be employed, and two sureties should generally be required. They may or may not be members of the society but they must be honest people known to the Committee. The same people should not be accepted as sureties for several loans, nor should two borrowers from the society be allowed to stand as sureties for each other unless they are both known to be in good circumstances. A society with unlimited liability may not accept movable property, *e. g.*, jewellery, grain, etc., as a security except with the previous sanction of the Registrar (section 29 (2) of Act II of 1912), but any society may lend money against stock or share bonds deposited with it accompanied by an authorization to sell in event of default. Insurance policies may be accepted and loans

granted up to about $\frac{3}{4}$ of their surrender value. But in such cases the assignation of the policy to the society should be registered in the books of the Insurance Company, which can generally be done for a fee of Rs. 2-8-0.

3. Loans for larger amounts or for longer periods than those mentioned above require a firmer security than personal sureties can offer. A member may borrow Rs. 500 for building a well. As the profits of his enterprise will come in gradually, recoveries must be spread out over at least 5 years. In such a case it is advisable to take a mortgage on property of the borrower, of which the estimated value is at least twice the value of the loan. A mortgage without possession, which may be taken in the accompanying Form III, affords an excellent security since Act I of 1912 (Bombay) has exempted co-operative societies from the operation of the Deccan Agriculturists' Relief Act.

4. But there will always remain a class of cases involving large sums in which a society will require the best security available. A society cannot undertake to pay off a member's old debts and to substitute for them a debt to itself at a lower rate of interest unless it is fully safeguarded against loss. A special by-law (No. 33) has been inserted in the model by-laws for unlimited societies which prescribes that when old debts are liquidated, the consent of the Registrar is required for amounts exceeding Rs. 750, that the loan shall be repayable by instalment within 10 years, and that the debtor shall be required to mortgage with possession to the society land worth three times the amount of the loan advanced. In these and similar cases it is necessary to use the accompanying Forms IV and V. The owner first mortgages the land to the society under Form IV and then under Form V leases it again from the society on an annual tenure, agreeing to pay the land revenue assessment and local fund cess to Government and a sum equal to the due instalment and interest on the loan advanced to him as rent to the society. In cases where a society redeems the old debts of a member, it will often be a wise precaution if the Committee pays the money direct to the creditor and obtains a stamped receipt in full satisfaction of his claim. Any security bond held by him should be recovered at the same time. If he has obtained a decree from the Civil Court, payment should be notified to the Court under section 2 (2) of Order XXI printed in the first schedule of the Civil Procedure Code. The society should be careful to see both by the examination of the Record of Rights and by inquiry

at the Sub-Registrar's office that the land taken in mortgage has not previously been encumbered. Under section 135 (c) of the Bombay Land Revenue Code as amended by Bombay Act IV of 1913, transactions under Forms III, IV, or V should be notified at once to the village accountant.

5. When the bond has been taken, and the sanctioned loan paid over to the borrower, the Secretary should enter the payment at once in the day-book and in the member's pass-book. Entries in pass-books should always be made both in words and in figures. The other accounts can be written up afterwards.

6. At least once a month the Managing Committee should go through the loan register, and satisfy itself that loans are being paid as soon as they become due. Notice, either oral or written, should be given about a month beforehand to borrowers of the date on which repayment will become due. In cases where loans are not punctually repaid, the Managing Committee should call the debtor before them and find out the cause of the delay. Instalments once fixed ought not to be altered unless in exceptional circumstances, *e. g.*, serious illness, failure of crops. Where the Managing Committee is satisfied that an extension ought to be granted, it may sanction it, but it should remember that under section 135 of the Contract Act (IX of 1872) the sureties will thereby be discharged from further liability, unless their assent to the extension is recorded on the bond and attested by their signatures. Members who have defaulted without good reason or proved contumacious should be sued in the Civil Court at once for the overdue amount with penal interest and costs.

7. When a society finds that it has a large cash balance on hand for which it has no use, it will often be convenient to lend the sum to a neighbouring society. Under section 29 (1) of Act II of 1912, this can only be done with the previous sanction of the Registrar. The accompanying Form VI will be found suitable for use in connection with transactions of this kind.

FORM I.

Application for Loan

Having become a member of the _____
CO-OPERATIVE CREDIT SOCIETY, I hereby apply for a loan of Rupees(_____) (in words) _____ I wish that it may be made repayable—

(a) after _____months, or

(b) in _____instalments, of which the first shall be repayable after _____months and the remainder at intervals of _____months.

The names of the Sureties offered are given below. The object of the loan is

Dated _____191 . Signature _____

Occupation _____

Names of Sureties—

(1) _____

(2) _____

(3) _____

FORM II.

Form of Agreement for a Loan.

I acknowledge to have received from the _____
CO-OPERATIVE CREDIT SOCIETY a loan of Rupees (_____)
 (in words) _____ repayable as under :

Principal.			Interest			Total			Date of Repayment.
Rs.	a.	p.	Rs.	a.	p.	Rs.	a.	p.	
(1)									
(2)									
(3)									
(4)									
(5)									

The loan bears interest at _____ pias per rupee per month. I undertake to employ the loan for the following purpose :—

I undertake to repay the loan on the date (or dates) mentioned above and to be bound in all respects by the Society's By-laws.

Signature of Borrower _____

Witnesses' Signatures. { _____

We _____

and _____

hereby undertake to be jointly and severally liable to the above-mentioned Society for the due repayment of this loan with interest in accordance with the above conditions and the By-laws of the Society.

Dated _____ 191 . Signatures of Sureties—

(1) _____

(2) _____

(3) _____

Witnesses' Signatures—

FORM III.

Form of Agreement for a Loan.

I acknowledge to have received from the _____
 Co-operative Credit Society a loan of Rupees _____
 (in words) _____
 repayable as under :—

Principal.			Interest.			Total.			Date of Repayment.
Rs.	a.	p.	Rs.	a.	p.	Rs.	a.	p.	
(1)	_____	_____	_____	_____	_____	_____	_____	_____	_____
(2)	_____	_____	_____	_____	_____	_____	_____	_____	_____
(3)	_____	_____	_____	_____	_____	_____	_____	_____	_____
(4)	_____	_____	_____	_____	_____	_____	_____	_____	_____

The loan bears interest at _____ pies per rupee per month. I undertake to employ the loan for the following purpose :—

As security for the repayment of the loan with all interest accruing I hereby

‡If the property is surveyed and assessed land, the name of the village, survey number, are and assessment should be here inserted. Other landed property should be described fully. If any previous mortgage has been executed particulars should be given, or the fact that the property is not mortgaged should be stated.

mortgage without possession the undermentioned property which is now in my ownership and possession :—‡

I undertake to repay the loan on the date (or dates) mentioned above and to be bound in all respects by the Society's By-laws.

Signature of Borrower
 or
 Thumb Impression.

Signature of Witnesses.

(1) _____

(2) _____

FORM IV.

Draft Mortgage.

AN AGREEMENT made this . . . day of one thousand nine hundred and . . . between the Co-operative Credit Society (hereinafter referred to as "the said Society") of the one part and a member of the said Society (hereinafter referred to as "the mortgagor") of the other part.

2. WHEREAS the mortgagor has this day received from the said Society the loan of a sum of . . . rupees (Rs. . . . only) for the purpose of . .

3. NOW THIS AGREEMENT WITNESSETH THAT the mortgagor hereby binds himself and agrees to repay to the said Society the said sum together with interest thereon at the rate of . . rupees (Rs. . . . only) per centum per annum in the following annual instalments upon the following dates :—

Number of each instalment.	Amount of each instalment.	Date for payment of each instalment.

4. As security for the repayment of the loan with interest as aforesaid the mortgagor hereby mortgages with possession to the said Society the following immoveable property :—

Name of village, taluka and district in which situated.	Survey number or other description.	Area.	Assessment.	Estimated value.	Boundaries.

5. AND it is hereby agreed that the mortgagor shall pay the land revenue and local fund cess payable in respect of the said property and that the said Society shall take the annual profits of the said property in lieu of the said annual instalments.

6. AND it is hereby further agreed that the terms and conditions of this agreement shall be subject generally to the by-laws of the said Society.

IN WITNESS WHEREOF the above-named* . . . has hereunto set his hand and † have hereunto set their hands for and on behalf of the said Society and the seal of the said Society hath hereunto been affixed the day and year first above written.

*Name of Mortgagor.

†Names and descriptions of persons authorised to execute the deed on behalf of the Society.

‡Mortgagor's name.

§Mortgagor's signature.

||Witnesses' signature and descriptions.

¶Names and descriptions of persons authorised to execute the deed on behalf of the Society.

**Signatures of persons executing on behalf of the said Society.

††Witnesses' signatures and descriptions.

Signed and delivered }
by the above-named }
‡ } § . . .
in the presence of }
|| }
} }

Signed, sealed and }
delivered by the above- } ** . . .
named ¶ }
on behalf of the said } . . .
Society. }
In the presence of

}
†† }
}



FORM V.

Draft Lease.

AN AGREEMENT made this day of one Thousand nine hundred and BETWEEN the Co-operative Credit Society (hereinafter called "the Lessor") of the one part and a member of the said Society (hereinafter called "the Lessee") of the other part.

2. WHEREAS the following immoveable property :—

Name of village, taluka and district in which situated.	Survey number or other description.	Area.	Assessment.	Estimated value.	Boundaries.
---	-------------------------------------	-------	-------------	------------------	-------------

has by a mortgage deed bearing this day's date been mortgaged with possession to the Lessor by the Lessee.

3 AND WHEREAS the Lessor has agreed to lease the said property to the Lessee for a term commencing with the date of this agreement and co-extensive with the currency of the said mortgage in consideration of the payment of the following annual rent on the following dates :—

Rent.	Dates of repayment.
(Enter amounts of each instalment.)	(Enter dates for payment of each instalments.)

4. NOW this agreement witnesseth that the Lessor hereby leases to the Lessee the said property for the said term in consideration of the payment of the said rent on the said dates.

5. AND the Lessee hereby agrees to pay to the Lessor the said rent on the said dates and to pay the land revenue and local fund cess payable in respect of the said property.

6. AND it is hereby agreed that in the event of the Lessee making default in the payment of the said rent or any part of it on the said dates the Lessee shall pay to the Lessor as additional rent interest on the rent in respect of which the Lessee is so in default at the rate of twelve rupees (Rs. 12 only) per centum per annum from the date of such default to payment.

7. AND it is hereby further agreed that in the event of such default or in the event of the Lessee failing to pay the land revenue or local fund cess payable in respect of the said property it shall be lawful for the Lessor to eject the Lessee and to lease the said property to such other person or persons and on such conditions as the Lessor may think fit for the remainder of the said term.

8. AND it is lastly hereby agreed that the terms and conditions of this lease shall be subject generally to the by-laws of the Co-operative Credit Society.

IN WITNESS WHEREOF* have set their hands for and on behalf of the

* Names and descriptions of persons authorised to execute the lease on behalf of the Society.

Co-operative Credit Society and the seal of the said Society hath been affixed to the one part hereof remaining

with the Lessee and the Lessee hath set his hand to the other part hereof remaining with the said Society the day and year first above written.

* Omit from counterpart.

‡ Names and description of persons authorised to execute the lease on behalf of the Society.

§ Signature of persons executing on behalf of the Society.

*[Signed, sealed and delivered by the above-named ‡ on behalf of the said Society.] §

in the presence of

|| Witnesses' signatures and description.

|| { }
|| { }



*[Omit from original.

¶ Name of the lessee.

** Signature of lessee.

*[Signed and delivered by the abovenamed ¶ in the presence of]**

†† Witnesses' signatures and descriptions.

†† { }
†† { }

FORM IV

Form of Agreement to be executed on behalf of a Registered Co-operative Credit Society obtaining an Advance from another Registered Co-operative Credit Society.

We, the undersigned, being duly empowered in this behalf by the Committee of the Co-operative Credit Society, Limited, Unlimited, under the by-laws of the Society acknowledge to have received from the Co-operative Credit Society, Limited, Unlimited, the sum of Rs. _____ as a loan to our Society, and we undertake on behalf of our Society to pay the loan with interest in the following _____ annual instalments, each instalment being payable on the date shown opposite thereto:—

Principal.	Interest.	Total.	Date.

2. We further agree to pay interest at _____ per cent. per annum on any instalment or portion of an instalment which is not paid on due date, such interest to run from due date to date of payment.

3. We declare that since the application was submitted to _____ the Society's indebtedness either to members or to non-members has not increased otherwise than by the accrual of interest on debts specified in the application.

Dated

The

191 .

Signatures .. { (1)
(2)
(3)
(4)
Witnesses' signatures. { (1)
(2)

CHAPTER VIII.

ACCOUNTS.

(i) Current Accounts.

1. The account forms which must be maintained by every society are enumerated in rule 9 (1) of the Co-operative Societies Rules, 1913. The forms prescribed below are recommended for adoption, firstly because they are known from experience to be convenient in use, secondly because they are so designed that the annual returns required by the Government of India can readily be filled up from them, and thirdly because they are kept in print in all the vernaculars and can be obtained cheaply from the Registrar. If any society however wishes to design its own forms, there is no objection to its doing so. It must only be remembered that the Registrar will require all the forms to be maintained that have been prescribed by Government and in such a manner as to furnish all the items needed for the annual Receipts and Disbursements, Assets and Liabilities, and Profits and Loss Statements. Special types of societies not concerned with credit, will of course need special account forms.

2. FORM I.

Model Form I.

Register of Members.

Serial No.	Date of admission.	Date of payment of entrance fee.	Full name of member.	Address.	Occupation.	Full name and address of heir nominated by him.	Signature or thumb mark of member making nomination.	Date of cessation of membership.	Remarks.
1	2	3	4	5	6	7	8	9	10

Column 2 shows the date of the resolution by which the Managing Committee admitted the member. Column 3 shows the date of payment of entrance fee, corresponding with an entry in the cash book. Column 4 should contain the member's name, father's name and surname. Column 5 should show the name of the member's village, and in towns the name of his street and number of his house. Column 6 should show his chief occupation, when he has more than one. Column 7 contains the name of the heir of any member who may wish to nominate one under section 22 of the Act and rule 12 of the Rules. Nomination is not compulsory. Column 8 should, where possible, be filled up in the presence of the Managing Committee by the member making the nomination. Column 9 shows the date of the expulsion, death or resignation of a member whose name should be cancelled in ink.

Model Form II.

3.

FORM II.

*Cash Book.**Receipts.**Payments.*

Date.	No. of ledger account.	Name of payer.	On what account.	Amount.			Date.	No. of ledger account.	Name of payee.	On what account.	Amount.			
				Rs.	a.	p.					Rs.	a.	p.	
1	2	3	4	5			6	7	8	9	10			

Every sum received or paid out by a society must at the time of the transaction be at once entered in the cash book. It is the most important of all accounts, and it is the business of the Chairman and other members of the Managing Committee frequently to check it, verify the balance in the hands of the Secretary, and to sign it in token of correctness. The balance should be struck on every day on which any transaction has occurred, and it is a safeguard if the total is noted in words as well as figures. As far as possible all payments should be made by the Secretary in the presence of some member of the Managing Committee.

Almost all items will appear in some other account as well as the cash book, but columns 2 and 7 should be left blank when there is no entry in the ledger. In the case of miscellaneous expenses the number of the voucher should be noted in column 4.

4. FORM III.

Model Form III.

Loan Register.

Serial No.	Name of borrower.	Total amount advanced.		Object of loan.	Date or dates when repayment is due.	Principal due.	Date or dates of actual repayment.	Amount repaid.	Remarks.
		On personal surety.	On mortgage security.						
1	2	3	4	5	6	7	8	9	9
1	Nana Bajirao Jagdale.	40	..		6-4-12.	10	7-4-12.	10	Sureties are Govind Babaji and Vithu Yadavrao.
					6-10-12	10	3-6-12.	2	
				Repair his house.	6-4-13.	10	6-10-12. 11- 7-13.	8	
					6-10-13.	10	21-10-13	7	
							5-1-14.	12	

The first seven columns should be filled up as soon as the loan is made from the original bond. The amount of the loan should be shown in either columns 3 or 4, not in both, and the name of the sureties or the survey numbers mortgaged should be noted in the remarks column. When the loan is repayable by instalments, the due dates should be noted below each other in column 6 as shown in the model entry, and the amount of principal due on each date should be shown in column 7 without interest. Columns 8 and 9 will correspond with the cash book and ledger, but will show only repayments of principal without interest. The use of columns 6, 7, 8 and 9 is to show at a glance the amount of arrears for the purposes of the annual returns. Three or four lines should be left blank between each serial entry to allow for extra instalments of repayment, as the actual number is never certain.

5. FORM IV.

Model Form IV.

Member's Ledger Account.

Name of member—Nana Bajirao Jagdale. Ledger No.....

Date.	No. in Loan Register.	Principal amount borrowed or debited.	Amount repaid or credited.			Balance of principal due after each transaction.	Details of calculation of interest.			Remarks.
			Principal.	Interest.	Total.		Principal due.	Months.	Amount of interest.	
1	2	3	4	5	6	7	8	9	10	
		Rs.	Rs.	Rs. a.	Rs. a.	Rs. a.	Rs. a.		Rs. a.	
6-10-11 ..	1	40	..	..	..	40	..	..	..
7-4-12 ..		..	10	1 14	11 14	30	40	6	1 14	
3-6-12 ..		..	2	..	2 0	28	..	..	..
6-10-12		..	8	1 6	9 6	20	30	6	1 6	6 pies remitted owing to pre-payment of Rs. 2.
11-7-13 ..		..	1	1 6	2 6	19	20	9	1 6	
21-10-13 ..		..	7	0 8	7 8	12	19	3	0 8	
5-1-14 ..		..	12	0 6	12 6	..	12	3	0 6	Penal rate charged,

Columns 1, 2 and 3 should be filled up at the same time as columns 1 to 6 of Form III from the original bond. The manner in which the model entry in Form III will appear in Form IV is shown above. The date of every transaction must be shown in column 1 and lines made in those columns which are to remain blank. All repayments should be credited firstly to interest due as shown in column 5 and secondly to repayment of principal shown in column 4. If a special rate of interest or penal interest is charged, it should be noted in the remark column. Column 7 will show how much principal is due after each transaction and must always be filled up, even when the repayment is only of interest. Columns 8, 9 and 10 will show the method in which the interest shown in column 5 has been calculated.

6. FORM V.

Model Form V.

Loan and Deposit Account.

Name of Depositor or Lender.....No.....

Date.	Rate of interest.	Fixed Deposits or loans.				Current Deposits.			Signatures.
		Amount.	When repayable.	Withdrawals.	Balance.	Amount.	Withdrawals.	Balance.	
1	2	3	4	5	6	7	8	9	10

All loans borrowed from the Central Bank, other financing institutions, or private persons, and all fixed deposits whether from members or non-members will be entered in columns 3 to 6. Current deposits are kept quite separately in columns 7 to 9. The rate of interest (column 2) will be filled in only when amounts are received, and not when withdrawn. When an amount is repayable by instalments, as is the case with Government loans, the total amount lent should be entered in one entry in column 3, and all the dates of the instalments should be noted one below another in column 4. The balance in column 6 or 9 should be struck after every transaction. The signature of the depositor should be taken in column 10 on every deposit or withdrawal. When interest on deposits accrues, it may either be paid to the depositor in cash or credited to him as a current deposit in column 7, pending further directions from him.

7. FORM VI.

Model Form VI

*Interest Account.**Receipts.**Payments.*

Date.	Name of payer.	No. of ledger account.	Amount.	Date.	Name of payee.	No. in Share Register or Deposit account.	Amount.	
							Interest.	Dividend.
1	2	3	4	5	6	7	8	9

The amount of interest received shown in column 4 will agree with the total shown in column 5 of the member's ledger account. Interest paid on deposits and loans will be calculated once or twice a year under orders of the Committee on the Loan and Deposit Account, and payments whether made in cash or by adjustment as fresh deposits must be entered in columns 5 to 8. The amount of dividend payable on shares will be approved at the annual general meeting and should then be calculated with the help of the Share Register and noted in column 9. Where convenient, the amount of dividend may be shown as current deposit in the Loan and Deposit Register instead of being paid in cash. Dividend includes any bonus distributed among members out of the profits of the year.

8. FORM VII.

Modal Form VII.

Expense Account.

Date.	On what account.	Amount paid.		
1	2	3		
		Rs.	A.	P.

All expenses should be approved by the Committee and for each one a voucher should be forthcoming.

9. FORM VIII.

Modal Form VIII.

Investment Account.

Name of Bank, Company or Society.....

Date.	Amount Deposited or invested	Interest earned.	Amount withdrawn or sold out.	Balance after each transaction.
1	2	3	4	5

Page 4.

Deposits.

Date.	Rate of interest.	Fixed deposits.				Current deposits.			Signature.
		Amount deposited.	When repayable.	With-drawals.	Balance.	Amount deposited.	With-drawals.	Balance.	
1	2	3	4	5	6	7	8	9	10

Pass-books are to remain in the charge of members and not of the Secretary. In columns 3, 4 and 5 of the loan account the instalments are to be copied one below another from the original agreement, and to be entered up at the time when an advance is made. Columns 7, 8 and 9 should be entered up from the ledger account at the time of every repayment. The Secretary should attest every transaction by his signature in column 10.

The deposit account is a copy of the loan and deposit account maintained by the society, the only difference being that while the member signs in column 10 of the society's account, the Secretary signs in column 10 of the member's account.

In societies where pass-books are not used, separate written acknowledgments should be given by the Secretary for every payment made to the Society.

Model Forms X
and XI.

11.

FORM X.

Minute Book of General Meetings.

FORM XI.

Minute Book of Committee Meetings.

Blank note-books are most convenient for maintaining these two forms.

Model Form XII. 12. Certain additional forms are prescribed for societies which issue shares. They are not required by the ordinary agricultural societies.

FORM XII.

Share Register.

Nominal value of a Share is Rs. _____

Date of issue.	Name, Father's name, Surname and residence of share-holder.	Serial Nos. of shares held.	Date of payment on allotment.	Amount paid on allotment.	Date of payment of 2nd call.	Amount paid on 2nd call.	Serial No in Share Transfer Register.	Remarks.
1	2	3	4	5	6	7	8	9

Column 1 will correspond with the date shown on the share certificate. In column 3 serial numbers should be shown singly one below another, except when shares are small in value and it is convenient to enter them in blocks of 5 or 10. When, as often happens, there are more than two calls, an inset leaf should be added in the middle of the form reproducing columns 6 and 7 as often as may be necessary.

Model Form XIII.

13

FORM XIII.

Share Transfer Register.

Serial Transfer No.	No. of share certificate	Name of member making transfer.	Date.	Name of member to whom transferred.	No. and date of resolution of Committee approving transfer.
1	2	3	4	5	6

No transfer should be sanctioned by the Committee until the transfer fee has been paid, and in cases where the transferee is not a member, until he has been elected and paid his entrance fee. Transfers resulting from death and heirship as well as sale should be recorded.

Model Form XIV.

14.

FORM XIV.

Share Certificate

CO-OPERATIVE CREDIT SOCIETY, LIMITED OR UNLIMITED.
Share Certificate.

Serial No.-----

Date of issue-----

Nominal amount of Share Rs.-----

Amount paid up ; 1st call Rs.----- 2nd call Rs.-----

3rd call Rs.-----

Name of Holder-----

Address-----

-----Chairman of Managing Committee.

-----Member of Managing Committee.

-----Secretary.

