



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

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1926

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**REPORT OF THE
CO-OPERATIVE COMMITTEE
UNITED PROVINCES
1926**

CHAPTER I.

INTRODUCTORY.

1. The Committee was appointed under the orders of Government, No. 381-B of September 19, 1925, to inquire into the co-operative movement in the United Provinces of Agra and Oudh.

The terms of reference were :—

- (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.

The Committee appointed by the Governor acting with his Ministers consisted of—

President:

Mr. R. OAKDEN, C.S.I., O.B.E., I.C.S., Commissioner, Meerut division.

Members:

1. Khan Bahadur Maulvi FASIH UDDIN, M.L.C.
2. Rai Sahib M. AMBA PRASAD, M.L.C., Vice-Chairman of the Central Co-operative Bank, Agra.
3. Thakur SADHO SINGH, M.L.C.
4. Rai Bahadur Lala MATHURA PRASAD MBHROTRA, M.L.C.
5. Rai Bahadur M. ISHWAR SAHAI, Chairman, Fatehpur District Co-operative Bank.

6. Rai Sahib Pandit GOPAL DAS SHARMA, Vice-Chairman, Central Co-operative Bank, Orai.
7. M. AZHAR ALI, B.A., late Member of the Maclagan Committee, 1915.
8. Revd. AHMAD SHAH, Holder of Kaisar-i-Hind Medal, Managing Director of the Christian Co-operative Bank, Cawnpore.
9. The Registrar, Co-operative Societies, United Provinces, Hon'ble Pandit SHYAM BIHARI MISRA, *Member and Secretary.*

2. The Committee held its first meeting at the Council Chamber, Lucknow, on September 19 and 20, 1925, drew up a list of questions and settled its subsequent procedure. Meetings were held at Bareilly from October 12, Agra from October 21, Bulandshahr from October 26, Benares from November 5, Gorakhpur from November 9, and Lucknow from January 4. Witnesses were examined at each place and, where possible, societies were inspected. A special visit was paid to Budaun and the Bilsa area of the Budaun district.

The President visited the Punjab where he discussed the Punjab system with Messrs. Calvert and Strickland, the permanent and acting Registrars, and inspected a number of societies.

The President, the Hon'ble Pandit Shyam Bihari Misra and Rai Bahadur Lala Mathura Prasad Mehrotra attended the conference of Registrars at Bombay and the conference on provincial banks at the same place from January 12 to 16, 1926.

The report was discussed and passed at a meeting held at Lucknow from February 12 to 20. All members attended, except Rai Sahib Pandit Gopal Das Sharma, who was unavoidably absent.

NOTE.—In this report, unless the contrary is stated, "central bank" includes district and central co-operative banks and banking unions, and "society" means a primary co-operative society.

CHAPTER II.

THE PRESENT STATE OF CO-OPERATION IN THE UNITED PROVINCES.

3. The co-operative movement in this province may be said to have started in 1900 when Mr. Dupernex, I.C.S., who had studied the working of co-operative societies in Europe, was put on this special duty by Government. He published his conclusions in a useful booklet called "Peoples' Banks for Northern India." A few banks were organized in 1901.

In 1904, the year in which the first Act for co-operative societies was passed, Government formed the co-operative department and appointed Mr. (now Sir) J. Hope Simpson, I.C.S., as the first Registrar. Subsequent Registrars were Mr. (now Sir) Selwyn Fremantle, I.C.S., Mr. (now Sir) A. C. Chatterjee, I.C.S., the late Mr. Willoughby, I.C.S., Khan Bahadur Shaikh Maqbul Husain, C.I.E., and Hon'ble Pandit Shyam Bihari Misra, who has been in charge from August, 1924.

The Co-operative Societies Act (II of 1912) "for the promotion of thrift and self-help among agriculturists, artisans and persons of limited means" expanded the scope of the first Act and is still in force.

4. The statistical progress of the co-operative movement in the United Provinces from the very beginning is as follows :—

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	12,215	Not known exactly.	
1905-06	133	10,394		47,018
1906-07	170	17,404		1,67,612
1907-08	187	28,985		2,79,491
1908-09	369	55,067		4,73,136
1909-10	789	49,963		5,63,862
1910-11	1,258	63,035		7,63,189
1911-12	1,946	76,812		10,25,459
1912-13	2,530	94,042		13,58,282
1913-14	2,800	108,023		17,82,066
1914-15	2,962	107,781		23,15,601
1915-16	3,190	113,351		28,47,691

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.
1916-17	3,246	109,233	76,66,966	33,76,462
1917-18	3,087	97,688	73,31,910	36,31,206
1918-19	3,406	98,527	75,22,107	40,70,571
1919-20	3,721	97,086	75,74,992	42,33,713
1920-21	4,493	110,620	80,83,433	46,04,540
1921-22	5,187	128,113	80,73,042	51,62,101
1922-23	5,609	136,423	1,00,80,342	57,50,738
1923-24	5,755	144,482	1,05,14,167	64,34,263
1924-25	6,000	1 5,149	1,12,51,865	72,05,319

5. If figures proved progress, the co-operative movement might be called progressive, though the markedly small increase in the number of members as compared with the large increase in the number of societies is not an encouraging feature. New members have apparently not been attracted in large numbers because they do not see sufficiently substantial advantages.

6. Probably the best statistical test of progress is a comparison of the averages of fixed periods for the membership and loaning activities of primary societies. The figures for membership are accurate, but those for loans are vitiated by fictitious payments in some areas. However, as payments of this nature presumably occurred during both periods, they do not necessarily affect the comparison. For the first period the average of the three years immediately preceding the war have been taken, viz., 1911-12 to 1913-14, and for the second the last three years, viz., 1922-23 to 1924-25. They are as follows:—

	Average of 3 years before war.	Average of last 3 years.
Membership of primary societies ...	92,166	145,351
Loans to members from primary societies. Rs.	42,60,684	55,59,430
Loans repaid by members to primary societies. ,,	31,01,041	48,95,312

This shows approximately a 50 per cent. increase in eleven years and on figures alone is *prima facie* satisfactory.

7. But in judging the results of the movement mere figures are not a safe guide. They assign the same value to bad as to good societies; they assume that all the societies called co-operative are really co-operative, and that all the loans shown as paid are really paid; they are

not the real tests of progress and success, as they cannot show the understanding and practice of co-operative principles, the benefits to members and the share taken by them in the management of their societies' affairs. These are the real factors that count.

8. On the one hand there are a considerable number of central banks which are financially sound and of good repute. Their reputation for stability is partly due to the belief that they have Government behind them, a belief to which the presence of the collector as chairman often gives colour, partly to the presence on the directorate of local gentlemen of good repute, and partly to the fact that their funds are invested in societies which are based on unlimited liability and subject in the last resource to special and summary measures for the realization of arrears. Confidence in their stability is justified and is proved by the fact that no depositor has lost his money. They take very little money payable on demand, and thus are not affected by sudden panics.

Secondly, primary societies have owned capital to the amount of Rs. 40,17,431 on which the interest accrues to themselves; and their members have the use of nearly a crore of rupees at a rate of interest considerably lower than that obtainable from money-lenders.

9. An examination has been made into the position of 75 primary societies of ten years' standing and upwards. In order to avoid "selection" the five oldest surviving societies in each circle were taken. The inquiries were made as carefully as possible, but accuracy cannot be guaranteed. The present membership is 2,325, giving an average of 31 per society. There are 1,354 members who have paid off all debt and 677 who still resort to money-lenders or are indebted to them, and 294 cases in which the position could not be ascertained. Thus about two-thirds of the present members are reported to be out of debt. The amount of debt paid off is put at Rs. 1,64,442. Members own Rs. 1,68,109 in share capital, profit and reserve fund. In 37 societies the interest charged to members is still 15 per cent., in 31 it has been reduced to 12 or 12½ per cent., and in only 7 to less than 12 per cent., but in many cases a high rate of interest is counterbalanced by the payment of dividends. Many of these societies have large accumulated funds and are working wholly or mainly with their own capital. To obtain an exact knowledge of the benefits it would be necessary to analyse the economic position of all members, past and present.

10. On the other hand, co-operation after 20 years is not spreading by its own momentum, as it would if its benefits were felt to be more real and substantial. The money-lender is not alarmed, and the interest taken in co-operative societies is so little that very few people

consider them to deserve serious attention. Owing to the centralization of authority in central banks and lack of adequate instruction and supervision, primary societies are generally effete and incapable of managing their own affairs. In very many cases they are mere aggregations of individuals rather than co-operative societies. Panchayats are generally neglectful, seldom discourage loans for unproductive purposes, or press for the recall of a loan which has been misutilized. On the contrary, they sometimes monopolize the loans themselves.

We do not deny that some societies are doing useful work and have accumulated a considerable amount of owned capital, but we find that the movement generally is lacking in co-operative spirit and vitality. The principles of co-operation are not understood and the staff which is supposed to teach them is insufficiently trained and frequently unsuited for work in villages.

11. The 5,922 primary societies in existence on June 30, 1925 comprised 5,678 agricultural and 244 non-agricultural societies. Of the agricultural societies 5,672 were credit and six only other than credit. Thus the movement has developed almost entirely in the direction of agricultural credit societies. Non-credit societies such as dairying, ghi, agricultural supply, cattle insurance, etc., have either failed or are doing very little business. Industrial and other non-agricultural societies include 227 credit societies and 17 non-credit. Most of the latter are in a state of stagnation.

12. The 73 central banks, on which practically the whole movement in this province rests, are entrusted with the organization, finance and supervision of all primary societies. Their membership, except in the case of eight banking unions, consists partly of individuals and partly of societies, and they are thus not wholly co-operative in constitution. As financing agencies they have been generally successful in attracting deposits and financing primary societies, and have gained a considerable degree of public confidence. Central banks have generally not achieved much success in sound organization and have frequently failed in supervision. To their inability to discharge this latter responsibility is largely due the present unsatisfactory state of co-operation in this province (see Chapter VI).

There are two guaranteeing unions to which 41 societies are affiliated. Others have failed and have been dissolved. There are also two non-credit central institutions, i.e., agricultural supply societies.

13. There is no provincial bank. The question of establishing one is dealt with in Chapter XI.

CHAPTER III.

DEFECTS AND DIFFICULTIES.

14. In the last chapter we concluded that the principles of co-operation had not taken root, and that the movement was not flourishing. In this chapter we deal with various defects, difficulties and causes of failure, which will help to explain why the movement has not succeeded better in gaining the confidence and support of the people.

15. The recommendations of the MacLagan Committee of 1915 are still the basis of co-operative work, particularly as regards agricultural credit. In paragraph 3 of their abstract report they describe the conditions necessary to make a society fully co-operative. We propose to see how the primary societies of this province fulfil those conditions :—

(i) " The first condition is that every member should have a knowledge of the principles of co-operation, if this co-operation is to be real and not a sham."

Few of the members understand the purpose of their society, or realize that its strength rests on the honesty, fair dealing and mutual trust of its members, or understand intelligently the co-operative contract " I help others on the understanding that they help me." Nor do they understand the business of their society, and as co-operative education is unsatisfactory they become the ready prey of clever secretaries or other officials, or even of their own sarpanch or panchayat.

(ii) " In the formation of a society the first essential is the careful selection as members of honest men."

We regret to find that far too little attention is paid to this condition by those responsible for forming societies. Organization is in the hands of central banks whose agents look more to the mere formation of societies either as a proof of their own activities or as an outlet for their employer's idle money than to the character of the members. Their work is insufficiently checked by departmental officers.

(iii) " As regards the dealings of the society it should lend to members only."

This condition is followed.

(iv) " Loans must in no circumstances be for speculative purposes which, so far from encouraging thrift and honesty, have exactly the opposite effect. Loans should be given only for productive purposes

or for necessaries which, as essentials of daily life, can fairly be classed as productive."

Loans are not given for speculative purposes, but loans for marriage expenses are regarded as legitimate because they are necessary, and if a member cannot get the funds from his society he will resort to a money-lender. Occasionally a good society limits its lendings for marriage expenses to the amount which it considers suitable to the borrower's circumstances. Unfortunately the recorded purposes for which money is lent are not reliable, and (like the purposes given when takavi is distributed) are designed mainly to satisfy the lender, which in the eye of the member is ordinarily the bank, not his own society.

(v) "When a loan has been given, it is essential that the committee of the society and the other members should exercise a vigilant watch that the money is expended on the purpose for which the loan was granted, and if it is improperly applied it should be at once recalled."

Panchayats and members as a rule neglect their duties in this respect entirely, and, except in isolated instances, take no action at all when loans are misused. They, either from lack of moral courage or because they don't consider it to be their business or because they have obtained or hope to obtain similar loans, seldom object to loans for unknown purposes or to the utilization of loans for other than the declared purpose. In some societies too the practice of paper transactions is prevalent, viz., loans are recorded as repaid, and a fresh loan is shown as made, though in fact there was merely a book adjustment. In Jalaun, where an effort was made to test the genuineness of repayments by increasing the interval between repayment and a fresh loan, there was an outcry and collections dropped from 85 to 58 per cent.

(vi) "In the event of default by the borrower an instant demand should be made on his sureties."

Sureties are taken, but demands on them are not promptly made by the panchayat. Sometimes the sureties are themselves also in arrears.

