



Report of the  
Co-operative Committee  
of the  
United Provinces of  
Agra and Oudh  
. 1926

ALLAHABAD:

Printed by the Superintendent, Government Press, United Provinces.

1926

## CONTENTS.

CHAPTER.	Pages.
I.—Introductory	1-2
II.—Present state of co-operation	3-6
III.—Defects and difficulties	7-11
IV.—Instances of failure	12-15
V.—Organization	16-18
VI.—Supervision	19-23
VII.—Primary Credit Societies.—The secretary. Period of loans. Liquid cover. Old debts. Caste societies. Thrift societies. Money-orders. Liquidation. Accounts	24-29
VIII.—Co-operation and Agriculture.—Agricultural societies. Organization of agriculture. Recommendations. Consolidation of holdings	30-32
IX.—Co-operation and Industries.—Industrial societies. Supply of materials. Sale of products. Supervision	33-35
X.—Central banks	36-38
XI.—Provincial bank	39-40
XII.—Provincial Committee	41-42
XIII.—Land Mortgage banks	43-44
XIV.—Public Aid.—Government. Municipal and District Boards	45-47
XV.—The Co-operative Department.—Registrar. Deputy Registrar. Assistant registrars. Junior assistant registrars. Audit Office.	48-54
XVI.—Miscellaneous.—Development Commissioner. Education. Library Propaganda. Embezzlements	55-57
XVII.—Amendment of Act	58
XVIII.—Conclusion and summary of recommendations	59-63
Minutes of Dissent	64-79

### LIST OF APPENDICES.

A.—Recommendations of the Standing Committee regarding period of loans	i
B.—Proposals of the Standing Committee for liquid cover for primary societies	ii
C.—Note by the Director of Agriculture	iii-viii
D.—Note on cottage industries and co-operation by the Registrar	ix-xii
E.—Proposals of the Standing Committee for liquid cover for central banks	xiii
F.—Note on provincial bank by Khan Bahadur Shaikh Makbul Husain, C.I.R.	xiv-xxi
G.—Extract from Government of India Resolution of 1914 regarding attitude of district officers	xxii
H.—Extracts from the report of the Chief Inspector of Offices on the Registrar's office establishment	xxiii-xxv
I.—Extracts from Bombay Co-operative Societies Act (VII of 1925)	xxvi-xxvii
J.—Training of co-operative staff in the Punjab	xxviii-xxxvi
K.—Proposed amendments in Act	xxxvii-xlii

## APPENDIX A.

(Vide Chapter VII).

*Copy of Resolution X passed by the 13th meeting of the Standing Committee of co-operators, United Provinces, held in April, 1925, on the question of length of loans to members.*

(1) Resolved that this Committee urges upon the central and district banks the desirability of prolonging the terms at present fixed for repayment of loan, and with that end in view recommends the following scale for adoption :—

(a) Seeds and rents	...	...	1 to 2 years (according to local conditions)
(b) Bullocks	...	...	2 to 4 „
(c) Improvement of lands	...	...	7 to 10 „
(d) Repayment of old debts	...	...	3 to 7 „
(e) Marriages	...	...	1 to 3 „ (unless earlier payments are possible).
(f) Funeral and other ceremonies	...	...	1 year.
(g) Other items	...	...	1 to 2 years.

A borrower has of course the option to repay the loans earlier if he likes.

(2) As to the terms of loans to be advanced for other purposes to the members of non-agricultural societies, suggestions be invited from the banks concerned and laid before the next committee.

APPENDIX B.

(Vide Chapter VII).

*Copy of Resolution II passed by the 13th meeting of the Standing Committee of Co-operators, United Provinces, held in April, 1925, on the question of liquid cover for Primary societies.*

(a) Resolved that all primary societies of limited liability, which accept loans and deposits, be required to maintain liquid cover.

(b) Resolved further that such primary societies of unlimited liability as provide for repayment of deposits all the year round and not in January and July only should also be required to maintain liquid cover.

(c) The scale of the liquid cover in both cases shall be as given below :—

(i) 25 per cent. of the fixed deposits and loans falling due within three months (less the amounts for which written notice of renewal has been received),

(ii) 33 per cent. of the amount held in savings bank deposits, and

(iii) 60 per cent. of the amount held in current account.

(d) The liquid cover should be maintained in the same form as laid down for central banks under resolution I (a) of the twelfth meeting of the Standing Committee (Appendix E).

## APPENDIX C.

(Vide Chapter VIII).

*Note by the Director of Agriculture for the Co-operative Committee.*

(1) The possibilities of agricultural non-credit societies require more thorough and businesslike investigation by the Co-operative department than they have hitherto had. At present there is no demand in the provinces for these societies. Such as have been started are reported year after year to be doing little or nothing\* with one exception—the Hardoi Agricultural Supply Society—which, I am informed, is not strictly speaking a co-operative society or at least is not run on strictly co-operative lines.

There is no knowledge of co-operative principles as applied to agricultural development. The demand for agricultural non-credit societies has yet to be created. After years of failure and neglect an outburst of successful activity cannot be expected. Lee-way will have to be made up gradually. The Co-operative department will have to educate public opinion in the principles of co-operation. It will, in my opinion, do this more effectively by starting and working a few selected schemes successfully than by embarking on a campaign beyond its capacity. In fact, I hold the view personally that the Co-operative department can, for the present at any rate, best assist agricultural development by organising and increasing facilities for cheap credit by means of its banks. This movement is backward in these provinces. In the opinion of experienced district officers some of the banks are managed in such a manner as to do positive harm.

The experience of the Agricultural department has been unfortunate in those cases in which it has assisted the co-operative movement. The staff of my department has been disheartened and discouraged by the results. To undertake joint schemes on a large scale will have a demoralising effect until the Co-operative department has overhauled its methods and has shown by some successful examples that it is able to organise agricultural non-credit societies on business lines.

---

\* See annual report of Co-operative department, 1922-23, page 8 and 1923-24, page 12.

(2) Between 1913 and 1916 the Agricultural department made grants amounting to a total of Rs. 12,548 to co-operative banks towards the construction of four central seed stores. The details are as follows :—

	Rs.
Co-operative Bank, Bulandshahr ... ..	2,000
"    "    Mainpuri ... ..	4,200
"    "    Jasrana (Mainpuri) ... ..	3,742
"    "    Sandila (Hardoi) ... ..	2,600

Further assistance has been given from time to time. Pure seed has been supplied. A subordinate agricultural service officer was deputed to the Mainpuri seed store, in 1922-23 to try and pull it round. The Board of Agriculture made a grant for the employment of a clerk. A grant of Rs. 600 was made to the Jasrana seed store in 1924 which the society allowed to lapse. The results obtained from these central seed stores are summarised below :—

The Bulandshahr bank's central seed store distributed a small amount of seed obtained from the Government farms from the date of completion of the building up to 1916. In that year it was decided to carry on without the assistance of Government farms. This decision should have been sound because by this time the bank's central seed store should have been self-supporting in the matter of seed supply except for the small quantity of seed required to maintain a pure stock. Suitable measures, however, were not taken to organise the supply of seed. Owing to careless storage the small amount collected was nearly all spoilt. A loss was incurred. The store was closed in 1916 and converted into the bank's office.

The Mainpuri bank's seed store is reported to be working at a loss in spite of the assistance given to it. In 1922-23, the last year for which figures are available, 392 maunds of seed was distributed.

The Jasrana seed store in 1924-25 distributed 197 maunds of seed.

The Sandila seed store distributed in 1923-24, the last year for which figures are available, 397 maunds of seed.

The total annual distribution of seed from these four central seed stores run by co-operative societies is round about 1,000 maunds. The total amount of seed distributed by the Agricultural department in 1924-25 was 70,000 maunds. The Co-operative department has failed to establish seed distribution on co-operative lines although it started level with the Agricultural department which began to organise seed distribution in 1913.

In view of the facts given above I am not prepared to recommend that any of the existing seed stores which are being successfully

managed by the Agricultural department should be handed over to co-operative societies. The Agricultural department seed stores are doing an immense amount of good and have added lakhs to the income of the provinces. It would not be fair to the cultivator who looks to my department for his supply of improved seed to take the risk involved in a change of management.

The question of making the Agricultural department's seed stores more popular does not arise. They are popular already. An increase in the number is required. The whole of the seed produced on Government farms, by the return of grain distributed on the *sawaii* system and by grants-in-aid of private farms, is disposed of long before sowing time. Double the quantity now produced could be sold by the department without any difficulty.

Seed production is the important factor in the management of seed stores. The actual distribution or sale of the seed presents no difficulty. Production and distribution cannot be separated and if the Co-operative department undertakes seed distribution the staff must learn the technical details of pure seed production by means of the grain *sawaii* and other methods used by the Agricultural department. This is simple. The mere selling of grain alone is not a solution of the problem of seed distribution.

It will defeat the object in view, viz., the development of the co-operative movement, if the Agricultural department runs the seed stores for co-operative societies. Unless the latter can undertake schemes for seed production and distribution for definite areas it is safer, in my opinion, to leave the matter entirely in the hands of the Agricultural department.

The best line for the Co-operative department to take now is to get the existing seed stores at Bulandshahr, Sandila, Mainpuri and Jastrana reorganised. The Agricultural department will supply the nucleus of pure seed required to re-start them. It will instruct the staff employed in the technical methods and in the system of accounts. The experts of the Co-operative department must work out methods for realisation of grain and the increase of stock of seed on co-operative lines.

As soon as the Co-operative department can organise seed stores successfully and prepare sound schemes for financing them, I am prepared to recommend to Government that a central seed store should be built and leased to a society. As a guide to the financial side I give

the following details. The cost of an Agricultural department central seed store with a capacity of 2,000 maunds of seed is as follows :—

	<i>Non-recurring.</i>				Rs.
Land and buildings	...	...	...	...	5,500
Advances for purchase of seed	...	...	...	...	10,000
	<i>Recurring.</i>				
Seed store assistant on Rs. 110—5—150	...	...	...	...	1,682
Clerk on Rs. 30 per mensem	...	...	...	...	360
Two mates on Rs. 12 each	...	...	...	...	288
Travelling allowance	...	...	...	...	300
Office	...	...	...	...	100
Repairs in second year	...	...	...	...	100
					2,780

(3) The Agricultural department installed three tube wells in 1916, at Ismailpur in Bijnor, at Tateora in Hardoi and at Kaswara in Budaun, with the object of handing them over to co-operative societies to be worked on co-operative lines. These schemes did not materialise. They are all excellent wells. The well at Tateora has not been worked for many years. No society was formed to take it over. The well at Kaswara has been managed throughout by the Agricultural department probably for the same reason. The co-operative society at Ismailpur never took over the complete management of the well nor, as far as I can ascertain, ever prepared any scheme for the distribution of water. The well was not used to its full capacity. As far as agricultural improvement goes it was a failure. The crops and methods necessary for financial success were not adopted. I resumed the complete charge of this well in 1924. The effect of the direct control of the Agricultural department was apparent at once. Instead of being a failure it is now an important centre of demonstration and seed production.

At Ismailpur the cultivator who requires water prefers to bring his own kerosine oil. I suggested to the Registrar that the purchase and sale of oil would be a simple illustration of co-operative methods and would be of assistance to my department. The proposal was reported to be not possible and I am endeavouring to arrange the matter with the oil company myself. I have doubts if the Co-operative department are able at present to organise tube wells, although they are suitable for working on co-operative lines.