As each call is paid up the share certificate should be produced in order that the fact may be noted on it under the initials of the Secretary. A separate certificate should be issued for each share, or when they are small in value for each block of 5 or 10. On transfer the share certificate should be surrendered, and a fresh certificate will be issued in the name of the new holder bearing the original number. Share certificates should be stamped with the society's seal.

(ii) *Annual Returns.*

Under rule 11 of the Co-operative Societies Rules, 1913, all Societies are bound to prepare balance sheets showing the Profit and Loss, Receipts and Expenditure, and Assets and Liabilities for the previous year ending March 31st. These balance sheets must be sent to the Auditor of the Division before April 20th each year, and must be submitted in the accompanying forms which have been prescribed by the Government of India.

2. *Statement I—Receipts.*—Column 1 is for limited share societies only and should be filled up from the Share Register. Columns 2 and 3 should be filled up from the Loan and Deposit Account. Column 4 should be extracted from the interest account and from columns 8 to 10 of the ledger account. Column 5 should include the price of pass-books to members ; but if anything is sold to non-members it should be noted in 6 (c). All uncertain items may be shown under 6 (e). All transactions appearing in the cash book must appear in Statement I.

3. *Statement I—Disbursements.*—The grand total including the closing balance should be equal to the grand total of the Receipts. Column 8 may be entered up from the Share Register and columns 9 and 10 from the Loan and Deposit Account. Column 11 can be filled up from the Loan Register, and 12 from the Interest Account and Ledger Account. Column 13 refers only to dividends paid out in the course of the year on shares, and should be left blank by unlimited societies. Columns 14 and 15 are intended for Distributive and Weavers' Societies only. Dead-stock required for a society's office should be shown in column 17, not 15. Column 16 should be filled up from the expenses account or cash book. Column 19 refers to the amount carried to reserve in the preceding April and not to the profits of the year just closed.

4. *Statement II—Assets and Liabilities.*—Column 1 is the same as the closing balance in Statement I. Column 2 should be filled up from the investment account when such an account is maintained. Columns 3 and 4 may be found by adding columns 3 and 4 of Statement II in the previous year to column 11 (*a*), (*b*) and (*c*) of Statement I for the current year and deducting column 3 (*a*), (*b*) and (*c*) from the total. Only amounts overdue for more than a month need be shown as overdue. These can be found from the Loan Register. Column 5 can be filled up from the Interest Account and Member's Ledger Account. Column 8 can be ascertained by adding column 8 of the previous year to column 2 (*b*), (*c*), (*d*) and (*e*) of Statement I for the current year and deducting column 10 of Statement I. Column 9 equals column 9 of the previous year *plus* column 2 (*a*) of the current year's Statement I *minus* column 9 of the same statement. Column 10 should be filled up from the interest and ledger account. Column 11 is noted in the Share Register, and column 14 from the expenses account. Columns 12 and 13 must be calculated separately. Column 15 does not include the sum carried to reserve immediately after the year has been closed. The grand totals of assets and liabilities must coincide. Column 16 ought to agree with the Profit or Loss shown in Statement III.

5. *Statement III—Profit and Loss.*—The balance sheet refers only to profit earned and loss incurred on account of the year just closed and should not include items of interest earned in previous years. Column 1 corresponds with column 4 (*b*) of Statement I; column 2 will correspond with column 5 (*b*) of Statement II. Column 3 is intended for societies concerned with purchase and sale. Column 4 can be made up from the cash book and in the case of 4 (*b*) from the Member's Register. Column 5 corresponds

with column 12 (b) of Statement I. Column 6 will reproduce column 10 (b) of Statement II. Column 7 (a) corresponds to columns 16 and 17 of Statement I and 7 (b) to columns 13 and 14 of Statement II. Columns 8 and 9 must be settled by resolutions of the Managing Committee. Column 11 will correspond with column 16 of Statement II.

6. Statement IV is only intended for Unions and Central Societies and can be filled up without difficulty.

7. The bonus payable to the Secretary is to be calculated on the net working profits. The society should also prepare and submit a note.

Reserve Fund.

	Rs. a. p.
Balance brought forward from previous year	
<i>Deduct</i> Losses made good out of reserve fund during year.	
	Balance..
<i>Add</i> Amount to be carried to reserve out of working profit of year just closed	
	Total ..

Name of Society
 Number of Members on March 31st
 Rate of dividend last paid on shares
 Rate of Interest paid on fixed deposits
 Rate of interest charged on loans issued by the Society

STATEMENT I.

RECEIPTS AND DISBURSEMENTS ACCOUNT.

<i>Receipts—</i>	Rs.
(1) Sale of Shares	
(2) Loans and Deposits borrowed—	
(a) from members	
(b) from non-members	
(c) from other Societies	
(d) from Government	
(e) from Central Societies	
(3) Repayment of loans—	
(a) by members	
(b) by Central Societies	
(c) by other Societies	

(4) Interest received by Society—							Rs.
(a) earned in previous years .. ..	..	..	..	..	..	..
(b) earned in current year .. ..	..	..	..	..	..	..
(5) Sale of goods to members .. ..	..	..	..	..	..	..
(6) Miscellaneous Income—							
(a) entrance fees and donations .. ..	..	..	..	..	..	..
(b) drafts and commissions .. ..	..	..	..	..	..	..
(c) sale of goods to non-members .. ..	..	..	..	..	..	..
(d) subscriptions .. ..	..	..	..	..	..	..
(e) other items .. ..	..	..	..	..	..	..
						Total ..	
(7) Opening balance—							
(a) in cash .. ..	..	..	..	..	..	..
(b) in bank .. ..	..	..	..	..	..	..
						Grand Total ..	

DISBURSEMENTS.

(8) Shares surrendered or withdrawn .. ..	..	..	..	..	..	..	Rs.
(9) Deposits withdrawn by members .. ..	..	..	..	..	..	..
(10) Loans repaid to—							
(a) Government .. ..	..	..	..	..	..	..
(b) Central Societies .. ..	..	..	..	..	..	..
(c) other Societies .. ..	..	..	..	..	..	..
(d) non-members .. ..	..	..	..	..	..	..
(11) Loans advanced—							
(a) to members—							
(1) on personal security .. ..	..	..	..	..	..	..
(2) on mortgage security .. ..	..	..	..	..	..	..
(b) to Central Societies .. ..	..	..	..	..	..	..
(c) to other Societies .. ..	..	..	..	..	..	..
(12) Interest paid on loans and deposits—							
(a) due for previous years .. ..	..	..	..	..	..	..
(b) due for current year .. ..	..	..	..	..	..	..
(13) Dividend paid on shares .. ..	..	..	..	..	..	..
(14) Bonus distributed among members .. ..	..	..	..	..	..	..
(15) Stock bought—							
(1) members' produce .. ..	..	..	..	..	..	..
(2) other stock .. ..	..	..	..	..	..	..
(16) Salary and allowances of Secretary .. ..	..	..	..	..	..	..
(17) Contingencies .. ..	..	..	..	..	..	..

	Rs.
(18) Other items—	
(a) drafts and commissions	
(b) charitable purposes	
(c) refunds	
(d) miscellaneous	
(19) Carried to reserve	
Total ..	<hr/>
(20) Closing Balance—	
Cash	
Bank	
Grand Total ..	<hr/>

STATEMENT II.

ASSETS AND LIABILITY ACCOUNT.

<i>Assets—</i>	Rs.
(1) Cash in hand and bank	
(2) Value of investments	
(3) Loans due from members	
(Rs. are overdue for more than one month.)	
(4) Loans due from Societies—	
(Rs. are overdue for more than one month.)	
(5) Interest due to Society on loans, investments, etc.)	
(a) earned in previous years	
(b) earned in current year.. .. .	
(6) Estimated value of stock in hand	
(7) Other items	
Total ..	<hr/>
<i>Liabilities—</i>	
(8) Loans and deposits—	
(a) from non-members	
(b) from other Societies	
(c) from Government	
(9) Deposits from members	
(10) Interest due on loans and deposits up to March 31st—	
(a) earned in previous years	
(b) earned in current year.. .. .	

(11) Paid up Share Capital	Rs.
(12) Bonus and Dividend on shares (due on preceding March 31st and still unpaid)	
(13) Pay, allowances and bonus of staff (due on March 31st and still unpaid)	
(14) Contingencies and Miscellaneous (unpaid) ..	
(15) Reserve fund.. .. .	
	<hr/>
	Total ..
	<hr/>
(16) Balance of Profit or Loss	
	<hr/>
	Grand Total ..
	<hr/>
	Rs.

STATEMENT III.

PROFIT AND LOSS ACCOUNT.

Receipts—

(1) Interest received	
(2) Interest due—	
(a) On loans	
(b) On investments (including Post Office Savings Bank)	
(3) Gross Profit on Sales of Stock	
(4) Other items—	
(a) commission earned	
(b) entrance fees and donations	
(c) value of books, stock, etc.	
(d) miscellaneous	
	<hr/>
	Total ..
	<hr/>

Expenditure—

(5) Interest paid	
(6) Interest due—	
(a) to depositors	
(b) to other creditors	
(7) Contingency, Salaries, etc.—	
(a) paid	
(b) due at end of year	
(8) Depreciation of stock	

(9) Bad debts written off	Rs.
(10) Other items	
Total ..	
<hr/>	
*(11) Profit or Loss Balance	
Grand Total ..	
<hr/>	

**Note.*—Deducting column 6 (a) of Statement I the net working profits on the year’s business are Rs. :

STATEMENT IV.

Supplementary form to be filled up by Central Societies and Unions only.

- (1) Number of members—
 - (a) individuals
 - (b) Societies
- (2) Number of Affiliated Societies—
 - (a) Central Credit
 - (b) Agricultural Credit
 - (c) Non-Agricultural Credit
 - (d) Others

The above balance sheets accurately show the present state of the Society’s affairs.

Date _____ Signatures _____

Chairman.

Member of Managing Committee.

Secretary.

CHAPTER IX.

LIST OF PRIVILEGES OF REGISTERED SOCIETIES.

1. Free annual audit by an officer authorised by the Registrar (section 17 of Act II of 1912).
2. Prior claim over other creditors to enforce recovery of their demands in certain cases (section 19 of Act II of 1912).
3. Shares or interest of members not liable to attachment by a Court of Justice (section 21 of Act II of 1912).
4. Copies of accounts, certified by any officer of the society, admissible as evidence in Courts (section 26 of Act II of 1912 and Rule 10 of the Co-operative Societies, Rules, 1913).
5. Exemption from income-tax (Government of India Notification No. 681-F., dated 28th December 1912, and section 28 of Act II of 1912).
6. Exemption from stamp duty (Government of India Notification No. 683-F., dated 28th December 1912, and section 28 of Act II of 1912).
7. Exemption from fees payable under the Registration Act (Government of India Notification No. 2025, dated June 20th, 1910 (Home Department), and section 28 of Act II of 1912, and Bombay Government Resolutions, Revenue Department, Nos. 6165 and 7504, dated 9th July 1910 and 22nd August 1910, respectively).
8. Exclusive use of the term "Co-operative" (section 47 of Act II of 1912).
9. Remittance Transfer Receipts obtainable at par for remittance between Societies or branches of Societies (Civil Account Code, section 143A (20), and Government Resolutions Nos. 9146 and 5588, Revenue Department, dated September 25th, 1906, and June 10th, 1911, respectively). Money may be paid in at a Sub-treasury and the Remittance Transfer Receipt sent direct to the payee from the Huzur treasury (Government Resolution No. 353, dated January 13th, 1914, Revenue Department). Remittances from Bombay may be payable at mofussil sub-treasuries (Government Resolution No. 3907, dated April 25th, 1913, Revenue Department).
10. Refund of postal money order commission on remittances between societies and their financing agents or wholesale purveyors

(Government Resolution No. 564 of January 21st, 1910, Revenue Department, and Government Resolution, Revenue Department, No. 11674 of 23rd December 1912).

11. Exemption from the Dekkhan Agriculturists' Relief Act, 1879, except from sections 2 and 21 which forbid the arrest or imprisonment of an agriculturist for debt (Bombay Act I of 1912).

12. Postal Savings Bank Facilities :—

- (1) Societies may open public accounts (Post Office Savings Bank Rules, section 42 (b)).
- (2) Head and sub-postmasters may open such at once in anticipation of sanction (letters Nos. 30496, dated December 23rd, 1904, and 449-Camp., dated May 4th, 1907, from the Post Master General to the Registrar).
- (3) Societies may withdraw sums up to Rs. 3,000 from their accounts on 3 days' notice at all head-quarter post offices and on 7 days' notice from other post offices and sums up to Rs. 10,000 from all post offices on 10 days' notice (Post-Master General's letter No. 15, dated August 1st, 1913 and Government Resolution No. 4959 of May 24th, 1913, Revenue Department).

13. Takávi advances obtainable by members of Societies through their societies (Press Note No. 1312 of February 8th, 1909, in the *Bombay Government Gazette*).

14. Deposit of strong boxes in Government Treasuries in certain cases (Government Resolution No. 7135, dated September 4th 1905, Revenue Department.)

CHAPTER X.

UNIONS

With the continual expansion of the co-operative movement it has become clear that it is no longer either practicable or desirable for officers of Government to maintain as close a supervision over the affairs of individual societies as was necessary in the initial stages. It is only when a society can stand alone and be trusted to manage its own affairs that it has learnt the first lesson of co-operation. If the movement is to have a healthy and natural growth, its impetus must come from the people themselves. Government have shown the way, but as the ideas underlying the movement are gradually assimilated by the public, Government must cease to force the pace and leave further development to the people themselves. One duty only it must continue to retain, if the movement is to be saved from becoming a bubble and public confidence is to be retained, and, that is, to make a strict annual audit through an independent officer of its own. But all the other duties of inspection and supervision, which its officers now exercise, will be gradually transferred to non-official agencies as rapidly as conditions allow.

Objects of
Unions.

2. The chief functions which can be delegated are :—

- (1) making arrangements for financing rural societies ;
- (2) inspection of, and supervision over, the work of rural societies.

In Europe and in the other provinces of India these duties are now largely performed through the agency of District Unions.

3. To finance rural societies, the District Union must itself command good credit. Under section 4 (1) of Act II of 1912 its own liability must be limited. It must therefore secure by the issue of fully subscribed shares a considerable share capital as a guarantee fund on which it may raise a working capital consisting of deposits and loans on such terms as it can obtain. It would rarely be worthwhile to start with a share capital of less than Rs. 5,000. To facilitate credit among depositors, it will also often be advisable to fix the liability of members not at the face value of their shares but at some multiple of it (By-law 17). The shares should, in the first place, be subscribed by the societies composing the Union, in

Capital of Unions.

order that as far as possible, the Union and its affiliated societies may have identical interests. But since most rural societies are themselves in need of money, it is unlikely that they will at first be able to take up any large percentage of the share capital. The remaining shares should therefore be issued to the public under By-law 50, but in allotting them preference should be given to any public-spirited gentlemen who take an interest in co-operation and who enter the Union more with the desire of making its work efficient than of obtaining dividends. On the security of the share capital, deposits may be obtained either locally or from Central Banks.

4. These funds should be used firstly to meet the loan applications of affiliated societies, and secondly, when no such applications are forthcoming, in advances to individual members. The Union should ordinarily be able to finance affiliated societies at 7 per cent. and it will be in a much stronger position than the ordinary lender, because, along with its financing business, it will exercise a constant supervision over its borrowers and be able in an instant to check misappropriation or fraud.

5. The supervisory duties of a Union are both exacting and difficult. No honorary worker could be expected to undertake such a task. It will be necessary for the Union to retain its own inspector, whose business it will be constantly to move amongst affiliated societies and to keep a close watch on their working. Such an inspector would cost at least Rs. 25 per month *plus* (say) Rs. 8 horse allowance. The expense of this officer, in addition to the cost of the Secretary at head-quarters, would go far to swallow up the profit earned by the financing operations of the Union. His work would be done as much in the interests of the societies themselves as of the Union and therefore it is proper that they should subscribe quarterly affiliation fees (By-law 35 (a)) on a scale which should be calculated to cover half of the total expense. The remaining half should be met partly from the profits of the Union, on behalf of which he will perform substantial services such as the recovery of loans and the verification of securities, and partly by an arrangement on the lines mentioned in By-law 5 (b).

6. It is certain that very few Unions will be able to meet all the demands of their affiliated societies for capital. To satisfy their needs resort must be had to the Bombay Central Co-operative Bank, of which the funds are practically unlimited. Now the Union, with its limited

capital and liability and the interests of its own depositors to consider, cannot become surety to the Central Bank on behalf of all its affiliated societies, nor again, for the same reason, can it afford itself to receive loans of such large amounts for advancing to its members. The Central Bank must advance loans to rural societies at its own risk and on such security as they themselves can offer. The Union can serve the Central Bank and earn its commission by transmitting the money, taking the bonds on behalf of the Central Bank, supervising the use made of the loan, reporting to the Central Bank any facts tending to diminish the credit of the borrowing society, collecting and remitting instalments, and, in short, acting as its agents. It should certainly have more knowledge of the rural societies and more sympathy with them than any other agency which a Central Bank could find.

7. The advantages which will accrue to rural societies on becoming affiliated with the District Union are as follows :—

Advantage of a Union.

- (1) In addition to annual audit which Government will continue to make, the frequent advice and inspection of an officer of the Union will help them to increase their efficiency and to see that their Committee does its work properly.
- (2) The delay which at present occurs in obtaining loans from Central Banks will be obviated by the Union which will make inquiries and fix credit beforehand.
- (3) The Union will act as a clearing house receiving funds from societies which have balances that they cannot use and lending them out to societies which need them. It will also undertake general banking business for societies.

8. It is suggested that a Union, formed on the lines sketched above, would be stable financially and have means to carry on its work efficiently. In cases where a district bank already exists, and there is no prospect of forming an independent Union, an intermediate method might be tried, pending further development. The district bank might adopt additional by-laws (models of which can be obtained from the Registrar's office) providing for the affiliation and inspection of rural societies on certain terms. The objection to a district bank however is that its private members would always preponderate and the interests of affiliated societies would not ordinarily be recognised by them as identical with their own. Where possible, therefore, an independent Union is to be preferred.

Alternative methods.

MODEL BY-LAWS FOR A UNION.

Preliminary.

1. The Union, which is registered under the Co-operative Societies Act (II of 1912), shall be called the District Union, Limited.

2. Its registered office shall be at . In the event of any change in the situation of the registered office, notice of such change shall be given to the Registrar.

3. The objects of the Union are :—

- (i) to develop co-operative societies within the district ;
- (ii) to finance co-operative societies and generally to carry on a banking business with such societies ;
- (iii) to supervise and inspect its affiliated societies ;
- (iv) to settle all matters of common interest, to advise and assist such societies, and to further their interest in every way.

Capital.

4. The capital of the Union shall be Rs. , divided into shares of Rs. 50 each to be subscribed by the members only. The amount of capital may hereafter be increased by a resolution of the General Meeting.

5. (a) To carry on its work, the Union may receive deposits, raise loans or issue debentures. The total amount of such liabilities shall not exceed eight times the subscribed share capital.

(b) When funds are insufficient to meet the needs of all affiliated societies the Union may place them in touch with the Bombay Central Co-operative Bank. On behalf of this Bank it may undertake to inquire into assets, to determine the amounts of cash credits, to inspect and supervise management, to report serious faults, and to effect recovery, and in return for these services may charge such commission as may be agreed upon.

Membership.

6. All registered co-operative societies within the district, which have, through their representatives,

subscribed to the application for registration, or which may hereafter be elected, according to the rules, may become members, if approved by the Board of Directors.

7. Every society which is a member of the Union shall be termed an affiliated society.

Election of Members.

8. When applying for admission, a society shall submit along with its petition an application for one or more shares and a statement of the property and debts of its members or any other statements that may be required by the Board of Directors. The Board may, from time to time, prescribe forms for the purpose and may sanction or refuse the application at its discretion.

Cessation of Membership.

9. An affiliated society shall cease to be a member of the Union if (1) it is expelled or disaffiliated, or (2) it is dissolved, or (3) it transfers all the shares it holds in accordance with the by-laws.

Expulsion and Punishment.

10. The Board of Directors may fine, suspend or expel an affiliated society for:—

- (1) mismanagement of its affairs ;
- (2) disobedience of these by-laws or any rules which may, from time to time, be drawn up by the Union for the guidance of the affiliated societies ;
- (3) default or any act likely to damage the credit of the Union.

During the period of suspension no dividend on shares shall be allowed to the holder.

All cases of fine, suspension or expulsion shall be reported to the next General Meeting for confirmation.

Shares.

11. Every member shall hold at least one share: every member shall also pay an admission fee of Rs. 5.

12. For every share, Rs. shall be paid on allotment and the balance shall be paid in such instalments as may be fixed by the Directors.

13. If an instalment due on account of shares remain unpaid for more than 14 days, the Board of Directors may declare such shares forfeited together with all payments made thereon and the rights of membership attaching to those shares extinct. Such shares may be renewed within a period of three months from the date of the notice of forfeiture on payment of all arrear amounts including interest at 12 per cent. and a renewal fee of Re. per share.

14. In the event of cessation of membership on any grounds other than default of share payments, the net value of the shares held by a member after deduction of the member's dues to the Union shall be paid to the member within six months from the date of cessation. In the case of dissolution of an affiliated society, such amounts shall be paid to the liquidator of the society.

15. Shares can be transferred with the approval of the Board of Directors to an affiliated society or to a registered co-operative society which is eligible for admission and which the Board of Directors is willing to admit as a member ; but no affiliated society shall be permitted to alienate in any way any shares belonging to it while indebted to the Union.

16. Members shall be entitled to certificates under the common seal of the Union specifying the share or shares held by them. If such certificates are lost or worn out, they may be renewed on a payment of a fee of annas four.

Liability of Shareholders.

17. The liability of the shareholders for the debts of the Union shall be limited to five times the face value of the shares held by them.

General Meeting.

18. The supreme authority of the Union shall be vested in the General Meeting, consisting of delegates from affiliated societies. Each society shall send to the General Meeting one delegate for each share held by it up to a maximum of five and each delegate shall have one vote. The Board of Directors shall, from time to time, prescribe rules for the election of delegates by affiliated societies. One-fifth of the total number of delegates shall constitute a quorum. The Chairman shall have a casting vote. On all questions the opinion of the majority shall prevail.

19. General Meetings shall be of two kinds,—ordinary and extraordinary. The General Meeting will maintain a general supervision over the business of the Union and the work of its officers.

20. An Ordinary General Meeting shall be convened in April. Its duties shall be—

- (1) to receive and consider the annual report and the statement of accounts of the Board of Directors and to review the work of the Union during the past year ;
- (2) to elect for the ensuing year a Board of Directors and its Chairman and, if necessary, a Committee of Supervisors ;
- (3) to review the work of its officers and to hear and decide all appeals from the decision of the Board of Directors ;
- (4) to decide the maximum amount of liability which may be incurred by the Union during the coming year ;
- (5) to take notice of all subjects which affect the financial position of the Union and to pass resolutions with regard to them ;
- (6) to consider the audit memo. and any business referred to it by the Registrar ;
- (7) to transact any other business that may be brought up.

21. The Board of Directors or the Committee of Supervisors may, whenever it thinks fit, and shall, upon a requisition in writing made by four affiliated societies, convene an Extraordinary General Meeting. Such requisitions must be signed by at least three members of the Managing Committee of each affiliated society making the requisition.

22. Notices of a General Meeting, mentioning the place, date and hour of the meeting and the business to be transacted thereat, shall be issued at least 10 days before the date of the meeting.