(vii) "There should be a committee of management with a president and secretary, all of whom, except those who perform purely clerical duties and have no voice in the management, should be members of the society and give their services gratuitously."

Panchayats with a sarpanch are appointed in all societies and work gratuitously. Generally there is a group secretary for groups of 8 to 15 societies. Under the rules he has no voice in the management, but in practice he is very powerful and rules the society. To maintain his power he keeps the society ignorant and is frequently dishonest, and in

many ways makes illegal gains. The system is recognized as unsound and unco-operative, but in the present state of illiteracy in villages a practicable alternative is not easy to devise. This matter is dealt with more fully in Chapter VII.

(viii) "The ultimate authority should never be delegated to the office-bearers, but should be retained in the hands of the members, who must continue to take a practical interest in the business of the society."

Few members exercise their rights and duties and there is usually very little control by members over the panchayats. Hence complaints of the monopolization of loans by panches and their friends.

(ix) "Each member should have one vote and all business should be transacted with the maximum amount of publicity within the society."

The rule "one man one vote" is laid down in all byelaws, and in good societies business is openly transacted, but very often everything is in the hands either of the panchayat, the sarpanch or even the secretary. Moreover, the power of the society is overshadowed by the central bank and its officials who interfere so much in the working of the society both in giving and realizing loans that little real authority remains with the society itself.

(x) "The express object of the society should be the development of thrift among its members, with the hope too that this idea of thrift will spread in the neighbourhood. To effect this object loans must be given only when they are really necessary and desirable. Further, the development of thrift and of a proprietary interest in the society should be aided by efforts to build up as soon as possible a strong reserve fund from profits. The society must also be encouraged to obtain as much as possible of its capital from the savings which its teaching and example have brought about among its members and their neighbours."

Members of societies are not generally more thrifty than other people. In a few societies there is a tendency to check idle expenditure and in all an owned fund from share-money, reserve and other funds grows automatically. Very few societies have been able to obtain deposits either from members or neighbours.

(xi) "With all these must go the elementary business principles of honesty, punctuality, proper accounts, diligence and payment when due. To ensure all this there must be adequate control from within, increasing vigilance and supervision by the office-bearers and a continuous effort by members in learning the principles of co-operation, in

meeting frequently, in watching others, in working hard and observing thrift, and in punctual repayment of their own loans as they fall due."

These elementary principles are very imperfectly practised by members of societies. They are generally honest, but they have not shaken off their innate habits of unpunctuality. There is no adequate control from within; and owing to imperfect supervision from without there is no progress in acting up to the principles of co-operation. Our conclusion is that judged by the conditions laid down by the Maclagan Committee most of the primary societies of the province are as co-operative societies a sham, and we believe that unless effective changes are made and improvements both in spirit and working are introduced, and adequate funds and a strong and efficient staff are placed at the disposal of the Registrar, decay will spread rapidly and may ultimately lead to a general dissolution of the movement.

16. Inadequate supervision, including of course defective co-operative education, is the main cause of failure, though mistakes in organization are an important contributory cause. These are dealt with in detail in Chapters V and VI.

*17. The general illiteracy in rural areas is usually given as one of the causes of failure, but we consider that it can be described more correctly as an obstacle. It is more difficult to teach illiterate people than literate, and more constant and continuous supervision is required. Lack of literate members necessitates the evil system of group secretaries and ignorance bred of illiteracy exposes societies to exploitation by corrupt officials and panchayats (see Chapter XVI).

18. Other causes, which may be classified as external, i.e., originating outside the primary society, are :—

(i) *Insufficient Government support and inadequacy and unsuitability of the departmental staff.*—These points are dealt with in Chapters XIV and XV.

(ii) *The lack of honorary workers.*—We recognize that excellent work has been done by many honorary workers, but we regret that co-operation has not been more successful in attracting the attention of the educated classes. We think, however, that the sustained effort required for educating and supervising primary societies cannot reasonably be expected from men who have other work to do. The experience of other countries and provinces shows that in an illiterate area constant and almost continuous supervision by experienced workers is absolutely essential, and it is impossible to hope that many honorary workers can

make the necessary sacrifice of their time. We believe that there are many non-official gentlemen who would be glad to do more, if the work expected from them was intelligently and sympathetically explained to them.

- (iii) *Hostile attitude of money-lending landholders.*—Money-lenders, whether landholders or not, regard credit societies as rivals and their opposition, passive or active, must be expected.
- (iv) *Liquidations.*—There is no doubt that the appalling muddle over liquidation in some districts and dilatory and dishonest proceedings in winding up societies under liquidation have given co-operation a bad name in places and have hindered the movement in those areas (see Chapter VII).
- (v) *Embezzlements and corruption.*—Opportunities for corruption are great, and cases of embezzlement have not been uncommon (see Chapter XVI).
- (vi) *Favouritism in making appointments in central banks of officials connected with the managing body and their friends.*—This evil certainly exists in places and has many bad results. The proposed provincialization of the outdoor staff will do much to remove it.
- (vii) *Appointment of town-bred men as junior assistant registrars, supervisors and secretaries.*—This is a very important point and is dealt with in later chapters.
- (viii) *Insufficient co-operation between the department and landholders.*

19. Defects which are based on the personal qualities of members include a lack of moral courage and sense of responsibility, monopolization of loans by sarpanches and panchayats, indiscriminate advances in excess of requirements and without regard to the possibility of repayment, misuse of loans, poverty, thriftlessness and unpunctuality.

20. The accumulation of arrears is a symptom of deterioration and is mainly due to—

- (a) Lack of supervision.
- (b) Slackness of panchayats.
- (c) Bad seasons.

(d) Old indebtedness.

(e) Innate habits of unpunctuality.

We agree with the Maclagan Committee (paragraph 74) that laxity in the repayment of loans is a dangerous evil, and that if loans are not repaid punctually, unless there are special circumstances and postponement is duly sanctioned, co-operation is both financially and educationally an illusion. Members of primary societies think no more of withholding an instalment due to a society than they do of withholding one due to a money-lender.

CHAPTER IV.

INSTANCES OF FAILURE.

21. We give below some instances of banks and groups of societies which have failed, and we briefly describe the causes which led to their downfall. In doing so we do not want to exaggerate evils, but we feel that exposure will facilitate the application of general remedies :—

I.—The Budaun District Bank had 159 societies, all of which have come under liquidation. In 1917 overdues and postponements amounted to Rs. 3·70 lakhs, the result of neglect, malpractices and continued fictitious payments.

“ Much of the present difficulties,” wrote the Registrar in 1917, “ is a heritage from the days when money was pushed into the half-unwilling hands of any fortuitous concourse of rustics, some of them with no habitation, and many of them friends *ad hoc* of the organizer.” Hasty organization was followed by an orgy of corruption in which bank officials and group secretaries took a leading part. Dishonest sarpanches shared in the spoils and the more scrupulous men were ignored. There was no supervision.

The following incident is interesting. When it was known that the Registrar was coming, the manager in order to prevent the examination of pass books sent out the message “ The bank books have been burnt, don't show your pass books or you will have to pay.” In fact the books had not been burnt, but a fire in the office gave the story an appearance of truth. The manager had not gauged his victims' characters in vain. Duped through their own cupidity they hid their pass books and lost the opportunity for redress.

Loans were distributed to greedy members without regard either to their needs or their capacity to pay; and frequently pronotes for amounts higher than those paid were executed, the difference going into the pockets of avaricious officials. Fictitious payments and fictitious loans concealed the overdues and gave for a time an appearance of flourishing activity, but when their true significance was discovered, they left most of the societies hopelessly bankrupt with arrears of nearly four lakhs of rupees.

The negligence of directors and share-holders is undisputed. Share-holders continuously failed to elect suitable representatives, and the-

latter uniformly failed to look after the interests of the bank. In 1917, when the manager's slackness and delinquencies came to light and his removal was requested by the Registrar, the man was supported by the directors, who in like manner refused to part with a notoriously corrupt secretary and a dishonest litigation clerk.

When liquidation proceedings were started a fresh opportunity for malpractices began, with the result that a junior assistant registrar and a naib-tahsildar were dismissed.

The blow to the movement in this area will take half a century to efface. When during our visit to Budaun we asked the deluded members if they would like new societies to be formed, we were answered by an angry shout of refusal. There are still 94 societies under liquidation in this district.

II.—The Jagdishpur Central Bank and its societies in Sultanpur were brought down by sheer criminal dishonesty on the part of the managing director, who was subsequently convicted of forgery and falsifying accounts. There was no general meeting for three years, the whole of the books were forged including many pronotes, the secretaries were corrupt and in the hands of the managing director, and loans were taken direct from the bank. Thus the primary societies were practically non-existent.

Some of the malpractices were distinctly original and almost humorous. The managing director as an honorary magistrate did not scorn unlawful gains, and to enable an indigent litigant to meet his demands, would enrol him as a member of a society and sanction a loan equal to the bribe arranged. Similarly he would enrol private defaulting debtors and give them loans and thus relieve his friends of their bad debts. This corruption was not discovered till a complaint to the collector led to inquiries which brought the facts to light. With proper supervision and honest audit this exploitation of co-operation could have been checked before it became a public scandal.

III.—The Kashi Bank, Benares, has 59 societies under liquidation and 110 others, of which 30 are not working. The trouble arose from the industrial societies of weavers, basket-makers, fruit-sellers, milkmen, etc., which were formed of unreliable material. The members did not understand the principles or responsibilities of co-operation, and were both poor and dishonest. Some got into arrears beyond their means, and others after disposing of their goods disappeared. Loans were advanced without regard to personal means or security, and in some cases the sarpanch took an unfair share. In such societies constant

supervision is even more essential than in agricultural societies, but it was lax and inadequate. Liquidation proceedings are still dragging on.

IV.—Two direct causes led to the ruin of the Bilari group of societies in Moradabad, viz., exploitation by the director in charge and his friends and the dishonesty of the bank staff. The method was ingenious. Societies were formed of tenants, and loans instead of being paid to members were retained by the director and others in lieu of their rental demands. Bad seasons supervened, arrears of rent again accrued, and the members sank under the double burden of bank debt and rent arrears, enhanced in some cases by the non-credit of realizations by the corrupt staff. Some were ejected from their holdings, others absconded and the societies collapsed. The societies were co-operative in name only, and lacked every attribute both in organization and working that goes to the making of a co-operative society. The director responsible for supervision abused his position, and departmental supervision was lacking. A dilatory liquidation is proceeding.

V.—The state of affairs in Bulandshahr is described by a gentleman who has considerable personal experience of the work there as "rotten". The reasons given are the formation of societies on wrong lines, indiscriminate loaning, fictitious transactions, monopolization of loans by panchayats, the election as directors of men qualified neither by education nor love of the movement, employment of group secretaries to distribute and collect money, and finally dilatory and badly controlled liquidation proceedings. Some departmental officers and the directors apparently knew that the movement was on unhealthy lines, but took no effective action. The failure of the Kuchesar Central Bank in the same district was hastened by the dishonesty of the bank staff and the apathy of the managing director who frankly took no interest in the work and left the manager to do what he liked.

It is needless to multiply instances, but if facts are not faced, if drastic action to rid the movement of make-believe is not taken, and if supervision is not made real and effective, the collapse of primary societies in many other areas is inevitable.

CHAPTER V.

ORGANIZATION.

22. The registration of new societies rests with the Registrar, but their organization is the duty of a central bank where such a bank exists, and of an organization fund committee in other areas. In both cases action is taken with the advice and help of the Registrar's staff.

Unfortunately organization has frequently been defective and has not been sufficiently controlled and societies have been registered without provision for adequate supervision by either the departmental or the bank staff.

Thus we notice that there has been a tendency to add new districts and areas to the field of co-operative activity without an adequate increase in the supervising and audit staff. The accumulative effect has been considerable and has contributed largely to the present state of affairs. The introduction of the movement into new areas diffused the energies of the departmental supervising staff and increased the difficulties of audit.

The policy of expansion had the support of Government, but the result of it is that the movement is now hampered with a large number of neglected societies distributed over a wide area for the proper supervision of which no adequate provision was made.

23. The main defects in organization were :—

- (a) Inclusion of undesirable members.
- (b) Inclusion of members not fully trusted by their fellow members.
- (c) Hasty formation merely for expansion's sake, or to provide an outlet for idle balances in central banks.
- (d) Ill-balanced membership either by mixing up higher and lower castes or by mixing up landholders and tenants.
- (e) Insufficient attention to previous indebtedness of members.
- (f) Failure to explain the principles of co-operation in a way understood by the members.

These defects are due in the main to the incompetence or negligence of the officers organizing the society and testing its organization. It was not sufficiently recognized that the foundation of a co-operative society is the mutual trust of its members and their confidence in each other, and that when men are pledging the whole of

their possessions for each other's credit, the exclusion of persons who are not trusted by all is essential. Societies formed to counterbalance losses by liquidation or to provide an outlet for surplus money were designed primarily for the benefit of the central bank and not for that of the primary members. Actuated by such motives the organizer regarded the formation of the society as the end, and naturally paid little attention to the exclusion of undesirables, or the intelligent explanation of co-operative principles. The initial errors might have been largely repaired by careful supervision and education, but such supervision was, as already stated, insufficient.