(4) I consider that a simple and useful form of activity that could be extensively developed by the Co-operative department is the



purchase and sale of improved agricultural implements. A large number of implements have been successfully introduced, viz., Turnwrest and Meston ploughs, lever harrows, sugarcane mills and the like. The demand is increasing. The standard of agricultural practice will not be raised until they are generally adopted. The Agricultural department is distributing a large number but its work needs supplementing. Arrangements have been made with firms in India to supply most of the implements in quantity at favourable rates. I suggest that the Committee should examine the question and interview representatives of the following firms:—

(1) Kirlos Kar Brothers.

United Provinces Agent, Sultan Singh Babu Ram Verma,  
Sultan Bhawan, Kasganj, Etah.

(2) Jessop and Co.,

Clyde Road, Lucknow.

(3) Nahan State Foundry,

Nahan, Punjab.

The organisation of the supply of implements would be most successful where the Agricultural department has carried out intensive demonstration, e.g., Etah, Saharanpur, Fyzabad, Meerut and Sitapur.

(5) The Agricultural department has successfully started for private persons the following:—

(1) Village milk collecting schemes for the supply of city markets.

(2) Small power sugarcane crushers.

It is as easy to start them for co-operative societies as for individuals if the former can be organised on a business footing. This is a matter which requires examination by co-operative experts.

A village milk collecting scheme has been started in the Agra district by the Agricultural department. It is now worked successfully by a private owner. This is a basis for investigation by the Co-operative department.

Small power sugarcane crushers driven by oil engines are a proved success. Many have been installed for private persons by the Agricultural department. It is an operation which should lend itself to development on co-operative lines particularly in Rohilkhand where the *bel* process of making *râb* is used. At present the cultivators crush their cane at the *bel* in small bullock driven mills and sell the juice to the *khandsari*. Each *bel* requires about 12 bullock driven mills to supply the juice. A small power driven sugarcane mill would

replace the 12 bullock mills. This is certainly worth further investigation by co-operative experts. If private persons can make power driven sugarcane mills pay, why should co-operative societies not do the same.

(6) Well boring operations, i.e. the improvement of masonry wells by boring, are carried out by the Agricultural department in practically every district in the province. There is a steady demand for it. The suggestion is put forward that a society could be formed to finance this work which would consist in purchasing boring equipment and the employment of a staff of expert borers. It seems to me a branch of activity that could very well be run on co-operative lines.

APPENDIX D.

(Vide Chapter IX).

*Note on Cottage Industries and Co-operation by the Registrar,  
dated January 29, 1926.*

I.—Past experiments in the co-operative purchase of raw materials and sale of the finished products:—

(a) *Purchase of raw materials.*

The co-operative method of buying raw materials has been tried at Saidraja (District Benares), Tanda (District Fyzabad), Fatehpur-Sikri (District Agra) and Sandila (District Hardoi).

At Saidraja there are two durrie-makers' credit societies <sup>Saidraja.</sup> and experiments were made to supply yarn to the members sometime in 1910-11. Similar attempts were made for the durrie-weavers' credit societies at Fatehpur-Sikri (District <sup>Fatehpur-Sikri.</sup> Agra) but both the efforts were of an erratic nature and did not succeed. Two societies of durrie-makers and 3 of weavers have, however, been recently organised in the Agra city and with a view to supply them with funds at reasonable rates of interest an industrial loan has been secured for them from Government through the District Co-operative Bank, Agra. Four societies of weavers have recently been organised and registered in the Benares and Fyzabad districts. Efforts are being made to give a fresh impetus to cottage industries worked on co-operative lines.

At about the same time in 1910-11, an experiment was <sup>Tanda.</sup> made at Tanda for the joint purchase of raw materials on indent system, but it proved a very short-lived affair, owing to the dishonest dealings of a member of the management who had to be hauled up before a criminal court.

About the same period a Weavers' society, which is luckily <sup>Sandila</sup> still in existence, was established at Sandila. It was set on its feet with the help of a Government loan of Rs. 3,000 at 5 per cent. to which were subsequently added private deposits at 7 per cent. The total amount of share capital then held by the society was only Rs. 550, but it improved gradually and

the society has been flourishing all along, though it was rather badly hit by fluctuations in the yarn market about the end of the year 1924. It is doing fairly well.

(b) *Co-operative sale of the finished product.*

Saidraja,  
Tanda and  
Agra.

Arrangements for the sale of finished product, along with the purchase of raw materials, were made at Saidraja, Fatehpur-Sikri and Tanda, but all failed with the collapse of the system of purchase of raw materials. At Tanda the Central Co-operative Bank used to advance about 75 per cent. of the estimated price of the articles deposited with it, which was considered rather a bit indiscreet procedure.

Benares

A serious attempt on a considerable scale was, however, made by organising the silk Weavers' Association at Benares, but it came to a greivous end owing to party spirit, dishonesty and want of proper supervision. Several other attempts were also made at Benares but they all soon failed for the same reason.

Sandila.

The Sandila General stores, which is still working, keeps for sale the finished product of the Co-operative Weaving factory there. It was not doing well in 1924, but is now reported to be improving.

Bareilly.

A Co-operative Carpentry Works Limited, was started at Bareilly with the same object and worked for some time with success, but subsequently fell a prey to mismanagement and lack of interest on the part of its members.

Allahabad.

The Co-operative Carpentry Works, Limited, Allahabad, established on the same lines, met with no better luck.

II.—Existing societies showing hopeful signs at present :—

Sandila.

All the societies enumerated above have gone into liquidation, with the exception of the two at Sandila, besides those of weavers and durrie makers organised recently. The following is a list of such co-operative societies of industrialists as have been organised and registered during the last few months :—

Gadariya societies at (1) Jatiah, (2) Bijnor city and (3) Sharqi Bijnor.

and seven societies of shoe-makers in the towns of Bareilly and Bijnor. One society of Hosiery manufacturers is being organised in Lucknow city and is expected to be registered soon. Four societies were registered in the Almora district but they have not yet been able to start work.

It may be added here that the attempts at Saidraja, Tanda and Fatehpur-Sikri were not made by organising any stores for the purpose; they were merely desultory and brought about simply to help the co-operative credit societies already in existence. In my opinion, no regular and organised efforts of an independent nature have so far been made to develop cottage industries on sound lines, and if this is done more judiciously I see no reason why we should not meet with better luck in the co-operative purchase of materials and sale of the finished product, provided some genuine, honest and intelligent workers are forthcoming and producers' societies co-operate with them on sound financial basis. The Hindustan Co-operative Stores at Cawnpore aspire to fill this rôle but it seems to possess no vitality and is probably doomed.

### III.—Chief reasons of failure :—

Failure in the past is mainly attributable to the inherent <sup>Inherent defect of</sup> social, moral and economic weakness of the artisan as a class. <sup>character.</sup> These weaknesses comprise illiteracy, dishonesty, intemperate habits, poverty and indebtedness, with consequent bondage to the village usurers, middle-men and *Karkhanedars* (factory owners). Long-established conservatism and attendant nervousness in embarking on a new enterprise, lack of trade morality, sloth, and special forms of extravagance also play <sup>Want of co-</sup> their own part. Another potent cause is an utter want of <sup>operative spirit.</sup> co-operative spirit and education. The artisan is generally deficient in mutual trust and confidence, is disloyal to his society and often ready to victimise his brother artisan, if possible. Difficulties of efficient management also greatly hamper our efforts. Paid agency can often run the management <sup>Lack of efficient management.</sup> fairly well, but only when there is good supervision over it; the artisan, however, is almost incapable of exercising it properly. The last but not the least of our misfortunes is the <sup>Conflicting interests.</sup> hostility of the village Mahajan and the *Karkhanedar*, who is at daggers drawn with a movement which naturally seeks to eliminate him, so far as possible.

An illustration of the causes that bring about the undoing of co-operative purchase and sale may be found in the fate of the Benares Silk Weavers' Association which broke down partly because the valuation committee used to favour individuals in fixing prices, while the Manager, an outsider, did the same with his own favourites, and partly because the stock-taking was not done with sufficient care. There were many articles in stock for which there was no demand.

APPENDIX E.

(Vide Chapter X).

*Copy of Resolution I, passed by the twelfth meeting of the Standing Committee of Co-operators, United Provinces, held in November, 1924, on the question of liquid cover for Central Banks.*

(a) After prolonged discussions, the committee resolved that the Central Banks in the United Provinces be required to keep the minimum liquid cover according to the scale given below :—

- (i) 25 per cent. of the amount held in fixed deposits repayable within the ensuing six months (less the amount for which written notice of renewal has been received).
- (ii) 33 per cent. of the amount held in Savings Bank deposits.
- (iii) 60 per cent. of the amount in current deposits.

The committee further resolved that the liquid cover should be maintained in the following form :—

- (i) Cash in hand or in outside banks approved of by the Registrar, a list of such banks being prepared by him and circulated to all banks ;
- (ii) Government paper ;
- (iii) Post Office Savings Bank deposits ;
- (iv) Other investments of a liquid nature in outside concerns approved by the Registrar [as in (i) above] ;
- (v) Undrawn balances of assured cash credit—
  - (a) with the Imperial or any other approved joint stock bank, and
  - (b) with the Provincial Bank (when formed) or a Central Bank.

The Registrar was requested to circulate a list of the joint stock banks approved for investments mentioned in (i) and (iv) above, and to arrange for the opening of savings bank accounts with the Imperial Bank of India.

(b) Resolved that no liquid cover will be required for the repayment of the drawn portion of the cash credit account with the joint stock banks, if notice for closing the cash credit has not been received. If, however, such a notice has been received, arrangements shall be made for repayment of the drawn portion of the cash credit and the undrawn portion shall not be counted as liquid cover.

APPENDIX F.

(Vide Chapter XI).

*Copy of note dated October 4, 1925, by Khan Bahadur Shaikh Makbul Husain, C.I.E., late Registrar, Co-operative Societies.*

*A Provincial Co-operative Bank for the United Provinces.*

1. The principal functions of a Provincial Co-operative Bank are—

- (i) to provide the extra capital that may be required by the Central Banks during the busy season, i.e., between October and April, when agricultural societies are in need of funds all over the Province for distribution among their members, and
- (ii) to arrange for the best possible return on the surplus capital during the slack season, i.e., between June and September, when members of agricultural societies return loans and there is a glut of money in Central Banks.

A Provincial Bank has—

- (a) to serve as a balancing centre of the capitals of the various central banks, which are affiliated to it;
- (b) to tap fresh sources of supply of funds;
- (c) to invest its surplus balances so that they are readily available for the use of the movement on emergencies;
- (d) to allow cash credits to its constituents on favourable terms; and
- (e) to link the co-operative movement with the outside financial and commercial world.

It is clear that to justify its existence and accomplish these objects a bank must be able both to raise and to invest capital on more advantageous terms than individual central banks can.