23. If, at the hour fixed for an Ordinary or Extraordinary General Meeting, a quorum is not obtained, the Chairman shall, if the meeting has been called on the requisition of members, dissolve it ; otherwise he shall postpone the meeting, to a date not less than 7 days and more than a fortnight later, and the business transacted at the postponed meeting shall be the same as that proposed for the original date of meeting. At such postponed meetings if there is still no quorum, resolutions may be carried by a majority of the delegates present.

Board of Directors.

24. The management of the business and affairs of the Union shall be entrusted to a Board of Directors consisting of members including the Chairman, elected from amongst the members annually at the General Meeting. Members of the Board shall

retire annually, but shall be eligible for re-election. If a member of the Board ceases to be a member of an affiliated society or fails to attend three consecutive meetings, the other members of the Board shall appoint another person to take his place till the next annual meeting.

25. (a) The Chairman, who shall preside at all meetings of the Union and of the Board, shall be elected at the General Meeting. The Board shall elect one of its members as Secretary.

(b) If a vacancy in the office of the Chairman should arise during the tenure of one Chairman, the members of the Board may appoint an *ad interim* Chairman who will hold office till the next General Meeting.

26. The Board shall meet at least once a month. In the absence of the Chairman, the Board may elect one of its members to preside at the meeting. Half of the members of the Board shall constitute a quorum. The proceedings of the Board shall be recorded in a minute-book to be kept for the purpose and shall be signed by the Chairman.

27. The duties of the Board shall be—

- (1) to deal with applications for membership and to allot shares ;
- (2) to raise funds subject to these rules ;
- (3) to deal with applications for loans ;
- (4) to receive and disburse money through its Secretary ;
- (5) to appoint such salaried and non-salaried officers and other employés as seem necessary ;
- (6) to prepare statements of accounts after March 31st ;
- (7) to deal with all cases of arrears and default ;
- (8) to make arrangement for the inspection and audit of the accounts of affiliated societies ;
- (9) to transact all other business incidental to the management of the Union.

28. The Board of Directors may delegate all or any of its powers to a working committee of not less than three members, or to the Secretary or Chairman, or both.

Committee of Supervisors.

29. The Committee of Supervisors in years, when it is considered necessary, shall consist of _____ members, and shall b

elected at the General Meeting from amongst the members of affiliated societies.

30. Its duties shall be—

- (1) to check the accounts at least once a year, to give a certificate that they have duly audited the books of the Union, and to report on the defects noticed ;
- (2) to supervise the work of the Board of Directors ;
- (3) to examine and check the credit of each affiliated society and to see that all doubtful loans are called in ;
- (4) to watch the working of affiliated societies and to report for proper action all cases of mismanagement to the Board of Directors ;
- (5) to convene an Extraordinary General Meeting whenever necessary ; and
- (6) to watch over the interest of the shareholders in every way.

Inspection of Affiliated Societies.

31. It shall be the duty of the Union to supervise and inspect every affiliated society not less frequently than once every three months.

Inspection shall be conducted by one of its officers or by any person or persons specially authorized by the Board of Directors for the purpose. The officers of the affiliated societies shall give every facility and assistance for the inspection.

32. The inspection and examination of the affiliated societies shall be made in accordance with the rules drawn up by the Board of Directors. The inspection shall not be restricted to a simple audit of books and balance sheets, but shall include inquiries whether the administration of such societies is carried on in conformity with co-operative principles, whether the officers understand their work and perform it, and whether the defects pointed out in previous reports have been remedied. The results of the inspection by the Union shall be communicated to the affiliated societies in such manner as may be determined by the Board of Directors.

33. If the Board of Directors is of opinion that the working of an affiliated society is unsatisfactory and requires remedial measures, it may order the society to convene a General Meeting of its members to take such steps for the removal of the defects as may be considered necessary.

34. The Board of Directors shall, from time to time, draw up rules for the guidance of its affiliated societies and the periodical submission of accounts or returns.

35. Every affiliated society shall be bound—

- (a) to pay a quarterly fee of Rs. towards the expenses of inspection and supervision ;
- (b) to administer its work in strict conformity with its by-laws and with the by-laws of this Union ;
- (c) to carry out carefully the rules drawn up for its guidance by the Union and to submit to the Union such statements and reports as may be prescribed ;
- (d) to take the sanction of the Union before taking any loan from outside ;
- (e) to send delegates to the Union when required.

Loans.

36. Loans shall be granted to members only.

37. An affiliated society shall be entitled to get loans or to obtain a cash credit from the Union at the discretion of the Board of Directors. Applications for loans or cash credits shall be made in such form as may be prescribed by the Board.

38. The rate of interest on loans shall be determined from time to time by the General Meeting, but shall not exceed per cent.

39. Repayment instalments shall be fixed at the time the loan is granted by the Board of Directors. The Board shall have power to grant extension of time in exceptional circumstances to be notified to it in writing before the repayment falls due.

40. If an affiliated society fails to pay interest or any instalment of principal on the due date and if the Board of Directors does not grant an extension of time, the whole loan shall become immediately payable irrespective of any condition on which the loan was made.

41. Any sum outstanding against an affiliated society, which has been expelled or which otherwise ceases to be a member of the Union, shall become immediately payable irrespective of any conditions on which the loan or cash credit was granted.

Deposits.

42. The Board of Directors may frame rules subject to the direction of the General Meeting regarding the terms and conditions on which deposits shall be accepted or withdrawn and regarding rates of interest for various kinds of deposits. The Board may make additions to, or alterations in, these rules from time to time.

Disposal of Profits.

43. The business year of the Union shall close on 31st March. At the close of the year's work the net profits shall be distributed as follows :—

- (a) twenty-five per cent. shall go to the Reserve Fund, in accordance with the Co-operative Societies Act ;
- (b) a dividend on the shares shall be paid at a rate to be determined by the Board of Directors, but in no case shall it exceed $12\frac{1}{2}$ per cent. ;
- (c) the balance, if any, may be disposed of under the Act as the Directors think best.

44. If a dividend is not drawn within three years from the date on which it is announced at the General Meeting, all claims to it shall be extinguished.

Reserve Fund.

45. The Reserve Fund shall consist of—

- (a) twenty-five per cent. of the profits annually placed to the fund in accordance with Rule 47 (a) ;
- (b) any sums allotted to it out of the profits or otherwise ;
- (c) entrance fees after deduction of the preliminary expenses incurred in constituting the Union ;
- (d) the value of all shares forfeited to the Union and lapsed dividends.

46. The Reserve Fund shall belong to the Union and be indivisible amongst the members. It shall ordinarily be invested in Government Securities, Bank of Bombay Shares, in Bombay Municipal or Port Trust Debentures, or the Post Office Savings Bank, or in any Co-operative Institution approved by the Registrar.

47. The Reserve Fund shall be available for any of the following purposes :—

- (1) to cover any losses arising from unforeseen circumstances, such drawings upon it being re-imbursed to the fund from the next accruing profits ;
- (2) to meet any call on the Union which cannot be met otherwise, such payments being reimbursed to the fund when fresh collections are made ;
- (3) to serve as security for any loans which the Union has to contract.

In the case of dissolution of the Union, the Reserve Fund shall be applied to such purpose as may be determined with the approval of the Registrar by the majority of the members.

Miscellaneous.

48. Every affiliated society shall be supplied with a copy of the By-laws.

Disputes.

49. Any disputes which cannot be decided by the General Meeting or by arbitration shall be referred to the Registrar, whose decision shall be final.

Special.

50. Notwithstanding anything contained above, any individual person approved by the General Meeting may be admitted as a member of the Union, if it is considered necessary in the interests of the Union. Such persons must take up at least one share each, but they shall be exempted from payment of any entrance fee. They shall be eligible to serve as an office-bearer in the same manner as if they were members of affiliated societies.

Representation.

51. All documents creating a charge or obligation on the bank shall be signed by the Chairman and Secretary or by three members of the Board, and shall bear the common seal of the Union : provided that in the case of receipts and cheques up to Rs. 200 and receipts for deposits and repayments of loan, the Chairman or the Secretary or any office-bearer duly authorized by the Board of Directors may sign.

General.

52. All matters not specially provided for shall be decided according to the terms of the Co-operative Societies Act (II of 1912) and the rules framed under section 43 of the Act.

CHAPTER XI.

CENTRAL FINANCING INSTITUTIONS.

Co-operative Societies, as they increase in number, require a central organization to focus business, and to such an organization in its strictest form the name Central Bank has been applied. A Central Bank differs from other banks in that it lends only to societies and never to individuals. The function of financing small societies in this Presidency is to a large extent performed by district banks which are a developed form of the limited societies already mentioned and which always find it convenient to lend to individuals as well as to Societies, or by Unions which combine supervision with financing and are not usually able to advance funds on a very large scale.

2. The only Central Bank, which confines itself exclusively to making advances to other societies, is the Bombay Central Co-operative Bank, registered under Government Resolution No. 6843 of 19th July 1911, Revenue Department, and exempted from sections 5 (b), 14 (1), 21, 22 and 23 of Act II of 1912 under Government Resolution No. 4149, dated 1st May 1913. This institution is not co-operative in the strictest sense of the term, for very few of its shareholders or debenture-holders are themselves co-operative societies. However it may not charge more than 8 per cent. on loans advanced to societies, and after earning a dividend of 6 per cent. on its shares and meeting the Sinking Fund must utilize the remainder of its net profit in granting rebates of interest to societies which have borrowed from it. The primary function of the Bank is to open up access to the general money market for societies which cannot otherwise obtain funds commensurate with the credit which they offer. It has been enabled to do this by an agreement between its promoters and the Bombay Government, under which it is allowed to issue debentures not exceeding three times the amount of the paid up capital of the society on which the Local Government guarantees interest at the rate of 4 per cent.

3. Since the exact constitution of the Bombay Central Bank is a matter of great moment to all societies dealing with it, the terms of the agreement under which it works are published herewith:—

Agreement between Government and Central Co-operative Bank.

- (1) The promoters shall form and register, within a period of six months from the date of these presents, an Urban Society under the said Act to be called "The Bombay Central Co-operative Bank, Limited," having for this object the advancement of loans to Co-operative Credit Societies registered under the said Act. The By-laws of the Society for the time being in force shall be subject to the previous approval of the Registrar of Co-operative Credit Societies for the Presidency of Bombay.
- (2) The Capital of the Society shall be Rs. 7 lakhs with power to the Society to increase the same to any amount not exceeding Rs. 50 lakhs.
- (3) The Society shall have power to raise moneys not exceeding three times the amount of the paid up capital of the Society for the time being by the issue of Debentures charged upon the undertaking and general assets of the Society : Provided always that the Society shall not raise on the whole more than the sum of Rs. 20 lakhs by the issue of such Debentures without the sanction of the Local Government first obtained for that purpose, which sanction may be granted or withheld entirely in the discretion of the Local Government. All such Debentures issued by the Society shall be secured by a Trust Deed to be executed by the Society in such form and containing such covenants and provisions as the Local Government shall require.
- (4) The rate of interest to be paid by the Society on its Debentures issued under clause (3) hereof shall be 4 per centum per annum.
- (5) The Secretary of State shall guarantee the payment of the interest at the rate aforesaid on each such Debenture of the Society issued under clause (3) hereof until such Debenture shall be wholly paid off or redeemed but shall not guarantee the repayment or redemption of any part of the principal money secured by any such Debenture.
- (6) Each Debenture issued by the Society under clause (3) hereof shall be paid off or redeemed on the expiration of 41 years from the date of its issue : Provided always that the Society shall have the option to pay off or redeem any such Debenture at any earlier date subsequent to the expiration of 28 years from the date of its issue.

- (7) If the Society shall have issued Debentures under clause (3) hereof to the full extent of Rs. 20 lakhs or such other further amount as the Local Government shall sanction the Society notwithstanding that it may pay off or redeem some of such Debentures shall not thereafter issue any further Debentures until all such Debentures issued under clause (3) hereof shall have been paid off or redeemed.
- (8) The Society from the date of the first issue of Debentures under clause (3) hereof shall establish a Sinking Fund in order to provide for the repayment and redemption of Debentures and to the credit of such fund there shall be paid at the close of each financial year of the Society a sum which shall be calculated at the rate of one per centum or at the rate of two per centum of the amount for the time being remaining unpaid on such Debentures then outstanding according as the average rate of interest charged by the Society (exclusive of any rebate subsequently allowed) on advances to Co-operative Credit Societies during such year shall be 7 (or less) or 8 per centum respectively : Provided always that if such average rate of interest so charged on advances to Co-operative Credit Societies shall exceed 7 per centum, but be less than 8 per centum, the sum to be paid to the Sinking Fund shall also exceed one per cent. by the same percentage rate as such average rate of interest charged on such advances shall exceed 7 per centum. Such portion of the Sinking Fund as may for the time being remain uninvested under the terms of clause (9) thereof, shall be kept in a separate account at a Bank to be approved by the Local Government.
- (9) The amount which, from time to time, shall represent the Sinking Fund of the Society and the interests accruing on the investments thereof shall without delay as funds permit be invested in such securities including the Debentures to be issued by the Society under clause (3) hereof as shall be approved of by the Local Government and such securities shall be transferred into the joint names of an officer to be appointed by the Local Government and of a nominee of the Society and shall be deposited with the Local Government to be held in trust for repayment or redemption of the Debentures issued under clause (3) hereof according to such conditions as

may be set out in the said Trust Deed : Provided always that the Society with the previous consent of the Local Government shall be at liberty at any time subject to clause (6) hereof to apply the whole or any part of the Sinking Fund and the investments representing the same in and towards the payment or redemption of any such Debentures for the time being outstanding.

- (10) The Debentures issued under clause (3) hereof and the interest payable thereon shall form a first charge on the undertaking and general assets of the Society.
- (11) Subject to the formation of the Sinking Fund as aforesaid a Reserve Fund may be created by the Society and may be added to out of the profits of the Society subject to clause (19) hereof : Provided always that the Society shall have the entire management, use and employment of such Reserve Fund.
- (12) Except so far as provided for by these presents, the funds of the Society shall be utilized for the purpose of granting loans to Co-operative Credit Societies registered under the said Act : Provided always that no loan shall be granted to any Co-operative Credit Society unless the same shall have been approved of or recommended by the Registrar of Co-operative Credit Societies under the said Act.
- (13) The interest to be charged by the Society on each loan advanced to any Co-operative Credit Society shall not exceed 8 per centum per annum.
- (14) Every loan, which shall be advanced by the Society to a Co-operative Credit Society, shall be made repayable at the end of a period which shall not exceed 10 years from the date of the loan : Provided always that the Society shall be at liberty to renew any such loan at the expiration of the original term for such further period as the Society shall think fit but so that such renewed period also shall not exceed 10 years in any case.
- (15) The Society shall have power to receive deposits at or without interest and at call or payable after notice : Provided always that the Society shall keep in hand either invested in Promissory Notes of the Government of India or in any other securities approved by the Local Government and in cash an amount which shall be equal to 40 per centum of the amount deposited with the Society for the time being payable on demand.

- (16) The Local Government shall have the right to appoint one or more of its officers from time to time and at any time to inspect the books of account, vouchers and papers of the Society and to conduct special audits and examinations of its affairs and the Society shall afford every facility for such inspection, audits and examinations being taken to the satisfaction of every such officer : Provided always that this right reserved to Government shall in no way limit or affect the provisions of the said Act relating to the audit by the Registrar of Co-operative Credit Societies under the said Act.
- (17) The Society shall deposit all moneys, which shall not be immediately required for the purpose of its business, in such Banks as the Local Government or the Accountant General of Bombay or the said Registrar of Co-operative Credit Societies may from time to time approve, or with the like approval invest the same in securities approved by the Local Government.
- (18) Without prejudice to any remedy which the Local Government may have under the said Act or otherwise the Local Government shall be at liberty to take possession of the business and assets of the Society in the event of default being made by the Society for a period of 21 days in the payment of any interest on any Debenture for the time being outstanding after the due date fixed for the payment thereof and also in the event of default being made by the Society in paying or investing the amount which, according to the stipulation in that behalf herein contained, is to be paid annually to the credit of the Sinking Fund for a period of 21 days after notice, requiring the Society so to do, has been given by the Local Government.
- (19) If at the end of three years from the date of the registration of the Society and at the end of each successive period of three years thereafter, it shall be ascertained that the Society, after having annually paid to the Sinking Fund a sum of money sufficient to satisfy the amount mentioned in clause (8) hereof, has earned during such period a net profit so as to enable it to declare during such period a dividend on an average at the rate of 6 per centum per annum on its paid up capital, one-half of the excess profits (if any) available after providing for such dividend of 6 per centum per annum or so much of such half as shall be necessary shall be utilized in making a rebate to the

Co-operative Credit Societies to whom advances shall have been made during the same period by the Society in respect of the interest paid by them, but so that the rate of interest payable by such Societies during such period in respect of the advances made to them by the Society shall not be reduced below 6 per centum per annum.

(20) The terms and conditions herein shall be operative and have effect only so long as any of the Debentures issued under clause (3) hereof, the interest whereof shall have been guaranteed by the Secretary of State shall remain unpaid and unredeemed, and upon the payment and redemption of all such Debentures, the Society shall be at liberty to carry on its business in such manner as to it shall seem fit subject only to its By-laws and the provisions of the said Act and any rules made by Government under the said Act.

4. Societies which desire to take a loan from the Bombay Central Co-operative Bank are required to fill up and forward to the Registrar the form which is printed below :—

Form of loan application.

FORM OF APPLICATION FOR LOAN.

Name of Society-----
 Taluka-----
 District-----

Form of application for loan. 1. The total amount of capital which may be raised by deposits or loans under by-law 3 is Rs.-----

2. The amount already borrowed is as follows :—

- (a) deposits—
 - (1) fixed Rs.-----
 - (2) current ,, -----
- (b) loan from Government ,, -----
- (c) other outside loans ,, -----

3. The present number of members of this Society is-----

4. The Reserve Fund now is Rs.-----

5. The number of loans overdue by more than one month during one year prior to this application is-----

6. The number of bad debts written off during the last year is _____

7. The amount of the loan now required is Rs. _____

8. The loan is required for the following purposes :—

Amount	Purpose.

9. The Society wishes the loan to be repayable in _____ years, the annual instalment falling due on _____

A copy of the resolution of the Managing Committee authorising three of its members by name to receive the loan and to enter into an agreement on behalf of the Society for its repayment with interest is attached.

Dated _____

}

(Sd.) _____

Chairman, Managing Committee.

Member, Managing Committee.

Member, Managing Committee.

Secretary.

EXPLANATION.

1. The first clause should be filled up according to the provisions of by-law 3. Where the amount required added to any deposits and outside or Government loans already held by the Society exceeds the limit fixed in the by-law, a special General Meeting of the members must be called after due notice (5 days) and sanction must be obtained to borrowing the additional sum. A copy of the resolution passed by the General Meeting should be attached to the application. Its form may conveniently be as follows:—

“Resolved that the Managing Committee be authorized to borrow Rs. _____ under by-law 3 (c) in addition to the amount originally specified in the by-law.”

2. Clauses 2, 3, 4, 5 and 6 must be filled up from the account books of the Society. Under 2 (a), (b) and (c) the amount in the possession of the Society on the date of the application should be stated, after deducting all instalments repaid up to date.

3. Loans which have been duly extended by a resolution of the Managing Committee are not overdue and should not be entered in clause 5.

4. Clause 8 is designed to show the objects to which it is proposed to apply the loan. Thus if Rs. 5,000 are required for liquidating debt, well-building, and financing sugarcane crops, the form might be filled up as follows:—

Amount.	Purpose.
Rs.	
2,000	Liquidating debt.
800	Building well.
2,200	Financing sugarcane.

Details of the purpose to which each individual borrower proposes to put his loan need not be given.

5. Societies with limited liability should append a statement showing—

- (a) the number of shares taken up ;
- (b) the amount of share capital paid up ;
- (c) the amount of share capital uncalled ;

(d) the number of shareholders.

6. The Central Bank will ordinarily grant loans at from 7 to 8 per cent. according to the reputation which the society has acquired, and the security offered by it, repayable in 10 years or less.

7. The procedure will usually be as follows :—

- (1) The Society will fill up the application form and forward it to the Registrar.
- (2) If all is in order, the Registrar will forward it to one of the officers working under him for enquiry into the assets of the members and for report. Loans will not ordinarily be granted in excess of one-third of the estimated net value of the total property of the members.
- (3) The Reporting Officer will return the application after local inquiry.
- (4) The Registrar will transmit it to the Central Bank with his recommendation.
- (5) The Central Bank will sanction or refuse to sanction the loan, as it thinks best. If it sanctions the loan, it will inform the Registrar and send three duly filled up copies of the bond for the amount of the loan sanctioned to the Secretary of the Society or to the Honorary Organiser seeking the loan for execution.
- (6) The Secretary or the Honorary Organiser will return two copies of the bond duly executed and will report to which Treasury it wishes the Central Bank to send the money by Remittance Transfer.

8. Any Society taking a loan from the Central Bank will be required to submit annually to it a list of the names of the members of the Society.

CHAPTER XII.

SEED AND GRAIN SOCIETIES.

A SEED SOCIETY.

Under the new Co-operative Act (II of 1912) it has been made legal to register Societies for purposes other than credit. Co-operative principles are in Europe applied to many branches of agriculture, *e. g.*, manure purchase, cattle insurance, milk supply, wholesale purchase of machinery, etc. But next to the need of cash loans at easy rates the need that undoubtedly is felt most acutely by the small Indian cultivator is the need of good seed on reasonable terms. Only the more substantial ryots store their own seed; those who are poorer and more backward usually have to obtain it from their *sowkar* on such terms as he chooses to impose, with the result that they get bad seed at an exorbitant price.

2. A few seed-banks have been started in different parts of this Presidency to meet this difficulty. But they have been either largely financed and controlled by Government or managed as semi-charitable institutions run by some philanthropic person under very few and lax rules. Before such institutions can be registered under the Co-operative Act, it is necessary that they should be placed on a more businesslike footing and managed by their own Committees. The model by-laws which are proposed for such Co-operative Seed-Banks are attached. Their object is not to maintain a store of grain in a village for use in time of famine, nor is it to help cultivators to sell their harvest at advantageous rates. It is simply to show cultivators how they may unite in obtaining a supply of sound seed at the cheapest possible rates.

3. A village seed society can be formed in exactly the same way as a village credit society. The difference between the two types of institution is that, in the case of a seed society, the capital is maintained in seed, not cash, and loans are also made in seed. Repayments are preferred in seed, when it is of good quality, but for convenience members are allowed the option of paying either in seed or cash. In a Credit Society all transactions are for cash. The former Society aims only at supplying good cheap seed; the latter is designed to meet all the needs of its members.

4. The first object of the Organizer will be to raise capital of cash or seed. He should induce members to promise deposits of seed of whatever sort it is decided to deal in—bájri, rice, jawári, wheat, tur, til or cotton— and should credit these deposits in the deposit register at their cash value as estimated by the *panch*. On the value of these deposits interest at $6\frac{1}{4}$ per cent., or whatever rate may be fixed, should be allowed. Cash deposits on the same terms should also be invited, with which additional seed may be brought, where possible, from the Superintendent of the nearest Government Farm. If the Honorary Organizer obtains sufficient promises of cash and seed deposits to make it worthwhile establishing a society, he should have two copies of the by-laws, with such corrections as may be desirable, signed by the applicants and submitted to the Registrar along with the usual form of application. After registration entrance fees and the promised cash deposits should be promptly collected. With these funds scales and storage bins should be purchased. Seed deposits should then be received and, after being credited in the accounts, should be carefully stored until the next sowing season. With the balance of cash remaining on hand after initial expenses have been met, further seed should be bought. The advantages of purchasing some time before the sowing season are obvious. The price of seed grain almost invariably rises as the sowing season approaches.