* 24. The evil results of hasty organization were recognized, but the wrong remedies were applied. Instructions were issued that before registration each society should be visited three times by the supervisor and twice by the junior assistant registrar. This insistence on a fixed number of visits, confused delay with caution, and formality with fact. It is not the number of visits that matter, but their nature and effect. The organizer should visit the embryo society until he considers it fit for inspection by the junior assistant registrar; and the latter should, if he finds that it consists of honest men who know and trust each other and understand the main principles of co-operation, recommend it for registration without needless delay, and, if it has defects which he cannot remedy, should return the papers to the organizer and make a second inspection when the latter again reports, and if necessary a third one. In other words, the test for registration should be the fitness of the society, whether it has been visited once or a dozen times. It is not necessary, nor indeed is it possible, that the members of a society should have a very deep theoretic knowledge of co-operation before registration. If they have thoroughly grasped the main* points given in paragraph 30

* Extract from paragraph 30, Report of the Committee on Co-operation in India, 1915.

- (1) That the object of co-operation is as much to encourage savings as to grant loans on reasonable terms.
- (2) That the success of a society depends on the mutual knowledge of members and the exclusion of bad characters.
- (3) That the liability of the members is joint and unlimited.
- (4) That loans must be properly used for the objects for which they are sanctioned.
- (5) That repayment must be punctual and genuine.
- (6) That the powers of control vested in the General Meeting should be known to the members, and
- (7) That the source of funds and the constitution of the central financing agency as well as its relation to the society should also be understood by them.

" A society which has once firmly grasped these points and acts on its knowledge will be truly co-operative, and the fact that it is managed on co-operative lines will constitute the most important factor in its financial position. At the time of organization and subsequently throughout the existence of the society the necessity for at least this degree of co-operative knowledge should never be lost sight of."

of the Maclagan Committee's report, and realize that they are not merely maxims to be admired, but rules to be obeyed, the society is fit for registration. These points must, of course, be supplemented by future instruction and practice after registration, but it must be borne in mind that villagers like other people get tired of the preaching of formulas without any result for months.

25. The subsequent instruction which can best be given by practical working is equally important. The proper use of loans, punctuality, etc., are not ideas which ignorant people can assimilate quickly, and it is only by following up instruction by practical training that they will grasp their meaning and realize that they are something more than theoretic maxims. It is therefore most important that the organizer or supervisor should be present at the earlier meetings of the society and see that the panchayat acts in the right way and that the members understand the work of the society. He should teach them to do their business and not do it for them, as is too often the case.

26. We consider that special attention should be paid by junior assistant registrars to this highly important work, and that their recommendations should more often be checked by assistant registrars, either before or after registration according to circumstances.

CHAPTER VI

SUPERVISION.

27. The MacLagan Committee rightly attached very great importance to supervision, a term which covers many of the points included in audit and includes also the teaching of co-operative practice and principles and the propagation of the movement by the organization of new societies. We entirely agree with their view* of its importance which has been fully justified by experience, and it is a matter of great regret that it was not more thoroughly followed. The lack of adequate supervision is responsible in this province for more deterioration than all other factors taken together. The late Registrar, Khan Bahadur Shaikh

* Extracts from Report of Committee on Co-operation in India, 1915.

Paragraph 11 (abstract report).—"It will be seen that in order to be fully co-operative and thoroughly businesslike, a society must live up to a high standard. Considering the class of people who form the bulk of the agricultural classes it is useless to expect the maintenance of such a standard without frequent audit and unceasing supervision from without. It is difficult to exaggerate the importance of such audit and supervision. Without them a good society may soon degenerate and a bad society may soon come to ruin. The work of audit and supervision should in the first instance be vested in the higher co-operative institutions, unions and central banks, but the ultimate responsibility for these duties must rest with the Government as represented by the Registrar. . . . We hold that the Registrar cannot abrogate his responsibility in the matter of directing and supervising this co-operative audit and supervision and that he must see that the influence of central financing institutions is not misdirected or applied in wrong, improper or mischievous ways, and must maintain an efficient direction and control to ensure that the movement is kept on co-operative lines and is confined to these lines. The exercise of due care before formation and the ensuring of full and proper supervision after formation we consider indeed the most important part of the Registrar's duty. If the primary societies are sound and solvent the whole provincial edifice must be sound, unless there is instability in the higher finance. If the primary societies are unsound, if they are based on mere money-lending and not on co-operative principles, no matter how sound the higher finance may apparently be, its assets will be locked up in indifferent or bad securities and sooner or later serious trouble, if not failure, is bound to result."

In paragraph 12 (abstract report) referring to two dangers, the perversion of the co-operative movement to other objects and the lack of a true spirit of co-operation, they say "the remedy in both cases lies in the supervision and control of the primary societies by a registering staff adequate and efficient, especially in its higher branches. We do not mean by this that the Registrar should assume the detailed control of societies. These must be left to manage their own affairs, but the Registrar must be in a position to know how they are managing these affairs, and to take action in case of need. In addition to being able to acquaint himself with the working of societies under his charge, the Registrar must be able to give and supervise that teaching of co-operative principles without which proper co-operation cannot be expected to grow."

Paragraph 30 (main report).—"We cannot too strongly urge the necessity of careful teaching both before and after registration. Most of the faults which we have found in societies are due to the lack of such teaching, and the importance of the point can scarcely be exaggerated."

Makbul Husain, after a long experience writes:—“ The chief defect of the administration is insufficient supervision and education of primary societies.” A similar opinion was expressed by nearly all the witnesses who answered our questions or who appeared before us, and is supported by our own knowledge. With properly directed, intelligent and trained supervision most of the causes which are ruining co-operative societies will disappear. Without it the position is hopeless.

28. The responsibility for supervision under the system in force in this province rests primarily on the central banks to which the duties of organization, finance and supervision have been entrusted, and secondly on the departmental staff.

29. Central banks in most cases have consistently neglected it, not, we believe, intentionally, but partly because they are financing bodies and give their attention chiefly to the advance and realization of loans, and partly because their staff is inefficient and is unequal to the duties which it is required to perform. They are administered by directors who are predominantly urban, and inevitably overshadow the representatives of primary societies, and naturally pay special attention to finance. Many of them have insufficient acquaintance with rural conditions, and seldom have much knowledge of co-operative principles. Lawyers, bankers and other professional gentlemen cannot be expected to pay frequent visits to villages and supervise distant societies, and thus they inevitably become dependent on the bank's paid staff. Here and there a public spirited director really works and controls the staff, and in those areas the best and most stable societies are usually found. But the working of the system, whether the actual work is done by a managing director or by a paid manager, has led to excessive centralization and has consequently perpetuated the weakness of the primary societies.

The staff directs its energies mainly to the advance or realization of loans, and is judged more by its success in collections than by the progress of the societies in managing their own business and in the knowledge and practice of co-operative principles. On the contrary by the pernicious practice of making realizations from individual borrowers, it undermines the society and usurps the functions of the panchayat which is reduced to impotence. It is absolutely essential to abolish this interference in the inner working of primary societies if the latter are to thrive and have a life of their own. Supervision is helpful, but the annexation of functions is destructive. Of course reasonable assistance asked for by the panchayat should not be withheld, but the object should always be that the society and its panchayat should do as much of the work as they possibly can.

30. From the above paragraphs two points emerge—the importance of supervision and its neglect by central banks. These banks have been successful as financing agencies and have gained a high reputation for stability, and it is a pity that they should hazard that reputation by the acceptance of a responsibility which they are not expected to fulfil. We agree that they should be relieved of it and have considered various alternatives which we describe below :—

I.—*To combine supervision with audit and place the combined staff under a provincial federation or union.*—Authorities on co-operation recognize that the audit of co-operative societies is something more than an examination of the accounts and balance-sheet. The MacLagan Committee held (paragraph 91 of their report) that it should embrace an inquiry into all the circumstances which determine the general position of a society, that the auditor should notice instances of infringement of rules, should ascertain that loans are made fairly, for proper periods and objects and on adequate security, should examine repayments, and generally see that the society is working on sound lines, and that the panchayat and members understand their duties and responsibilities.

Audit in this province already includes both audit and inspection, and auditors are required to answer about 50 questions dealing with the general circumstances of primary societies. Their work is criticized as formal, unsympathetic and unhelpful to the societies concerned, and it tends to be such so long as their functions are confined to checking accounts and writing formal answers to questions without any responsibility for explaining mistakes to the society and for helping and guiding it. It is urged that it is unnecessary to submit the accounts of simple village societies to a cold, critical audit and inspection suitable to a bank or treasury, that the duties of auditor and supervisor might be advantageously combined, as in the Punjab, where the audit of primary societies is done by co-operative sub-inspectors, and that there is no reason why it should not work equally well in this province. We agree that the establishment of a friendly, helpful audit will benefit primary societies, and will go some way towards removing the complaint of members that there is too much writing and reporting and too little guidance and help, but we think that it will be unwise to entrust the audit of societies to men who are also responsible for their instruction in the business and working of their society, and therefore indirectly responsible also for their proper working.

II.—*To provincialize the bank's supervising staff and place it under a provincial federation or committee.*—This scheme is similar in most

respects to the first, but it maintains the separate audit system. Its defects are that it duplicates the staff and is consequently more expensive, but on the other hand it makes less radical changes and will be popular with the staff—two factors which will make its introduction less difficult. A very rigid system would not be necessary, e.g., in some places supervisors could be lent to banks and would then be their employees for the time being, subject to the control of the provincial committee which would be responsible for seeing that they performed their legitimate duties and were not misused.

III.—*To transfer supervision to a local co-operative committee with the collector as chairman.*—In practice this would mean the transfer of control over the supervising staff from the bank to a committee. This scheme is open to many serious objections, but might work as an adjunct to the second proposal.

IV.—*To leave supervision to supervising or guaranteeing unions.*—Guaranteeing or supervising unions are unions of primary societies for their mutual supervision and education, and, in the case of guaranteeing unions, also for facilitating credit by a guarantee of the joint responsibility of all affiliated societies. There are at present no supervising unions in this province and attempts to start them have failed. Two guaranteeing unions only, both in Bijnor, have survived, while seven others after doing very little work were closed within the past three years. Thus past experience does not indicate a hopeful prospect for the success of this method.

The inherent cause of the failure of both types of union is the weakness of the primary societies on which they rest. Until these societies understand and carry on their own business, their representatives cannot be expected to supervise the work of other societies. It has also proved difficult to induce primary societies to join guaranteeing unions, because, owing to the refusal of central banks to reduce the rate of interest in favour of affiliated societies, there is no financial gain to them to compensate for their additional responsibility. This disinclination on the part of societies is based on a narrow view of the duties of a union and shows a lack of the right spirit of co-operation. Though there is no prospect of the formation of sufficient unions capable of taking over the duties of supervision generally, we believe that great good can be done by them and we recommend that wherever primary societies become really co-operative and sufficiently self-reliant, the question of the establishment either of supervising or guaranteeing unions should be considered. Of the two kinds we prefer the latter. We also think that, in the case of societies attached to a guaranteeing union, central banks might reasonably agree to a reduction in interest in

view of the greater security offered by the joint guarantee. We would not prohibit the co-opting of individual members as allowed in the model byelaws, but we think that as far as possible societies should manage the affairs of the union through their representatives.

31. We recommend that the second proposal be adopted, and that the supervising staffs of central banks be provincialized and placed under a provincial committee, constituted as recommended in Chapter XII, and that the staff should, according to local circumstances, work—

- (a) under the direct control of the provincial committee, or
- (b) under a supervising or guaranteeing union, or
- (c) under a central bank, or
- (d) under a district co-operative committee.

In all cases appointment, promotion, transfer and punishment should vest in the provincial committee, which would ordinarily rely on the Registrar's staff for the immediate control and supervision of the supervisors.

CHAPTER VII.

PRIMARY CREDIT SOCIETIES.

32. Primary societies are the foundation of the co-operative fabric, and their soundness is an essential condition of its strength. The development of independent primary societies is the declared aim of the co-operative department, but only a very moderate degree of independence has been secured, and most societies are still incapable of managing their own affairs. In previous chapters we have pointed out various defects, and have tried to show that the lack of adequate supervision and education is the main cause of trouble, and we have made proposals for its improvement. In this chapter we deal with certain points connected with their inner working.

33. *The secretary.*—The employment of a secretary for a group of societies is prevalent. The Maclagan Committee viewed this system with distrust as tending to give the secretary too much power, and regarded it as a temporary expedient which should be abandoned when opportunity offered. The Local Government accepted this view in principle, but stated that enforcement was not possible until there had been a considerable diffusion of primary education, and pointed out that opposition is experienced from central institutions, as the appointment of group secretary was a valuable piece of patronage and the existence of a group secretary meant less work for the staff than if there was a secretary for each society. We regard the system as unsound, but in many cases inevitable. We find, however, that even where a member is available, the work is done by a group secretary partly because the member is often unwilling to act and partly because the bank staff finds the group secretary more convenient than a number of separate secretaries. We urge that wherever possible a member-secretary should be appointed, and that no society should be classed "A" unless it has such a secretary. We realize that in the majority of societies the group secretary will have to be retained for the present. The chief complaints against him are that he is dishonest and often becomes the master rather than the servant of the society. Both these complaints will tend to disappear when the work of the society is done by the panchayat and members, as we hope will be the case when our proposals for improving supervision have had time to produce an effect. We think that the secretary of a primary society should be called "Munshi," a

name which is better understood in villages and is more in keeping with his functions.