2. The question of formation of a Provincial Co-operative Bank for the United Provinces has been under consideration, off and on, since 1914, and different opinions have been expressed on it from time to time. At the sixth co-operative conference held in January, 1914, the general sense was that the time was then distant when the proposal was likely to fructify. In the December of the same year it was suggested at the seventh conference that the question should be inquired into by the appointment of a sub-committee or by consulting with the leading



co-operators. At the eighth conference held in February, 1916, the President declared that the general sense of the conference was in favour of the formation of a Provincial Bank. In 1917 the Government appointed a strong committee to consider the matter. This committee declared the organisation of a bank to be desirable and drew up a set of elaborate and comprehensive bye-laws for it. These were published with a Government resolution for criticism and suggestions, but none were offered by anybody. The ninth Provincial Co-operative Conference simply approved the scheme, but no further action was taken. I considered the question in 1919, soon after I had taken over charge of the department, and recorded the opinion that although a Provincial Bank would have to be organised sooner or later, the time for it had not arrived then. The first meeting of the Standing Committee of Co-operators held in December, 1919, agreed in this view and postponed consideration of the matter for a year. In June, 1921, the fifth meeting of the Standing Committee resolved that there was no need for a Provincial Bank. The sixth meeting, held in November, 1921, went further and declared that a Provincial Bank, if constituted, would be an encumbrance for the movement rather than a help.

The eleventh session of the Provincial Conference, held at Benares in April, 1924, took a different view and, declaring the constitution of a Provincial Bank to be very desirable at an early date, requested the Standing Committee to frame a scheme for it.

3. Among gentlemen who may rightly be regarded as authorities on the question, the opinion of the following may be considered :—

(1) *Sir Selwyn Fremantle* expressed the opinion in 1914 that a provincial bank would only be justified on co-operative grounds if its aim was to equalise the balances of the different constituent banks. A provincial bank as an agency for the easy supply of capital would not be a desirable institution. He thought that the financial crisis of the time was exceptional and temporary and that a provincial bank was not necessary as a permanent organisation in ordinary times. (Vide proceedings of the seventh conference, pages 15 and 16.)

(2) *Professor Jevons* observed in 1916 that if a provincial bank was going to be a financing as distinguished from a balancing organisation, then Government guarantee would be essential, otherwise there might be difficulty in attracting capital. He did not know whether additional funds were immediately needed or not and could not, therefore,

express an opinion about the form of organisation that should be adopted.

- (3) *Mr. H. R. C. Hailey* remarked at the eighth Provincial Conference that he had talked the matter over with authorities in other provinces and his own idea was that a provincial bank must be more than a mere balancing institution. The central and district banks would require financial assistance and the provincial bank must take deposits. The surplus money of district and central banks would be invested in the provincial bank and they would also take shares in it. As the provincial bank would thus have behind it the credit of all the district and central banks in the province, he did not think that any Government guarantee would be necessary. The provincial bank would transact business like other public banks and utilise its surplus funds by loans to co-operative banks in other provinces or to Joint Stock banks of good repute and standing.
- (4) *Sir A. C. Chatterjee* in expressing his views as Registrar in 1916, said that it was necessary for the co-operative institutions to organise so far as possible their own finance. He thought that a merely balancing institution was impossible and that as a matter of fact there was no such institution in the whole world, that the bank would only develop gradually, if it attracted much capital at once it would find difficulty in utilising the amount profitably. He agreed that no State guarantee would be needed as the bank would have behind it the credit of the central banks. The question whether the provincial bank could guarantee sufficient fluid cover for the central banks to justify the latter to invest their reserve fund in it, would, he thought, depend on the connexion that the provincial bank was able to establish with a presidency or Joint Stock bank.

4. In 1919 I noted that the central banks in this province had experienced no difficulty in finding all the money that they required at reasonable rates of interest, and in regard to the proposal of provincial bank made the following remarks :—

“ I do not see how the institution of a provincial bank can overcome the serious difficulty of making a profitable investment of surplus funds. A provincial bank to justify its existence must provide money at the cheapest rate of interest possible at the time when money is required by the

central societies and also secure the highest rates possible for the surplus funds at the season when co-operative business is slack . . . A bank whose work is mostly confined to agricultural loans cannot easily do this, and I am therefore forced to the conclusion that unless our provincial bank can manage to work with only so much capital as it can utilise in its legitimate business during the slack season and can count upon some outside financial help at easy rates of interest when the demand is heavy, we can hardly hope to make it a success. We have neither jute and paddy to balance each other as in Bengal, nor even big cotton dealers, as in the Central Provinces, to relieve us of our surplus funds, even if such an investment were to be considered a safe one for a co-operative bank, which appears to me open to question."

My visit to the Central Provinces shortly before had showed that the provincial bank there had worked all right for a few years at the beginning, but the glut of money was a cause of anxiety then to its administration. Its mismanagement some years later brought the whole movement to the verge of ruin. I suggested that outside financial help could only come from some Joint Stock bank either with or without Government guarantee and added that without such help there would be the danger of the bank becoming rather a burden than a help.

5. My immediate predecessor in the office of Registrar, the late Mr. Willoughby, fully agreed in these views. "I do not see," he remarked, "how you are going to avoid the difficulties of idle money by concentrating the glut at the top of the pyramid. So long as the central banks can raise the funds they require, which, I take it, is still the case, and their main trouble is idle money, which I also assume is still the case, I do not see what function a provincial bank can fulfil in the immediate future, nor how it would pay its way if it came into existence. Practically the only banks which at present want a provincial bank as a source of funds are those whose financial position is precarious and which do not command local confidence. The sound banks only need a provincial bank to land with their idle money. The problem is one, I think, for discussion with outside commercial world rather than with our central banks. Can the banking organisation of the country take our money at the time of plethora and use it to sufficient advantage to enable them to offer terms which will enable a provincial bank to pay its way? I have discussed this with Joint Stock banks, but none of them could help us. As you say we have not got the

providential alternation of jute and rice which Bengal has, nor have we got any large stable industries which we could safely finance.

The Calcutta and Bombay share markets would seem to show that there is a very great deal of money these days seeking profitable investment. Your note on the Central Provinces Provincial Bank shows that it has developed exactly the defects and dangers that we anticipated."

6. The constitutions of the various provincial banks that already exist in the country vary. I would briefly describe their salient features.

(i) *The Bombay Central Bank.*

This has a nominal share capital of 7 lakhs, in shares of Rs. 50 each. These are open to individuals as well as to societies and are payable by instalments. The bank is empowered to issue debentures up to 3 times the paid up value of shares, but not in excess of Rs. 20 lakhs except with the permission of the Bombay Government. The Government has guaranteed interest at 4 per cent. to debenture holders. The debentures have been declared to be good securities under the Indian Trusts Act. They are redeemable in varying periods of 28 to 41 years from the date of issue. There is a Sinking Fund for their redemption, the amount to be credited to the Fund varying with the rate of interest to be charged from societies. The management is in the hands of Directors, among whom are some of the most prominent business men of Bombay. The Registrar is not on the directorate.

(ii) *The Punjab Provincial Bank*

Has only recently been started. It admits only co-operative societies as share-holders and the Registrar is on the directorate *ex officio*. The authorised capital is unlimited. Rupees 100 is the value of a share, which is ordinarily payable by annual instalments of Rs. 10. Government has guaranteed 6 per cent. interest to debenture-holders, and debentures are not to exceed three times the amount of paid up share capital or Rs. 20 lakhs. They may be redeemed after 10 years and in any case within 25 years of the date of issue. No dividend is to be paid on shares so long as any debentures remain unpaid, all profits being carried to the Sinking Fund for paying off debentures. Book credit is, however, to be given to the share-holding societies of the profits to which they would otherwise have been entitled, and the accumulations of these are ultimately to be added to their shares in the bank as a liability of the bank. A liquid cover of 40 per cent. of the amount repayable on demand has to be kept.

(iii) *The Bengal Provincial Co-operative Federation.*

Has a capital of 10 lakhs in 20,000 shares of Rs. 50 each. Rs. 25 per share is to be paid on application and the balance kept as reserve liability.

Liability is limited to the nominal value of shares. Government has given no special help. The bye-laws are practically the same as those of a Banking Union. There are no individual share-holders. The Registrar is on the directorate. At the beginning the Federation experienced considerable difficulty in raising money, but it is working well now and has obtained a cash credit from the Imperial Bank of India.

The Provincial Banks of—

(iv) *The Central Provinces,*

(v) *Madras,*

and (vi) *Burma,*

are all open to individuals as well as to co-operative societies, but those of Madras and the Central Provinces are trying to exclude the former. Burma on the other hand wants to retain individual share-holders. The Banks of Madras and Burma are simply developments of central banks, and have generally retained their original constitution. The Registrar is not on the directorate of any of these banks. None of them has issued debentures or received any guarantee from Government.

(vii) *The Bihar and Orissa Provincial Bank*

Has an authorised capital of Rs. 7,00,000, consisting of—

(a) 4,000 guarantee shares of Rs. 100 each	...	...	= 4,00,000
(b) 600 preference shares of Rs. 500 each	...	...	= 3,00,000
			7,00,000
		Total	... 7,00,000

No more than Rs. 5 per guarantee share is to be called up, and the paid up amount carries a preference dividend of 6 per cent. The balance of Rs. 95 per share is to be called only when the Bank is unable to meet its liabilities to the Imperial or any other Joint Stock bank which may have allowed a cash credit to it. In addition to the dividend the guarantee share holders are also entitled to get a commission of  $\frac{1}{2}$  per cent. on the balance of their shares. This commission is a cumulative first charge on the profits.

Of the Preference shares Rs. 100 is payable on allotment, another Rs. 100 within one month of a call, and the balance is reserve liability. The main feature of this bank is its strong reserve liability, which makes it a safe customer for Joint Stock banks. It is open to the bank to issue ordinary shares also; in which case both societies and individuals can subscribe to such shares. The Registrar is on the directorate of the bank. No guarantee has been given by the Government.

7. I still think that we do not need a provincial bank for the supply of additional funds : taken all together, I believe that our Central Banks can still command sufficient resources to meet the requirements of the movement. Some of them already possess considerably larger funds than they can utilise and they can, if required, raise still more. This they can do too at cheaper rates than a provincial bank is likely to be in a position to offer them. A provincial bank is therefore really needed only to serve as a balancing or co-ordinating centre, i.e., to make the balances of surplus banks available to deficit banks; and either to secure profitable investment for surplus balances or to do away with the need of keeping such balances. This latter object it can only perform if it is helped by some joint stock bank. We have so far failed in our endeavours to secure such help. One or two Joint Stock banks used to allow cash credits to some of our Central Banks but their tendency in more recent times was either to withdraw these credits altogether or to make the terms harder. The local branches of the Imperial Bank of India have refused to accommodate us without Government guarantee, although their Madras and Bombay branches appear to deal with this business. It is possible that the institution of a provincial bank may make a difference in this respect in our favour, but we should make sure of this before we launch on the enterprise. Without some definite and certain arrangement, I still think that there would be little prospect of success for our Provincial bank, while on the other hand we may be landed on serious difficulties by it. It should be remembered that it is not possible for us to offer the Government securities in which the reserve funds of our Central banks are invested, as pledges for loan, for these securities represent the liquid cover of these banks and if they are pledged they would lose that character. It should also be borne in mind that under our present arrangement if a Central bank fails its effect is only local. The movement as a whole remains unaffected. When we have a central institution all local failures will necessarily react on it and if it is not particularly strong and resourceful the failure of a large bank, for instance like that of Budaun, may shake it to its foundation and discredit the whole movement.