5. The Society should usually be organised towards the end of the monsoon and should be registered before the harvest is quite ready. Directly after the harvest the ryots have seed for deposits and even in cases where seed has to be brought for cash it is then cheaper and has received less injury from weevils and other pests. Probably where much seed is to be obtained by purchase, it will be better to arrange with reliable cultivators to grow seed of the required type for the Society than to buy it in the open market. Seed should always be seen by experienced agriculturists before it is stored. Where possible they should see it growing in the field, in order that they may note whether it is uniform, true to type, and free from disease. Seed from a weedy badly cultivated field is usually poor and should not be accepted. In the case of oil-seeds it should be remembered that they become unsuitable for sowing after eight months (Bombay Bulletin No. 37 of 1910).

6. Apart from these general precautions it is always well to make an actual test of the germination of any sample of seed. A convenient way to test the

Organization.

Selection of seed.

Germination.

germination of seed is to select 100 average seeds and place them in a porous basin, such as is used by a *mali* for holding a flower pot. The basin is placed within a larger one in which water is kept and a cover is placed over the inner basin. The moisture soaks from the outer basin to the inner one and causes the seed to germinate. The number of seeds that germinate gives the percentage germination, and the vitality of the seed is indicated by the time required for germination. Thus wheat seed which germinates in three days possesses good vitality. The percentage of germination (mentioned in by-law 13) will, of course, vary for different crops. It is, for instance, higher from wheat than from cotton seed (Bombay Bulletin No. 43 of 1911). Note that hand-ginned cotton seed is much better than that ginned by a steam engine.

7. Cereals and cotton seed are usually free from admixture of weed seeds, but pulses and oils are apt to contain
 Impurities. them. Cereals are generally mixed with waste and dirt. Impurities, whether weed seeds or dirt, can be removed sufficiently well by the ordinary country method of winnowing with a *sup* aided by the wind. Where a winnowing machine is available however it gives better results. It can be obtained from the Rasulia Mission, Hoshangabad, for Rs. 90.

8. Nearly all seeds, but particularly cereals and pulses, are
 Weevils. infested with weevils when taken from the threshing floor. These pests and their eggs must be destroyed before storing. The simplest method is to steep the seed in a 2 per cent. solution of copper sulphate (obtainable in all bazars) for ten minutes and then to dry it carefully in the shade (never in the sun). When thoroughly dry mix it with 5 per cent. of its weight of quick lime or wood ashes and then immediately store it before a fresh infection can take place.

9. There are several methods of storing seed, but a *kotha* is
 Storage. usually preferred to a pit. The important point to keep in view with regard to the storage is that seed must be kept in some insect-proof and rat-proof receptacle placed within a good rain-proof godown. A big earthen vessel or a receptacle made of bamboo matting thoroughly plastered with cowdung and placed on a raised support, are both in common use. The top opening must be very carefully closed up and sealed. The iron storage bins, as used at Government Farms, are still better than these. If any society desires further information about them, it should address its inquiries to the Deputy Director of Agriculture.

10. The success of a Society depends entirely upon its Managing Committee. It is the business of that body to reject all bad seed and to insist on cash repayment in any case where the repayer is unable to produce sound and reliable seed. It is its duty to see that seed is carefully weighed on receipt, carefully valued, carefully selected, and carefully stored. The storage bins must be continually watched in case any accidents happen. The Committee must be particularly careful to see that all repayments are made at harvest time from the outturn of the crop which has been raised from the seed advanced by them. Postponements should never be granted unless the crops of the debtor have absolutely failed. If the Managing Committee performs these duties and the others enumerated in by-law 10 punctually and strictly, there is no doubt that interest at *savai* rate in kind, or at $9\frac{3}{8}$ per cent. in cash, will enable it to run its business at a fair profit.

MODEL BY-LAWS FOR A CO-OPERATIVE SEED SOCIETY

1. The Society shall be called the Co-operative
Seed Society, Unlimited. Its registered office is at .
2. Any resident of who is of good character
is eligible for election as member.
3. Members shall be elected by the Managing Committee.
4. The entrance fee is four annas, and is payable by an applicant for membership when he has been elected. No one shall exercise the rights of membership until he has been elected and has paid the entrance fee.
5. Every member shall, with every other member, be jointly and severally responsible for all liabilities and debts due by the Society.
6. Every member shall be liable to expulsion by the General Meeting by a majority of votes—
 - (i) for being in default to the Society for a period of one month after a liability has become due, without the permission of the Managing Committee ;
 - (ii) for conduct injurious to the credit and reputation of the Society ;
 - (iii) for a serious breach of the rules or of the By-laws of the Society.
7. Any member may withdraw from the Society after giving one month's notice to the Secretary. He also *ipso facto* ceases to be a member, if he ceases to reside in the village of .
8. Capital may be obtained in the following ways :—
 - (a) entrance fees under rule 4,
 - (b) deposits from members at per cent.,
 - (c) loans from outsiders on such terms as may be arranged by the Managing Committee,
 - (d) donations.

The total amount raised under (b) and (c) may not exceed Rs. without the sanction of the General Committee.

Capital may be received either in cash or kind. In the latter case the Managing Committee shall fix the price at which the grain

received shall be credited in the books of the Society after considering the market rate and the quality of the grain in each case.

9. The members of the Society shall elect annually a Managing Committee of three members. The Committee shall appoint one of its members to be Chairman.

10. The Managing Committee shall have the following powers and duties :—

- (i) To sanction advances of seed to members of the Society, and to see that it is used for sowing and not for purposes of trade.
- (ii) to purchase or sell seed on behalf of the Society provided that the liability incurred does not exceed the maximum liability for the year fixed by the members in Annual Meeting.
- (iii) To receive seed the property of the Society under by-law 16 and to disburse it.
- (iv) To make arrangements for cleaning, storage, and insurance of seed.
- (v) To make arrangements for the transport of seed.
- (vi) To receive and disburse money, the property of the Society.
- (vii) To sign on behalf of the Society receipts, cheques, bonds, deeds or other instruments : provided that the Society's credit is not pledged in excess of the amount fixed by the Annual Meeting as the maximum liability for the year.
- (viii) To arrange for the keeping of the accounts of the Society.
- (ix) To prescribe the forms in which the accounts and registers of the Society shall be kept.
- (x) To call, whenever that may be necessary, a General Meeting of the members of the Society.
- (xi) To call, in the month of April, an Annual General Meeting of the Society.
- (xii) To publish, on or before 30th April of each year, a balance sheet of the Society for the year ending on the previous 31st March.
- (xiii) Generally to conduct the business of the Society.

11. The members assembled in Annual General Meeting shall have the following powers and duties :—

- (i) To elect a Managing Committee for the year.
- (ii) To fix the maximum amount which shall be borrowed on behalf of the Society during the year.
- (iii) To fix the maximum amount of seed which shall be purchased for or sold by the Society during the year.
- (iv) To fix the maximum amount of seed which shall be advanced to any one member of the Society during the year.
- (v) To consider the balance sheet and, if correct, to pass it.

12. The Managing Committee shall invest its cash capital in the purchase of seed and storage bins. This seed, together with all seed received as contributions in kind, shall be given out to members at the season of sowing.

13. No seed shall be issued until it has been cleaned and tested, and has shown at least 80 per cent. of germination.

14. Advances, when repaid in kind, shall be recovered at Savai rates and when repaid in cash, shall be charged with interest on the original cost value at $9\frac{3}{4}$ per cent.

15. Both the value and quantity of the advances of seed shall be shown in the loan Register and Ledger. Members have the option of repaying in cash or in kind according to their convenience.

16. On the repayment of an advance by a member, the Managing Committee shall examine the seed and determine whether it is of fair quality, and fit for acceptance for storage. If it is not of fair quality, or of the crop raised from the seed advanced, the Committee shall take steps to ensure that the borrower repays in seed of fair quality from that crop, or in cash. The Committee have entire authority to fix the prices at which grain shall be advanced or received.

17. The Managing Committee shall also see that all seed in repayment of advances is reasonably free from dirt and from admixture of seed of inferior or different kinds.

18. Before seed is stored it shall be cleaned and sifted, to ensure that no seed is stored which is, on account of its small size, unfit for sowing. Seed of small size so removed shall be sold in the bazar and the amount credited to the account of the Society in the Post Office Savings Bank.

2.—*Day Book.*

Receipts.							Payment.					
Date.	Serial No.	Name of payer.	On what account.	Cash.	Grain.		Date.	Name of payee.	On what account.	Cash.	Grain.	
					Amount.	Value.					Amount.	Value.
1	2	3	4	5	6	7	8	9	10	11	12	13

3.—*Stock Register.*

Date.	Serial No. in day-book.	Receipts.					Expenditure.					Balance.					Remarks.			
		Kind of grain.					Kind of grain.					Kind of grain.								
		Gram.	TL.	Wheat.	Tur.	Cotton.	Rice.	Gram.	TL.	Wheat.	Tur.	Cotton.	Rice.	Gram.	TL.	Wheat.		Tur.	Cotton.	Rice.

N. B.—This form can be much simplified by omitting columns for kinds of grain not dealt in by the society.

4.—*Interest Accounts.*

Receipts.				Payments.		
Date.	From whom.	Cash.	Grain.	Date.	To whom.	Cash.
			Amount. Value.			

5.—*Deposit Account.*

Name of member—

Date.	Paid in.		Withdrawn.		Balance.		Members' signature on withdrawal.
	Cash.	Grain.	Cash.	Grain.	Cash.	Grain.	
		Amount. Value.		Amount. Value.		Amount. Value.	

Organisers should note that these forms are not so simple as might be desired, and may puzzle country folk. Where possible, they may simplify these forms at their discretion. If a society decides to carry on all its transactions in grain only, it will be quite easy to omit most of the columns prescribed above and to make the forms such as any fourth standard boy ought to be able to maintain. For the combined seed and cash business which is

contemplated in this leaflet no simpler forms that will at the same time be adequate can be devised. It should be remembered that the forms must be such as to furnish the information required in the annual balance sheets.

All seed should, as far as possible, be advanced on personal surety only. Bonds should be taken on standard Form I mentioned in Chapter VII with such verbal corrections as are necessary.

Form of Application for an Advance of Seed.

As a member of the _____ Co-operative Seed Society, I hereby apply for an advance of _____ maunds seed to be repaid by me in kind out of the produce of the crop raised by me from the seed or in cash at such rates as may be fixed by the Managing Committee. Under section 19 of Act II of 1912 I acknowledge that the Society's claim shall have priority to all other claims over the crop except that of land revenue.

Dated _____ 191 .

(Signature.)

(Residence.)

Names of Sureties.

(1) _____

(2) _____

(3) _____

B.—Grain Societies.

Need of Grain Banks.—Owing to the poverty of the great mass of agriculturists, it often happens that they have to sell their grain immediately after the harvest when prices are at their lowest, in order to pay rent, sowkar's debts, or land revenue assessment, and that they are unable to keep on hand enough corn to maintain their families until the next year. Prices almost always begin to rise some three or four months after the harvest has been reaped, but the profit falls into the hands of the dealers and not of the agriculturists. The poorest classes have generally exhausted their stock of gain by the end of May and have to subsist until the next harvest on grain advanced to them at high prices and heavy interest by their sowkars. If the agriculturists had been able to hold up their produce for three months, they could have sold it at much better prices. They would therefore have had to sell less and could have kept in hand a stock enough to carry them over to the next year without an appeal to the sowkars. The objects of grain banks are, firstly, to enable agriculturists to tide over the period of low prices and to sell their harvest at a good profit, and secondly to make advances of grain at reasonable rates to necessitous agriculturists during the off-season for their maintenance.

2. *Management of Grain Banks.*—The classes of agriculturists who stand in need of the sort of granary described above are usually the poorest and most illiterate. It is therefore very necessary that any institution intended for them should be of the simplest kind and should not require complicated accounts or difficult rules of management. The draft model by-laws have been made therefore as few and as plain as possible. The society is managed by a committee on very much the same lines as a credit society, but grain is used instead of cash. The only cash is that derived from entrance fees and is intended to cover working expenses, which will be very small. A society must be started at harvest time, and every member besides paying his entrance fee must make a deposit of grain, which will be retained by the society for at least three years, and then at the wish of the member may be repaid with an addition of one-tenth of the weight deposited for each year of deposit. The society will use its capital in granting advances to the members later on in the year for their subsistence and perhaps also for seed, if the grain is good enough. The draft model by-laws, herewith attached, are intended for a society with this single object.

3. If a society, however, wishes to help agriculturists by granting cash advances also to them against their crops, in order to enable

them to hold them up pending better prices, a few additions must be made to the by-laws. The management will be a little more complicated, as the society will have to deal and keep accounts in cash as well as in grain. The following additions to the by-laws are suggested in such cases :—

5. (3) by deposits of cash, the total amount of which shall not exceed Rs. _____ without the sanction of the General Meeting.
6. (6) to fix the amount of cash to be raised on deposit, the rate of interest to be paid on such deposit, and rate of interest at which cash advances are to be made.
8. (10) to sanction cash advances to members in order to enable them to wait for a convenient opportunity of selling their grain, to determine what security shall be taken and what period allowed for repayment.
14. (5) Registers of advances of grain and cash.

4. *How to start a Society.*—The organizer should first consult several agriculturists and find out in what way they are now disposing of their produce, and whether most of them maintain in their houses a stock of grain sufficient to carry them on until the next harvest. If they do not there is room for a society. No society can start work without a working capital of grain, and as this can only be secured at the harvest season, societies should as a rule be organised at that season only. Two copies of the by-laws and one of Schedule A, should be filled up by at least 11 original members, and should be sent either to the official Honorary Organiser of the district or to the Registrar at Poona. A report should also be sent stating to what address the registration certificate, account forms, etc., should be sent by V. P. P., and what amount of initial working capital has been collected or promised.

5. *Storage of Grain.*—As soon as the Society is registered, the grain capital and entrance fees should be collected. There are several methods of storing grain, but *kotha* is usually preferable to a pit. The important point to keep in view with regard to storage is, that grain must be kept in some insect-proof and rat-proof receptacle placed within a good rain-proof building. A big earthen vessel or receptacle made of bamboo matting and thoroughly plastered with cowdung and placed on a raised support are both in common use. The top opening must be very carefully closed up and sealed. Iron storage bins, as used at Government Farms, are still better but are more expensive. Any society desiring to purchase such bins can obtain full information from the Deputy Director of Agriculture.

6. *Accounts.*—During the harvest season deposits and repayments may be received on one fixed day a week, and at the end of the harvest the storage receptacle should be sealed up. Afterwards it should be opened in the presence of the committee once a month for all purposes of the Society. Accounts should be written up on the spot, at the time the transactions take place. The following account forms are recommended for the type of society described in paragraph 2 :—

- (1) Member's Register, Cash Book, Expenses Account in the standard forms supplied from the Registrar's Office.
- (2) Member's Ledger.

Name of member _____

Date.	Amount of grain advanced.		Date.	Amount of grain repaid.		REMARKS.
	Kind of grain.	Weight.		Capital.	Interest.	

(3) Register of Advances and Recoveries.

Date of advance.	Name of borrower.	Name of sureties.	Kind and amount of grain advanced.	Date of repayment.	Amount repaid.		Remarks.
					Capital.	Interest.	
1	2	3	4	5	6	7	8

Columns 1 to 4 only are filled up at the time of the advance and columns 6 to 7 on repayment.

(4) Deposit account.

Name of member. _____

Date	Grain deposited		Grain withdrawn		Balance.		Member's signature on withdrawal.
	Kind	Amount.	Kind	Amount	Kind.	Amount.	
1	2	3	4	5	6	7	8
		Mds. Srs.		Mds. Srs.		Mds. Srs.	

(5) Stock Register.

Date.	Receipts.		Withdrawals		Balance
	From whom	Amount received	To whom	Amount given out	Amount on hand after each transaction.
1	2	3	4	5	6
		Mds. Srs.		Mds. Srs.	

A separate stock register should be maintained for each separate kind of grain dealt in by the Society. Every entry in the stock register should have some corresponding entry in either the register of advances and recoveries or in the deposit account.

(6) Reserve Fund Account.

Date	Amount carried to reserve fund	Amount withdrawn from reserve	Balance
1	2	3	4

Forms (2) to (6) should be ruled by the secretary on blank sheets of paper as required.

Where a society gives cash loans against crops it should also maintain a member's cash ledger and cash register of loans in the standard forms, which can be obtained from the Registrars' office.

MODEL BY-LAWS FOR A CO-OPERATIVE GRANARY.

I. INTRODUCTORY.

1. The Society shall be called the _____ Co-operative Granary Society, Unlimited. Its registered office is at _____

II. MEMBERSHIP.

2. Any cultivator resident in _____, of good character, may become a member, provided that his application, which must be in writing, is approved by a majority of the Managing Committee and he pays an entrance fee of annas 8.

3. Members may be expelled by the General Meeting for conduct disgraceful in itself or injurious to the credit of the Society.

4. Members may resign after six months' notice, and will lose their membership if they remove their residence from the village of _____

III. CAPITAL.

5. Capital may be raised :—

- (1) By entrance fees.
- (2) By deposits of grain.

The kinds of grain which will be dealt with by the Society are _____ . The total amount of grain received shall not exceed _____ without the sanction of the General Meeting.

IV. GENERAL MEETING.

6. The Annual General Meeting shall be held in April, and its functions shall be :—

- (1) To elect a Managing Committee for the ensuing year.
- (2) To fix the maximum amount of grain to be received on deposit in the course of the year.
- (3) To receive the balance sheets for the last year.
- (4) To lay down general rules for the guidance of the Managing Committee.
- (5) To consider the audit memo. and any other communications received from the Registrar.

7. A special general meeting may be called at any time by the chairman of the Managing Committee at his own instance or on a requisition from the Registrar. At least seven days' notice of such meeting shall be given.

V. MANAGING COMMITTEE.

8. The Managing Committee shall consist of _____ members, and its duties shall be :—

- (1) To elect its own chairman.
- (2) To receive deposits of grain.
- (3) To admit members.
- (4) To deal with applications for advances of grain.
- (5) To arrange and supervise the safe storage of grain.
- (6) To see that repayments are made punctually and that weighment is correct, and to reject any bad grain that may be brought.
- (7) To see that the accounts are properly kept and bonds taken for all advances.
- (8) To sell such portion of the stock of grain as may be convenient.
- (9) Generally to carry on the business of the society.

9. The grain pit shall be opened once a month in the presence of not less than three members of the Committee. All transactions shall take place at that time.

10. Advances of grain shall be made at *Savai* rates, until reduced by a resolution of the general meeting.

11. All repayments shall be made at harvest in the months of _____. All advances shall be repayable at the harvest immediately following.

12. After all collections have been made, the grain shall be weighed, and any excess over the amount of deposits that have been received and credited, shall be carried to reserve.

VI. ACCOUNTS.

13. The Managing Committee shall appoint a secretary and fix his pay, if any.

14. The following accounts shall be maintained :—

- (1) Members' Register.
- (2) Cash Book.
- (3) Expenses Account.
- (4) Members' Ledger Account.
- (5) Register of Advances.
- (6) Deposit Account.
- (7) Grain Stock Register.
- (8) Minute Book of General Meeting.
- (9) Minute Book of Managing Committee.

VII. DEPOSITS.

15. Deposits of grain may be received from members or non-members. All deposits are fixed at least for three years and are repayable if desired after the fourth harvest, with an additional 10th of the weight of the grain originally deposited for each year during which the deposit has been in the granary. The added grain shall be withdrawn from the reserve fund.

16. Every member must make an annual deposit of at least maunds of grain for each plough maintained by him.

VIII. AMENDMENTS OF BY-LAWS.

17. By-laws may be amended with the sanction of the Registrar by resolutions of a General Meeting.

CHAPTER XIII.

WEAVING SOCIETIES.

In the Bombay Presidency the weaving industry is second in importance only to that of agriculture. At the last census it was found that no less than 808,000 persons were employed in textile manufactures and subsidiary industries. Weaving mills have made great progress during the last decade and the pressure of their competition is making it more and more difficult for the hand-loom weaver to maintain himself. Though hard hit, he has not however yet succumbed. In many districts the cloth of the hand-loom weaver is preferred for its superior wearing qualities and its more popular patterns, and this is particularly the case with regard to silk work. In 1911 there were in the cotton industry one hundred and ninety-three thousand workers in mills as against two hundred and sixty-seven thousand home workers, and in the silk industry two thousand mill workers as against twenty-three thousand home workers. These figures show that the home industry is very far from dead. If however the hand-loom weavers are to survive the effects of the fall in prices brought about by the power looms, they can only do so by adopting any modern improvements in the form of their looms that will enable them to increase their output, by buying their yarn in the cheapest market, and selling their cloth to the best possible advantage.

2. Government is taking measures to popularise, as far as possible, the most useful modern improvements. The Registrar is prepared to send an expert weaver to any weaving centre at which his presence is required to demonstrate to the weavers the advantages of the improved fly-shuttle loom and dobby, to explain which are the cheapest markets in which to buy the yarn in local use, and to introduce modern methods of dyeing. Where progress is satisfactory and the new ideas prove acceptable to the weavers, a weaving school may be opened for training their sons. But weavers generally find that it is usually useless to adopt improved method and to increase their production while they continue to depend on their sowkars for advances with which to carry on their business. The sowkars arrange matters in such a way that very little of the increased profit goes to the weavers themselves.

3. In order to free the weavers from this economic serfdom and to enable them to secure a fair share of the profits of their industry, it is believed that they will find it to their advantage to establish co-operative societies in as many centres as possible. The first object of these societies is to grant them cash advances on easy terms. A weaver has generally to spend Rs. 25 to Rs. 50 per loom per month in the purchase of yarn. The sowkár usually advances this yarn to him at an interest of about 18 per cent., and insists also on his selling the manufactured cloth to him at such rate as he may decide. Very few weavers are rich enough to buy yarn out of their own capital and to carry on business independently of the sowkár. The Co-operative Society will take the place of the sowkár, and its result will be, not only that weavers will obtain loans at easy rates, but that such profits as accrue will belong to the weavers themselves jointly instead of falling into the hands of the sowkárs.

4. These societies should be formed in the same way as cash societies in the first instance. Members from the weaving classes should be induced to band themselves into a society and the liability made joint and unlimited. The model by-laws should then be considered and after they have been corrected, to meet the wishes of the members, two copies should be signed by at least 12 applicants. The usual form of application should also be filled up and submitted along with the By-laws to the Registrar for registration. As soon as the registration certificate is received, the Society should hold its first meeting and should elect its Managing Committee, and adopt the registered by-laws. Its most important duty will be to decide how funds are to be raised. The members themselves should deposit such sums as they can afford, and should fix the rate that they will pay on deposits at 5 or 6 per cent. ; they should also try to obtain loans from sowkárs and local gentlemen. In the case of Weaving Societies, Government is for the present ready to grant loans without interest for 3 years, equal in amount to the sum collected by the Society as deposits. Further funds can be accumulated as the Society acquires credit.

5. In order to make a success, the Managing Committee of the Society must pay particular attention to the following points. Loans should be lent to weavers for short periods only, usually not more than 2 or 3 months, and collected promptly with their interest. Loans should be lent for productive purposes, *e. g.*, purchase of looms, yarn, or utensils, and not, while the Society is young, for marriages, law

court expenses, or old debts. Two trustworthy sureties should be required for every loan. The Committee should see that the advance is used for the purpose for which it is given. The number of looms owned by each member should be recorded and should be taken into consideration in sanctioning a loan. Fresh loans should not be granted until previous loans are repaid and no loans at all should be given to habitual defaulters.