34. We are not in favour of appointing supervisors as secretaries and substituting group supervisors for group secretaries, as we consider that this system will aggravate rather than diminish the evil. The supervisor, being a bigger official, is likely to be a more oppressive tyrant than the secretary, and will be equally interested in keeping the members ignorant in order to maintain his own influence. It is also a more expensive system.

35. School teachers are eminently fitted both by their education and position to be secretaries, but few have been found willing to undertake the work. It is necessary that they should first be interested in co-operation and believe in it. Their interest could be stimulated by the formation of thrift societies, as was done in the Punjab, where they now take an important part in the movement. Until they have imbibed the spirit of co-operation, it is useless to induce them by offers of pay to work for societies, but their services should be obtained wherever possible.

36. In some provinces no society is registered unless it can produce a local literate secretary. We consider this to be a very salutary rule, and would recommend it for adoption if we were not afraid that it would make organization unduly difficult. However, in the formation of new societies every effort should be made to secure a local man, and the organizer should be required to give reasons when such a man is not secured.

37. *Period of loans.*—This is dealt with in paragraph 27, General Instructions, of the Manual. The responsibility of the panchayat for fixing the period of individual loans is recognized. This is very important. The panchayat should fix the period of members' loans, and the central bank that of the society's loans. Obviously the panchayat cannot give extended periods to its members except to the extent of its own capital unless the central bank gives it a similar concession, but the prevalent impression that the central bank is giving it to the members must be avoided. This will only be effected when the central bank staff ceases to make collections from individuals.

The proposals of the Standing Committee (Appendix A) allow considerable discretion and are approved by us, but we think that postponements should be liberally allowed both by banks and societies, when crops are bad or an individual has suffered unexpected loss. When a borrower can pay he ought to pay, but he should not be unduly harassed when circumstances beyond his control make payment difficult or impossible.

38. The method of making loans to members payable on demand and of fixing the actual demand at each harvest might be tried in the case of some good societies. The panchayat may require assistance in making assessments at first. This method is worked successfully in the Punjab.

39. If a society can arrange to accept repayment of loans in kind instead of in cash, we consider that it will be beneficial to the members, but we do not recommend this unless satisfactory arrangements for storing, etc., are made beforehand.

40. *Liquid cover.*—The question of liquid cover has been specially referred to us by Government. We recommend that the proposals of the Standing Committee (vide Appendix B) be accepted as suitable to this province. The proposed rules relate only to primary societies of limited liability which accept loans and deposits and to societies of unlimited liability which accept deposits and do not provide special seasons for repayment.

41. *Payment of old debts.*—The redemption of old debts is very important, but should not be undertaken until a society has proved itself. It is desirable that well conducted societies should undertake the liquidation of their members' debts, but that no society should do so until it is in a position to lend money for a sufficiently long period to enable members to repay their loans from their income. We further recommend that a society undertaking liquidation of debts on a large scale should prepare a scheme after ascertaining the debts of the members and their circumstances.

42. *Caste societies.*—"One village—one society" is the accepted rule in this province, and departures from it are allowed only by the Registrar if the village is either too large for one society or too small even for a single society. Caste societies or at any rate societies composed of men of one caste exist, but are confined to the residents of one village. Some societies of this kind are notably stable. If societies on a definite caste basis are organized, it will be necessary to modify the present procedure. Wherever possible, the society should be limited to the village, and should not extend beyond the area covered by the caste panchayat. The advantages of a caste society are that the members know each other intimately, that the panchayat will exercise a real influence, that moral pressure is considerable, and will have a wholesome effect on misutilization of loans, unpunctuality, etc.. We believe that societies of this kind are likely to be successful and recommend that they be encouraged, especially in those castes in which caste panchayats are powerful, e.g., Chamars, Lodhas and others.

43. *Thrift societies.*—These societies are suitable for school teachers and employees on monthly wages, and are easy to manage. Each member pledges himself to contribute so much monthly and authorizes its deduction from his pay. Their purpose is to encourage saving, though loans can be taken against credits. We recommend that this type of society be encouraged, because, apart from the benefits which it confers by self-imposed compulsory saving, it will interest in co-operation a class of educated men whose help is wanted. A school teacher who is a member of a thrift society is likely to take sufficient interest in co-operation to work as the secretary of his village society.

44. *The money-order system.*—We recommend that more use be made of money-orders, particularly for the remittance of loans from central banks to societies, but also for repayments from societies to central banks. This system is popular in the Punjab where three-fourths of the fees are paid by Government. We recommend that a similar contribution be made by the Government of this province.

45. *Preferential treatment of panchayats.*—We do not think that panchayats should receive preferential treatment. If they understood the principles of co-operation properly they would not expect it. There is a custom in some areas of awarding small gifts of honour to men who have worked exceptionally well, and we think this should be encouraged. An honorarium to a member-secretary is justifiable, but it should not take the form of a monthly payment and should be sanctioned annually at a general meeting of the members.

46. *Liquidation.*—Liquidation proceedings are a gloomy feature of the co-operative movement and their bad effect has been increased by their dilatoriness. There are 781 societies under liquidation, of which 372 have been under liquidation for over 5 years and 27 for over 10 years. Bulandshahr has 94 cases, Budaun 94, Moradabad 90, Benares 69, and nine other districts have over 20 cases each.

(a) We admit that a bad society should be liquidated, and we think that the liquidation of a few bad societies in an area which is generally good has no adverse effect on the progress of co-operation, but we view wholesale liquidation with dismay. If a few societies fail, the cause is presumably due to their own defects, but where a large number in any area are failures, the cause must be looked for outside. In such circumstances we consider that a joint inquiry into the causes should be made by an assistant registrar, an officer of the revenue department of similar status and a non-official, and that their report should go through the Registrar to Government. We believe that the results of such an inquiry will be valuable and the fear of it salutary, and that joint

inquiry will inspire more confidence than a departmental one. Such an inquiry should be made, unless there are reasons to the contrary, whenever 20 per cent. of the societies in the area of a central bank are under liquidation or have been brought under liquidation within the preceding three years.

(b) When in any area societies are showing signs of general deterioration we think that the departmental staff should be increased with the object of trying to improve them, and thereby to save them from drifting into a state which would make liquidation inevitable.

(c) We recommend that the rate of interest payable on the outstandings of societies under liquidation be reduced to the "most usual rate" fixed by the central bank to depositors not exceeding 8 per cent., and that a similar rate be charged by the society to its members.

(d) We also recommend that after the contribution order has been sanctioned by the Registrar, his responsibility for collection should cease and the proceedings should be transferred to the collector for realization of outstandings, subject to such general orders as the Government may make.

(e) Allegations have been made that the principle of unlimited liability is sometimes grossly abused or misapplied. The law does not specify the nature of the liability, and the rule made by Government [rule 31(4)] leaves it to the liquidator to determine the contributions to be made by the members. The instructions [paragraph 167(a)] lay down that "debts owed by insolvent members should be distributed equitably over the solvent members with due regard to their personal responsibility and their capacity to bear the defaulter's burden." Thus it rests with the liquidator to decide how much each solvent member should pay. We consider this to be unsound and to give a loophole for the malpractices of which complaints have been made. The Maclagan Committee (paragraph 47) suggested that this liability should take the form of "contributory unlimited liability," and that any deficit should, after the full payment of shares, be recoverable by a series of *per capita* levies upon the members up to the full extent of their property. This procedure by equalizing the individual burden at each levy leaves less discretion to the liquidator and is consequently less open to abuse. We recommend that it be adopted, and that the rule and instructions be amended.

(f) We also recommend that the share money at a member's credit be deducted from his debt before the contribution order is sanctioned. This will also require a modification of the instructions.

47. *Simplification of accounts.*—The pass-book is simple, and the cash-book, though it contains a large number of columns, is not difficult to maintain, but the ledger appears to be somewhat complicated. The main reason is that efforts have been made to include a good deal of information in one register. We are not in a position to make any definite recommendation, but suggest that a possible solution lies in the separation of the ledger into two registers.

CHAPTER VIII.

CO-OPERATION AND AGRICULTURE.

48. *Agricultural societies.*—Though practically all the energies of co-operative workers have been devoted to credit societies for the benefit of agriculturists, little has been done to advance the organization of agriculture on co-operative lines. Two seed supply societies have survived, and are working with some success in a small way. Two out of the three remaining dairies have ceased to do business, and all the *ghi* societies are dead. The single cattle insurance society is moribund, and the cattle-breeding society after working at a loss has been closed.

Failure was due in most of these experiments to inexpert management, dishonesty and lack of supervision.

49. *Organization of agriculture.*—The co-operative organization of agriculture is a vast problem, and at present can be regarded only as a far distant ideal, but, however distant it may be, it is good to recognize that in a country of small agricultural holders, whether they are proprietors or tenants, progress is impossible without some kind of organization, and that co-operation offers the most suitable and profitable form in such circumstances. If this is admitted, and we do not see how it can be denied in the face of the evidence of other countries and in the absence of an alternative method, we think that much more attention should be paid to this aspect of co-operation, and that the study of rural problems should occupy a far higher place than it does among the interests of the co-operative department. The problem to be tackled is rural poverty and it can be tackled in many ways and from many sides. In the present backward and ignorant state of the cultivators a big movement is impossible, but most big movements have had small beginnings, and even failures are valuable, if advantage is taken of the experience learnt from them.

50. We publish (Appendix C) a note from the Director of Agriculture from which it is clear that the co-operative department has failed to make use of the facilities and help given by the Agricultural department.

51. In order to bring the co-operative department into closer touch with scientific agriculture, we recommend that graduates of the Agricultural College should be given preference to appointments as junior assistant registrars, and that each year a certain number of officials of

the co-operative department should take a course at an Agricultural College, and some officials of the Agricultural department should attend a co-operative class. The co-operative staff should be drawn as far as possible from rural areas and from families actively interested in agriculture. By these methods we think that a knowledge of agriculture and a sympathy with rural needs will gradually permeate the departmental staff.

We also urge that the officers of the two departments in all grades should work in closer collaboration and should endeavour to understand each other's problems and difficulties. Both are concerned in solving the problem of rural poverty through agricultural improvement.

52. *Recommendations.*—Societies for the sale of agricultural produce are difficult to manage and are not recommended at present, but more seed stores, societies for the supply of improved agricultural implements and societies for the supply of sugarcane presses and boilers could be started with advantage in many localities as soon as the department is equal to the task of organizing and supervising them. There is reason to believe that societies of these kinds will be popular among good agriculturists, such as the Jats and others who do not seem to care much for credit societies. It is to such societies that the help of the Agricultural department can best be given, specially for popularizing their improvements and proved methods of better cultivation.

In the Punjab "better farming societies" have been formed, the members of which bind themselves to act in accordance with the advice of agricultural experts, and "demonstration farm societies" for the purpose of cultivation according to methods advised by the Agricultural department.

A society on the lines of a demonstration farm society has been started in Fatehpur. If the experiment is a success, we recommend that similar farms be started in other districts, where conditions are favourable.

53. Finally, we think that the energies of the co-operative department can for the present best help agriculture by putting rural credit societies on a sounder basis. These form the best foundation for more ambitious schemes and experience in other provinces has shown that where there is a well managed and successful credit society, there will be found the best prospect for other forms of co-operative activity.

54. *Consolidation of holdings.*—There is, however, one form of co-operative activity which might well be pressed on, viz., the consolidation of holdings, whether proprietary or tenancy, by mutual consent.

This, if successful, will be of immense help to agriculture, and is a very valuable way of spreading the co-operative spirit. If cultivators can be induced for their mutual advantage and without legal compulsion to exchange their lands, the principles of co-operation will have gained a great victory.

Government when passing orders on Pandit Shyam Bihari Misra's report in Resolution No. 2308/IA of May 27, 1924, expressed views favourable to consolidation on co-operative lines, and thought that just as in other countries scattered holdings are giving way to compact holdings, Indian agriculture would follow the same course, but they held that it would be a mistake to force the pace. They accordingly rejected all idea of compulsory consolidation, but issued instructions to the Registrar to institute experiments by forming co-operative societies on the lines of the Punjab experiment and promised to place an officer on special duty to direct operations when the inquiries of the co-operative department indicated that there was some prospect of success. We understand that a society for consolidating tenants' holdings has been formed in Saharanpur and that others are contemplated. In the Punjab, where consolidation on co-operative lines has been successfully carried out in 174 villages, the practice is to defer registration until consolidation is complete, because it has been found that people are willing enough to accept consolidation in theory and to form a society, but raise difficulties later on. Registration thus cements the work and provides machinery for any dispute that may subsequently arise. In an area of 10,411 acres dealt with last year in the Punjab 17,707 blocks have been reduced to 3,255, and the average size has increased from 6 to 3.75 acres. Consolidation also is invariably followed by an increase in the number of irrigation wells. When it is decided to place an officer on special duty, we think he should first be sent to study the actual working methods of consolidation in that province.