8. If a Provincial Bank is to be started, I think the Bihar and Orissa model will be suitable. Some difficulty will probably be experienced in finding the required number of guarantee share-holders, but it can probably be overcome by some encouragement at the start from Government. A bank can, I believe, be started with a modest capital of Rs. 2,60,000, as was done in Bihar and Orissa. We may count, I think, on getting about 1½ lakh from the surplus Central banks,

( xxi )

and on advancing about 2½ lakhs to the deficit banks. The latter should borrow at 7½ per cent. and the former receive 5½ per cent. The liquid cover which the Bank will be required to maintain would be greatly reduced if the deposits are made repayable on the 1st July, when money would be in hand.

Before, however, launching on an enterprise of this kind I would strongly advise careful consultation with some reliable banking expert.

APPENDIX G.

(Wide Chapter XIV).

*Extract from Government of India Resolution No. 12—287-1,  
dated Simla, the 17th June, 1914.*

*Attitude of district officers.*—But while the movement must be essentially a popular one and while excessive official supervision must be avoided, it by no means follows that Government officials outside the circle of those directly connected with co-operation should hold aloof. It is true that the details of initiation and inspection should be left to the expert agency provided for the purpose, and it is no part of the duty of the district officer to intervene in the internal administration of societies. But as co-operative societies are no longer isolated experiments outside the sphere of district work, and as, beyond the material benefits which they offer, they represent an influence closely connected with the welfare of the people and powerful, now and in the future, for good or evil, the district officer cannot dissociate himself from the movement. On the contrary, a knowledge of co-operative principles and practice has now become as essential as a knowledge of revenue law and it is his duty to maintain the closest touch with societies, not allowing them to languish through want of sympathy or to develop on undesirable lines through want of vigilance. Without in any way becoming an active propagandist he should, personally and not through his subordinates, make himself acquainted with the progress of the movement in his district, encouraging and helping those who have formed themselves into societies, enlisting the interest and support of men of influence and wealth, and assisting with his advice those who seek to avail themselves of the benefits of co-operation. This in no way involves the officialising of co-operation, nor does it trench upon the essential principle that the movement, if it is to succeed, must be a popular one. Rather will it gain in strength by such encouragement and guidance, while the more closely the district officer is in touch with societies the more surely will he find to his hand new and valuable agencies to help him in his daily work.



APPENDIX H.

(Vide Chapter XV).

*Extracts from the report of the Chief Inspector of Offices, United Provinces, on the Office of Registrar, Co-operative Societies, United Provinces, dated 26th November, 1925.*

If there is little value in papers, such as referred to, passing through the head clerk, there is even less in their going to the head assistant who, although more highly paid than the head clerk, is not a gazetted officer and in nine cases out of ten merely duplicates the work done by the head clerk. I cannot, in fact, see any need for two ministerial heads in so small an office, particularly as they are recruited from the same source and trained in the same school of experience. Apart from anything else such an arrangement is always productive of friction between the two heads and this tension invariably reacts on the rest of the staff, to the disadvantage of the work which I consider would be better done and better managed generally with one ministerial head.

I do not think there is much wrong with the rest of the system followed in the head office or in the Assistant Registrar's office at Bareilly, but it is unquestionably the case that both offices are understaffed. I examined the work of the men in detail. In the head office the Registration and Liquidation clerks have just about enough to keep them fully employed. The Liquidation clerk has charge of the stationery stocks also and should, I think, be relieved of this work. The Committee clerk also has enough to do without the library which should be removed from his charge. The Miscellaneous clerk is greatly overburdened and also in need of relief. Owing to no proper weeding having been done for some years past, the record-keeper and his assistant cannot keep pace with their work and are in need of temporary relief. Temporary relief is also needed by the Audit and Inspection clerk, if the work of the section is to be brought into order. He is also in charge of forms work which he cannot do satisfactorily and which should be taken away from him.

(i) That a separate post of Appointments clerk should be created for the head office thus relieving the present Miscellaneous clerk who would become the General Correspondence clerk of the office. Both clerks would have just about enough to do.

(ii) An additional post should also be created to take over the work connected with the library, forms, stationery and stores and the man holding it should be called Stores clerk and Librarian. He too would have quite enough to do.

(iii) I have examined the attendance and leave registers of the office and have come to the conclusion that the work is continually being greatly dislocated and hampered by the absence of men on short leave. The extent of the dislocation caused by men on leave in so small an office is considerable, and, since it is not possible to avoid the grant of short leave, I am satisfied that the creation of an extra post as a leave reserve is absolutely necessary and that the office will never work satisfactorily without such a reserve. I am satisfied too that there will always be plenty of work for the extra clerk.

(iv) A temporary clerk is required for a period of one year to assist in the arrangement of files and papers in the Audit and Inspection section. When this is done and if the suggestion in paragraph 3 (c) of this letter is accepted, the Audit and Inspection clerk should be able to carry on his duties without extra assistance.

(v) A temporary clerk is also required in the record room to assist in bringing the weeding work up-to-date. I anticipate that this clerk will also be required for about a year. Thereafter the record-keeper and his assistant should have no difficulty in carrying on the work of the section unaided.

(vi) I have already said that I do not consider it necessary to have two ministerial heads in so small an office and in my opinion the post of head clerk should be abolished. I would have suggested the abolition of the senior post but the office is left for long periods in charge of its ministerial head and it is proper, I think, that this head should be suitably remunerated for his heavy and responsible duties. I consider that a pay of Rs. 250—350 would be a suitable remuneration in the circumstances of the case.

This proposal is made without prejudice to the appointment of a Personal Assistant for the Registrar. I have no doubt that the appointment of a personal assistant can be separately justified.

\* \* \* \* \*

The average extra cost (net) involved would be Rs. 1,275 per annum. This would be increased to Rs. 1,755 per annum if the further proposal that the pay of the future head assistant should be raised to Rs. 250—350 per mensem is accepted. There would be a big gap between the

maximum pay of the senior clerks and the minimum pay of the head assistant but this is as it should be, considering the duties and responsibilities of the post and of course appointments to it should be made only by selection of the fittest man available in the office or from outside if a suitable man is not available in the office.

I come now to the Assistant Registrar's office at Bareilly. The staff consists of two clerks and one of these is required to act as Assistant Registrar's camp clerk. If he goes out with the Assistant Registrar the burden of the work falls on the clerk who is left behind. If he does not go out with the Assistant Registrar, that officer is seriously inconvenienced and work is hampered. The current work of the office is up-to-date but everything else has been seriously neglected, e.g., old files of 1921 and 1922 have not yet been properly arranged and are stored in a confused mass. No proper account of stationery is maintained and no stock book of forms. No weeding at all has been done. Some relief will be experienced if the suggestions contained in paragraph 3 above are adopted by avoiding the registration of unimportant and routine correspondence of a purely transitory character, as also by discontinuing the translation of appeals in arbitration cases, since the Assistant Registrars are as well able to read the vernacular as their clerks; but even so the work will be beyond the powers of two men to perform satisfactorily and I consider that the appointment of an extra clerk in the 45—65 grade is urgently called for. The average extra cost will be Rs. 720 per annum.

I did not examine the office of the Assistant Registrar at Allahabad, before leaving that station, as I gathered that I was required to inspect only the head office at Lucknow and only learnt while inspecting that office that the subordinate offices would also require inspection. I will look at the Assistant Registrar's office at Allahabad when I get back to headquarters at the beginning of next month, but I presume that the conditions at the Bareilly and Allahabad offices are identical and that since an extra clerk is required at Bareilly one will be required at Allahabad also, the extra cost, as at Bareilly, being Rs. 720 per annum. I would note in conclusion that should the number of Assistant Registrars be increased as a result of the deliberations of the Committee now sitting, work in the two subordinate offices will be reduced; and perhaps it would be as well to entertain the extra clerks required for those offices on a temporary basis.

APPENDIX I

(Vide Chapter XVII).

*Extracts from Bombay Act No. VII of 1925.*

*Preamble :*

WHEREAS it is expedient further to facilitate the formation and working of co-operative societies for the promotion of thrift, self-help and mutual aid among agriculturists and other persons with common economic needs so as to bring about better living, better business and better methods of production and for the purpose to consolidate and amend the law relating to co-operative societies in the Presidency of Bombay ;

*Section 50A.*—(1) Where in the course of winding up of a society it appears that any person who has taken part in the organization or management of the society or any past or present chairman, secretary, member of the managing committee or officer of the society has misapplied or retained or become liable or accountable for any money or property of the society or has been guilty of misfeasance or breach of trust in relation to the society, the Registrar may, on the application of the liquidator or of any creditor or contributory, examine into the conduct of such person and make an order requiring him to repay or restore the money or property or any part thereof respectively with interest at such rate as the Registrar thinks just or to contribute such sum to the assets of the society by way of compensation in regard to the misapplication, retainer, misfeasance or breach of trust as the Registrar thinks just.

Power of Registrar to assess damage against delinquent promoters, etc.

(2) This section shall apply notwithstanding that the act is one for which the offender may be criminally responsible.

*Offences.*

*Section 60.*—It shall be an offence under this Act if—

- (a) a society with a working capital of Rs. 50,000 or more or an officer or member thereof fails without any reasonable excuse to give any notice, send any return or document, do or allow to be done

Default by a society, officer or member.

anything which the society, officer or member is by this Act required to give, send, do or allow to be done; or

- (b) a society or an officer or a member thereof wilfully neglects or refuses to do any act or to furnish any information required for the purposes of this Act by the Registrar or other person duly authorized by him in writing in this behalf; or Wilful neglect or default by a society, etc.
- (c) a society or an officer or a member thereof wilfully makes a false return or furnishes false information; or Wilful furnishing of false information.
- (d) any person wilfully or without any reasonable excuse disobeys any summons, requisition or lawful written order issued under the provisions of this Act or does not furnish any information lawfully required from him by a person authorized to do so under the provisions of this Act. Disobedience of summons, requisition or order.

APPENDIX J.

Chapter XV.

TRAINING OF CO-OPERATIVE STAFF IN THE PUNJAB.

I.—Inspectors receive careful training since on them depends the adequate training of all co-operators. They undergo at least fifteen months' training. As soon as a candidate is accepted he is sent to an experienced inspector for three months and is made to read a few introductory books; in this period he gains an insight into co-operation in Theory and Practice. The next three months are devoted to a special class in rural economics.

The following course of reading is prescribed :—

1. Maclagan Committee's report on Co-operation in India.
2. The Law and Principles of Co-operation, by H. Calvert.
3. Rural Credits, by Harrick.
4. Co-operation in Agriculture, by Powell.
5. People's Banks, by Wolf.
6. History of the Rochdale Pioneers, by Holyoake.
7. Co-operation in India, by Mukerjee.
8. Nicholson's report on Co-operation.
9. Co-operation at Home and abroad, by Fay.
10. Catechism on Credit Co-operation, by Barretts.
11. The Country Banker, by Rae.
12. Indian Co-operative Studies (1, 2 and 3).
13. Rural Life Problems of the United States, by Plunkett.
14. Observations of the American Committee on Rural Credit in Europe.
15. Principles of Rural Economics, by Carver.
16. Indian Companies Act.

(The whole of Nos. 2, 5, 14 and 15 to be read; chapters of the rest are selected by the inspector. The educational inspector prescribes such further reading as he considers advisable. The course is now under revision.)