6. When the Society has started business on a cash basis, and the members have begun to understand what is meant by co-operative methods, it should then consider the question of purchasing yarn wholesale for retail at the lowest possible rates to its members. Different brands, counts, and colours of yarn should be tested, and when the weavers are satisfied with the quality and price, a few bundles should, in the first instance, be ordered as a sample. In order to make yarn-purchase a success the following points must be borne in mind. The yarn should be of a kind fully approved of by the weavers. The members must bind themselves to use the yarn, when it arrives, and to accept advances in it instead of in cash. The Society must be able to pay promptly and in cash for the bundles purchased: otherwise the mills will refuse to continue to supply their orders. The members must understand that the price of the yarn supplied by the Society cannot fluctuate, with the market. Usually it will be less than the market rate, but occasionally it may be higher. The Society will charge the cost price of the yarn *plus* the expenses of transit and storage. It will make no profit on the yarn dealings itself, but will be content with charging interest on the price of the yarn advanced from the date of the advance upto the date of repayment. It should be remembered that a room is required for the storage of the yarn, and that the Secretary who has to buy it from the mills, and to distribute it in the form of advances to members, should be a competent business man. Before starting a yarn branch, societies are advised to apply to the Registrar to send down a Weaving Expert Assistant to help them with the preliminary arrangements.

7. Having made cheap loans available to its members and arranged for the supply of yarn at wholesale prices, the Society should, after a further interval, consider whether it cannot open a shop at which the cloth of its members can be sold to the public. While the sowlár controls the sale, he can probably find a way of keeping the greater part of the profit for himself. Model by-laws 22, 23 and 24 contain rules for meeting this difficulty as far as will be feasible at first. But the

Development of
a Society.

Sale of manu-
factured goods.

only way by which weavers can make sure of getting for themselves all the profit that they have earned is by starting a shop of their own. This step must be taken with great caution. The Society must have adequate capital, because the weavers cannot afford to leave their manufactured clothes in the shop until sale is effected. They will want an immediate advance of at least $\frac{2}{3}$ of the estimated value of their products in order to enable them to carry on their work. This means that a large amount of the capital of the Society will be locked up in the stock of the shop. Again, a good paid manager will be required, and such a man cannot be obtained cheaply. Therefore the business must be considerable in volume in order that his pay may not swallow up all the profits. There are other difficulties in running a shop which can only be met and overcome by experience. Owing to them it has been provided under by-law 25 that a shop shall not be opened until draft rules for its management have been framed and approved by the Registrar.

8. Weavers are often prejudiced and slow to accept new ideas.

Caution. Great care should therefore be taken not to press improved methods upon them in such a way as to make them suspicious or recalcitrant. A Cooperative Society on a cash basis brings them economic benefits which they can easily understand and will often be found the best way of starting work amongst them. After confidence has been secured, technical improvements maybe brought to notice with a greater chance of success.

9. *Accounts.*—Most weaving societies use part of their capital in advancing cash loans to members and must therefore maintain all the forms used by credit societies. In addition to this those societies which deal in yarn will have to maintain a Stock Register and a Sales Register, for which the accompanying form is recommended.

Stock Register of Yarn.

Date.	Item.	Gray (Peacock Brand.)				Fast black.		Silk.		Green. (Empress Brand.)			Etc.
		20	30	40	60	20	30	Bengal.	China.	20	30	40	
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1st April 1913.	Opening Stock ..												
	Receipts ..												
	Total Outgoings												
2nd April 1913.	Opening Stock ..												
	Receipts ..												
	Total Outgoings .												

Every sort and count of yarn stocked by the Society should have a separate column. In ordering fresh yarn the Managing Committee should always have this register before it, and should see that the stock is not allowed to become exhausted before a fresh consignment is received. The totals shown in the stock register should frequently be checked by actual weighing, and the cause of any deficiencies discovered carefully examined. Receipts should be posted to correspond with the advice notes and bills of the supplying agents, and outgoings should be summarised from the Daily Sales Register. The Register may be posted up either daily or weekly as the Committee may settle.

10. The Sales Register may be kept in this simple form.

Daily Sales Register.

Date.	Kind and count of yarn sold or advanced.	Quantity.	Selling rate per seer.	Cash Price recovered.	No. of Ledger account for sales on credit.
1	2	3	4	5	6

Cash sales should be noted in columns 1 to 5 and in the cash book. Credit sales which may only be made with the approval of the Committee will be noted in columns 1 to 4 and 6, and in the Ledger Account.

11. Societies which accept the manufactured cloth of members on deposit for retail sale, and which advance fresh loans to such members against the cloth deposited, will need to maintain an additional register.

Stock Register of Manufactured Goods.

Date of deposit of cloth.	Name of depositor.	Description of each article.	Estimated selling price.	Loan advanced on the cloth.	Date of sale.	Selling price realized.	Amount repaid to Society.		Balance paid to depositor.	Signature of depositor.	Remarks.
							Principal.	Interest.			
1	2	3	4	5	6	7	8	9	10	11	12

Column 1 shows the date of the acceptance of the cloth for sale by the Society. In column 3 each article received should be shown separately, and the separate entries should extend over the other columns across the page. Committees usually advance loans up to $\frac{3}{4}$ th of the estimated value of the cloth deposited. Columns 4 and 5 should be entered up in accordance with the Committees' decision. Columns 6 and 7 show the amount realized when retail sale of the cloth is effected and columns 8, 9 and 10 show the distribution of the amount received, all sales of course being for cash. When the balance due to the depositor is paid to him, his signature should be taken in column 11.

MODEL BY-LAWS.

Weavers' Co-operative Society.

1. This Society shall be known as the Weavers'
Co-operative Society, Unlimited, and its address shall be

2. The object of the Society is to improve the condition of the weavers residing in With this object it may raise funds and use them in granting cash advances to weavers, in purchasing raw material at wholesale rates and retailing it, in purchasing improved machinery to be sold or to be hired out to its members, in granting advances to members on the security of the cloth woven by them, in buying and retailing improved dyeing materials, and in any other ways which seem likely to conduce to its general object.

Funds may be raised by—

- (1) entrance fees,
- (2) deposits,
- (3) debentures of Rs. 5 each, bearing interest at per
cent.,
- (4) outside loans.

Membership.

3. Any person over 18 years of age residing in may
become a member provided that he pays an entrance fee of rupee one and is duly approved by the Committee, and provided that not less than $\frac{3}{4}$ of the total number of members are *bona fide* weavers.

4. Every member shall be jointly and severally liable for all the debts of the Society.

5. No member shall be admitted by the Committee unless two other members will vouch for his honesty and stand surety up to two years for the due repayment of all debts, that he may owe to the Society.

6. A member may be expelled by the General Meeting for frequent default or for conduct injurious to the general credit of the Society.

7. No member may resign his membership without the approval of the Committee which shall only be given when all his liabilities have been paid off.

8. A member removing his residence from shall
cease to be a member as soon as his liabilities are paid off.

Management.

9. A General Meeting shall be held annually in the month of April and on any other occasions that may be necessary. The meeting shall appoint its own Chairman. Two-thirds of the total number of members or 30 whichever is less, shall form a quorum.

10. The duties of the Annual General Meeting are:—

- (1) to elect a Committee ;
- (2) to receive the accounts of the past year from the retiring Committee ;
- (3) to decide what branches of business shall be undertaken during the forthcoming year and to allocate funds for carrying them on ;
- (4) to consider the Registrar's annual audit note ;
- (5) to dispose of such business as may be laid before it by the Committee.

11. 10 days' notice of a General Meeting shall be given. The notice shall state the business to be transacted. Each member shall have one vote only.

12. The Committee shall consist of 5 members, elected annually and shall elect its own Chairman.

13. The duties of the Committee are:—

- (1) to raise funds as loans and deposits up to a maximum of Rs. ;
- (2) to determine the rates of interest to be allowed on such loans and deposits and to be charged from members on advances made to them ;
- (3) to appoint or dismiss a Secretary, to fix his remuneration and to determine his duties ;
- (4) to carry on the business of the Society with regard to the purchase and sale of yarn, other materials, improved looms, dyeing appliances, etc. ;
- (5) to receive and dispose of applications for loans in cash or advances in kind ;
- (6) to arrange for the safe custody of the funds and other property of the Society, and to see that all prescribed accounts are duly maintained ;
- (7) generally to conduct the whole business of the Society subject to the By-laws and to any resolutions passed in the General Meeting.

14. Each member shall have one vote, and the Chairman a casting vote. Three members shall form a quorum. Meetings shall be held not less frequently than once a fortnight for the disposal of business.

15. The cash balance of the Society shall be deposited in the Post Office Savings Bank or in any other bank approved by the Registrar.

Raw Material.

16. The Committee may purchase such yarn and other raw material as they consider to be necessary, at such times and such rates and from such places as seem to them proper, subject to the proviso that they shall not buy anything for which they have not means to pay in cash.

17. Raw material shall be advanced to members at such prices and on such terms as the Committee from time to time determine.

18. Members are bound to repay the value and interest charged on such advances out of the profits realised by the sale of the article manufactured from the raw material advanced and no further advance shall be granted until this is done. Cases falling under by-law 23 are excepted from this rule.

19. A member is liable to a fine not exceeding Rs. 5 at the discretion of the Committee, if he applies raw material to any purpose except that for which it is advanced.

Cash Advances.

20. The Committee may make cash advances to weavers at a rate not exceeding two pies per rupee per month. Such advances shall not ordinarily exceed Rs. 10 for each loom possessed by the borrower, and shall be given on the security of two personal sureties or of immoveable property.

21. Loans shall not exceed Rs. 50 at a time nor be given for a longer period than 6 months, except when they are made for the liquidation of old debt.

Finished Products.

22. In cases where members sell their finished cloth to dealers, the repayment of the loan from the Society with interest shall be the first charge on the sale price.

23. Where the market is bad and no remunerative sale price can be obtained, a member may deposit the finished product with the Managing Committee who shall advance to him an amount not exceeding 75 per cent. of the estimated value of the cloth at a rate of $1\frac{1}{2}$ pies per rupee per month.

24. Advances under by-law 23 shall be made for periods not exceeding 4 months. If the advance is not repaid within that period, the cloth deposited shall become the property of the Society and be sold by the Committee.

Miscellaneous Activities.

25. With the previous approval of the General Meeting the Managing Committee may undertake the opening of a retail shop, the purchase and retail of fly-shuttle looms, or of any other weaving or dyeing utensils, the hiring out of such utensils belonging to it or any other branch of work which is likely to be useful or profitable. But before doing so it must draft rules for the conduct of such business and submit them to the Registrar for approval.

Profits.

26. After paying all interest due on borrowed capital and all working expenses, the General meeting shall carry the whole net profit earned to reserve. The reserve fund is one and indivisible and belongs to the Society. It shall only be drawn upon to make good any losses incurred.

Miscellaneous.

27. As the Society is intended to secure the mutual benefit of the members by co-operation, it is desirable that private disputes among them should be referred to the Committee for amicable settlement.

28. A copy of the annual balance sheets shall be sent to the Registrar not later than April 30th.

29. By-laws may only be amended by a majority of $\frac{2}{3}$ rd of the persons present at a General Meeting of which full notice has been given, and with the sanction of the Registrar.

CHAPTER XIV.

Distributive Stores Societies.

1. *Use of Co-operative Stores.*—In country bazars the rates charged by the shopkeepers are often found to be far in excess of any justified by market conditions. Instead of remaining content with a fair commission on their outlay, the *sávkárs* frequently form rings in order to control the market, and fix the selling prices of their goods at a figure that secures them a quite exorbitant profit. The purchaser is helpless against them because there is usually no other bazar in the neighbourhood, and because he is often in their debt and therefore not at liberty to deal with other merchants even when opportunity offers. The shopkeepers abuse their power not only by exacting high prices, but by adulterating their goods or by giving false weight or by selling old and rotten stock. These are the evils which co-operative stores are designed to meet. Their primary object is to sell to members goods in general use at the cheapest possible rate. Economy is effected by buying stock direct from wholesale dealers and by keeping down working expenses. Such stores should also of course refuse to countenance adulteration, insist on fresh and sound stock, and make a point of giving purchasers good weight for their money.

2. *How to start Co-operative Stores.*—Stores cannot be managed without constant attention and some business experience. It is not recommended that they should be opened in any town unless the promoters are fairly well educated and include amongst their number some persons who have had experience of retail trade in one of its branches. If such men can be found, the first step would be to arrange an informal meeting and to consider how far the rates charged by the shopkeepers are excessive and what reduction could be expected from wholesale purchases. Having satisfied themselves on this point and having determined roughly on the class of articles in which dealings should be undertaken, the promoters' next step should be to consider how much capital would be required for the business and how much could be raised among themselves and their friends by the issue of shares. After canvassing for capital and supporters, they should arrange a second informal meeting to which the Honorary Organiser of the district might be invited and should then

go through the model by-laws. They should fill up the blanks in by-laws 1, 5, 8, 40 and correct the model in any other places where it requires alteration. At least 12 of the promoters should then sign the form of application for registration and should send it to the Registrar, Co-operative Societies, Poona, together with two copies of the by-laws countersigned by the same 12 persons. The Registrar, after satisfying himself that the papers are in order and that the society has a fair prospect of success, will register it, and will send the certificate and other papers to the address of the leading promoters, whose name should be reported.

3. *The Management of Co-operative Stores.*—The success of the Stores will depend wholly on the Managing Management. Committee and on the salesman appointed by them. The latter must be a man who can be trusted to work honestly without continual supervision. He should know how to store goods so as to avoid deterioration, to keep accounts, and to please customers. The Managing Committee should meet at least once a week. It should check the stock book, see that the quality of the wares is satisfactory and that the shop is kept clean and tidy, and most important of all, should pass the weekly indent for fresh stores which should be prepared and put up by the salesman. It is only if the supply of stores is always of good quality and cheap and is never allowed to become exhausted that regular customers will be attracted. Where possible stores may be bought locally ; if ghi or grain is stocked and if any members are ready to supply it at a rate which the Society is willing to pay, they should be given preference over other sellers. Some sorts of goods can be obtained most cheaply from other co-operative societies. Most Weavers' Co-operative Societies are ready to supply Sárís, Khádis and other woven goods at a reasonable rate. When the Committee does not know how best to obtain any particular article, it can usually get information by writing to the Secretary, Indian Merchants' Chamber of Commerce, Bombay. The Committee must be ready to pay for all stores purchased by it in cash. Otherwise the wholesale dealers will charge heavy interest, which will soon eat up profits. It must always be remembered that the stock in the shop represents locked up capital which is earning no interest. Every sale releases money and also realizes a profit. When an article sold has been in stock for a long time, the profit realized may be swallowed up in the interest due on the money invested in it, and the transaction may end in a net loss. The Committee should therefore always aim at a quick turnover and a moderate profit. It should be careful to deal only in articles for

Every kind of article in the shop should have a separate column, and the register should if necessary run over several pages. The Managing Committee will frame its weekly indent for fresh stock entirely from this register and ought frequently to check the balance shown in the register with the stock actually found on hand. The incomings should be posted to correspond with the advice notes and bills of the supplying agents, and the outgoings should be extracted every evening from the Sales Register.

5. The Sales Register may be kept in the following simple form :—

Daily Sales Register.

Date.	Article sold.	Quantity.	Cash price paid.	No. of creditor's ledger account.
1	2	3	4	5

A summary of columns 2 and 3 should daily be posted in the Stock Register, in order that there may be no doubt about the amount of stock in hand. Column 4 will of course tally with the daily total entered in the cash book. Entries in column 5 need only be made when sales are on credit, since such transactions must be shown not in the cash book but in the ledger. If the salesman is honest, these two accounts ought to afford a sufficient check on his work. But if other safe-guards are required, the Society can protect itself by insisting that a written receipt or cash memo. be given for every payment and a counterfoil or carbon duplicate kept on the salesman's record. As the salesman will usually be a busy man, it is recommended that of the forms mentioned in by-law 50 he should be required to maintain only Nos. 4, 9, 10 and 11, and that the remainder be handed over to the Secretary of the Society.

BY-LAWS OF A CO-OPERATIVE STORES SOCIETY,
LIMITED.

I.—Preliminary.

1. The name of this Society is
and its registered address is

2. The first meeting of the members after registration shall have the same powers as are herein given to the Annual General Meeting.

3. The object of the Society is to obtain and supply to its members articles in general use of good quality at a cheap rate.

II.—Funds.

4. Funds may be raised—

- (1) by the issue of shares or debentures,
- (2) by receiving deposits,
- (3) by raising loans,
- (4) by donations.

5. The amount of capital to be raised by shares shall not exceed Rs. _____, without the sanction of the general meeting of the Society. The nominal value of each share shall be Rs. _____. The first general meeting shall decide what sum shall be paid on allotment and by what instalments (if any) the balance shall be called up.

6. Deposits and loans may be received for fixed periods or upon current account at such rates of interest and to such an amount as may be determined by the Managing Committee; provided that the total of loans and deposits shall never exceed eight times the subscribed share capital plus the reserve fund.

7. The funds of the Society, when not utilized in its business, shall be invested or deposited as required by section 32 (1) (a), (b) or (d) of Act II of 1912.

III.—Membership.

8. No person shall be member unless—

- (1) he is a resident in _____;
- (2) his written application for membership has been approved by an absolute majority of the Managing Committee;

- (3) he has paid an entrance fee of Rs. ; and
- (4) he has subscribed to at least one share and paid his instalment within 15 days of allotment.

Members who signed the original application for registration are exempt from condition (2).

9. If a member fails to pay any instalment due on his shares within 30 days of the call, the share or shares in respect of which default has been made may be forfeited and become the property of the society.

10. Any member may withdraw from the society at any time with the sanction of the Managing Committee, but this will not be given while he is in debt to the society or is surety for another member who is in debt.

11. A member of the society may be expelled by a vote of General Meeting—

- (1) if he is a persistent defaulter ;
- (2) if he wilfully deceives the society by false statements ;
- (3) if he is bankrupt or legally disabled ;
- (4) if he is criminally convicted ; or
- (5) if he intentionally does any act likely to injure the credit of the society.

Expulsion involves the forfeiture of all shares held by him.

12. A person ceases to be a member—

- (1) on death ;
- (2) when his resignation is accepted by the Managing Committee ;
- (3) on expulsion ; or
- (4) on the transfer or forfeiture of all the shares held by him.

IV.—Shares.

13. Application for shares shall be made in writing and shall be disposed of by the Managing Committee.

14. The liability of a member is limited to the nominal value of the shares held by him.

15. A member may transfer his share or shares, after holding them for one year, to another member with the approval of the Managing Committee. The transfer is not complete until the name of the transferee has been entered in the Share Transfer Register, and such fee as the Managing Committee may prescribe has been paid.

16. A share certificate bearing a distinctive number shall be issued for every share subscribed.

17. Any member of the society may by a writing under his hand deposited with the society nominate any person (other than a servant or officer of the society) to whom the whole or any part of his interest in the society should be transferred in the event of his death. A fee of four annas will be charged for recording such nominations and any subsequent revocation or variation.

18. On the death of a member the amount standing to his credit by way of shares or dividends shall, subject to deductions on account of his liabilities, be paid to his heir nominated by him or in the absence of such nominee to such person as may appear to the Committee to be entitled to receive the amount as heir or legal representative of the deceased member on his executing a deed of indemnity to the society. The deposits of the deceased may be withdrawn by such heir, only if the period of deposit has expired.

V.—General Meetings.

19. The Annual General Meeting shall be held during the month of April.

20. The functions of the Annual General Meeting are—

- (1) to elect a president for the ensuing year, whose duty shall be to preside at General Meetings, to supervise the administration of the society generally, and to summon, through the secretary, general meetings, whenever necessary ;
- (2) to appoint persons to audit the accounts of the society during the ensuing year and to fix their remuneration ;
- (3) to elect a Managing Committee for the ensuing year and to appoint a secretary and any other officers that may be required ;
- (4) to receive from the Managing Committee the balance sheets of the last year and to sanction the distribution of the profits ;
- (5) to fix the maximum up to which the Managing Committee may raise funds under by-law 6 ;
- (6) to consider any communication or audit memorandum that may have been received from the Registrar or any other business duly brought forward ;
- (7) to consider the sale of the past year and the stock on hand and to determine in what sort of goods dealings shall be carried on during the next year.

21. A Special General Meeting can be summoned by the President or by a majority of the Managing Committee or on a requisition from the Registrar or from the 25 ordinary members. It shall be the duty of the President to call such a meeting.

22. In the case of an Annual General Meeting 14 days' notice and in the case of a special General Meeting seven days' notice shall be given. The notice shall specify the date, hour, and place of the meeting and the business to be transacted.

23. With the permission of two-thirds of the members present at a general meeting, any member may bring forward a proposal not mentioned in the notice convening the meeting, provided that such proposal does not relate to the expulsion of a member or the alteration of a by-law.

24. The president shall have a casting vote, in addition to his ordinary vote.

25. A member owning one to five shares shall be entitled to one vote, 6 to 10 shares two votes, 10 to 20 shares three votes, 20 to 50 shares four votes, and more than 50 shares five votes. Any member may appoint another in writing to vote for him as his proxy.

26. Two-fifths of the total number of members or 25 (whichever is less) shall form a quorum at a general meeting. If there be no quorum the meeting shall be adjourned for at least 7 days, and at the adjourned meeting the business of the original meeting shall be disposed of, whether there is a quorum or not.

VI.—The Managing Committee.

27. The Managing Committee shall consist of not less than five members or more than seven. Three members shall form a quorum. It shall elect its own Chairman, who shall have a casting vote.

28. Subject to the by-laws and the resolutions passed at a general meeting the Managing Committee shall have full authority to carry on the business of the society. It shall meet for the transaction of the business not less often than once a month.

29. Vacancies on the Managing Committee from death or any other cause shall be filled up at the next ensuing general meeting by election.

30. A committee minute book shall be maintained by the secretary in which the names of members present and the proceeding at each meeting shall be recorded. It shall be open to the inspection of all members.

31. No member shall be present or vote on any matter in which he has a personal interest.

32. The powers of the Managing Committee shall be—

- (1) to appoint, suspend, punish or dismiss all salaried servants of the society subject to by-laws 20 (2) and (3);
- (2) to hear and deal with complaints;
- (3) to examine the stock register, to see that the quality of all articles recently stocked is good, to fix the selling price of all articles in the shop, to increase or reduce the selling price where necessary, to satisfy themselves that all goods in the shop are bought as cheaply as possible, to note whether any articles in stock are deteriorating in quality and to reduce the price accordingly, and to approve orders for fresh stock that may be required;
- (4) to examine and check the accounts, especially by comparing the Stock Register, the Sales Book and the Cash book;
- (5) to prepare annual balance sheets;
- (6) to enquire into and take action in cases of arrears;
- (7) to raise loans;
- (8) to institute, defend or compromise legal proceedings;
- (9) to test the scales, weights and measures, and to ascertain that there is no avoidable adulteration;
- (10) generally to conduct the business of the society.

33. An appeal shall lie from all decisions of the Managing Committee to the General Meeting.

34. It shall be the duty of the auditors appointed under by-laws 26 (2) to audit the accounts and documents of the society quarterly; and of the Managing Committee to produce all the requisite books for their inspection.