We advise that action be continued, and we suggest that this is eminently a way in which the Court of Wards and good landholders generally can render valuable assistance. It is very desirable that action should be as concentrated as possible, for success in one village will facilitate the work in neighbouring villages.

CHAPTER IX.

CO-OPERATION AND INDUSTRIES.

55. By the term "industries" we mean those occupations like weaving, durrie-making, leather-working, etc., which are carried on by individuals or groups of workers and are called "cottage industries."

Co-operative organization is even more necessary to the craftsman than it is to the small agriculturist, because he has to face competition from large factories and mills. So far little has been achieved on co-operative lines.

There are 82 credit societies of which 40 are for weavers and 30 for leather-workers, and the rest for bangle-makers, coppersmiths, durrie-makers, etc. Some of them are doing useful work, but there have been many failures.

56. *Industrial societies.*—It does not seem to have been sufficiently realized by organizers that industrial credit societies are more difficult to manage than agricultural credit societies, and require closer supervision and more constant attention. The number of societies for each supervisor and junior assistant registrar in their case should be half that recommended in case of agricultural societies. Wherever possible the supervisor should be an expert in the trade of the societies concerned in addition to his co-operative training.

57. *Supply of material.*—It has been urged that these societies would be more appreciated if they were supplied with raw materials instead of money, and if arrangements were made for the sale of their products. This is undoubtedly true, but the contention loses sight of the fact that the co-operative system is not intended to do things for people, but to help them to do things for themselves. We see no reason why primary societies should not themselves buy the raw materials (yarn, leather, etc.) from mills or wholesale dealers and distribute it to their members. A little guidance and supervision would be required, but in each society one or two members capable of buying are likely to be found.

The only alternative method on co-operative lines is the formation of central industrial societies or stores based on the primary societies. Individual members could be co-opted, if necessary, but ultimate control should vest in the representatives of the affiliated societies. No central

organization of this kind has been started yet, and such central stores as have existed have not been based on primary societies and have not succeeded.

58. *Sale of products.*—A note by the Registrar (Appendix D) shows the result of efforts to organize "purchase and sale societies." He cites as the main reasons for failure inherent defects of character in the artisan class, want of co-operative spirit and inefficient management. These reasons doubtless existed, and were aggravated by a lack of supervision and a corrupt staff.

A central store could arrange for the distribution of raw material to its affiliated societies according to their indents, but for the purchase of the material it would have to rely either on the Industries department or on a skilled buyer. It will be very difficult to get a competent and honest man for this post on the pay that could be offered.

The sale of finished products is a difficult business and requires considerable business experience and capacity. We do not think that this should be undertaken by a central store, until it is well-established. A central store might, however, take contracts and distribute the work among its primary societies, and collect and standardize the articles produced by them.

59. Industrial societies, though worthy of support, have had difficulties about funds. Central banks which were founded for the financing of agricultural societies are inclined to be afraid of them, mainly because the members are usually men of little substance. This distrust has some justification and can only be overcome by the societies proving that they deserve confidence. In these circumstances the only alternative appears to be the formation of central industrial banks and we recommend that their establishment be encouraged at suitable centres.

60. *Supervision.*—We think that having regard to the difficulties of attending the supervision of industrial societies Government should give a greater measure of help and should definitely undertake the whole cost of supervision, wherever there are sufficient societies to justify the step. This is done in industrial centres in the Punjab, where both inspectors and sub-inspectors for industrial groups of societies are paid for by Government.

61. A loan of Rs. 20,000 repayable up to ten years has been made by Government since 1924-25 to central banks for advancing to industrial societies. Government charges 7 per cent., and allows the banks to charge societies up to 10 per cent. We are informed that banks are unwilling to pay 7 per cent. interest, and that half the allotment for the

current year has not yet been utilized. We recommend that Government reduce its interest to 5 per cent., and that banks be allowed to charge $6\frac{1}{2}$ per cent. The margin of $1\frac{1}{2}$ per cent. is sufficient to cover the risk and cost of management, especially as we have recommended in the preceding paragraph that Government should undertake the whole cost of supervising such societies.

62. When dealing with agricultural societies we urged that the staff should be sympathetic and should understand rural economics, rural problems and improved agricultural methods. Similarly if any real progress is to be made with industrial societies, the staff must understand industrial and commercial problems, and must study markets and sources of supply. In these respects the help of the Industries department is necessary.

63. There is a special junior assistant registrar for industrial societies who is separately graded on a higher scale of pay than the other junior assistant registrars. The intention clearly is to obtain a man with special qualifications. This is right, but the man appointed should not get precedence over other junior assistant registrars on account of his higher pay. Having regard to the present number of societies we recommend that two such men be appointed and that their number be increased with the development of industrial co-operation.

64. In some cases instalments of loans to industrial societies have been made repayable at the same seasons as loans to agricultural societies and without regard to the conditions of production or the convenience of the societies. We think such loans should ordinarily be repayable in monthly instalments, or at times most convenient to the societies concerned.

65. As regards the question of limited and unlimited liability, we think that the recommendations of the Maclagan Committee (paragraph 16) are sound and should continue to be followed.

CHAPTER X.

CENTRAL BANKS AND UNIONS.

66. Central banks have been founded in most cases by groups of public-spirited and well-to-do men, who contributed share capital and business ability in order to raise funds for the benefit of primary societies, and they have won a considerable degree of public confidence. The shareholders consist partly of individuals and partly of societies, but the representatives of the latter take as yet little part in the management. Experience has shown that their directors have been generally successful on the financial side of their business, but less successful in supervision which is the crux of the co-operative problem. In previous chapters we have recommended methods for improving the supervising staff, and have considered the possibility of establishing some intermediate body between central banks and primary societies, such as guaranteeing unions and supervising unions. In this chapter we deal with a few other necessary points connected with central banks.

67. *Banking unions.*—A banking union differs from a central bank in that it has no individual members and usually covers a smaller area. It should be managed entirely by the representatives of primary societies and is very useful where such societies are strong and independent. In this province banking unions differ from those of the usual type owing to a provision in the byelaws giving the members the right to co-opt non-members to the directorate. This right is usually exercised to secure the services of men of business capacity. The unions work on the same lines as central banks and have been generally successful as financing agencies. Power tends to fall into the hands of the co-opted members owing to their superior education and ability. The representatives of primary societies, however, can exercise more control than in central banks, and have the power at any time to take over the entire management. We consider that this form of bank is very suitable as a means of relieving central banks either when the number of societies has gone beyond their control or when societies are situated at an inconvenient distance, and can form a separate convenient group.

68. *Agencies.*—Agencies have been formed by several central banks whose area of operations is large, and have worked with some success. In the case of the Arya and Christian banks, which are not territorial, such agencies are a necessary part of the system, and in the case of other banks they have been moderately successful, where there has been proper control, but power is apt to fall too much into the hands of the

assistant manager. Their main utility is that they facilitate the payment and repayment of loans.

69. *The scale of liquid cover.*—This question was discussed at length by the Standing Committee in 1924 and 1925 and its recommendations which were submitted to Government (Appendix E) have been sent to us for opinion. We consider that having regard to local conditions the scale and form of liquid cover recommended by that committee are suitable and should be sanctioned. The scale is lower than that advised by the Maclagan Committee, but in this connexion we should like to point out that central banks having few accounts payable on demand are not liable to sudden runs, and secondly, that many depositors are local men who can easily be induced to renew their deposits if payment is temporarily inconvenient.

70. *Paid staff.*—If the recommendations made by us in Chapters V and VI for the relief of central banks from the duties of organization and supervision are accepted, they will require only office establishments. The staff required will vary according to the number of primary societies and the amount of money involved in the bank's transactions from a single clerk-accountant to a manager, a clerk and an accountant or more. As the work will be of a clerical nature only, appointments should rest entirely with banks without any right of control by the Registrar.

71. *Sanction of loans.*—When an application for a loan is sent from a society it is accompanied by a list of the members to whom loans are to be given. We do not consider that the list of borrowing members is either necessary or desirable. The bank lends to the society, not to the individual member, and should avoid anything that encourages the belief that it is dealing with individuals. We recommend that this list be discontinued. So long as it is submitted an opportunity is given to the bank staff for interference in the internal affairs of the society and for dealings with individuals, a practice which has sometimes led to malpractices, and inevitably tends to destroy the society's independence and to sap the authority of its panchayat. The list is not required under any rule, but the prescribed form provides for it. The sanction of the bank should be obtained when it is proposed to give any member of a society a loan in excess of his normal credit.

Before sanction, applications are usually sent to managers or supervisors for report. When the report is an office report, implying that the application is in order and relating to the previous outstandings of the society and its maximum credit, etc., it is not open to objection and is necessary. But when it entails verification or local

inquiry about individual loans, we consider that it is open to serious objection. Delay is caused and an opportunity is given for that type of interference which we have strongly deprecated above. Paragraph 82 of the Manual lays down that a local inquiry should only be made if there is anything doubtful, but we find that in some banks applications are sent for report as a matter of course, and that in others they are forwarded through supervisors. Both methods are objectionable. Occasionally a local inquiry may be necessary, but such cases are rare.

72. *Recovery of loans from societies*.—An objectionable practice has grown up of sending out managers and supervisors to make collections. This has come to be looked upon as one of their most important duties, and they are mainly judged by their success in it. There is nothing in the rules to justify this practice. Paragraph 84 runs thus:—“It is the duty of the manager to warn societies a month beforehand of instalments that will fall due. The staff should be ready to give advice and reasonable help to societies in the matter of collection from recalcitrant members, though no opportunity should be lost of impressing on the panchayat that the duty of collection devolves entirely on them.” Too wide an interpretation has been given to the words “reasonable help,” and the staff has seized the opportunity for interfering in collections, just as they have taken advantage of the list to interfere in advances.

We do not say that in all societies the duties of the panchayats in the matter of advances and collections have been usurped, but we maintain that this is so in the case of very many societies and is the tendency everywhere, and we consider that no real advance in co-operation is possible until this kind of interference is stopped and societies are taught to do their own business. The two points are very closely connected. Interference in advances is almost necessarily followed by interference in collections. If the individual member is beholden for his loan to the bank and its staff, he will repay only on the bank's direct demand. Moreover, the panchayat will feel no responsibility for loans which it has not sanctioned. If the panchayat is responsible for the loans to members, as it legally is, it will feel a responsibility also for their realization, but if loans sanctioned by it are checked and altered by the bank or granted, as is sometimes done, without its authority, it naturally expects that realization will be made in the same way. This system reduces co-operation to a mere money-lending business, and the co-operative society to a group of money-lender's clients. If the supervising staff is employed on duties outside its proper sphere, it obviously has no time for its legitimate duty of supervision, with the result that supervision is neglected and primary societies do not flourish.

CHAPTER XI.

PROVINCIAL CO-OPERATIVE BANK.

73. The question of establishing a provincial bank has been under discussion for many years. In 1917 Government, on the advice of a conference of experts, published a scheme with draft byelaws for public opinion, but very little interest was taken in the proposal and no opinions or criticisms were received. The standing committee of co-operators opposed the scheme, but the provincial co-operative conference took the opposite view, and in 1924 resolved that such a bank was highly desirable and that a scheme should be framed.

74. The functions which could be performed by a provincial bank are—

- (1) to control the interlending of central banks;
- (2) to obtain funds for financing central banks by the sale of shares and by deposits or loans from individuals and commercial banks, and also from other provincial banks, and from co-operative institutions within the province;
- (3) to issue long-term debentures;
- (4) to invest the surplus funds of central banks;
- (5) to discount co-operative paper.

We make the following remarks on the various functions:—

(1) The Registrar at present controls interlending, and owing to his knowledge and means of getting information he is in a unique position for doing so, and in any case his opinion would frequently be needed.

(2) Hitherto 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. An unsound institution will have the same trouble in obtaining money from the provincial bank as from another central bank. A sound institution will not ordinarily require money, but will expect the provincial bank to take its idle money.

(3) If mortgage banks are started a provincial bank will probably be wanted to finance them by the issue of debentures.

(4) Seasonal idle balances are likely to be as inconvenient to the provincial bank as they are to central banks.

Such balances accumulate for about three months, June to September, and were as follows :—

			Rs.
June 30, 1923	...	...	8,45,489
„ 1924	...	...	15,77,977
„ 1925	...	...	12,13,329

Probably not more than half these amounts would be available even for three months' investment. Inquiries made by us from the Imperial Bank of India and two other banks show that there is usually a glut of money at this season, and that short-term deposits would be hard to place, but a provincial bank can often arrange investments in the provincial banks of other provinces.

(5) The Imperial and other banks now refuse to accept pro-notes of co-operative societies. A bank willing to discount co-operative paper would certainly be useful.

75. The Maclagan Committee expressed the view that there should be a provincial bank in every province, and their advice has been followed in all other provinces. Such banks are doing useful work, but great caution is required when embarking on a financial scheme of this kind, as experience has shown that they can be a source of danger.

We think that such a bank is needed, and we recommend that action for constituting it be taken. Much useful information is contained in a note (Appendix F) kindly prepared for us by the late Registrar. We realize the difficulties which he has pointed out, but having regard to the success attained by provincial banks in other provinces, we think, in view of the observations made in the preceding paragraphs, that the time has come for this province to follow their example.