Lectures on the following subjects are delivered :—

1. A rural country—A survey of wealth, land, labour and capital.
2. Poverty—An economic factor, must be due to causes; these causes must be ascertainable, some or all may be removable. An inquiry needed. Difference between poverty and debt.
3. What do we see—Neglect by educated people (mostly collected in towns); by zamindars themselves. Need to study rural economics.
4. First lesson of rural economics :—

Organization is the keystone to success.  
The organization best adopted to agriculture is co-operation.  
What is co-operation?  
Position of co-operation in a rural state, any alternative to co-operation in agriculture.  
Co-operation, a secondary function of the State.  
State aid—History; State aid in foreign countries and the Punjab, i.e., (1) Finance, (2) Supervision, (3) Audit.
5. Second lesson of rural economics :—

The education of the labourer in the technique of his work.  
What is a zamindar's work? To get the maximum profit out of his land, i.e., to buy, to grow, to market, to sell to the best advantage :—  
To buy, to market, to sell—organization, co-operation.  
To grow—Agricultural department.  
To market includes packing, storing and transport, co-operation and the middleman.
6. Third lesson of rural economics :—

Profits result applying labour to land with the aid of capital.  
Land limited.  
Capital unlimited.  
Farmer must learn to employ more capital, e.g., implements, power (cattle, etc.), improvements (wells, manures, etc.).  
Causes of debt in rural countries; debt in Punjab, remedy for debt. Farmer must get capital credit debt. Productive debt and unproductive debt.
7. Fourth lesson of rural economics :—

Whether any given enterprise is profitable or not can only be ascertained by keeping accurate accounts, e.g., does it pay to keep a particular cow or ox or to manure, or to grow

hemp, or to put that land under another crop and buy hemp, or to sink a well, or to grow fodder.

Accounts and their great importance.

Need of audit.

8. Objects of Association.

Basic conditions of Association :—

- (1) Election of members.
- (2) Mutual knowledge (limited area of operation).
- (3) Similarity of need.
- (4) Control over the advancement of loans, supervision of the application of the loans, strictness of the re-payment.
- (5) Publicity of affairs.
- (6) Management of affairs (voting power).
- (7) Reserve.
- (8) Liability.
- (9) Security.
- (10) Incurring of liability or raising of funds (maximum credit limit of the society).

9. Credit :—

- (1) Definition and postulates of credit.
- (2) Basis of credit.
- (3) Different institutions of credit in India.
- (4) Organized credit compared with individual credit and need of organized credit.
- (5) Co-operative credit *versus* facile credit or cheap credit.

10. Co-operation :—

- (1) Meaning of co-operation with examples.
- (2) Origin of co-operation with examples.
- (3) Principles of co-operation, object of each principle and their inter-relation.

11. Prevailing types of rural credit societies :—

What is a village society? What lesson does it teach?

Village society as a saving institution.

Alternate law (9 or 10 lectures) with other subjects here.

12. Discussion of the Theory of Interest.

13. History of co-operation in Punjab.

14. History of Rochdale Stores.

15. History of co-operation in foreign countries.



16. Other forms of co-operation :—

- (1) Egg selling societies.
- (2) Co-operative dairies.
- (3) Insurance societies.
- (4) Co-operative dispensaries.
- (5) Co-operative housing.

17. How to start a society?

18. How to teach?

19. Finance and banking—Number of banks there would be on the European scale, including the urban sahukar of the old system, village shopkeeper imitating sahukar exists in all countries; Armenian, Jew, Greek, Gombeen man; failure of Punjab joint stock banks owing to neglect of ordinary business rules; co-operative credit the only thing left; the co-operative system.

20. Finance, co-operative :—

Present system of Punjab finance—

- |          |     |   |   |
|----------|-----|---|---|
| Internal | ... | { | 1. Deposits of members.                     |
|          |     | { | 2. Shares and reserve.                      |
| External | ... | { | 1. Central banks.                           |
|          |     | { | 2. Unions.                                  |
|          |     | { | 3. Government aid.                          |
|          |     | { | 4. Deposit of non-members.                  |
|          |     | { | 5. Over-drafts from Imperial Bank of India. |

21. History of the co-operative finance of other countries.

22. Some defects of the Punjab finance.

23. Ordinary banking :—

- (1) Functions of banks and their methods of work.
- (2) Crises and how to avoid them.
- (3) Difference between a co-operative society and joint stock concern. Compare model articles of a company and model bye-laws of a society.
- (4) Need of banks in the modern world of foreign exchange, business and industry. Cheque system and clearing houses.

24. Money.—Meaning of money; its history and different forms of to-day.

25. *Law (includes rules and bye-laws)*—

- (1) Attempts to help agriculture previous to the passing of the Act of 1904 and afterwards.
- (2) Necessity of separate law code for co-operative societies (companies law did not suit).
- (3) Grouping of scattered sections into—
  - (a) (i) Rights and privileges of a member.
  - (ii) Duties and liabilities of a member.
  - (b) (i) Privileges of registered societies.
  - (ii) Duties of a registered society.
  - (iii) Division into—
    - (1) Birth of a society.
    - (2) Life of a society.
    - (3) Death of a society.
  - (c) Miscellaneous.
  - (d) (1) The relation of each law, rule and bye-law to previous lectures, e.g., co-operative principles to be explained.
  - (2) Section containing the law necessary for every form of association.
  - (3) Section embodying or protecting co-operative principles.

26. *Bye-laws of different types.*—History of the co-operative law in other countries.

27. *Practice.*—Field work should commence after first 8 lectures—

- (1) Composition of a rural society. Name of books. Custody of books. Importance of every book.
- (2) How entries are made in the books (how interest is calculated and entered when there are more than one loan or deposit in the same ledger account).
- (3) How Kistbandi is prepared, extension of loans, etc.
- (4) How the Had-qarza (normal credit) of a member and that of a society is fixed.
- (5) How to teach the members of the committee and all the members assembled in a general meeting to elect Managing Committee (members) to admit members or expel them.
- (6) How loans are advanced within and beyond M. C. L. and what steps are taken before and after the advancement of loans.
- (7) Audit note—
  - (1) Importance of every question from the co-operative point of view.
  - (2) How audit is conducted and questions answered.

- (8) How to prepare the balance-sheet and test its correctness.
- (9) Actual working of—
  - (1) Primary societies.
  - (2) Banking union with special reference to supervision.
  - (3) Central bank with special reference to supervision.
  - (4) Other forms.
- (10) Double and single entry system of keeping accounts.
- (11) How to correct a mistake by crediting and debiting.
- (12) How to split a society into two or more societies.
- (13) Arbitration. How proceedings are taken. Duties of an arbitrator. Force of award. Execution of award through civil court and payment of court-fee and process-fee, and law connected therewith.
- (14) How to draw up an application for registration.
- (15) How to amend a bye-law.
- (16) How societies are classified.
- (17) How stock and daily sales registers are kept up-to-date.
- (18) Pooling of indents and distribution of supplies.
- (19) Preparation of annual statements.
- (20) Monthly and quarterly statements of central societies.
- (21) How to inspect societies.
- (22) Liquidation Proceedings. Report for liquidation. Preparation of assets and liability statement. Preparation of recovery statement. Final report.

At the end they have to pass an examination of the M.A. Standard in the Law, Theory and Practice of Co-operation. There are two papers in the first two subjects and one and a *visà voce* in the third. The papers are set by the Registrar and the answers corrected by him also. If he has passed the examination, the candidate is given a post as sub-inspector (paid by the Punjab Co-operative Union), which he retains until a vacancy as inspector occurs. Thus he does audit and general work with societies for at least nine months, in addition to the more specialised training. Before a candidate is appointed he must be declared fit by his assistant registrar. The test is thus a severe one. Continuous reading is insisted on; difficult work in connexion with bad societies, liquidation work, special audit of large old societies, etc., are allotted to him. Any inspector who is found to have ceased to study books from the office library would have his promotion stopped. The general idea is to send back into the villages villagers who have received a special education in rural problems, rural economics and co-operation.

II.—(1) Candidates for the post of sub-inspector ordinarily receive six months' training, including the one month's class prescribed below.

(2) Candidates receive five months' training under inspectors in the field. As far as possible this is given under the direct supervision of the inspector himself.

(3) The training includes the study of—

(a) "The Law and Principles of Co-operation."

(b) Punjab Manual of Co-operation.

(c) Selected chapters out of the Urdu edition of Dupernex's Peoples' Bank for Northern India, and other Urdu literature.

The inspector in the course of five months examines the candidates *visà voce* in the Law, Theory and Practice of Co-operation and notes the result for the information of the Circle Registrar. Not less than three such examinations are held within the period.

(4) During the training, at least fifteen societies are audited. The inspector checks this work, awards marks and forwards these to the Circle Registrar.

(5) Candidates are required to prepare registration papers of three societies, and take part in the liquidation of one. Inspectors report the result to the Circle Registrar.

(6) Candidates certified fit for this purpose by the Circle Registrar are required to attend the special month's course, which is held under the orders of the Circle Registrar with the assistance of the educational inspector. The latter is responsible for all work not allotted by the Circle Registrar to other officials.

(7) Papers are set by the educational inspector in Law and Theory. They are marked by the Circle Registrar, who sets additional questions, if so inclined.

(8) There is *visà voce* examination of each candidate conducted under the orders of the Circle Registrar. This is mainly concerned with practical work, but may include questions out of Law and Principles.

(9) The Circle Registrar decides as to the fitness of the candidates on consideration of the various reports received from the inspectors (paragraphs 3, 4 and 5 above) and the results of the final examination. About equal weight is given to each.

(10) Times and places of examination and the month's course are arranged by Circle Registrars in consultation with the educational inspector.

(11) The scheme for the one month's course is drawn up by the educational inspector.

(12) In the above scheme the responsibility for the training of sub-inspectors is placed on Circle Registrars. The educational inspector is in the position of specialist adviser and assistant. It is obvious that he cannot do everything himself; he helps the Circle Registrars to train candidates. The local inspector takes a large part in the training and month's course.

There are now two educational inspectors and two assistants.

(13) Candidates are paid actual railway fares to and from the place where the one month's course is held and are paid a subsistence allowance of fifteen rupees while attending the course.

Apart from the above, other training is also given to the staff. Most inspectors undergo one month's training in Rural Economy at the Agricultural College, Lyallpur. This is the class for Assistant Commissioners, etc. Ten sub-inspectors every year undergo six months' training in practical agriculture at the same college, so that they can teach and explain while auditing societies. The whole staff has been going to the agricultural farms once or twice a year, to keep in touch with improvements, etc. Visits to United Provinces to see ravine reclamation work were arranged. They are encouraged to add to their knowledge of rural problems and their solution. There is a good library of books on Economics and Co-operation and Rural subjects generally, and they are expected to read steadily. Continuous systematic reading year after year, coupled with practical field work in dealing with real rural difficulties, all based upon a sound preliminary training of men who are graduates in Economics or Agriculture is giving the province a well qualified staff.

III.—The training of the members of primary societies is carried on by the sub-inspectors and inspectors. The meetings of the unions are opportunities for lectures and explanations, secretaries of the primary societies attend Refresher courses, and the following subjects are explained to them :—

- (1) Important sections of the Act.
- (2) Rules and bye-laws.
- (3) Book-keeping and maintenance of accounts.
- (4) Preparation of annual statements.
- (5) Main points of co-operation.
- (6) Unlimited liability.