35. The Managing Committee shall control the secretary, whose duties shall be—

- (1) to carry on the correspondence of the society, to attend all meetings of the general body or of the Managing Committee, to record the proceedings of all such meetings and to convey all orders to the officers or members of the society concerned;
- (2) to receive applications for the payment or withdrawal of deposits, suggestions from members, and other correspondence and to lay them before the Managing Committee for orders;
- (3) generally to conduct the correspondence of the society and to perform such duties as are assigned to him by the Managing Committee.

VII.—Purchases and Sales.

36. The Managing Committee shall acquire a shop in which the goods of the society shall be stored and exposed for sale.

37. The price of every article shall be clearly written upon it or upon the receptacle in which it is stored.

38. The shop shall be managed by a salesman who shall be appointed and whose remuneration shall be fixed by the Managing Committee. He shall be responsible for maintaining a Stock Register, a Sales Register, a Cash book, and Ledger account for all members who are authorised to purchase on credit. All sales shall be made and entered in the books by him.

39. All sales shall be for cash only. The Managing Committee has power however to exempt approved members from this rule and to authorize the salesman to allow them credit up to specified amounts, provided that their accounts are settled monthly. Where necessary the Managing Committee may require members to give sureties before allowing them to purchase on credit.

40. Penal interest at the rate of per cent. shall be payable on all accounts not paid within 15 days of the end of each month, and all further sales to the defaulting member shall be stopped until the arrears are paid up.

41. A pass-book shall be issued to every member authorised to make purchases on credit. It shall be produced on the occasion of each purchase and shall be written up by the salesman.

42. Only members of the society may make purchases at the society's shop.

43. The Managing Committee shall have power to open branch stores under these by-laws at suitable centres in the district, and to delegate any or all of its powers to the local sub-committees in charge of such branches, provided that such branches shall submit a weekly list of sales and receipts to the central store. The local sub-committee shall be directly subordinate to the Central Managing Committee and the General Meeting.

VIII.—Deposits.

44. Deposits may be received at any time within the limits fixed in by-laws 6 and 20 (5) either in current account or for a fixed period. Interest shall be payable half-yearly on April 1st and October 1st.

45. After the period of a fixed deposit has expired, interest shall be paid on it at current deposit rates unless the deposit has been accepted by the Committee for a further fixed period.

IX.—Distribution of Profits.

46. The distribution of profits shall be settled at the Annual General Meeting. The balance remaining after carrying 25 per cent. to reserve, and paying a bonus, if any, to the servants of the society, shall be available for paying a dividend on shares and a bonus to regular customers.

X.—Reserve Fund.

47. In addition to the sum prescribed under section 33 of the Act, all admission fees and receipts on account of forfeited shares, fines and donations, shall be carried to reserve.

48. Not less than half the reserve fund shall be deposited with some outside society or bank approved by the Registrar.

49. Any loss on the year's working may, with the previous sanction of the Registrar, be made good from the reserve fund.

XI.—Accounts.

50. Accounts and records shall be maintained in the forms prescribed by the Registrar with such additions as the Managing Committee think necessary. The Chairman and Secretary have power jointly to execute documents, grant receipts, and sign share certificates on behalf of the society. The following forms shall always be maintained :

- (1) Register of members, including nominations of heirs.
- (2) Register of shares.
- (3) Share Transfer Register.
- (4) Cash book.
- (5) Minute book of General Meetings.
- (6) Minute book of Managing Committee Meetings.
- (7) Deposit Account.
- (8) Expenses Account.
- (9) Stock Register.
- (10) Daily Sales Account.
- (11) Ledger of credit transactions.

51. Before April 15th annually, the Managing Committee shall draw up statements showing the receipts and expenditure, assets and liabilities, and profit and loss for the previous year. A copy of these statements shall be supplied to the Government Auditor.

XII.—Amendments of by-laws.

52. Subject to the rules framed by the local Government by-laws can be amended, provided that notice of the amendment has been given to the Registrar, the Collector of the District and the members at least 10 days prior to the meeting. Amendments take effect after being registered under section 11 (3) of the Act.

Dated—————191 .

CHAPTER XV.

MANURE SUPPLYING SOCIETIES.

No crop will thrive unless it is properly manured and as a general rule the profit will increase with the amount of manure applied. Every agriculturist is therefore bound to consider the question of manure supply. For ordinary dry crops, the natural manure of the farm-yard is the best and cheapest, and for this reason as little as possible of it should be used as fuel and as much as possible reserved for agricultural purposes. But for most of the high class irrigated crops, it will be found profitable to use some sort of artificial manure. To buy this cheaply is often difficult, because it has usually to be procured in large quantities, imported from a distance and stored for some time before use. The traffic naturally therefore has fallen into the hands of middlemen accustomed to mercantile transactions. By enhancing the price beyond a reasonable level, by supplying manure of inferior quality, by falsifying weights, and by charging bazar cesses over and above the selling price, the middlemen often secure for themselves an excessive profit at the expense of the agriculturists.

2. The object of a Co-operative Manure Supplying Society is to eliminate the middleman and to secure for the agriculturists themselves the profits now engrossed by him. The method of forming such a society is not very difficult. The promoters should first ascertain the probable number of persons likely to join the society and should estimate the amount of artificial or concentrated manure required by them altogether. Having done so, they can calculate approximately the total price of the manure that must be bought, and this is the amount of capital which they must manage to raise in the first instance. Since a good deal of executive power will be in the hands of the Secretary, and many purchases will be made by him at a great distance from the Society, members cannot undertake joint and unlimited liability. It will be better to raise capital by shares of Rs. 5 or Rs. 10 each, fully paid up, with liability limited to the face value of the shares. Promises to buy shares should be recorded in writing by the promoters, and fixed deposits bearing interest at about $6\frac{1}{2}$ per cent. should be invited. As soon as they have secured sufficient capital to enable them to start business, steps should be taken to get the Society registered.

3. Two copies of the model by-laws should be filled up, and each should be countersigned by the same 11 persons who sign Appendix A, the Form of application for registration. The by-laws may be altered wherever it appears desirable and the gaps in by-laws 1, 3 and 4 should be filled up. In most districts the Registrar is represented by an experienced Honorary Organizer, who should ordinarily be consulted before the by-laws are finally settled. The application for registration and the copies of the by-laws should then be posted to the Registrar with a covering letter, mentioning the amount of capital promised and the name of the person to whom copies of the Act, account forms, etc., may be sent by V. P. P.

4. The Directors are responsible for the purchase of good and suitable manure. In particular they must arrange to buy it at the proper season and the cheapest market, after taking into consideration the expense of freight and storage. Before paying for manure, they should open several of the bags delivered and make sure that it is up to sample. For instance, castor cake may be found brittle and liable to crumble when the sample is firm and solid, or it may be mouldy and stale while the sample is fresh and good. Again the Directors should exercise common sense in buying the right sort of manure. In the year when the price of castor cake rules high, it would be advisable to buy fish manure or some other sort of cake, if it is suitable to the crop raised. The Society must remember that though it will be easy to sell manure at rates lower than those prevailing in the bazar, it will often be difficult to make sales, when it finds that it has to charge a higher rate in order to cover expenses. The business is bound to be slightly speculative, but when doubt is felt about the future trend of prices, the Directors should always try to err on the safe side.

5. There are four chief concentrated manures in common use in this Presidency, castor cake, safflower cake, fish manure and sulphate of ammonia. In all these the valuable constituent is nitrogen, and the effectiveness of the manure will depend on the percentage of nitrogen in it.

(1) Castor cake can be obtained at Ahmedabad and in Bombay. The Director of Agriculture, if applied to, will furnish information on the subject. Country-made ghani cake can be purchased at places where the castor crop is important, *e. g.*, Anand, Nadiad, Kalol, and all the important villages in the Charotar. Castor cake may be bought from September to May. Some mills commence forward sales from January. Prices are often high in

May and June if the stock is running short. Castor cake should contain at least 4 per cent. of nitrogen; but there is a marked difference in manurial value between hydraulic pressed castor cake and country ghani made castor cake. The latter is much superior. The nitrogen in it is present in a more active form and it decomposes into a finer powder.

(2) Safflower cake varies considerably in composition and for this reason is less reliable and less popular than castor cake. It contains usually from 3 to 7 per cent. of nitrogen. The time to purchase it is March, April, and May, and the centres at which it can best be obtained are Hubli, Bijápur, Poona (Hanuman Mills), Gokak, and Jalna. The Government Farm Superintendent at Gokak is willing to help buyers to get into direct touch with the sellers.

(3) Fish manure is also uncertain and variable in composition, but a good sample should contain about 8 per cent. of nitrogen. It can be bought at any time during the fair season. It is sold by dealers at Bombay and Poona and can also be obtained direct from most of the various fish-curing yards lying along the Konkan coast. On the Kánara and Goa coasts thousands of tons of it are manufactured annually from the shoals of sardines.

(4) Sulphate of ammonia can be bought at any time of the year. The Director of Agriculture, or the Superintendent, Agricultural College Farm, Poona, will furnish information as to where it can be obtained. It should be purchased with a written guarantee of 95 per cent. purity and 20 per cent. nitrogen.

Any agriculturist wishing to know the nitrogen percentage of manure can obtain the information by submitting a sample to the Agricultural Chemist at the Agricultural College, Poona.

6. Having ordered the manure, the Directors should at once set about finding a place to store it. It must be kept absolutely dry and should not be put in a place where its offensive smell will cause annoyance. The paid secretary of the Society must be responsible for checking its weight and quantity and seeing that it is properly stored. It is also his business to deliver to members advances of manure sanctioned by the Directors. If members lend their carts for conveying manure from the station to the store, a useful economy is made. The Directors should from time to time ascertain by actual weighing that the balance on hand really corresponds with that shown in the stock register, and should sanction the writing off of any deficiency due to dryage or other unavoidable cause.

7. The accounts which must be maintained are detailed in Accounts. by-law 35. Forms 1 and 2 may be kept in common unruled note-books. Forms 3, 4, 6, 7, 8, 10 and 11 can be obtained from the Registrar, and the promoters in applying for registration should state how many of each they wish to buy. Form 5 is however the most practically important. The following form is recommended.

Stock Register.

Kind of manure _____

Date.	Quantity received.	Quantity sold.					Balance after each transaction.
		For cash.		On credit.			
		Quantity.	Page in day-book.	On personal credit.	On mortgage credit.	No. of ledger account.	
1	2	3	4	5	6	7	8
	Kh. Paili.	Kh. Paili.		Kh. Paili.	Kh. Paili.		Kh. Paili.

The quantity received shown in column 2 should be checked by means of the invoices of the supplying agents. The price of manure sold for cash appearing in column 3 should be shown on the same date in the day-book, and to avoid confusion the amount of manure sold should also be shown there. Thus the entry in the day-book would appear "from Rama Govind on account of one khandi seventeen pailis of castor cake sold for cash, Rs. 20". Columns 5 and 6 are separated so that the Society may have no difficulty in preparing its annual return. Here again the amount of the manure advanced as well as its price and the rate of interest chargeable on its price should be noted in the ledger account. A separate Stock Register should be kept for each different kind of manure stored by the Society.

**BY-LAWS OF A CO-OPERATIVE MANURE SUPPLY SOCIETY,
LIMITED.**

I.—Introductory.

1. The name of the Society is the.....
..... Limited, and its registered address is.....
.....

2. The object of the Society is to supply concentrated manures such as oil-cake, fish, artificial manures and the like to its members at the lowest possible rates.

II.—Funds.

3. Funds may be raised as follows:—

(a) By the creation of capital not exceeding Rs....., divided into shares of rupees.....each.

(b) By receiving deposits.

(c) By borrowing money from other registered Co-operative societies, or from non-members.

(d) By donations.

Funds of the kind specified in (b) or (c) may at any time be raised at interest by the Directors on behalf of the Society, provided that the total amount so raised shall not exceed five times the paid up share capital.

When the Directors decide to borrow any sum under (c) it may authorise any two of the Directors, with the Secretary, to sign a receipt for the amount on behalf of the Directors.

III.—Membership.

4. Members of the Society, other than persons who have signed the application for registration, shall be elected by the vote of the Directors of the Society. The election will be decided by votes, the votes of two-thirds of the total number of Directors being necessary to secure election. No person shall be a member who is not a resident in.....

5. Application for membership must be made in writing and signed by the applicant. If the applicant is illiterate he must make his mark and thumb mark on an application form to be filled up in the presence of the Secretary of the Society.

6. Within one month from the date of his election an applicant must subscribe to one or more shares and must pay such portion of the value of the shares as may be fixed by a resolution of the General Meeting of the Society in such instalments as may be determined by the Society. On payment of the first instalment he shall become a member of the Society.

7. Every member of the Society shall be, equally with every other member, jointly and severally liable for all debts incurred by the Society and for any loan which his sureties fail to pay, to the limit of the face value of the shares held by him.

8. A member may withdraw from the Society by giving written notice to the Secretary, provided he has repaid with interest any sums advanced by the Society and has discharged any suretyship or other liability undertaken by him.

9. A member may be expelled for conduct likely to injure the credit of a society by a vote of the General Meeting. Expulsion involves forfeiture of shares.

IV.—General Meeting.

10. The first meeting of members shall have the same powers as are herein given to the Annual General Meeting.

11. An Annual General Meeting shall be called during the month of April in each year.

The functions of the Annual General Meeting shall be :—

- (1) To elect the Directors and any other Honorary Officers required for the ensuing year.
- (2) To receive from the Directors a report on the preceding year's working of the Society with the balance sheets and the Registrar's report on the result of the annual audit.
- (3) To dispose of any other business duly brought forward.

12. A Special General Meeting of members may be called at any time by a majority of the Directors or on receipt of a requisition from one-fifth of the members or from the Registrar of Co-operative Societies stating the business to be discussed. It shall be the duty of the Secretary to call such a meeting.

13. (a) In the case of the Annual General Meeting ten days' notice, and in the case of a Special Meeting five days' notice, shall be given by the publication of a written notice outside the office of the Society and in some other conspicuous place in the town or village selected for such publication by the Directors.

(b) The notice shall specify the day, hour and place, fixed for holding the meeting and shall state the nature of the business to be transacted at the meeting.

(c) All meetings shall be held at the registered office of the Society.

(d) With the permission of two-thirds of those present at a General Meeting any member may bring forward a proposal regarding any matter not specified in the notice of the meeting, provided that he may not so propose the expulsion of another member or an alteration in the by-laws or in the rates of interest affecting loans or deposits.

(e) Should a meeting be unable to complete on the appointed day the business specified in the notice calling such meeting, it may resolve to abandon the consideration of the remainder of the business or to adjourn until another day. If on the day to which the meeting is adjourned the notified business is not completed, the business remaining to be transacted shall be abandoned until it is brought up at a meeting convened by fresh notice.

14. At all General Meetings the President shall be elected by the members present.

15. Each member attending a General Meeting shall be entitled to one vote for each share up to five shares, to one vote for each block of five share thereafter. The Chairman shall have a casting vote in addition to his ordinary vote.

16. One-half of the total number of members or twenty members, whichever be less, shall form a quorum at any General Meeting. No quorum is needed at adjourned meetings.

V.—The Directors.

17. Directors consisting of not less than five or more than eight members of the Society shall be appointed to manage the affairs of the Society. The Directors may exercise all the powers of the Society subject to the provisions of these by-laws and to directions for their guidance conveyed in resolutions passed at General Meetings of the Society. The Directors shall meet as often as they consider necessary for the transaction of business but not less than once in a month. Three members shall form a quorum.

18. The Directors shall be elected at the Annual General Meeting of the Society. They shall be eligible for re-election on the expiry of their terms of office.

Vacancies occurring among the Directors through death, resignation, or removal shall be filled at the next General Meeting of the Society. A member elected to fill such vacancy shall hold office until the next general election of the Directors.

19. A Director may only be removed during his term of office by a majority of votes obtained at a Special General Meeting called for the purpose.

20. The Directors shall elect their own Chairman to hold office during the year of their tenure of office. He shall, when present, preside at all meetings of the Board of Directors. When he is absent, the members present at a Directors' meeting may elect a Chairman from among themselves. The Chairman is entitled to give a casting vote in addition to his ordinary vote.

21. All acts done by the Directors in good faith shall, notwithstanding that it is afterwards discovered that there was some defect in the appointment of such Directors, be as valid as if each Director had been duly appointed.

22. The Directors shall appoint a Secretary and shall have power to pay him for his services, subject to any resolution passed at a General Meeting as to the amount of such remuneration. The appointment may be terminated at any time on one month's notice being given by him or the Directors. A General Meeting may remove a Secretary appointed by the Directors.

23. The members who signed the application for registration, or a majority of them, may, until Directors are appointed, exercise any of the powers conferred by these by-laws on the Directors.

VI.—The Secretary.

24. The duties of the Secretary shall be—

- (1) To summon and attend all meetings of the Society and of the Directors.
- (2) To record the proceedings of such meetings in the minute-book.
- (3) To be responsible for the safety of the manure store, to arrange the receipt and resale of manure, and to ensure its good condition.
- (4) To keep all accounts and registers required by the rules and by-laws, to prepare all receipts, vouchers, and other documents required for the transaction of the business of the Society, to conduct correspondence, to supply all needful information to the members, and to perform all duties assigned to him by the Directors.

Secretary, the Directors may authorise of the duties.

Distribution of Manure.

old to any member of the Society to an hundred times the amount paid up on This amount may not be exceeded unless In all cases the Directors shall satisfy manure is genuinely required by the member

26. No person who is not a member may purchase manure from the Society, until the needs of all members have been fully met.

27. The Society may not at any time, except during the first working season, have in its stock more than one and a half times the amount of manure ordered by members from it for use in the season following.

28. The Directors may buy manures at such times, places and rates and in such quantities as they may deem best. The sale price of the manure shall be fixed by the Directors at the lowest figure consistent with a reasonable profit. The amount of dividend paid to members on the paid up capital actually issued shall not exceed six per cent. without the consent of the Registrar of Co-operative Societies.

29. When manure is supplied to members it may be bought in cash or advanced on such security as the Directors may accept. Interest on its price shall be calculated at a rate fixed annually by the Directors, but not exceeding 12 per cent.

30. When a person who has stood surety for a loan dies or becomes in the opinion of the Directors unfit, the Directors may by a written notice require the purchaser to find another approved surety in thirty days. If the borrowers fail to find another surety when so required or to provide other adequate security, the amount owing shall be repayable immediately, with interest to the date of repayment.

31. The Society shall have power to accept deposits in advance for manure to be supplied, and interest on such amounts deposited shall be allowed at the rate to be fixed for the time being by the Directors.

32. Each member who purchases manure shall be given a pass book in which the Secretary shall enter the amount of materials

supplied to the member, with their cost¹ from such member in payment or for interest which accrues on them.

VIII.—Cash Bal.

33. The balance of the Society's fund for the purchase of stock shall be kept in the Bank of India, Bank, or such other bank as is approved by the Board of operative Credit Societies. When any payment shall be withdrawn on the presentation of a cheque signed by the Secretary and Chairman.

34. A sum not exceeding Rs. 100 may be kept by the Secretary to meet petty expenditure. No outlay may be incurred from this sum by the Secretary, except under the authority of a resolution of the Directors recorded in the Minute-book.

IX.—Accounts.

35. The following registers and account books shall be kept in accordance with the directions herein laid down :—

- (1) A minute-book in which the minutes of all proceedings of General Meetings shall be recorded under the signature of the Secretary and the Chairman of the meeting.
- (2) A minute-book in which the proceedings of Directors' meetings shall be recorded under the signatures of the Secretary and of the Chairman of the meeting.
- (3) A register of members in which shall be recorded the name, address and calling of each member, the date of his admission, the amount of entrance fee paid, and the names of heirs nominated by members.
- (4) A cash account in which all receipts and payments of cash shall be entered *seriatim* with particulars of the date and of the payer or payee.
- (5) A stock Register.
- (6) Members' Ledger Account.
- (7) An interest account in which shall be entered particulars of all sums paid as interest on capital and on deposits and of all sums received as interest on loans.
- (8) Expenses account, in which all outlay in connection with expenses of management, including salaries, shall be entered.

- (9) Bank Account.
- (10) Share Register.
- (11) Share Transfer Register.

36. Any member of the Society may inspect any of the registers or accounts during office hours, provided that no member is entitled to inspect the loan account or deposit account of another member.

X.—Miscellaneous.

37. On or before the 15th April in each year the Directors shall prepare and publish at the Society's office a balance sheet showing the receipts and expenditure, profit and loss, assets and liabilities of the Society, together with a brief statement of the business transacted by the Society, during the year ending March 31st. A copy of the balance sheet and of the statement shall be supplied to the Registrar of Co-operative Societies, not later than April 30th in each year.

38. None of the by-laws herein contained shall be altered or rescinded and no by-law shall be added unless such alteration or addition has been carried by the vote of a majority consisting of at least two-thirds of the members present at a General Meeting convened for the purpose. The notice convening the meeting shall specify the proposed alteration or addition, and shall be issued not less than thirty days prior to the meeting, and a copy of such notice shall be despatched by registered post to the Collector of the District and to the Registrar of Co-operative Societies not less than twenty days prior to the meeting.

Any amendment shall take effect from the date on which the intimation of the Registrar's approval is received or such later date as may have been fixed at the aforesaid meeting.

39. When by these by-laws it is provided that written notice shall be given to any member, the delivery of such a notice at the house at which such member ordinarily resides shall be sufficient service of notice.

40. Of the net annual profits not less than twenty-five per cent. shall be carried to Reserve Fund. The balance shall be distributed at the discretion of the Directors subject to the limitation in by-law 28.

CHAPTER XVI.

INSPECTION AND AUDIT.

No officer should inspect a co-operative society until he has made himself familiar with Chapters 1 to 3 and 6 to 9 of this Manual and the special chapter relating to the type of society inspected by him. Inspections should always be made in the village or town to which the Society belongs.

Place of inspection.

2. The object of an inspection is to ascertain the general scope of a Society, with a view to suggesting improvements or extensions, to examine the accounts in order to bring defects to light, and generally to stimulate its working by well-grounded encouragement or censure.

Aim of an Inspection.

Points worth notice.

3. The following are the most important points to notice in an ordinary credit society :—

- (a) What is the capital of the Society ? Is it doing anything to encourage thrift ? Are local deposits being secured ?
- (b) Does the Managing Committee meet regularly and frequently ? Are the proceedings books of the Managing Committee and General Meetings in order ?
- (c) Where does the Society keep its cash balance ? Is the amount in the hands of the Secretary excessive ?
- (d) If members' pass-books are in use, are they regularly written up ?
- (e) What is the number of members ? Have all members been duly admitted and their entrance fees paid up ? If there are any resignations, what are the causes ?
- (f) Are loans (as shown in the loan Register) given for proper objects and for reasonable periods ? Is the security taken adequate ? Are the bonds in order ?
- (g) What rate of interest is paid on fixed and current deposits ? Is it sufficiently attractive, and is it paid regularly ?
- (h) Are loans repaid punctually ? Do any such transactions appear to be fictitious ? What action has been taken in cases of default ?
- (i) Are the accounts generally neatly written and up-to-date ? Is the cash-book regularly countersigned by the Chairman ?

- (j) Are there factions among the members? Do they affect the management of the Society?
- (k) Are members in debt to Sowkars? Is the Society doing anything for them?
- (l) Do members take an active interest in the management of the Society? Has the control fallen into the hands of a clique?
- (m) If shares have been issued, are the certificates in order? Are transfers duly registered? Are dividends calculated correctly and distributed punctually?