76. A start should be made on modest lines, and the functions of the banks should at first be—

(a) to control interlending between central banks,

(b) in special cases to make advances to central banks.

As experience is gained it could increase its activities under (b) and accept deposits. The Punjab provincial bank admits only central banks and primary societies as shareholders, but similar banks in other provinces admit individual shareholders. We recommend the admission of the latter, though the system is not strictly co-operative as it will add to the strength and utility of the bank, but the rules should provide for a majority of directors from co-operative institutions. If debentures are issued, we recommend that, subject to necessary conditions, Government should guarantee the interest on them.

CHAPTER XII.

A PROVINCIAL CO-OPERATIVE COMMITTEE.

77. In Chapter VI we referred to the establishment of a provincial co-operative committee. The nucleus of such a union exists in the committee known as the Standing Committee of Co-operators which was constituted in 1919 and consists of 20 members elected by central banks, one member by isolated societies and five members nominated by the Registrar, with the Registrar as president, and the Deputy Registrar and a non-official as vice-presidents. Its functions are—

- (a) to advise the co-operative department and to report on any matter referred to it by the Registrar or by any co-operative institution;
- (b) to deliberate on co-operative problems and to suggest improved methods in the working of societies;
- (c) to help generally in the development of co-operation.

We recommend that this committee be reconstituted and be called the United Provinces Co-operative Committee, and that in addition to its advisory functions, it be entrusted with the control of the organization and supervision of primary societies.

78. Its present constitution is not wholly co-operative, and we recommend that the nominated element be gradually eliminated. We might explain here that a truly co-operative body must be managed by its members. Thus a primary society must be managed by its individual members through their panchayat, a central institution by its primary societies through their representatives, and a provincial bank or provincial federation or committee by the central institutions through their representatives. Co-operative control is essentially democratic and proceeds upwards, and at each stage is vested in the body of members. At present owing to the weakness of the primary societies the structure is incomplete, and central institutions have both individual and society members, but the fact that they are not wholly based on primary societies is no reason for not basing provincial on central institutions. Ultimately when primary societies have gained strength and have learnt to manage their own affairs, their influence on central banks will increase and the structure will become more co-operative.

79. We recommend that for the present the existing method of election to the Standing Committee be retained for the provincial committee, but that later on a more directly representative system be introduced, and that a federation open to all co-operative institutions be formed.

The Registrar should continue as president, at any rate for the present, in order to keep the committee in close touch with the department, and to guide its deliberations. But his aim should be to educate it to come to the right conclusions, not to impose his own views, so that ultimately it may be able to have an elected president.

The committee should meet twice a year and should appoint a small working committee to meet monthly and dispose of executive business.

80. In addition to its present advisory duties, the committee should deal with all technical and detailed points of administration with which individual banks and societies cannot deal, but should not insist too much on uniformity of methods. Experiments are necessary in a big movement and variety is desirable and suits local circumstances. Moreover, too much instruction destroys responsibility. It should also appoint, promote, punish, transfer and control all supervisors, and should pay them from a fund subscribed partly by contributions from central banks and partly by grants from Government.

Other functions will arise as the movement increases.

CHAPTER XIII.

LAND MORTGAGE BANKS.

81. In volume II of his "Studies in European Co-operation" Mr. Strickland has given a full description of the theory and practical working of land mortgage banks both in Europe and India. We agree with his conclusion that such banks should be co-operative. Co-operative banks of this nature have been established in Bombay, Punjab and Madras, and co-operative societies in Burma.

82. The usual objects of land mortgage banks are the redemption of mortgages on land, the improvement of land and of methods of agriculture, the liquidation of old debts, and, in special cases, the purchase of land. They differ from co-operative credit societies mainly in that loans are given for longer periods, i.e., up to 20 or 30 years and liability is not necessarily unlimited. Funds for lending are ordinarily obtained from members' share-money, loans and debentures.

The area of operation should be the smallest unit consistent with competent management.

Punctuality in repayment should be very strictly enforced, and no loan should exceed half the value of the mortgaged property.

Where there is no legal obstacle it is desirable that a mortgage with possession be taken, and the mortgagor be put in as lessee of the bank.

83. The question of their establishment in this province was discussed by the provincial co-operative conference in 1912, but was dropped mainly because the difficulties attending default appeared to be insuperable.

84. There are two types of bank—

- (1) Those which deal directly with individual members and grant loans on first mortgage of the borrower's property.
- (2) Those recently constituted in the Punjab are closely connected with primary credit societies and lend only to or through such societies.

It is claimed that through their agency the mortgage bank can best arrive at a knowledge and supervision of its borrowing members.

The latter system would probably be suitable in those districts where the land is largely held by small proprietors, but the establishment of sound primary credit societies is a preliminary condition.

85. It is well-known that land mortgage banks are difficult both to finance and manage, and we consider that it is inadvisable in the present state of co-operation in this province to make any immediate attempt to establish them, but we advise that the experiments in the Punjab and elsewhere be watched with a view to subsequent action. If, however, any such bank is established by private efforts, it should be encouraged and guided.

86. A properly controlled system of mortgage credit is too valuable to be allowed to run the risk of disaster through lack of financial support in its early stages, and when a start is made Government should, as in other provinces, help the movement for a period by a loan, by taking up debentures, by guaranteeing interest on debentures, or in such other way as may appear desirable. The advantage of a guarantee is that it covers the entire amount of the issue, whereas a loan or the taking up of debentures leaves the remainder of the issue to be taken by the public entirely at its own risk. A guarantee will, therefore, be the more effective.

CHAPTER XIV.

PUBLIC AID.

87. In this chapter we deal with the position of Government in regard to the co-operative movement and the measure of help that can reasonably be expected from Government and Government officers and from municipal and district boards.

88. The co-operative movement in India owes its origin to Government and consequently stands on a different footing as regards public aid to co-operation in other countries, though no Government is now indifferent to its progress or withholds its countenance and assistance. Moreover, owing to the initiative and help given by Government from the outset the movement has always been identified with Government and is still generally regarded by the people of this province as a Government movement. We know that the Government of United Provinces have discouraged this idea, and have tried to make the movement a popular one, but the fact remains that in the countryside the co-operative society is still the "sarkari bank," and, if failure comes, discredit is reflected on Government. There are many reasons for this. The early societies were founded by Government officers, district banks have inspired confidence largely because the district officer is their chairman, district and sub-divisional officers have interested themselves in the welfare of primary societies, and even at liquidation arrears are realised like Government revenue and not like private debts. Thus Government has, in fact, committed itself and cannot withdraw without disastrous effects, and we think that the present circumstances of the movement demand a more vigorous policy and a greater measure of assistance. Co-operation as a system is no longer on trial, and it is capable of achieving in this province a success equal to that in other countries and other provinces.

We recommend first that Government make it clear that co-operation has its strong support, and secondly, that they give it more financial aid, especially for the purpose of increasing and improving the departmental staff. The Government of this province spends, we notice, less on co-operation than any other large province. viz., Rs. 1,86,000, against Rs. 6,36,000 in the Punjab, Rs. 6,28,000 in Madras, Rs. 5,29,000 in Bombay, Rs. 4,63,000 in Bengal, Rs. 4,30,000

in Burma, Rs. 2,28,000 in Bihar and Orissa and Rs. 1,87,000 in the Central Provinces and Berar.

89. *Concessions.*—Co-operative institutions are exempted from income-tax, stamp duty and registration fees under certain conditions, and can make remittances by R. T. R. and cash orders.

In 1923 Government rejected a proposal of the Standing Committee that municipal and district boards be permitted to deposit in approved central banks—

- (a) surplus funds,
- (b) cash securities of contractors and employees,
- (c) provident funds of employees.

These deposits are authorized in Madras and the Punjab subject to certain conditions. We strongly recommend that the refusal be reconsidered, and that sanction be accorded.

90. In order to facilitate remittances between central banks and primary societies by money-order, we recommend the refund by Government of three-fourths of the money-order fees. This will help to remove one of the grievances of distant societies. The money-order system for the remittance of loans is successfully used in the Punjab where a refund, as proposed by us, is made.

91. Government have sanctioned loans for industrial societies (paragraph 61), and the Governments of Bombay and Madras have made loans for "housing societies." The house difficulty is acute in some centres of this province, and efforts to solve the problem by building houses on co-operative lines are being made. We recommend that loans at reasonable rates of interest be given by Government to approved societies of this nature.

92. *Assistance of Government officers.*—The relation of district officers to the movement is defined in the Government of India Resolution No. 12-287 of June 17, 1914 (Appendix G), with which the Maclagan Committee expressed entire agreement. We have noticed with regret a tendency on the part of district officers to remain aloof and to treat co-operation as a thing with which they have little or no concern. They are usually chairmen of district banks, but, apart from their duties as such, very few take much active interest in the movement. Sympathetic encouragement from district and sub-divisional officers is very helpful, and we venture to suggest that their attention be drawn to the Government of India's views. Much good can be done by them on tour in visits to societies and in discussing progress or grievances with members, and so on. It is desirable that they

should understand the general principles of co-operation, and we suggest that more books on the subject should find a place in collectorate libraries, and that the provincial co-operative journal be supplied to each district. A paragraph on co-operation should be added to the district and provincial revenue administration reports.

As regards other departments, the collaboration of officers of the Education, Public Health and Veterinary departments is obviously necessary, as well as that of the departments of Agriculture and Industries to which we have already drawn attention.

93. *Municipal and district boards.*—The best general way in which these boards can render assistance is by increasing the facilities for primary education and by improving communications. More directly they can help by depositing their surplus cash and provident funds in central banks and by accepting deposit receipts of central banks in lieu of cash deposits from contractors and employees, if these proposals are sanctioned by Government (vide paragraph 89).

In some places boards contribute to the pay of organizers. We suggest that other boards be invited to do the same.

94. Some apprehension has been felt that district boards, several of which are drawing up schemes of taxation, may assess primary societies to the tax on circumstances and property. It does not seem likely that such societies will be taxed, and we are strongly of opinion that they should be exempted, if necessary, by a general order.

CHAPTER XV.

THE CO-OPERATIVE DEPARTMENT.

95. *The Registrar.*—The importance of the Registrar's post to the success of co-operation can hardly be exaggerated. He is the main-spring of the movement. His duties have been described in paragraph 192 of the Maclagan Committee's report and in order to fulfil them he must, in the words of that committee, "be continuously studying co-operative literature, and make himself acquainted with economic conditions and practices both throughout India and in his own province; he must know the principles and methods of joint stock banking, and must examine the systems of developing thrift and inculcating co-operation which have been tried in other countries. He is also head of a teaching establishment, and must devise effective means for impressing a real knowledge of co-operation on the bulk of the population. He has further to control a large staff, to advise Government on various subjects, to keep in close touch with the higher finance of the movement, to attend conferences, co-operative and agricultural, to keep in touch with markets, honorary organizers and other well wishers and various departments of Government". They then (in paragraph 193) went on to say:—"In dealings with other departments and with outside bankers and businessmen it is important to have as Registrar an officer of some standing, and it would in our opinion be a grave dereliction of its duty for a Local Government to entrust interests of so vital and so far-reaching a character to any but picked officers of experience and authority." We quote these views because we wish to give emphasis to the importance of the post, and because we consider that the working of the staff and the future of the movement depend so largely on the personal qualifications of the Registrar. Enthusiasm and the power of inspiring it in others, drive, initiative and a wide education fortified by special training are in our opinion essential qualifications. We think that preliminary training in Europe, though desirable, is no longer essential, as there is plenty of literature on European co-operation, but that, after a month for reading books on co-operation, a training in the Punjab followed by visits to Bombay, Madras or other provinces will provide sufficient preliminary training. We do not

think that it is sufficiently realized that co-operation is a technical subject and that a man cannot guide its destinies without previous training.

96. We also recommend that the registration of joint stock companies at present done by the Registrar of Co-operative Societies be given to some one else, as we consider that the whole of his time and all his energies should be devoted to co-operation.

97. *Deputy Registrar.*—The Economy Committee recommended in 1923 that the post of Deputy Registrar should be abolished and that the number of assistant registrars should be increased. At present the Deputy Registrar is used practically as an assistant registrar, and if this system is continued, he could be replaced by two assistant registrars with advantage, but, having regard to the size of the province, the need of supervision, the number of societies and the extra work that their improvement will cause and the desirability of having a trained and experienced man available to take the Registrar's place when necessary, the majority of us, are of opinion that the post should not be abolished. Five members of the committee are in favour of increasing the number of posts to three, and they point out that in the Punjab, with half the area and population of this province, there are two deputies, and that these posts were created not to cope with the present number of societies in that province, but with the number that existed when the development of co-operation was seriously undertaken. Two members would abolish the post and two think that the number should be raised to two. If the number is increased, the scale of pay should be revised and the post should not be listed. A definite area should be assigned to each deputy in which, under the Registrar's control, he should exercise all or most of the Registrar's ordinary functions. It is impossible for the latter to visit all parts of the province, and his deputy should be able to relieve him of a large part of his duties, and also be available to carry on urgent work when he is busy with committees, etc. The deputy should not be allowed to sanction changes in model byelaws, or to take any action which affects the province as a whole without the Registrar's approval. His training should be similar to that of the Registrar.