IV.—Refresher courses are attended by inspectors and sub-inspectors and take place once a year in each assistant registrar's and deputy registrar's circle in the months of October, November, April and May when the zamindars are busy in sowing and harvesting and the staff has not much field work to do.

The course extends over eight days and the educational inspector arranges dates with assistant registrar and deputy registrar.

Lectures are given at least on the following subjects :—

The importance of a thorough knowledge of co-operation with instances of common ignorance—

- (a) History of co-operation.
- (b) Credit.
- (c) Principles underlying the Act, rules and bye-laws.
- (d) How to start a co-operative society.
- (e) Accounts, more especially register Had-qarza and Kistbandi.
- (f) Audit.
- (g) Supply.
- (h) Arbitration and liquidation.
- (i) Annual statements.
- (j) The place of co-operation in a rural state.
- (k) Annual report and different forms of co-operation by the assistant registrar.

The lectures, except the last, are allotted by the assistant registrars to different inspectors to prepare and deliver. They are usually given several months' notice of the subject allotted to them.

The lectures, except (k), are followed by a discussion and criticism which is confined to matters of practical importance. The educational inspector speaks at the end and dwells upon points omitted or points misunderstood; the assistant registrar uses his discretion as to whether a discussion should follow lecture (k).

The above are not the only subjects of lectures; others are arranged by the educational inspector with circle officers, and at least one lecture is given by each inspector. The courses have done a lot of good and the standard of lecture has greatly improved. As the staff are asked to criticise the lecture, the lecturer has to be careful as to the matter he prepares. Registrar attends as many as he can, and there is no doubt that reading and study is stimulated by those courses. Assistant registrars, deputy registrars and registrar deliver lectures on special topics, and everything is done to make the training valuable. After the Refresher course an essay is set for those attending. The essay is designed to test the candidate's knowledge of some practical problem in co-operation.

APPENDIX K.

PROPOSED AMENDMENTS IN CO-OPERATIVE SOCIETIES' ACT (II OF 1912).

I.—Amendments already submitted to Government but kept under consideration pending revision of the Act in other Provinces.

(1) *Preamble*.—Line 2, insert " mutual help " between " thrift " and " and."

Co-operation involves mutual help, and this might be made clear.

(2) *Section 2*.—Add a new definition after (a) " amendment of a bye-law includes a new bye-law and a resolution rescinding a bye-law."

*Cf.* definitions in section 106, Friendly Societies' Act, 1896, and in section 79, Industrial and Provincial Societies' Act, 1893.

(3) *Section 2*.—Add a new definition after (c) " Past member includes a deceased member."

The expression has been used in sections 20, 23, 42(3)(b) and 43 (2)(1). There is an element of doubt as to whether a " past member " includes a " deceased member," and it should therefore be clearly defined.

In particular, there is, *prima facie*, no reason why a liquidator should be precluded from framing an order under section 42 against the estate of a deceased member and why the estate of a deceased member should not be sued under arbitration rules. In actual practice it is assumed that the one term includes the other.

[Owing to the above alterations sub-clauses (a) to (g) will be (a) to (i).]

(4) *Section 4(2)*.—Line 1, insert " primary " between " the " and " object." The liability may be limited in the case of a society whose primary object may be co-operative sale of produce but which allows an advance on produce bought in pending sale. In a society for the sale of *ghi* or milk it is desirable to provide for loans for the purchase of good cows as a secondary object, but it is desirable to keep the liability limited.

(5) *Section 13*.—(1) Omit " where the liability . . . by shares " and begin the clause with " each member of a registered society." Delete clause (2).

(6) *Section 17.*—(2) and (3) may be re-drafted to run as follows :—

(2) The Registrar, the Collector or any person authorized by general or special order in writing in this behalf by the Registrar, shall at all times have access to all the books, accounts, papers, deeds, documents and securities of a society and may examine the balance-sheet showing the receipts and expenditure, funds and effects of the society and verify the same with the books, deeds, documents, accounts and vouchers relating thereto and either sign the same as found by him to be correct, duly vouched and in accordance with law, or specially report to the society in what respects he finds them incorrect, unvouched and not in accordance with law.

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

(4) Every officer of the society shall submit on demand such books, accounts, papers, deeds, documents and securities and furnish such information in regard to the transactions and working of the society as the person making such inspection may require.

*NOTE.*—The audit is so important that the additions seem very desirable.

(7) *Section 19.*—Replace the present section 19 by the following :—

“ Subject to any prior claim of 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 have a charge in priority to creditors in respect of all outstandings of the society with such member or past member, on all the property and assets of such member or past member.”

The Maclagan Committee on Co-operation have recommended that the prior claim of the society should be definitely described as a “charge” on the property in respect of which the loan was granted (vide Committee’s report, page 43).

The clause is new. The society should have a charge on all the property and assets of a member in priority to all creditors. (See Resolution IV of the 13th meeting of the Standing Committee of Co-operators.)

(8) *Section 22(i)(ii).*—Line 6, for “ one month ” substitute “ three months.”



One month does not in all cases allow time to a society to decide whether the heir or the nominee is duly qualified and to the heir or nominee to specify a person who is likely to fulfil the conditions of membership.

(9) *Section 28.*—Add "(1)" after "26." Add a new clause (2) as follows :—

- (2) "The Local Government may by general or special order exempt any registered society or class of registered societies from the payment of the taxes or rates payable under the Municipalities Act or any other local law."

The 5th and 6th Provincial Conferences urged such exemption, vide pages 19 and 34 respectively of the proceedings of these conferences. Reference is also invited to G. O. no. 2074/XI—150F., dated November 3, 1915, from the Secretary to Government, United Provinces, Municipal department, to all Chairmen of Municipal Boards, United Provinces, reproduced at page 31 of the Manual of Co-operative Societies in the United Provinces. The specific order in every case would necessarily rest with Government—all that appears desirable is to secure power to issue such orders in the interests of deserving societies.

(10) *Section 35.*—In clause (2), line 1, insert the following between "shall" and "furnish" :—

"Produce all or such books, papers, accounts, deeds, documents and securities of the society and."

(11) *Section 39.*—Omit (3). Add at the end of clause (4) "if such authority so directs and on such conditions as it deems fit."

Clauses (3) and (4) give the society two months' time to make away with the assets. There have been very few appeals made to the Local Government against the registrar's order cancelling registration and those that were made were rejected. The order should not be put in abeyance unless the appellate authority after an examination of the case directs that it should be.

(12) *Section 42.*—Amend section 42(2) to read as follows :—

- (2) A liquidator appointed under sub-section (1) shall have such of the powers mentioned below as the registrar may from time to time grant—

- (a) to institute and defend suits or other legal proceedings on behalf of the society by his name of office ;
- (b) to determine the amount of debt to be paid to the society, or the contribution to be made to its assets, by the members and past members of the society respectively ;

- (c) to carry on the business of the society so far as may be necessary for the beneficial winding up of the same;
- (d) to sell the immovable and movable property of the society by public auction or private contract;
- (e) to do all acts and to execute, in the name and on behalf of the society, all deeds, receipts and other documents, and for that purpose to use, when necessary, the society's seal;
- (f) to raise on the security of the assets of the societies any requisite money;
- (g) to investigate all claims against the society and subject to the provisions of this Act to decide the questions of priority arising between claimants;
- (h) to determine by what persons and in what proportions the costs of the liquidation are to be borne; and
- (i) to give such directions and to do all such other things 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.

(13) *Section 42 as amended by Act III of 1919.*—Add a new clause after (42)(4) and re-number the subsequent sub-sections:—

- (5) Any sum ordered to be recovered under this section may be recovered, on a requisition being made in this behalf to the Collector by the Registrar of Co-operative Societies, in the same manner as arrears of land revenue.

(14) In (5) re-numbered as (6) *insert* at the beginning “ save as provided in sub-section (5).”

The object of the provision made by the amending Act III of 1919 was to facilitate recovery of the debts owed by members, but legal opinion among co-operators is divided as to whether the object has been attained by the provision. It is contended by those who hold that it has not been, that the “ contribution ” contemplated by section 42(2)(b) cannot be taken to include members' debts as such, inasmuch as they can only be determined after all realizable assets of the society under liquidation have been realised. It is therefore desirable to make a clear provision in the Act.

(15) *Add* as clause (8) of section 42:—

“ The Registrar may remove a liquidator and appoint another in his place.”

The registrar is believed to possess this power, but it will be well to make it clear [see Government rule 31(2), page 39 of Manual]. A liquidator ought to be removable if he does not work or works badly.

(16) Section 43(2), clause (1), (a).—Line 1, *add* between “ any ” and “ dispute ” as follows :—

“ Claim for recovery of debts or other dues or any.”

(b) Line 9, *insert* “ mode of ” between “ the ” and “ enforcement.”

Regarding (a) the Government of India has asked if any special procedure should be prescribed for the recovery of “ undisputed ” debts. If a debt due by a member is not paid on demand without any reasonable excuse, the practice obtaining here is to take that a dispute touching the business of the society has arisen. As it has been pointed out from certain quarters, this interpretation of the law is liable to challenge. It is desirable to make it explicit.

Regarding (b) only a verbal change is suggested.

(17) *Add* as a new section :—

“ All officers, employees and members of panchayats of co-operative societies and liquidators appointed by the registrar shall be deemed to be public servants within the meaning of section 21, clause 10 of the Indian Penal Code.”

This addition is considered necessary to secure the prosecution of officers, etc., who take bribes or otherwise misbehave.

II.—Proposed amendments in the Act already considered by the Standing Committee.

(18) (1) Relaxations in favour of co-operative societies in the provisions under—

(a) Insolvency Act—

Amendments suggested in 8th meeting, Resolution VI, and Amendments suggested in 11th meeting, Resolution II and Appendix A.

(b) Agra Tenancy Act and Oudh Rent Act—

Amendments noted in Appendix A under Resolution X of the 12th meeting.

(The 13th meeting of the Standing Committee resolved that “ the questions be considered at the time the amendment of the Co-operative Societies’ Act is under consideration.” Resolutions VII and VIII.)

(2) *Section 13(2)*.—"One member one vote" should be the rule. It may not be left to be prescribed by the bye-laws.

(The 13th meeting resolved that "the principle in question be strictly observed." Resolution V.)

---

III.—Other proposals made by the department for amending the Act (not yet laid before the Standing Committee).

(19) (1) *Section 24*.—Change "1 year" to "2 years." (The same period as in section 23; to check risks).

(2) *Section 34*.—The rate for contribution towards charitable object may well be raised from  $7\frac{1}{2}$  per cent. of the total profits to 10 per cent.

(3) *Section 42(2)(b)*.—Add "or the legal representatives of deceased members" [as in Government rule 31(4)].

(23) *Section 42(4A)*.—Omit the words "in the same manner."

## ORDERS OF GOVERNMENT.

No. 133/XIIB—20.

CO-OPERATIVE DEPARTMENT.

*September 16, 1926.*

### RESOLUTION.

READ—

Report of the Co-operative Committee of the United Provinces, 1926.