4. It will be observed that these questions are very general. An inspecting officer need not usually trouble to check the accounts of a society figure by figure unless he has grounds for suspecting fraud or misappropriation. His chief object should be to form an opinion of the welfare of a society and to explain to the members how they should overcome any defect noted by him. Any serious faults that may be detected should be brought to the notice of the Registrar.

5. The audit, which under clause 17 of the Act must be made annually by the Registrar's staff, is primarily concerned with the correctness of the Society's accounts and must include an examination of overdue debts and a valuation of the assets and liabilities of the Society. The Auditor will fill up the accompanying form, and will send one copy to the Registrar, and another to the Society in the language in which its accounts are maintained. The latter copy should be kept on the Society's file and should be available to any inspecting officer for reference if he desires to see it.

Audit.

AUDIT MEMO.

Serial Number of Audit Memo.
 Name of Society audited.
 Date of Registration of Society.
 Number of Members.
 Date on which Audit was completed.
 Number of days spent in Audit.

1. From what date up to what date has the audit now been made?

2. Have any important points in the last audit memo. been neglected by the Society?

3. Does the Society possess a copy of the Act, the rules, and its own by-laws ?

4. (1) Have new members been duly admitted and enrolled ? Are their written applications in order ?

(2) Does the Cash-book show that all members have paid their entrance fees ? How many defaulters are there ?

(3) Have the nominations, if any, made under rule 12 been duly entered ?

5. (1) Do all entries in the Deposit Account correspond with the Cash-book ?

Have withdrawals been duly attested ?

(2) Verify the calculation of interest on amounts shown in the Deposit Account in at least 10 cases. Do the payments shown in the Interest Account correspond with the Cash-book ?

6. Prepare a Statement of the Liabilities of the Society in this form :—

Source of Capital.	Principal Outstanding.	Interest due from the Society on March 31st, still unpaid.
Loan from Government		
Loans from other Societies		
Debentures and Shares		
Deposits—		
(a) Current		
(b) Fixed		
Reserve Fund		
Unpaid salaries and miscellaneous debts		
Total ..		

7. (1) Compare the amounts of loans shown in the Register of Loans with the entries in the Cash-book. Has the limit for loans prescribed in the by-laws been exceeded in any case ?

What is the total loaned for periods in excess of one year ?

(2) Are bonds in order and registered where necessary, and do they correspond with the Register of Loans ? Are the sureties alive ?

(3) Prepare a list under Section 17 (2) of the Act showing outstanding debts over due for more than one month, without permission of the Managing Committee :—

Name of Defaulter.	Date on which Payment was due.	Amount Overdue.		Cause of non-payment and Action taken.
		Principal.	Interest.	

8. (1) Does the Loan Account correspond with the Register of Loans ?

(2) Is the interest and penal interest shown in the Loan Account correctly calculated ? Test at least 10 cases.

(3) Do the repayments shown in the Loan Account correspond with entries in the Cash-book ?

9. State the Assets of the Society in this form :—

Description of Assets.	Amount.
Cash in hand	
Cash in Bank (<i>plus</i> interest due)	
Value of Investments	
Loans Outstanding—	
(1) Principal	
(2) Interest up to previous March 31st, still uncollected	
Value of Dead-stock, etc.	
Total ..	

Count the cash in hand and sign the Cash-book.
Are daily balances correctly struck ?

10. What was the total profit earned in previous year ?

How was it distributed between—

	Rs.
(1) Reserve Fund	
(2) Bonus to office-holders	
(3) Dividends	
(4) Contributions to charitable purposes ..	
(5) Carried forward	
Total ..	

11. Compare the expenses account with the Cash-book and the vouchers. Note any objectionable items and the authority for them.

12. Where Pass-books are in use, compare 10 with the Share Register, the Loan Account, the Deposit Account and the Interest Account. Are they in order ?

13. See that any securities or scrip held by the Society are in order and its bank Pass-book is up to date.

14. Is the Cash-book signed regularly by the Chairman ?

Has an unduly large balance been kept on hand for an unnecessarily long period ? If so, what is the explanation of the Managing Committee ?

15. (1) Has any breach of the law, rules or by-laws occurred ?

Have any amendments been made without due sanction ?

(2) What is the date of the last General Meeting ?

(3) Are minutes duly recorded ?

16. In cases of debt redemption has by-law 32A been observed ?

Are the cancelled bonds of the Sowkar forthcoming on the Society's record ?

17. General remarks and suggestions by the Auditor.

Supplementary Questions for share Societies only.

18. (1) Do the receipts of shares and debentures shown in the Share and Debenture Registers correspond to the entries in the Cash-book ?

(2) Have certificates been issued for all shares and debentures subscribed ?

(3) Test in at least 10 cases whether the interest on shares and debentures has been correctly calculated at the rate sanctioned.

(4) Give a list of all dividends unpaid at the last audit which still remain unpaid at the present audit. Give the reason of the delay.

(5) Are payments of dividend on shares and debentures shown in the Interest Account and Cash Account for all shares and debentures that have been issued ?

(6) Are any instalments from shares or debenture holders overdue for payment ?

CHAPTER XVII.

LIQUIDATION.

The following rules have been issued by the Local Government
 Rules. for the guidance of liquidators. (Notifications
 No. 2500 of March 14th, 1913, and No. 6473,
 dated July 4th, 1913) :—

- (1) The appointment of a liquidator shall be notified by the Registrar in the *Bombay Government Gazette*.
- (2) The liquidator shall at once publish by such means as he may think proper a notice requiring all claims against the dissolved Society to be submitted to him within three months of publication of the notice. All liabilities recorded in the account books shall be deemed *ipso facto* to have been duly notified.
- (3) The liquidator shall submit a three-monthly progress report to the Registrar in such forms as the Registrar may require.
- (4) All funds in charge of the liquidator shall be deposited either in the Post Office Savings Bank or in the Central Co-operative Bank and shall stand in his name.
- (5) No appeal shall lie to any Civil Court from any order of the liquidator.
- (6) At the conclusion of the liquidation a general meeting of the dissolved Society shall be called at which the liquidator shall summarize the results of his proceedings, shall point out the causes of the failure of the Society, and shall take a vote as to the disposal of any cash balance that may remain with him.

2. These rules prescribe the general procedure to be followed in liquidation. The powers of the liquidator are defined in section 42 of the Co-operative Societies Act (II of 1912). It should be noted that under section 41 of the Act a liquidator should not begin proceedings until the period of appeal allowed under section 39 (3) and (4) has expired. A liquidator should maintain a full written record of his proceedings, and should forward this together with all the books and records of the cancelled Society and a report on the final meeting of the Society prescribed in the above rule 6 to the Registrar on the conclusion of the work.

3. The notice required in rule 2 should ordinarily be posted in the office of the Society and published in at least three issues of the local vernacular newspaper at the expense of the Society's funds.

4. The progress report that is to be submitted to the Registrar should be in the attached form. It is due in his office quarterly, *i. e.*, on January 1st, April 1st, July 1st and October 1st. Interest need not be included in the items mentioned in D. and E. A note should be added stating the number of formal orders passed by the liquidator under 42 (2) (b) and (c) which have been forwarded under section 42 (5) (a) to a Civil Court for execution. Where a Government loan is outstanding, the liquidator will of course apply to the Collector for summary recovery under section 44. Vouchers should be kept for all expenses incurred in the course of liquidation. If any liquidator, not being a Government servant, desires remuneration for his work, he should apply to the Registrar. Section 42 (2) (d) is not intended to empower him to fix his own remuneration.

5. The public account opened on behalf of a Co-operative Society in the Post Office Savings Bank can be transferred to the name of the liquidator on an application forwarded through the Registrar to the Postmaster General.

6. At the final meeting of the members of the cancelled society, the liquidator should explain how the assets of the Society have been distributed. If after meeting all liabilities and the expenses of dissolution, there is still a balance, the liquidator must take a vote of the members on its disposal. He is however in no way bound to follow this vote. As a general rule it is recommended that when a Society has been cancelled owing to gross negligence or mismanagement on the part of the members themselves, or when the members have proved contumacious about repayments, the liquidator should decline to allow the balance of profits to be distributed as a bonus among the members but should simply take their vote as to the public or charitable object to which the funds should be devoted. Where the liquidation ends in a deficit and liability is unlimited he should recover the balance in the first instance from the members who in his opinion are chiefly responsible for the failure. The notice of the final meeting should be given in the same way as notice for a special general meeting under the Society's by-laws, but no quorum is required.

Liquidators' Quarterly Progress Report.

Name of Society
Date of cancellation
Quarter ending

	Rs. a. p.	Rs. a. p.
A.—Opening Cash Balance—		
(1) in hand		
(2) in bank		
B.—Realizations during quarter—		
(1) loans collected		
(2) investments called in		
(3) sale of dead-stock, etc.		
(4) miscellaneous		
Cash Total..		
C.—Paid out during Quarter—		
(1) loans repaid with interest		
(a) Government		
(b) Other		
(2) deposits repaid with interest		
(3) Salaries and other outstanding debts of the Society		
(4) expenses of liquidation		
(5) legal expenses		
(6) miscellaneous		
Total Cash Paid Out..		
Balance—		
(1) in hand		
(2) in bank		
D.—Remaining Assets—		
(1) loans outstanding		
(2) investments		
(3) value of dead-stock, etc.		
(4) miscellaneous		
Total..		
E.—Remaining Liabilities —		
(1) deposits repayable		
(2) loans repayable		
(a) Government		
(b) Others		
(3) salaries		
(4) miscellaneous debts		
Total ..		

CHAPTER XVIII.

GOVERNMENT SERVANTS AND THE CO-OPERATIVE MOVEMENT.

The co-operative movement and its possibilities is attracting increasing attention among all classes of Government servants and particularly amongst officers connected with the executive administration of the districts. Unfortunately in many places co-operative societies have come to be regarded as institutions of such a peculiar and technical character that officers, who feel a genuine sympathy with the objects of the movement, hesitate to show a very active or direct interest in its welfare. It is so important that the influence of district officers should be enlisted on behalf of co-operative societies that it seems well to bring to notice some ways in which it might be used. The general principle can scarcely be stated better than in the words of Mr. W. E. Gourlay, I.C.S.: "The important question arises how this sympathy can best be shown and in what form it is likely to assist the movement most. In the place I would deprecate the interference of the *staff* of the district officers in any way whatever. The action of the officer should be direct and the societies should never be troubled or annoyed by subordinates. It should be understood that the societies are quite apart from the ordinary routine of business and that they are not state institutions. The district officer might examine the registers of the societies for purposes of inspection and encourage the ryots to speak of their society and to bring their books to him for advice. When it is necessary to find fault, it would be better that this should be done in the way of giving advice, not of passing orders. It is necessary that the societies should develop on their own lines untrammelled by any fear of a magistrate's inspection. It is better that they should make mistakes, for, if the societies are afraid to make mistakes, all indigenous development will be arrested."

2. The Registrar of Co-operative Societies in the United Provinces in the same sense observes: "It is especially necessary that the societies should not prove a happy hunting ground for official underlings. It is also in the highest degree inadvisable that the members should be called *en bloc* to a Mámíatdár's camp at a distance of some miles from the society's head-quarters in order that an inspection may be recorded. At the same time much good may be done by occasional sympathetic inspection on the spot."

It seems to the Registrar that these opinions are sound and worth republishing. He believes that inspections by officers lower in rank than Mámlatdárs are of no practical use and that societies can never be advantageously inspected except in their own villages.

Directions in which help is useful.

3. Points on which an inspecting officer can give valuable help are :—

- (i) if he finds the capital is insufficient for the reasonable needs of the members, he might perhaps induce some wealthy men of the locality to make deposits in the society ;
- (ii) if collection work has fallen into arrears, he might censure the managing committee members for slackness, reprimand the defaulters, and stimulate the secretary ;
- (iii) he might commend the chairman of a well managed society and perhaps note his name for some small honour ;
- (iv) when a society is split up into factions, he might be able to induce the members to sink their differences in all matters relating to the work of the society ;
- (v) where economic conditions and the character of the people in any place indicate that a society might be usefully and successfully established, the facts might be brought to the notice of the Registrar ;
- (vi) he might explain the methods and objects of co-operation to those societies which have obviously failed to grasp them ;
- (vii) he might induce influential gentlemen of the neighbourhood to take an active part in the spread of co-operative work.

These are a few of the ways in which a district officer may, if he will, help to forward the movement. So long as it is remembered that societies are private institutions run by the members themselves at their own risk and that the same standard of account-keeping cannot be expected from them as from the village accountant, it may be said that almost any way in which a district officer testifies interest in the societies will prove beneficial to them.

4. The organization of societies should never in ordinary circumstances be undertaken by an executive officer of Government at his own initiative. The demand for a society should come from the people themselves. If a Government officer organises a society, he can

Organization of Societies.

never be sure how far the people are consenting merely to please him and how far they are really anxious to make a beginning. It is most important to remember that societies have to run themselves and that there must in every case be a nucleus of members who have taken up the idea for themselves and are ready to work in earnest. When a society is founded by a non-official honorary organiser there is ground for hoping that the members have no other motive in starting the society than to make it a success. There are of course special cases where Government officers can take the initiative with valuable results, for instance, in starting societies in new tracts, or in helping to establish new types of societies, such as dairies, vegetable-selling, fodder-storage and so forth. In such cases there is no hope of the people forming a society except under an external impulse. But on the whole the experience of officially-formed societies has been a melancholy one and they are no longer encouraged.

5. Conduct rules for the guidance of Government servants in their relations with co-operative societies were issued under Government Resolution No. 11723, dated 18th December 1911, Revenue Department, and are as follows :—

Government
Servants' Conduct
Rules.

A.—The question of investments or deposits by Government servants in Co-operative Credit Societies is covered by the following rules :—

1. A Government servant, who, not being a native of India, is a member of the Indian Civil Service or a military officer, or holds any office ordinarily held by members of the Indian Civil Service or by military officers, shall not make investments or place deposits in Co-operative Credit Societies registered under Act X of 1904 or Act II of 1912 within the province in which he is employed or within any province with the administration of which he is concerned, whether such employment or concern is permanent or temporary.

(Rule 11, proviso (a), read with paragraph 2 of rule 9.)

2. A native of India who is a member of the Indian Civil Service or holds any office ordinarily reserved for members of the Indian Civil Service, and any Government servant belonging to the Provincial Civil Service or who is a Head Accountant or a val karkun, may continue to hold any investments or deposits in Co-operative Credit Societies registered under Act X of 1904 or Act II of 1912 held by him at the time of his

entry into Government service, and may thereafter acquire such investments or deposits by succession, inheritance or bequest, or with the previous sanction of Government or such heads of Departments as may be specially empowered by Government in this behalf, by gift, or by investment or deposit of his own monies.

He will, however, be liable to be debarred from employment within the district or other local limits within which a Co-operative Credit Society in which he holds investments or deposits exists.

• [Rule 11, proviso (b), read with paragraphs 3 and 4 of rule 9 and Government Resolution No. 2565, dated 11th March 1907, Revenue Department. (Mámlatdárs are now members of the Provincial Civil Service.)]

3. All other classes of Government servants shall be at liberty to make investments or place deposits in Co-operative Credit Societies registered under Act X of 1904 or Act II of 1912 unless such investment or deposit gives him a private interest in matters with which his public duties are connected.

[Rule 11, proviso (c).]

4. Rules 1 to 3 are subject to any general or special restrictions or relaxations made or permitted by the Local Government.

B.—The question of Government servants taking part in the organisation or management of Co-operative Credit Societies is covered by the following rule :—

1. A Gazetted officer, whether on leave or in private service, may under the general or special sanction of Government take part in the management of a Co-operative Credit Society registered under Act X of 1904 or Act II of 1912. No restriction has, in ordinary circumstances, been placed on other Government servants in this respect.

(Rule 13.)

C.—Under Government Resolution No. 2977 of April 16th, 1913, General Department, Government have announced that it is not their intention that rule 7 of the Government Servants' Conduct Rules should prevent clerks from standing surety for each other for loans obtained from Co-operative Credit Societies.

APPENDIX I.

Government of India, Department of Revenue and Agriculture, Resolution
No. 1—63-3, dated the 29th April 1904.

The Bill to provide for the constitution and control of Co-operative Credit Societies in India has now been passed into law as Act X of 1904; and the Government of India desire to explain, for the information of their officers and of the public at large, the considerations by which they have been influenced in framing its provisions, and to indicate the principles in accordance with which they desire that the Act should be worked.

2. One of the most difficult problems with which the small agriculturist is everywhere confronted is to obtain the money which is necessary for his operations at a reasonable rate of interest. This is a state of affairs by no means peculiar to India. The petty agriculturist of Europe is for the most part financed by borrowed capital, and there too the money-lender takes advantage of the exigencies of the cultivator to demand exorbitant terms. In India, however, the problem is aggravated by the fact that Indian rates of interest are to some extent survivals from times when the security which the agriculturist had to offer was of far smaller value than at present, and also by the fact that the money-lender has not been slow to take advantage of the unwillingness of the civil courts to go behind the terms of a written bond.

3. The desirability of providing the peasant with some means of obtaining the capital required for agricultural operations otherwise than at usurious rates of interest has at various times engaged the attention of the Government of India and of all who are interested in promoting the welfare of the agricultural classes. In 1882 and 1883 a scheme for an agricultural bank in the Poona District was propounded by Sir William Wedderburn, then a member of the Bombay Civil Service and by several intelligent and public-spirited residents of that presidency; but the scheme, after careful examination, was, for various reasons, eventually abandoned.

4. In 1892 Mr. (now Sir Fredrick) Nicholson a Madras Civilian, who had made a special study of the Raiffeisen and other systems of land banks on the continent of Europe, was placed on special duty by the Madras Government for the purpose of enquiring into the possibility of introducing into the Madras Presidency a system of agricultural or other land banks. His report was reviewed in 1899 by the Madras Government, who expressed the opinion that the question of rural credit in the Madras Presidency was not a matter of immediate necessity and urgency, and stated that if a few rural banks could be started on strictly Raiffeisen lines and their working watched for a few years, the Governor in Council might then be in a position to make recommendations

5. On receipt of Mr. Nicholson's report by the Government of India, copies were forwarded to Local Governments and opinions were invited as to the possibility and advisability of action by Government. A reference was at the same time suggested to a recent publication by Mr. H. Dupernex, a member of the Indian Civil Service in the United Provinces, on People's Banks in

Northern India. It appeared from the replies received that the question had already been taken up independently in some provinces, more particularly in the United Provinces and in the Punjab. After some intermediate discussion, the opinions of Local Governments were considered in June 1901 by a strong committee under the presidency of the Hon'ble Sir Edward Law; and it was in the report of this committee, to which were attached a draft Bill, and draft model schemes of management for co-operative credit societies with limited and unlimited liability, respectively, that proposals for action first assumed a form sufficiently definite to allow of detailed discussion. These proposals were referred to Local Governments for criticism, and upon receipt and consideration of their replies, the Bill which has now been passed into law was framed.

6. Before proceeding to examine the detailed provisions of the Act, it will be convenient to indicate briefly the extent to which the co-operative principle has already been adopted with more or less success in different parts of India by the establishment of credit societies, to glance at the special difficulties that may retard its development in this country, and to give an indication of the general lines of the policy that must be followed, if a movement that may be of such enormous importance to the welfare of the rural population is to be pursued to a successful issue.

7. At the outset it is important to remember that the question of agricultural banks is quite a different matter from that of co-operative credit societies, and that it is the latter only which are now being dealt with. The object of agricultural banks is to provide capital to finance the general agriculture of the country; their operations are of the ordinary banking nature, and on a considerable scale; and whatever special privileges it might be found possible to extend to them, the ordinary Companies' law of India would still continue to apply to them. The object of the societies contemplated by this Act is far more special and limited. It is, in the words of Sir Fredrick Nicholson, to substitute for a number of individual credits, which are weak because they are isolated, a combined credit which is strong because it is united. Their operations are confined within the limits of the society, and they will be "small and simple credit societies for small and simple folk with simple needs and requiring small sums only."

8. The most striking development of the co-operative principle on indigenous lines has taken place in Madras, where the Nidhis, which are described as Mutual Loan Funds, have in spite of numerous failures attained on the whole a very considerable degree of success. They are reported, however, not to adhere strictly in practice to the co-operative principle, and it has been pointed out that they work on lines more closely approximating to those of English Building Societies or Provident Funds, than to those of purely co-operative credit societies, and that while they encourage the development of thrift and business habits, their methods are not suitable to the agricultural classes, and afford many openings for abuse. The spread of these institutions may be taken as giving some indication of the possibility of the successful development of credit societies on better lines, but they find their clients among a more highly educated and advanced class than the mass of the agricultural population. In other parts of the country the societies that have been started have hardly

passed the experimental stage. In the United Provinces Mr. Dupernex was placed on special duty by Sir A. P. MacDonnell for the purpose of discovering by local inquiries how best to establish agricultural banks in selected localities ; and in accordance with his recommendations steps were taken, at the suggestion of Government, for the establishment of societies in many districts. In the Punjab action was taken by district officers on their own initiative, and societies were formed in the Mooltan and Dera Ismail Khan Districts by Mr. Maclagan and Captain Crosthwaite, which give distinct promise of success, and in Bengal several societies have been started, which under the fostering influence of sympathetic officials have made some progress. But it is difficult as yet to form any reliable opinion as to the extent to which any of these societies represent a genuine movement, or how far their existence is merely due to a desire to carry out what are believed to be the wishes of Government.

9. In considering the question it soon became apparent that no real advance was possible without legislation. The Companies' Act at present in force (Act VI of 1882) contains 256 sections, and its elaborate provisions, however necessary in the case of combinations of capital on a large scale, are wholly unsuited to societies of the kind it is now desired to encourage. The first thing to be done, therefore, was to take such societies out of the operation of the general law on the subject, and to substitute provisions specially adapted to their constitution and objects. In the second place it was desirable to confer upon them special privileges and facilities, in order to encourage their formation and assist their operations. And, thirdly, since they were to enjoy exemption from the general law and facilities of a special nature, it was necessary to take such precautions as might be needed in order to prevent speculators and capitalists from availing themselves, under colourable pretexts, of privileges which were not intended for them.

10. There were two cardinal objects which the Government of India kept in view in framing the present Act. The first is simplicity. Some of the schemes which were laid before them were far too elaborate for the comprehension of the classes for whom they were intended, but who certainly could never have complied with their provisions. The second is elasticity. The aim has been to lay down merely the general outlines, and to leave the details to be filled in gradually, on lines which the experience of failure or success and the natural development of the institutions may indicate as best suited to each part of the country. So far, therefore, as it deals with the constitution of the societies, the provisions of the Act have been confined to those general principles which all co-operative credit societies must accept as the condition of being permitted to enjoy the advantages afforded by special legislation. There are other matters in respect of which some guidance and some restriction will be necessary ; and they have been left to be dealt with by Local Governments in accordance with local needs, in the exercise of the rule-making power which the Act confers upon them. But the Government of India desire to impress upon all Governments that simplicity and elasticity are as essential in the rules framed under the law as they are in the law itself, and that especially in the first instance, and until further experience has been gained, the regulative interference of Government should be limited strictly to essentials, so as to

leave spontaneous growth unhampered. Experiment is as necessary within the Province as it is within the Empire.

11. The present legislation is specially designed to assist agricultural credit, which presents a far more important and more difficult problem than does industrial credit ; though it is recognised that societies may properly be started in towns also by non-agriculturists, and it is even possible that in some places the establishment of town banks may usefully precede and even assist the starting of purely agricultural societies. If in any town the people start a society on a co-operative basis of their own accord, it will be possible to encourage and help them, and to give them the benefit of official advice. But, in the opinion of the Government of India, it should be left to them to move in such cases ; and local officers should be instructed that rural societies are to be their first care. The agricultural problem is more serious and far more difficult to deal with than the industrial problem, and it is necessary that effort should be concentrated.