98. *Assistant registrars.*—There are two assistant registrars at present, both being deputy collectors temporarily employed in the Co-operative department. Their circles, like that of the deputy, cover 17 or 18 districts each. It is hopeless to expect them to do useful work when they have to travel over such wide areas. We do not think that an assistant registrar can perform effective duty in a larger area than

a Commissioner's division, and accordingly we recommend that the number of assistant registrars be increased to ten, viz., one for each division, and that their pay be Rs. 300—30—800, in the case of officers directly appointed or promoted. In the Punjab no assistant registrar has more than three districts, and the standard aimed at is an assistant registrar for each district.

As regards the number of societies that an assistant registrar can manage we recommend from 1,000 to 2,000 according to the area covered by them and their condition. In existing circumstances we think 1,000 should be the maximum. We make these recommendations on the understanding that the assistant registrar is to spend far more time over superintending the supervision of primary societies and visiting them than he does at present. We think that junior assistant registrars of energy and proved merit should be eligible for promotion to this post. Officers transferred from other departments should undergo a course of training similar to that of the Registrar, but of shorter duration.

In some provinces honorary assistant registrars are appointed. Similar appointments might be made in this province, provided men of sufficient training and experience are selected.

99. *Junior assistant registrars*.—There are 27 junior assistant registrars (formerly called inspectors, a title which, we think should be restored) on pay from Rs. 140 to Rs. 240 per mensem, with a special post for industries on Rs. 300 to Rs. 360. Twenty are employed as circle inspectors in charge of about 300 societies each, with the audit of one or more central banks and of about 40 societies, five are employed exclusively on audit, and one is deputed for industrial societies. Thus five men are entirely lost so far as their proper duties are concerned, and the rest have to devote a considerable time to other duties. The employment of men of this class on original audit is wasteful and should be stopped, but we understand that it has been forced on to the Registrar by the paucity of auditors. They are also required to supervise liquidation and in some cases to work as liquidators.

Their duties are laid down in Chapter XV, Co-operative Manual, which makes them responsible for the proper working of all co-operative institutions within their circles, and instructs them to keep in touch with all voluntary workers, sarpanches, etc., to watch the work of the local supervising staff, to encourage propaganda, to examine on the spot all applications for registration, to review audit notes, and so on. They are told that their aim is to develop independent primary societies, and they are required to keep in close contact with the societies, to

attend meetings and teach the members how to carry on their business by helping them to transact it under their guidance. If they had been able to carry out these instructions, the state of co-operation would have been very different, but compliance was a practical impossibility. It is hopeless to expect a man, even if he has no other duties, to keep in touch with 300 societies scattered over several districts, and to exercise an effective control over them. We note that some of the work placed on them is the duty of supervisors.

The Maclagan Committee, in paragraph 12 of the summary, stated in clear words that the Registrar "cannot abrogate his responsibility in the matter of directing and supervising co-operative audit and supervision, and must see that the influence of central financing institutions is not misdirected or applied in wrong, improper or mischievous ways and must maintain an efficient direction and control to ensure that the movement is kept on co-operative lines. The Registrar must be able to give and supervise that teaching of co-operative principles without which proper co-operation cannot be expected to grow." It is mainly to enable the Registrar to carry out these functions that the appointment of junior assistant registrars is justified. Thus the teaching of co-operative principles and practice should be the most important part of their duties, and we regret to find that so little attention has been paid to it. In the Punjab where co-operation has become a living thing, the secret of success is the education of members in co-operative principles and practice and in the business of their calling, and these are regarded as the main duties of the departmental staff. We recommend that a similar line of action be taken by the departmental staff of this province.

We consider that the number of junior assistant registrars is very inadequate, and that a heavier burden has been placed on them than they can bear, and we recommend that about 150 societies according to the area covered be taken as a fair charge, and that they should be required to do test-audit only, not original audit. If these views are accepted, their number should be raised to 52, viz., 45 for circles, two for industries and a reserve of five for leave, liquidation work, etc., and that this number should be increased as societies increase.

100. *Recruitment of junior assistant registrars.*—Sympathy with agriculturists and a knowledge of rural economics and needs are essential qualifications for men whose lives are to be spent in educating village people. In making direct appointments preference should be given to the sons of agriculturists, preferably those who are graduates in economics or graduates of Agricultural Colleges. Appointments might be made

by promotion as well as by direct recruitment. We recommend that the pay be Rs. 120—10—250.

101. *Training of junior assistant registrars.*—Careful training is necessary, since on them depends the training of all co-operators. We recommend three months in the field under an experienced junior assistant registrar, followed by a three months' course in rural economics with special courses of reading and lectures. The candidate should then pass an examination in the law, theory and practice of co-operation, etc. In the Punjab a successful candidate is given a post as sub-inspector which he usually holds for about 9 months and does audit and general work. In order to keep in touch with agriculture, junior assistant registrars should have some training at an Agricultural College. Throughout their service the reading of co-operative literature should be insisted on, and attendance at annual refresher course in each assistant registrar's circle are desirable during the sowing or harvesting months when there is not much fieldwork to do. The Punjab method of training should be adopted as far as possible (vide Appendix J).

102. We are also of opinion that the tendency to write long inspection reports should be checked. An inspection should be for the good of the society inspected, and only those points should be reported which require the orders of a superior officer, or are necessary for his information. So far as possible everything should be dealt with on the spot in discussion with the *panchayat* or members. Clerical and routine work should be reduced as much as possible.

103. *Audit.*—There are at present 23 auditors on Rs. 50 to 100 per mensem. They are appointed by the Registrar and are nominally paid by Government. Audit fees are levied at 6 annas per Rs. 100 of working capital of central banks and at $3\frac{1}{2}$ annas per Rs. 100 of working capital of societies. These fees are credited to Government and do not form a fund, but the Finance department sees that expenditure does not in the long run exceed receipts. The advantage of this system is that funds are always available for the staff as sanctioned, and the disadvantage is that delay is apt to occur in obtaining sanction for increased expenditure. We do not see any serious objection to it. The Registrar must think ahead and put up a good case.

104. A considerable increase in the audit staff is necessary. The Registrar is under a statutory obligation to audit the accounts of all registered societies "once at least in every year" (section 17, Co-operative Societies Act), and it is obviously the duty of Government to enable him to do this by providing an adequate staff. We accept the Registrar's opinion that an auditor can audit the accounts of 150 societies

annually, provided the present form of 'audit and inspection' note which requires him to collect a mass of general information be amended. As he is not responsible for supervision, the collection of this information by him serves very little purpose, and, if it is wanted, it could be more usefully collected by a supervisor.

The accounts of central banks require a more formal audit and should be audited by selected men. We consider 15 to 20 central banks annually to be fair. It is not desirable for several reasons that they should be audited by junior assistant registrars whose duties should be confined almost entirely to primary societies. The audit of societies under liquidation gives less work than that of working societies and one man should be able to cope with 200 annually.

On the above basis the requirements are :—

76 central banks at 15 each annually	...	5	auditors
6,000 primary societies at 150 each annually	...	40	"
794 societies under liquidation at 200 each annually	...	4	"
For relief, etc.	...	3	"
		52	"
	Total	...	52

The pay should be Rs. 50 to 100.

Cost at Rs. 1,100 each, including travelling allowance, Rs. 57,000.

105. The present rate of levy brings in Rs. 30,000 in fees, so the deficit then will be Rs. 27,000 which should be met by a grant from Government. We do not consider this to be an unreasonable demand and point out that such grants are made in other provinces.

106. *Registrar's office.*—The Chief Inspector of Offices inspected the office at our request and has submitted a report on the inadequacy of the staff and on possible reductions in work. He reports that no appreciable reduction in work is possible, but recommends the delegation of certain powers and the adoption of improved methods for the disposal of business. As these are matters on which the Registrar can pass orders, we have sent a copy of the report to him for orders. In Appendix H we give an extract of those portions which require our consideration. We support the proposal for creating three posts in the head office, but we think that it will be better to retain the head clerk and to convert the head assistant into a personal assistant. His status and pay should be that of an assistant registrar.

We make no recommendations about the Assistant Registrars' offices, because, if our advice about these officers is accepted, a redistribution of their establishment will also be necessary.

107. *Office building.*—The office is housed in a rented building, which provides inadequate accommodation. A site for a new office was acquired in 1921, and is still available. Thus Government are losing interest on the money spent on acquisition and are spending Rs. 290 a month on the rental of an unsuitable house. This is an unsatisfactory arrangement from all points of view. We recommend that a suitable office building be constructed.

CHAPTER XVI.

MISCELLANEOUS.

108. *Development Commissioner.*—We do not approve of the proposal to appoint a Development Commissioner, but we suggest the formation of a small board to co-ordinate the activities of the departments of agriculture, co-operation and industries. The importance of co-ordinating the work of these three departments cannot be too strongly emphasized.

109. *Education.*—In paragraph 17 we referred to illiteracy as one of the obstacles against which co-operation had to contend, and in paragraph 93 we remarked that one of the best ways in which local boards could assist co-operation was by stimulating primary education. On the other hand, co-operation can help the cause of education indirectly by its moral influence in creating a desire for improvement, and directly by instituting education societies, the members of these societies being bound by their byelaws either to receive education, or to have their children educated according to the purpose for which they formed the society. In both cases a penalty is prescribed for non-compliance, though reliance is mainly placed on the influence on each other of the associated members. The institution of societies of this kind is desirable.

In the Punjab a scheme for adult education was introduced by the Registrar and was taken up with enthusiasm by the Educational department. On March 31, 1925, there were in that province 2,373 schools with an enrolment of 61,961 pupils. It has been decided to earmark for such schools a portion of the grant-in-aid given to district boards for vernacular schools, and last year provision was made for the maintenance of an average of 75 such schools in each district. It is reported that excellent progress has been made both as regards the number of schools and the number of pupils. In addition to the schools aided through the district board, there are 127 schools registered as co-operative societies, towards the maintenance of which grants are made by Government. Thus the movement, which was started for the purpose of improving the members of co-operative societies a few years ago, has become one of very great importance.

We suggest that the Director of Public Instruction of this province and the Registrar of Co-operative Societies should consider what step can be taken in this direction, and that, after an examination of the question, they should work out a scheme for starting such schools in suitable areas. Even if the adult members of the societies learn only the three R's, they will be able to check the work of the group secretary and prevent the more flagrant forms of cheating, and they will also be more disposed to see that their children are educated. We understand that the main difficulty is that of supervision. At some places schools might work under the control of the panchayat of a society. In any case, we urge the co-operative department to co-operate cordially with the Educational department, as we think that, as in the Punjab, a good deal could be done if they work together.

110. *Library*.—The library at the Registrar's office is very poorly equipped with co-operative literature. We recommend a special grant of Rs. 2,000 followed in subsequent years by grants of Rs. 500. It is essential that the departmental staff should read more books on co-operation. Several copies of books likely to be read much should be stocked.

111. *Propaganda*.—Sound and progressive primary societies conferring substantial benefits on their members are the best form of propaganda.

The diffusion of co-operative ideas is desirable, partly to enlist the sympathy and help of the general public in favour of co-operation, and partly to promote the formation of co-operative societies. This is one of the duties of the Registrar and his staff, and for this reason it is necessary that the head of the department should not only be an enthusiast himself, but should be capable of inspiring enthusiasm in others.

There has in the past been a dearth of voluntary workers, but we believe that there are many men who, if they understood more about co-operation, would be willing to work, and could render great help to the movement. It is for the Registrar and his staff to find these men. We write this with full appreciation of the work done by many men, but the movement needs more of them.

We do not approve of the proposal to appoint paid propagandists. Leaflets and lectures are useful, and we think there is need of a handbook and a series of primers setting out in simple language the principles of co-operation, its ideals, the ideas on which it is based and the machinery through which it works.

The Provincial Co-operative Journal should be encouraged, and copies should be supplied by Government to its officers. It should be published also in Hindi and Urdu.

Co-operative conferences and exhibitions are desirable to stimulate interest, and we think that more use might be made of local and district conferences in agricultural areas and on the occasion of fairs and exhibitions.

For these purposes funds are necessary. In some provinces grants for propaganda are made by Government, but in this province nothing has ever been given. We recommend that an annual grant of Rs. 15,000 be sanctioned, viz., Rs. 5,000 for district conferences, Rs. 1,000 for a provincial conference, 3,000 towards the issue of the Co-operative Journal in English, Hindi and Urdu, Rs. 6,000 for publishing pamphlets, primers, translations, etc.

112. *Embezzlements.*—Opinions differ as to the action that should be taken in the case of embezzlements. Many central banks and societies are content to recover the embezzled sums and to take no further action. This has no deterrent effect on dishonesty, because the offender, even if he is detected, only has to disgorge his ill-gotten gains. We think that prosecution should be the rule, unless there are very special reasons to the contrary.

CHAPTER XVII.

AMENDMENT OF CO-OPERATIVE SOCIETIES ACT.

113. The present Act relates to the whole of India, but owing to the provincialization of co-operation, it can now be amended by the Legislative Council.

The defects in co-operative administration in this province are not attributable to defects in the Act, and we do not consider that there is any urgent need for amendment.