OBSERVATIONS.—In September, 1925, the Government appointed a committee—

- (1) to inquire and report the reasons why co-operative societies in various localities have not succeeded better in gaining the confidence and support of the people; and
- (2) to make proposals for improving the organization, supervision, control, audit and financing of the movement in all its branches.

Mr. R. Oakden, C.S.I., O.B.E., I.C.S., Commissioner of Meerut division, was the Chairman. The committee reported in March, 1926.

2. The foundations of the co-operative movement in these provinces were laid in 1900, when Mr. Dupernex of the Indian Civil Service published a volume entitled "Peoples' Banks for Northern India," and organized a few experimental societies in 1901. The work did not, however, really begin until 1904 when the first Co-operative Societies Act was passed and the Co-operative department was formed. It owed

its inception to the Government and is still generally regarded by the people as a Government movement. In the countryside the village co-operative society is known as the "sarkari bank." The district officer is still the chairman of the district bank; and liquidation arrears are realized in the same way as Government revenue and not as private debts. The initiative, the driving power have come from the top. The personality of the Registrar has played a decisive part in the building up of the movement in the past and must continue to do so for many years to come. Moreover, it would be difficult to exaggerate the benefits which its successful growth may ultimately confer. The problem of rural poverty is complex. It has many aspects, and must be attacked from many sides: by the spread of education, the improvement of agricultural methods, the development of alternative employments, as well as by the provision of credit. In all these directions the co-operative movement can be of the greatest assistance, and its fortunes are therefore a matter of deep concern to the Government.

3. The main energies of the department have hitherto been concentrated on providing credit at reasonable rates to the rural population. This is but natural in a predominantly agricultural province where over 90 per cent. of the people reside in villages and about three-quarters of the population live by agriculture. At the census of 1921 there were nearly thirty million persons who were dependent on the cultivation of land held by tenants and petty proprietors. The first and most pressing need of the cultivator is to be able to borrow money at reasonable rates for agricultural purposes. At present he looks mainly to the village money-lender to finance him, but he is lucky if he is charged less than 37½ per cent. interest per annum. The indebtedness of the peasantry and their lack of capital is in fact one of the most urgent problems in the rural economy of the province. It is therefore obvious that village credit societies must continue to occupy for a long time the first place in the activities of the department. But the success of the whole movement depends on the extent to which such societies are organized on a truly co-operative basis. The crux of the problem is the soundness of the village credit societies. It will be as well, therefore, before discussing the recommendations of the committee, to describe briefly the normal constitution of a village

society and its relation to the central credit society. This will conduce to a clearer understanding both of the defects revealed in the report of the committee and of the remedies proposed by them.

4. The area of an agricultural society in these provinces is limited to one village, and, as a rule, only one society is permitted in a village. In some instances two or three very small contiguous hamlets have been organized into one society. Membership is open to all residents in the village who are considered suitable by the committee or the general meeting. The liability of the members is unlimited. Each member has to take as many shares as may be determined for him by the committee in view of his status. The value of a share is generally twenty rupees and in the poorer societies ten rupees. It is payable in twenty half-yearly instalments. Under a rule made by the Government no dividend can be distributed on a share until ten years have elapsed since the payment of the first instalment. In this way the profits of a society during the first ten years of its existence provide, after payment of expenses, a reserve fund, which at present is either utilized as working capital or invested in the shares of a central society. Most societies are in this manner affiliated to a central society. Each agricultural society has an elected committee (panchayat) and a chairman (sarpanch). The books and accounts of five to ten neighbouring societies known as a "group" are written by a paid accountant or "secretary" whose work is supervised by the staff of the central society with the assistance of the committees of local societies.

\ The central credit societies include district banks, central banks and banking unions and have more or less the same functions. The difference between district and central banks is one of name only. District banks are central banks situated at the headquarters of a district; only one district bank can exist in each district, but there may be a number of central banks. Banking unions differ from central banks in one respect only, i.e., they do not admit individual shareholders; the shareholders of central banks are some of them individuals and some of them societies, but banking unions admit societies only. These central credit societies finance the primary societies and it is also their duty to organize and supervise them.

5. The progress of the movement since its commencement is set out statistically in the following table:—

Year.				Total number of societies and central banks.	Total membership of primary societies.	Total capital involved in the movement.	Total owned capital of central banks and societies.
						Rs.	Rs.
1904-05	..	..	..	159	12,315	..	..
1906-06	..	..	..	128	10,234	..	47,018
1906-07	..	..	..	170	17,404	..	1,67,612
1907-08	..	..	..	187	38,985	..	2,79,431
1908-09	..	..	..	369	55,067	..	4,76,136
1909-10	..	..	..	789	43,363	..	5,63,852
1910-11	..	..	..	1,268	63,095	..	7,68,189
1911-12	..	..	..	1,946	76,812	..	10,25,452
1912-13	..	..	..	2,580	94,042	..	18,53,282
1913-14	..	..	..	3,800	1,08,023	..	17,82,066
1914-15	..	..	..	2,963	1,07,781	..	23,15,601
1915-16	..	..	..	3,190	1,18,251	..	28,47,691
1916-17	..	..	..	3,246	1,69,338	76,66,966	33,76,462
1917-18	..	..	..	3,087	97,638	73,21,910	36,81,206
1918-19	..	..	..	3,406	98,527	75,22,107	40,70,571
1919-20	..	..	..	3,721	97,066	75,74,992	42,43,713
1920-21	..	..	..	4,443	1,10,620	80,33,433	46,04,540
1921-22	..	..	..	5,137	1,28,113	80,73,042	51,62,101
1922-23	..	..	..	5,609	1,36,423	1,00,80,342	57,50,738
1923-24	..	..	..	5,755	1,44,482	1,05,14,167	64,34,263
1924-25	..	..	..	6,000	1,55,149	1,12,51,865	72,06,319

Of the 6,000 societies at the end of 1924-25, 5,672 were agricultural credit primary societies which were affiliated to 73 central credit societies. These primary societies now own 41.5 per cent. of their working capital; savings in shares now amount to 18.44 lakhs and undistributed profits to 18.92 lakhs out of a total working capital of 82.85 lakhs. They have a membership of 155,000 and usually charge their members 15 per cent. as interest as compared with 37½ per cent. which is generally charged by money-lenders for a cash loan. The proportion of members to the agricultural population is still very small, between two and three per cent., and the movement has so far only touched the fringe of the problem. But judged by figures alone, the progress made during the last twenty-two years, would not be regarded as unsatisfactory. In Germany, the pioneer of co-operative credit, there were only thirty societies at the end of the first thirty years; in Austria there were fifteen after the first ten years. The true measure



of progress, however, is not the number of societies but their quality; the factors which count are the extent to which members have grasped firmly co-operative principles and have applied them to the every-day work of their society. The committee, after a careful survey of the whole field have come to the conclusion "that judged by the conditions laid down by the Maclagan Committee most of the primary societies of the province are a sham." This may appear to be a harsh judgment, but the Government on a careful consideration of the facts adduced by the committee agree that it is substantially correct. They accept too, generally, the committee's analysis of the causes which are responsible for this state of affairs, and their proposals for remedying them.

6. The root cause of the failure of the primary societies in the committee's judgment has been inadequate supervision and insufficient grounding in the main principles of co-operation. The duty of supervision rests primarily with the central banks and in a lesser degree with the departmental staff. The central banks have failed lamentably in this part of their work. There are various reasons for this. First, the Directors are predominantly urban and are not in close touch with rural conditions; very often too they lack any real knowledge of co-operative principles. They have, moreover, concentrated their attention on the financing of societies, and so long as collections have been good, have not troubled themselves about the education of members in co-operative principles. Secondly, they are generally busy professional men who cannot be expected to visit frequently distant villages to supervise and instruct societies. This work has, therefore, tended to fall into the hands of the bank's paid staff which is often inefficient, badly controlled and unequal to the task which it has to perform. The department also cannot be absolved from blame. It has failed partly through inadequacy of staff and lack of technical knowledge, partly through want of enthusiasm for the work, and partly through the difficulty of getting its suggestions accepted by the staff of central banks over which it has no control. The Governor, acting with his Ministers, therefore, cordially welcomes the suggestion of the committee to relieve central banks of the responsibility of supervision and to provincialize their supervising staff. This question is dealt with in more detail in paragraph 22 below.

7. Among other contributory causes of failure to which the committee refer are defective organization, corruption, dilatory liquidations, a paucity of enthusiastic honorary workers, insufficient Government support, the hostile attitude of money-lenders, insufficient co-operation between the department and landlords, and the tendency to treat the work of a society as a mere money-lending business. The illiteracy of the rural population is in the committee's opinion more of an obstacle than a cause of failure.

8. As regards defective organization, the committee point out that societies were started in places where there was no suitable material, simply in order to show progress or to provide an outlet for the idle money of central banks. The main principles of co-operation were not adequately taught. This led to the compulsory liquidation of a number of societies and to general stagnation. In 1924-25, 135 societies were finally wound up. The proportion of arrears to outstandings of primary societies during the same period was 32.41. It was higher than in any other major province except Bengal, and in striking contrast with the percentage in the Punjab which was 4.5. The need for constant instruction and supervision is all the greater as the vast majority of members of village societies are unable to read and write. Unless they are provided, the group secretaries inevitably become all powerful. The society loses its vitality and cohesion and degenerates into a desperate body of borrowers with no sense of corporate responsibility. The way is thus opened to corruption and embezzlement. The difficulty hitherto has been to find a member of a society who is willing and competent to act as its secretary. Government agree with the committee that wherever possible a member-secretary should be appointed and that every effort should be made to induce school teachers to take up this work. So far they have held aloof from the movement. Once they join, their assistance will be of the greatest benefit.

9. Government recognize the valuable work which has been done in the past by honorary workers. But the field to be covered is so extensive that more men than have hitherto offered themselves are required to work as missionaries of co-operation. At the same time it should not be forgotten that co-operation is becoming a highly technical subject and more must not be expected of honorary workers than they

are capable of giving. The constant supervision and education of societies must largely be done by trained departmental men. The Governor, acting with his Ministers, agrees, however, with the committee that many more non-official gentlemen would be willing to assist if the department were to explain to them in a friendly way how they could make themselves useful. He trusts that the department will take early steps to remedy this defect.

10. The difficulties arising out of the hostile attitude of money-lenders must be left to time to settle. In the long run the money-lender will realize that his interests will not suffer. A more serious obstacle is the lack of co-operation between the department and the landlords. It is reported that some landlords look askance at the co-operative movement, believing that the more the cultivator is taught to be self-reliant and independent, the less will he need or be inclined to seek their protection. The Governor, acting with his Ministers, is convinced that this is not the view of the more enlightened landlords. It is in any case a very short-sighted view. Under the reformed constitution the great majority of the electors are tenants; and it is in the interest as much of the landlords as of the province as a whole that the power thus conferred should be wisely used. It will not be so used if the rural voter remains ignorant and poor and therefore liable to be borne away by the first wave of economic or political unrest. The co-operative movement, which has proved of such immense value in raising the material and moral standards of life of the poorer classes in western countries, has acquired therefore a new importance in this country. It is not merely a device for securing cheap money for productive purposes. It has a high educative value. It teaches men to handle affairs with probity and with an eye to the common good. Discipline, thrift, honest dealing, self-reliance, punctuality, the habit of working together for common ends in place of working against each other for personal gain are some of the beneficent virtues which it strives to foster. It must therefore commend itself to all right thinking men who have the welfare of their country at heart. Kept on right lines and guided by competent hands it has immense potentialities for good.