12. It is proposed to allow urban societies free choice in the matter of liability ; for rural societies unlimited liability has been prescribed as being most suitable as a general rule, seeing that the real co-operation which it is desired to encourage is the utilisation of the combined credit for the benefit of the individual members. But cases are conceivable in which it may be desirable to allow a limitation of liability to members of particular rural societies ; if, for instance, a local magnate whose sympathy and assistance it is important to secure, desires to become a member, but does not care to assume a liability which is wholly without limit. In such cases, the system of guarantees, the liability of each member being limited to the amount of his guarantee, may be usefully adopted. The Act therefore gives the Local Government power, by special order, to relax the rule of unlimited liability.

13. Under the Bill as originally framed, rural societies were to be limited to agriculturists—a term which it was explained was not meant to include the wealthy rent receiver—while urban societies were to consist of only men of small means. To these provisions it was objected that they excluded the very men whose aid was most important to the new societies. The provisions had been framed upon the supposition that the men of light and leading, and still more important perhaps, the men of substance, the necessity for whose aid and sympathy was fully recognised, would assist the societies from outside, since they would have nothing to gain by membership as they would not desire to borrow. But the body of opinion in favour of a wider basis of membership, not only in order to extend the scope of these societies as widely as possible, but also to secure that diversity of needs and interests which is desirable if their funds are to be utilised to the best advantage, was very weighty ; and all restrictions upon the class of persons who may be members have therefore been removed save in so far as is necessary to preserve the two distinct types of rural and urban societies, the former of which will consist in the main of agriculturists, and the latter in the main of non-agriculturists. Local Governments should remember, however, that the object of the Act is mainly to assist small people ; and should take precautions against its provisions being made use of by persons

from whom they were not intended. The very wide discretion which the Act confers upon the Registrar is ample to secure this end.

14. Another condition which was imposed by the original Bill was that members must be residents of the same town or neighbourhood. All the officers consulted, who speak with any authority, have insisted upon the cardinal importance of this condition, as ensuring that mutual knowledge and confidence which must be the basis of all successful co-operation ; and it has been retained in a slightly generalised form. But it has been pointed out that there are communities among whose members a common organisation or common interests supply the place of proximity of residence, and ensure the desired conditions. A compact and closely organised tribe or caste, a community such as is formed by the native christians attached to a particular mission, or even the employés on a given line of railway, are instances in point. The Act, therefore, empowers the Registrar to dispense with the residence test where he is satisfied that this may be safely done, if the society is to be confined to the members of a single tribe or class or caste.

15. As regards new members, the original Bill provided that members admitted to a society should be "elected by the members for the time being." It was pointed out that it would often be sufficient if they were elected by the Committee ; and it has accordingly been provided that they shall be "admitted by the society in accordance with the provisions of this Act and with the bye-laws of the society." But the selection must still be personal, and made by the society ; no person can claim admission under any automatic rule ; and the important principle that the new member must be accepted by the old ones or their representatives is still maintained.

16. The Government of India attach much importance to the appointment of a special officer in each province to guide and control the societies, especially in the early days of the movement ; and it has been provided that each Local Government may appoint a Registrar, who should be selected for his special qualifications, and should, for the first few years at least, be constantly visiting the societies and watching their progress, rather as a friendly adviser than as an inspecting officer. By studying developments under various conditions he will gain experience which will render him an invaluable adviser ; he will know what has succeeded here and what has failed there ; he will be in a position to avoid the repetition of mistakes, to point out defects and their remedies, and to extend to one part of the country methods which have proved successful in another. Upon the selection of this officer the success of the experiment will very largely depend. Gradually, as experience is gained and the societies are able to stand alone, the fostering care of the Registrar will be less required, until his duties will become purely official.

17. The Bill as introduced forbade a rural society to borrow save with the approval of the Registrar and Collector. This provision was much criticised as having the appearance of discouraging borrowing, whereas the very essence of these societies is to utilize their combined credit for the purpose of borrowing. The Government of India recognise the justice of the criticism ; but they still think that an unfettered power to borrow might prove dangerous to a

society. The prohibition has now been removed, but power has been given to the Local Government to regulate borrowing in such manner as experience may show to be desirable.

18. Section 10 of the Act provides that loans should be admissible to members only and the Government of India consider that this is a most essential restriction. The only exception allowed is in the case of societies lending with the approval of the Registrar to rural societies. It is desired to encourage thrift, and the most efficacious encouragement to the accumulation of savings is to insist that no advances shall be made except to those who have become members and have made a payment to the funds of the society.

19. The original Bill included certain provisions regarding loans on the security of agricultural produce which were very generally misunderstood. It was never intended to allow of advances against standing crops, than which no form of security would be more unsuitable for these societies. But there are some of the existing societies, and there doubtless will be many more in the future, which never handle money, their whole transactions being conducted in grain. An object of the provisions in question was to secure that agricultural produce should stand precisely on the same footing as money for all purposes of subscriptions, deposits, advances, payments and recoveries. Upon further consideration of the question, it was decided that such transactions were within the ordinary powers of the societies, and that no special reference to the subject was needed in the Act.

20. No provisions of the original Bill were more severely criticised by some or more stoutly supported by others, than those which related to loans upon the security of jewellery and upon the mortgage of land. It had been proposed to prohibit rural societies from advancing money against jewels, on the ground that the basis upon which these societies should work was not material security, but the credit which arose from the individual character and substance of their members. It was pointed out in reply, that, while personal credit was undoubtedly the basis of their transactions, such things as jewels might properly be received as collateral security, that the custom of the country is to regard jewellery as available for this purpose, and that if a member is debarred from utilising his material credit to the full in borrowing from his society, there will be a danger of his using it to borrow from the money-lender. After full consideration of the question it was decided that while there are practical difficulties in connection with the custody and valuation of jewellery which might be formidable in the case of some village societies, it would be well to make distinctions. When a rural society is located in a town or large village, with silver-smiths available, with a ready market at hand, and with members and officers of intelligence, it may safely be trusted to conduct transactions which might be dangerous in the case of a more strictly rustic association. Power has therefore been given to the Registrar to allow any society which he thinks can safely be trusted, to advance money upon jewellery; and he will be able to feel his way in the matter.

21. The question of mortgage was still more difficult. Almost all the considerations upon either side which have been referred to in the preceding

paragraph apply here also, with the addition of others of still greater importance. On the one hand, one of the methods in which an involved cultivator can most effectively be assisted is by enabling him to substitute a mortgage upon reasonable for one upon exorbitant terms ; and a member who is refused the credit to which his property in land fairly entitles him, merely because he is not allowed to hypothecate it to the society, may be driven to the money-lender for a loan which, had it not been for the prohibition, he might have taken from the society with advantage to both parties. On the other hand, it is exceedingly inadvisable that these societies should be allowed to lock up their limited capital in a form in which it is not readily available ; their most useful form of business will probably be small loans for short periods with prompt recoveries ; and it is above all things desirable that they should keep out of the law courts. The final conclusion was that loans upon mortgage should be allowed in the first instance, but that the Local Government should have power to prohibit or restrict them either generally or in any particular case, if it is found that interference is necessary. The matter is one which should be very carefully watched.

22. The provisions of sections 12 and 13 of the Act, to the effect that the number and value of shares to be held in a co-operative society by a single individual shall be strictly limited, and that shares shall not be transferable until they have been in the possession of the holder for a fixed period, are of great importance. Their object is to render impossible the acquisition by individuals of a predominant interest in such societies, to prevent speculation in connection with them, and to discourage those who might desire for reasons of personal profit to avail themselves of the facilities given by the Act to start banks for other ends than those for which these societies are intended.

23. It has been considered advisable that an official audit should be compulsory in all cases, and this is provided for in section 21. There is no doubt that such an audit will give the outside public and the members more confidence in the management ; and even where no financial assistance may be received from Government, the societies will obtain valuable privileges under the act and it is reasonable that they should at the same time be obliged to submit their accounts to some check, which must in this country take the form of an official audit.

24. In section 25 power has been taken to grant certain exemptions by executive order. The Government of India are of opinion that co-operative credit societies should be exempted from stamp duty, and also (for the present at any rate) from income-tax. They propose also to exempt them from the payment of all registration fees ; and specially of fees for searching the registers which in provinces where there is no record-of-rights, is the only means of ascertaining the existence of encumbrances upon land. As, however, this last is an exemption which might be greatly abused, the society thereby obtaining information free of fees which is really required for private purposes, the Act provides for the withdrawal of the exemption from any particular society ; and a careful watch should be kept upon the exercise of this privilege,

which should be promptly withdrawn in case of abuse. Separate notifications will shortly be issued under section 25.

25. Such are the principal provisions of the Act. But in the course of discussion it became evident that it was impossible to frame any set of general provisions which should cover all conceivable forms in which the principle of co-operation might usefully be applied for the benefit of small folk in India. For instance, among the papers submitted to the Legislative Council during the passing of the Bill, was a letter describing an institution called a *Dharm gola* that has been started in several villages of the Dinajpur district. The institution is one which is entirely deserving of encouragement, its objects being precisely the object which it is desired to promote, and yet it would be difficult or impossible to bring it under the provisions of the Act. Another consideration presented itself. It was recognised that, in dealing with many disputed points of great difficulty, and regarding which there was little or no experience to guide the Legislature, it was impossible to provide for all eventualities; and that, however generally suitable the specific provisions of the Act might be, there might be well special circumstances and conditions to which they were unsuited. A general section has therefore been added which provides that the Local Government may, by special order in each case, permit any association whatever to be registered as a society under the Act, and may exempt any society thus specially registered from any of its provisions, or may modify any of those provisions in their application to any such society. The position, therefore, stands as follows. In the body of the Act have been included those provisions which it is believed will be suitable to the type of co-operative societies that is most likely to come into existence in this country, and these provisions will constitute the normal law, which will apply of its own force to the societies in general. But a Local Government will have an absolutely free hand to depart from or vary them, on condition only that it does so by special order in each case, and after full consideration of circumstances which justify the departure. Of course it is intended that this power should be exercised only in behalf of societies, the aims of which are consonant with the objects which the Act is intended to promote. But subject to this restriction, that freedom of experiment to which the Government of India attach so much importance, is secured in the fullest possible measure.

26. Of the matters that are left to be dealt with by executive order, the most important has reference to the grant of financial assistance by Government to the societies. The Government of India recognise that there is a danger of obscuring the co-operative principle by lending them State funds, and that no societies wholly or mainly financed by Government can ever attain the objects in view. But such advances will have a value beyond their mere use as capital, since they will be an earnest of the reality of the interest taken by Government in the movement and will, under the conditions to which it is intended to subject them, stimulate thrift and self-help which should be a condition precedent to their grant; and they doubt whether any substantial progress will be made by rural societies in many parts of the country unless such assistance is given. They therefore sanction advances to such societies to be made in even fifties of rupees, which will be free of interest during the first

three years after the registration of any society.* But no advance should be made to any society so as to cause the total amounts advanced to and due by it to exceed the total amount of money subscribed and deposited or of share capital paid up by the members, or to exceed Rs. 2,000. With reference to the first condition, it may be explained that it relates only to deposits made by members, for which the society would be liable only to its own members, and that in fixing the amount of State assistance in the case of such societies, deposits made with the society by outsiders, which in reality are loans to the society, should not be taken into account. The object of the limitation is to encourage the provision of funds by the members themselves, by regulating the amount of State aid according to the amount contributed by them to the working capital of the society; in other words, to secure that the extent of such assistance given by the Government shall be made to depend upon the amount of thrift and effort which the members have shown, as evidenced by their own subscriptions and deposits. It is of course possible that the restriction might be evaded, since the members of a society might, for the purpose of securing a larger measure of State aid, deposit sums which would be withdrawn as soon as the loan was secured. But the Government of India consider that the matter may safely be left to the Local Government. It may perhaps be advisable to take into account only those deposits which have been made for a fixed term; and in any case, it will be necessary for the Registrar to satisfy himself, before recommending an advance in any case, that the deposits are *bona fide*. No portion of the advances should bear interest or be recoverable during the first three years after the registration of a society, except in the event of its being wound up; and thereafter they will be recoverable by annual instalments not exceeding one-tenth of the advance and will bear interest at four per cent. The Registrar should be empowered to suspend the payment of any instalment of capital on payment of the interest due and upon sufficient cause shown; and such suspension should operate simply to postpone the payment of the suspended instalment and of all subsequent instalments by one instalment period. It has been thought advisable to reserve the power to recover these advances summarily if necessary, and provision has been made for this purpose in section 26 of the Act.

27. Such is the general character of the action which commends itself to the Government of India. They recognize that it is essential to start cautiously and to progress gradually. The whole matter is one in which we have to feel our way and to purchase our experience; and if action on a large scale were attempted in the first instance, it is possible that many failures might result which would fatally discredit the principle; while, on the other hand, a very few really successful instances will encourage imitation, and set an example which will quickly spread. While State help and support will be needed to begin with, the object to be kept in view is to teach the people to help themselves, and we shall not have succeeded unless we are eventually able to withdraw that support. The Government of India have already insisted upon the

* Note.—The practice of making such Government advances has practically been discontinued.

absolute necessity for simplicity, if the system is to take root among the peasantry; they desire further to lay stress on the necessity of reducing restrictions to a minimum, so that the people may be encouraged (subject to certain necessary safeguards) to work out the problem on their own lines, with such guidance and advice as can be given them. Local Governments have been addressed on the subject: and in the course of the instructions which they have received as to the steps to be taken to bring the Act into practical operation, they have been invited to select a few districts of each province in which they think the experiment may be most hopefully tried. These should present some variety of conditions so as to give variety of experience. An important factor in the choice will be the personal character and influence of the District Officer, and the probability of his remaining in charge of the district for some time to come. The immediate charge of the infant societies, when once started, should, in the opinion of the Government of India, devolve upon the Registrar rather than upon the District Officer. But it is the latter who must give the first impulse; and he must select the places in which the experiment is most likely to succeed; and he must suggest to the people that they should try it; putting it to them as action to be taken, not by Government, but by themselves, and explaining how far and in what way Government, is ready to help them. Even after the society is launched, his active sympathy and support will always be essential, and the Registrar will work in constant consultation with him.

28. In this manner the Government of India trust that with the co-operation of Local Governments, the scheme may be given a fair trial, and neither suffer from the absence of that official guidance without which a successful start cannot be hoped for in this country, nor be prevented by too much supervision and too many restrictions from attaining its full development. They also trust to the intelligent co-operation of the more enlightened sections of the community in promoting an experiment which promises so much benefit to the poorer and more ignorant classes. The time for practical measures has now arrived: and it is the hope of the Governor-General in Council that there may be no delay in getting to work.

Circular No. 13-C.

FROM

THE HONOURABLE MR. E. D. MACLAGAN, C.S.I., I.C.S.,

Secretary to the Government of India;

To

THE CHIEF SECRETARY TO THE GOVERNMENT OF BOMBAY.

Dept. of Rev. and Agri.
Land Revenue.*Calcutta, the 9th March 1912.*

Sir,

I am directed to invite attention to the new Co-operative Societies Act (No. II of 1912), which has been published in to-day's *Gazette of India*. The Act follows the general lines of its predecessor—Act X of 1904—but there are, in addition to alterations of form, certain changes of substance which have been introduced in the new law, and as the subject is of a somewhat technical character it will probably be a convenience for Local Governments and Registrars under the Act to have before them a brief note of the chief alterations effected. The following observations are therefore circulated, but though they are offered for the assistance of Local Governments they are not intended to take the place in any sense of the ordinary interpretation of statutes or to encroach in any way on the discretionary powers given by the Act to the Local Governments and other authorities.

2. It will, in the first place, be observed that the Act now applies not only to Credit Societies but also to Co-operative Associations organized for purposes of distribution, production, cattle insurance and the like, and this constitutes the chief change introduced by the new law. As certain privileges are accorded by the Act to Co-operative Societies which are not enjoyed by ordinary associations and Joint Stock Companies, it might in some respects, have been convenient to define explicitly the class of society to which the Act was intended to apply; but it was decided that in view of the present state of experience regarding such societies in India, it would be advisable to follow the principle adopted in the Act of 1904 by which the provisions of the law were for the present left as elastic and as simple as possible. While avoiding, however, any precise definition of a Co-operative Society, the Act is not without indication of the class of society for which its provisions are primarily intended. The preamble, for instance, and the restrictions imposed by section 5 on the extent of shareholding permissible to an individual member will show the class of persons whom it is intended to benefit, and Registrars (whose first duty it is to make themselves acquainted with the principles of co-operation) will also receive some guidance from the wording of section 4 which requires societies to be based on co-operative principles. When it is desired to ensure absolute

adherence to such principles in their purest form, it will be open to Local Governments under section 43 (r) to prescribe a maximum rate of dividend and thus prevent profits which should be employed in cheapening the services performed by the society from being diverted to the benefit of shareholders ; and it will also be possible for rules to be laid down under section 43 (g) for preventing such societies from becoming close corporations for the benefit of a few individuals. It will be observed that the requirements regarding proximity of residence or community of race or occupation which apply under section 6 to credit societies are not prescribed as an essential for societies other than those for credit, but there is nothing to prevent Registrars from insisting on similar qualifications in the case of all societies, and until further experience has been gained it will probably be well to adhere, as far as possible, to these requirements. So too, as regards transactions with members outside the society, the Act lays down no prohibition, but under section 31 it will be open to Local Governments to impose restrictions, and in most cases it will probably, for the present at any rate, be wise for them to do so. Many of the non-credit societies will be with limited liability, and the Act has given considerable latitude in the management of such limited societies. The restriction placed by the old law on the transfer of shares, for instance, has, in the case of limited societies, been removed by section 14 of the new Act, and under section 22 a duly qualified successor of a deceased member may, in the case of a limited society, claim the transfer to himself of the share of the deceased. In these and in other respects the bulk of the non-credit co-operative societies recognized by the new law are placed on a footing similar to that of joint stock companies, and it will be necessary in practice to see that the Act is not utilised for the benefit of a societies which are not really of a co-operative character. Precautions in this directions can be taken in dealing with proposed bye-laws, and it will, for example, be possible to require a society with share capital to provide in its bye-laws that shares shall not be transferable or shall be transferable to such persons only as fulfil certain requirements, such, *e. g.*, as that the persons shall be duly elected as members.

3. The distinction previously prescribed between rural and urban societies has now been abolished, but the new law makes provision for three kinds of society not specifically mentioned in the old Act :—

- (a) In the first place it recognizes the societies known as unions or central banking unions which are entirely composed of other societies. Joint societies of this character must under the first proviso to section 4 be ordinarily of limited liability, but they are not subject to the restrictions laid down in section 5 as regards the limit of shares to be held by each member nor to the requirements in the way of numbers or residence, etc., which are prescribed in section 6.
- (b) The Act further recognizes the existence of such central societies as are composed partly of other societies and partly of individuals, and although the shares of individual members are in such societies restricted by section 5, they stand in respect of sections 4 and 6 on the same footing as the unions described under (a) above. (As the

requirements of section 6 regarding the minimum number of members do not apply in either case, there is nothing in the wording of the Act to prevent two societies or one society and one individual from applying for registration, but although no definite number of applicants has been prescribed in such cases it may be presumed that Registrars will exercise their discretion by refusing to register applications which do not represent a reasonable degree of real co-operation).

- (c) A further class of society now definitely recognized is a "Central Bank" or other central society the members of which are individuals but the main object of which is to benefit not its own members but other societies of co-operative character (section 4), and it is considered reasonable that such a society though formed mainly on joint stock lines should obtain, as far as possible, the privileges conferred by the Act on co-operative concerns.

4. The new law maintains the general principle that a society with unlimited liability should not distribute profits among its members, but since in several Provinces considerable success has been attained by a type of society with unlimited liability in which shares are paid up by instalments spread over a term of years and the shareholders are entitled to profits after the expiration of that term, it allows distribution of profits under the general or special orders of the Local Government (section 33) independently of the particular considerations regarding the size of the reserve fund and the rates of interest on loans which were prescribed by the old Act. It is not contemplated at present that any such permission will ordinarily be granted to societies other than those of the abovementioned type.

5. It will further be seen that while provision is made in section 40 for maintaining after registration the minimum number of members required for a society which applies for registration, there is no similar provision for maintaining the other qualifications as regards residence, caste, etc., which are prescribed for credit societies in section 6 (a) and (b). It is intended that the Registrar should, in sanctioning the proposed bye-laws of a credit society, satisfy himself that proper residential and class qualifications are rendered obligatory for future members; but it is contemplated that the qualifications laid down should, where necessary, be subject to alteration by a simple amendment of bye-laws sanctioned by the Registrar; whereas if the law had prescribed the rigid application of the qualifications originally prescribed to future members, no alteration could have been made in these qualifications without the dissolution and reconstitution of the society.

6. Of the further changes made in the Act the more important are the following :—

- (i) The necessity for submitting proposed bye-laws before registration and for obtaining registration of amendments in bye-laws (sections 8 and 11).
- (ii) The permission allowed to the Local Government to confer the powers of a Registrar on persons other than the Registrars (section 3) and to

the Registrar to depute persons to conduct the work of audit, enquiry and inspection (sections 17, 35 and 36); the power granted to a Collector to depute persons to inspect records (section 21 of the old Act) being at the same time withdrawn.

- (iii) The special evidential value attached to a certificate of registration (section 10) and registers or lists of members or shares (section 25).
- (iv) The extension of the period of the prior claims of a society on agricultural produce from one year to eighteen months (section 19 (a)) and the inclusion of such claims on fodder and machinery supplied and on articles manufactured from material supplied (section 19 (b)).
- (v) The omission of the provision in section 21 of the old Act which prohibited the making of any charge for audit. (It may be noted that although the prohibition has been withdrawn the Government of India do not at present desire that any charges should be made except in the case of societies where professional audit of a fairly elaborate character is found necessary.)
- (vi) The exemption under section 27 of share transfers and similar documents from compulsory registration.
- (vii) The expansion of the field for the investment or deposit of funds (section 32).
- (viii) The permission given by section 34 to devote a part of the profits of a society to charitable (including educational) purposes.
- (ix) The power given to a creditor to move the Registrar to inspect the books of a society (section 36).
- (x) The power given to the Local Government to prescribe returns (section 43 (2) (i)) and the omission of the provision (section 27 (2) (o) of the old Act) expressly empowering Local Governments to prescribe the rate of interest on deposits.
- (xi) The permission given to Local Governments to delegate the power of hearing appeals against orders of dissolution (section 39) and of making rules section 43 (3)).
- (xii) The prohibition of the use of the word "Co-operative" in the title of future associations not registered under the Act (section 47).

7. In conclusion, I am to notice that though applicants for registration must be over the age of 18 years, the maintenance of this qualification among members after registration is not expressly provided for, and the question of the relations of a society to the minor heirs of deceased members is, subject to the provisions of section 22, left to the operation of the ordinary law. At the same time, no general alteration has been made in the previous provisions regarding the recovery of sums due to societies, and this will remain as before subject to the instructions laid down by this department on the 29th May

1906. And except in section 47 no penal sanction is provided for carrying out the provisions of the Act, such sanction being considered at the present stage unnecessary.

I have the honour to be,
SIR,
Your most obedient servant,
E. D. MACLAGAN,
Secretary to the Government of India.

APPENDIX II.

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