11. For reasons which have already been explained, the department has hitherto devoted most of its energies to the

development of rural credit societies. But when once these societies have been put on a firm basis and the principles and practice of co-operation have become familiar, there are many other directions in which the movement can be usefully extended. It can help agriculture by organizing societies for the supply of pure seeds, improved implements and manures. It can run tube-wells and small power sugarcane crushers and can organize well-boring operations and cattle insurance societies. The important but difficult question of the consolidation of holdings can be taken up. Societies for the supply of milk and ghee to towns can be organized. Experiments in some of these directions have already been tried but have hitherto not been very successful, chiefly because the foundations of co-operation have not been firmly laid. Of the six non-credit agricultural primary societies only one was doing any business and it was considered not unlikely that five would soon have to be wound up. Government agree with the committee that much more attention should be paid than hitherto to the organization of agriculture on co-operative lines and that non-credit societies of a type suited to local conditions should be started whenever there is a reasonable chance of success.

12. Co-operation can stimulate the growth of education and industries. The illiteracy of the cultivators is, as already remarked, a serious obstacle to the spread of co-operative teaching. The Government hope that the Compulsory Primary Education Act recently passed, will add largely to the school-going population in rural areas. But that Act, if it is to be successful, must have the support of the people, and the co-operative movement can help to secure this support indirectly by creating a desire for improvement, and, directly, by instituting education societies. Government agree with the committee that the Education and Co-operative departments should concert measures for the development of adult education on the lines which have proved so successful in the Punjab.

13. Co-operative organization is even more necessary in the case of cottage industries than in that of agriculture. There are at present 82 credit societies, of which about half are for weavers and are doing useful work. The experiments in the organization of societies for the purchase of raw materials and for the sale of finished products have not been successful. The committee remark that they see no reason why

primary societies should not themselves buy the raw materials from mills or wholesale dealers and distribute them to their members. The Government have already made arrangements to help primary societies in buying raw materials. They have empowered societies to buy through the Stores Purchase department and are examining the question whether it will be better for such societies to deal direct with the Stores Purchase department or through some intermediate agency such as the central banks. The committee in paragraph 59 recommend the formation of central industrial banks for financing industrial societies. But they have not examined the problem in detail. They advocate central industrial banks, apparently for the reason that the ordinary central banks are afraid to finance industrial societies, which are remiss in making repayments. The Government will examine the question further in consultation with the Registrar. The committee also recommend that Government should give more help to industrial societies and should undertake the whole cost of supervision. The Government recognizing that these societies are at present unsatisfactory and need special supervision, are prepared to give further financial help. They believe that once the difficulties of organizing, educating and supervising industrial societies which are very considerable have been overcome, there will be appreciable progress as has been the case in other countries and other provinces in India.

14. In the paragraphs which follow, Government have formulated their conclusions in regard to questions of staff, methods of supervision of primary societies, assistance by Government officers and other of the more important recommendations of the committee. It is unnecessary to discuss the committee's remaining proposals. The Government are in general agreement with them and will take measures to give effect to them as soon as practicable.

15. The committee state that the importance of the Registrar's post to the success of co-operation can hardly be exaggerated, that he is the mainspring of the movement, and that upon his personal qualifications its future depends. The Government entirely recognize the truth of these remarks and will bear them in mind when making appointments to the post.

16. *Deputy Registrar (paragraph 97).*—The majority of the committee would retain this office but the committee were

divided upon the question of the number of deputy registrars required. The Government have decided to appoint two deputy registrars for the present.

17. *Assistant Registrars (paragraph 98).*—The Government agree that the two assistant registrars are insufficient to supervise the existing 6,000 societies, and should be increased to ten, viz., one for each division. The pay of officers directly appointed or promoted will be Rs. 300–300–800, and junior assistant registrars of approved merit and energy will be eligible for promotion to the post. The Government also agree with the committee's proposals for training assistant registrars, and for appointing honorary officers, provided men of sufficient training and experience can be secured.

18. *Junior Assistant Registrars (paragraph 99).*—The Government accept all the committee's recommendations regarding junior assistant registrars. In the first place these officers will in future be known by the less clumsy and more accurate name of "Inspector." The Government will raise their number from 27 to 52. This decision and indeed all other decisions of the Government requiring funds for their completion, will of course depend upon the readiness of the Council to vote funds.

19. *Audit (paragraph 103).*—The committee hold that a considerable increase in the audit staff is necessary. They recommend that the auditors should be increased to 52. The Government agree with this proposal and have already appointed nineteen more auditors. They are examining the propriety of making a grant to meet the deficit in audit fees, and will pass orders after ascertaining the practice in other provinces.

20. Chapter XI deals with the question of establishing a *provincial co-operative bank*. The committee state that they realize the difficulties of the problem but think that a start may be made on modest lines. They would begin by confining the functions of the bank to the control of interlending between central banks, and in special cases to the making of advances to central banks. They propose that later on the bank might accept deposits.

But it is clear from the committee's own remarks that the creation of a provincial bank to discharge these functions is not urgent. They state that the Registrar at present controls

interlending, and that owing to his knowledge and means of getting information, he is in a unique position to do so. Secondly, they state that most central banks have had no serious difficulty in raising funds and there is no reason why they should have difficulties in future. Many in fact can obtain much more money than they require. And, thirdly, the proposal that the provincial bank should ultimately accept deposits is hardly consistent with the committee's observation that seasonal idle balances are likely to be as inconvenient to the provincial bank as they are to central banks. In the late Mr. Willoughby's words it is difficult to see how one can "avoid the difficulties of idle money by concentrating the glut at the top of the pyramid." The committee admit that inquiries from the Imperial Bank and certain other banks show that there is usually a glut of money in the summer months, and that short-term deposits would be hard to place; but think that "a provincial bank can often arrange investments in the provincial banks of other provinces." This appears to be a very questionable assumption. The problem of how profitably to invest a provincial bank's idle money has not yet been solved in this province, though it has been before the Government for at least twelve years. Not only have individual experts differed considerably, but provincial committees of co-operators have given contradictory advice.

The sixth meeting of the standing committee of co-operators declared that a provincial bank, if constituted, would encumber rather than help the movement. On the other hand the eleventh session of the provincial conference took the opposite view, and advised the foundation of a provincial bank at an early date.

After careful consideration the Government have come to the conclusion that at present a provincial bank is not required. The Oakden report has shown clearly that the crying need of co-operation in this province is to strengthen and revivify the primary societies. It would be well to repair the foundations before adding a superstructure. Later on as the edifice grows, a bank at the apex may become necessary.

21. (*Chapter XIII.*)—Government will adopt the same policy towards *Land Mortgage Banks*. The committee declare that it is inadvisable in the present state of co-operation in this province to make any immediate attempt to establish

them. They advise that the experiments in the Punjab and elsewhere should be watched with a view to subsequent action. The Government accept this recommendation.

22. *Supervision (Chapters VI and XI).*—The committee recommend that central banks should be relieved of the responsibility of organizing and supervising primary societies. They state that these banks have been successful as financing agencies and have gained a high reputation for stability, and that it is a pity that they should hazard that reputation by the acceptance of a responsibility which they are not expected to fulfil. The committee propose that the supervising staffs of central banks should be provincialized and placed under a provincial committee of which the existing standing committee of co-operators should form the nucleus. Their chief function would be the control of supervisors for whose appointment and discipline they would be responsible. The new body, which would be called "the United Provinces Co-operative Committee" would pay the supervisors from a fund "subscribed partly by contributions from central banks and partly by grants from the Government."

At present the central banks pay, appoint and control the supervisors. Under the proposed system they would make over all their duties and obligations connected with supervisors to the co-operative committee, but would be asked to contribute to their pay. Since the committee would organize and supervise primary societies on behalf of the central banks it is reasonable that the banks should contribute. They would exercise general control through their elected representatives on the committee.

The Government agree with the committee that the old methods of supervision and organization have failed. The new scheme suggested by them appears to have much to commend it. But it depends for its success on the co-operation of the central banks who must be consulted before the Government can come to a final conclusion. If the Government pay half the cost of the supervisors' salaries they will have to find between Rs. 50,000 and Rs. 60,000.

23. *The money-order system (paragraphs 44 and 90).*—The committee recommend that more use be made of money-orders for the transfer of money between central banks and



societies. The Registrar estimates that the approximate cost to the Government will be Rs. 3,750. The Government will ask the Council to vote the money.

24. *Contributory unlimited liability (paragraph 46-e).*—The committee received complaints that the principle of unlimited liability is occasionally abused. The Government agree that the present instructions give too wide a discretion to the liquidators. The committee recommend that the liability should take the form of contributory unlimited liability and any deficit should be recoverable by a series of *per capita* levies upon the members up to the full extent of their property. The Government agree with the general principle and will instruct the Registrar to prepare draft rules. But it may be well to limit the levies to two in number. A villager is likely to misunderstand the system of *per capita* levies and to be disheartened by a continuous demand for contributions.

25. *Assistance of Government officers—(paragraph 92).*—The co-operative movement will not for a long time be able to dispense with the district officer's aid. If district officers have remained aloof in recent years it has been because they have felt that their help might be resented as interference. The committee regret this attitude and ask that district officers and sub-divisional officers should encourage the movement with their sympathy. The Government of India, in a resolution issued in 1914, held that as the district officers "represent an influence closely connected with the welfare of the people and powerful, now and in future, for good or evil, the district officer cannot disassociate himself from the movement." The Maclagan Committee entirely agreed with this pronouncement. The Governor, acting with his Ministers, draws the attention of all district officers to these remarks.

26. *The Registrar's office—(paragraph 106).*—The committee agree with the Chief Inspector of Offices that the staff is inadequate and recommend that three more posts be created. The Government will pass orders when the Registrar sends up his proposals for reorganizing the office. An office building should be constructed at once.

Owing to the large increase which the Government intend to make in the number of assistant registrars, it will not be necessary to relieve the Registrar of the work of registering joint stock companies.

27. *Development Commissioner*—(paragraph 108).—The committee do not approve of the proposal to appoint a development commissioner, but suggest the formation of a small board to coordinate the activities of the departments of agriculture, co-operation and industries. A development board is already in existence and the Government have lately emphasized the need of holding conferences between the heads of the three departments concerned.

28. *Library and propaganda*—(paragraphs 110 and 111).—The Government approve the proposals to provide a better library for the Registrar's office, and to spend more money on propaganda. They have already provided money for both these purposes by means of a supplementary estimate which was presented to the Council in August last.

29. The Governor, acting with his Ministers, is greatly indebted to the committee for their candid and illuminating report. The committee have shed much light on the causes which have hampered progress in the past, and on the reforms which are needed. The Government believe that their recommendations will have far-reaching consequences for a movement to the success of which they attach the greatest importance. A special word of recognition is due to the President, Mr. Oakden, for the energy and skill with which he handled the inquiry.

ORDER.—Ordered that a copy of this resolution be forwarded to the Registrar, Co-operative Societies, United Provinces, and to all Commissioners of divisions and District officers for information.

ORDERED also that this Resolution be published in the *United Provinces Government Gazette*.

By order,

JAGDISH PRASAD,

Secretary.