When, however, amendment is undertaken we think that the scope of the Act should be enlarged and in the preamble the words " other persons with common economic needs " should be adopted from the amended Bombay Act to replace " artisans and persons of limited means." The term " limited means " is too indefinite.

Sections 50A and 60 of the Bombay Act which deal with wilful neglect and wilful furnishing false information by a society, officer or member should also be adopted.

The portions of the Bombay Act referred to are given in Appendix I.

114. The desirability of excluding the dues of co-operative societies from the operations of the Insolvency Act. has been urged in some quarters. The majority of us are not satisfied that exclusion is desirable, as we think that insolvency cases have a good effect in bringing about greater care in admitting members, giving loans, etc.

The following changes are desirable :—

The execution of decrees through the Collector as arrears of land revenue instead of through civil courts.

A provision that the debt of a member shall be deemed to be for the benefit of the family and realisable from the joint family property of a deceased member.

115. Other suggestions for amendment have been proposed and are published as Appendix K for consideration when the amendment of the Act is undertaken.

CHAPTER XVIII.

CONCLUSION AND SUMMARY OF RECOMMENDATIONS.

116. We have tried in the foregoing pages to give our views on the present position, and to make suitable recommendations. The main elements which have prevented the movement from winning greater popularity are inadequate supervision, insufficient teaching of co-operative principles, defective organization, corruption, a weak staff, a paucity of enthusiastic honorary workers, and a tendency to treat the work of a society as a mere money-lending business. The result is that the spirit of co-operation has languished, and the knowledge of its principles and practice has not increased. We do not want to see more societies, but better societies, and we again urge that co-operation cannot take root until the primary societies are more independent and self-reliant, and provide a surer foundation for the co-operative structure. To improve this foundation is the first duty of all workers, both official and honorary.

117. We give below a summary of our recommendations, but we realize that changes in machinery and methods will effect but little unless there are also changes in the spirit in which they are worked.

Summary of recommendations.

- (1) The test necessary before registration (paragraph 24).
- (2) The importance of first year instruction of societies (paragraph 25).
- (3) More attention should be paid by departmental officers to organization (paragraph 26).
- (4) Importance of supervision and its neglect (paragraphs 27 to 29).
- (5) Central banks should be relieved of duties of organization and supervision which should be entrusted to a provincial committee with general control over staff (paragraphs 30 and 31).
- (6) Four methods of immediate control of local staff according to circumstances (paragraph 31).
- (7) Need of developing independent primary societies (paragraph 32).

- (8) Difficulty of abolishing group secretary, but a member-secretary should be appointed wherever possible (paragraph 33).
- (9) The system of substituting group-supervisors for group-secretaries is deprecated (paragraph 34).
- (10) School-teachers should be encouraged to become interested in co-operation, and their services as secretaries of societies should then be obtained wherever possible (paragraph 35).
- (11) In the formation of new societies every effort should be made to secure a local man as secretary (paragraph 36).
- (12) Proposal of standing committee for periods of loans (Appendix A) are approved. Postponements should be allowed in circumstances beyond the control of the borrowers (paragraph 37).
- (13) The method of making loans to individuals payable on demand and fixing the actual demand at each harvest might be tried (paragraph 38).
- (14) The scale of liquid cover for primary societies recommended by standing committee (Appendix B) approved (paragraph 40).
- (15) Schemes for the liquidation of old debts should be prepared by societies on certain conditions (paragraph 41).
- (16) Caste societies should be encouraged, especially where caste panchayats are powerful (paragraph 42).
- (17) Thrift societies should be encouraged amongst employees on monthly wages, particularly school teachers (paragraph 43).
- (18) More use should be made of money-orders for remittances between banks and societies (paragraphs 44 and 90).
- (19) Preferential treatment of panchayats not desirable (paragraph 45).
- (20) When large numbers of societies are brought under liquidation, a joint inquiry should be made (paragraph 46).
- (21) Efforts to save societies from liquidation recommended (paragraph 46).
- (22) Reduction in rate of interest during liquidation proceedings recommended (paragraph 46).
- (23) After the contribution order of a liquidated society has been sanctioned by the Registrar the proceedings should be transferred to the Collector (paragraph 46).
- (24) Unlimited liability should take form of a "contributory unlimited liability" and present rules should be amended (paragraph 46).
- (25) Share money should be deducted at outset (paragraph 46).
- (26) Simplification of accounts (paragraph 47).

- (27) With a view to co-operative organization of agriculture, the study of rural economics and rural problems should receive more attention from the co-operative department (paragraph 49).
- (28) Graduates of the Agricultural College should be given preference in appointments as junior assistant registrars (paragraphs 51 and 100).
- (29) Officials of the co-operative department should take courses at an Agricultural College and officials of Agricultural department a co-operative course (paragraph 51).
- (30) The co-operative staff should be drawn as far as possible from rural areas (paragraphs 51 and 100).
- (31) The officers of the Co-operative and Agricultural departments should work in closer collaboration (paragraph 51).
- (32) Societies for the sale of agricultural produce are not recommended at present (paragraph 52).
- (33) More societies for the supply of seed, implements, sugarcane presses, etc., should be started (paragraph 52).
- (34) Co-operation can best help agriculture by putting agricultural credit societies on a sound basis (paragraph 53).
- (35) Consolidation of holdings (paragraph 54).
- (36) Industrial societies difficult to manage, so number of societies for each supervising officer should be half that recommended in case of agricultural societies (paragraph 56).
- (37) The supply of raw materials (paragraphs 57 and 58).
- (38) The sale of finished products should not be undertaken by a central store until it is well established (paragraph 58).
- (39) Government should undertake the whole cost of supervision of industrial societies wherever they are sufficient in number (paragraph 60).
- (40) Reduction in interest on Government loans to industrial societies recommended (paragraph 61).
- (41) The staff for industrial societies should understand industrial and commercial problems (paragraph 62).
- (42) There should be two junior assistant registrars for industrial societies (paragraph 63).
- (43) Instalments of loans for industrial societies (paragraph 64).
- (44) Limited and unlimited liability in case of industrial societies (paragraph 65).
- (45) Banking unions (paragraph 67).
- (46) Agencies (paragraph 68).
- (47) Scale and form of liquid cover for central banks (paragraph 69).

- (48) Appointment of clerical establishment of central banks should rest entirely with banks (paragraph 70).
- (49) The list of borrowing members which accompanies the society's loan application to the central bank should be discontinued, but bank's sanction should be obtained for loans in excess of a member's normal credit (paragraph 71).
- (50) Inquiry into individual loans permissible only in rare cases (paragraph 71).
- (51) Responsibility of panchayat for sanctioning loans to individual members and for collections should be emphasized (paragraphs 29 and 72).
- (52) The question of establishing a provincial bank (Chapter XI).
- (53) A provincial co-operative committee (Chapter XII).
- (54) Land mortgage bank (Chapter XIII).
- (55) A more vigorous policy and a greater measure of assistance required from Government (paragraphs 87 and 88).
- (56) Deposit of municipal and district boards funds in approved central banks (paragraph 89).
- (57) Refund by Government of three-fourths of the money-order fees paid for remittances is recommended (paragraphs 44 and 90).
- (58) Loans for housing societies (paragraph 91).
- (59) Assistance from Government officers (paragraph 92).
- (60) Assistance from district and municipal boards (paragraph 93).
- (61) Exemption of primary societies from local taxation (paragraph 94).
- (62) Importance of Registrar's post, training, etc. (paragraph 95).
- (63) The registration of joint stock companies should be transferred to another officer (paragraph 96).
- (64) The post of Deputy Registrar should not be abolished but opinions differ as to the number of deputies (paragraph 97).
- (65) The number of assistant registrars should be increased (paragraph 98).
- (66) The number of societies in the charge of an assistant registrar should be from 1,000 to 2,000, and at present 1,000 should be the maximum (paragraph 98).
- (67) Junior assistant registrars should be eligible for promotion to the post of assistant registrars (paragraph 98).
- (68) Officers from other departments appointed as assistant registrar should be trained (paragraph 98).
- (69) Appointment of honorary assistant registrars (paragraph 98).

- (70) Junior assistant registrars should not be employed on original audit (paragraph 99).
- (71) Increase in number of junior assistant registrars recommended (paragraph 99).
- (72) Appointment and training of junior assistant registrars (paragraphs 100 and 101).
- (73) Clerical and routine work of junior assistant registrars should be reduced, and tendency to write long notes should, be checked (paragraph 102).
- (74) Audit and audit fees (paragraph 103).
- (75) More auditors recommended (paragraph 104).
- (76) Proposals regarding office establishment (paragraph 106).
- (77) An office building should be constructed (paragraph 107).
- (78) Development Commissioner not recommended, but co-ordinating board recommended (paragraph 108).
- (79) Schemes of adult education recommended (paragraph 109).
- (80) Library (paragraph 110).
- (81) Recommendations regarding propaganda (paragraph 111).
- (82) Prosecution should be the rule in embezzlement (paragraph 112).
- (83) Amendments to Co-operative Societies Act (Chapter XVII).

R. OAKDEN.

ISHWAR SAHAI.

*MATHURA PRASAD MEHROTRA.

*AMBA PERSHAD.

*SADHO SINGH.

*MOHAMMAD AZHAR ALI.

*FASIHUDDIN.

AHMAD SHAH.

SHYAM BIHARI MISRA.

NOTE OF DISSENT.

I sign the report subject to certain observations of my own. I regret very much as I have to differ from the views of my fellow members on the committee in the increment of the post of Deputy Registrar from one to three.

If these recommendations of the committee are accepted by the Government, the department will become top-heavy, having four persons of equal emoluments getting about fifteen hundred each at the top, although only one person is responsible for the initiation of policy and general control over the whole department.

Then in practical working it is to set up a sort of double supervision over the junior assistant registrars who are supposed to hold the charge of districts. The duties and functions of the assistant registrars, being in charge of divisions, are to supervise the work of junior assistant registrars and so will be the function of the Deputy Registrars, with the only exception that they will also keep their eye upon the work of the assistant registrars. It resembles very much the machinery set up in the Police department by the existence of Circle Inspectors and Deputy Superintendents at the same time for the supervision of sub-inspectors of one district.

Therefore either we should increase the number of Deputy Registrars to five instead of three as recommended by the majority, and give them the charge of clear two divisions per head (i.e., 10 districts), which is certainly not much for the calibre and standing of the persons required for the post, or we shall do away with them altogether and appoint ten assistant registrars, one for each division, having charge of the supervision of 5 or 6 districts.

Thus in both schemes expenses will nearly be the same and work will be transacted more quickly and efficiently, having only one intermediary machinery between the junior assistant registrars and the Registrar, otherwise a paper meant to be sent to Registrar by a central society will have to pass through the hands of the junior assistant registrars, the assistant registrar, the Deputy Registrar and then to the Registrar, which I think will not take less than about three to four

months in reaching its destination. I personally give preference to the latter scheme, i.e., having one assistant registrar for every division and at the same time consider it more feasible and proper way of keeping supervision over junior assistant registrars and working as intermediary between them and the Registrar. This is also more economical and efficient scheme to me, and hence I could not see my way but to get it incorporated into the report under my note of dissent.

MATHURA PRASAD MEHROTRA.

20th February, 1926.

NOTE OF DISSENT.

Liquidation.—From my knowledge of Budaun I would not like to entrust collection of liquidation dues to Collectors. The suffering public has little chance of getting redress for complaints against severe excesses of revenue officers, actually in charge of collection work. Such officers are sure of support from their district officers, who will call them strong officers, making vigorous collections. I would prefer this work to be made over to non-official liquidators, to be remunerated by fees as is done in some other provinces. We must also see to minimize the rigours of liquidation, in view of the fact that liquidated societies represent some 13 per cent. of the total in these provinces, far larger than in any other province, and that wholesale liquidation has been indiscriminately ordered in several places.

I further disagree with the majority, that any non-official will be sufficient to represent the public view point in the committee for joint inquiry into the causes of liquidation. I would insist that hardly any one else but a member of the Legislative Council would be in a position to criticize the department sufficiently in such cases. But for this committee, the injustice of liquidation and its severity would hardly have ever been brought to light in many places. Instances of gross abuse of unlimited liability enforced in Budaun district will shock anybody. Yet the department is ever-ready to support its action under the existing law, even though single individuals could be forced to pay for the arrears of a whole society. Blame for such abuses should be directly attributed to higher officers of the department dealing with such policy, in spite of the fact that an amendment has been recommended in accordance with the instructions of the MacLagan Committee in this respect.

Land mortgage banks.—I do not believe with the majority that there are any serious difficulties in working of land mortgage banks in this province just now. The risk of losses is much less than in ordinary credit societies; agricultural or industrial. Societies of small peasant proprietors even are not sought to be actively encouraged, although there is a very strong demand for them throughout the province. The Government should actively encourage and start land mortgage banks just now. The supervising staff is recommended to be increased on a much larger

scale than ever required. A larger number of competent honorary workers is expected to be forthcoming, and the supposed indifference of petty zamindars will be turned into enthusiastic support. Besides, the decaying, yet a numerous class of peasant proprietors forming 86 per cent. of the whole landed class and the backbone of peasantry, will be saved from ruin. The protection of the cultivating proprietor by Land Alienation Act, canal irrigation and co-operative societies has led to the general prosperity of the Punjab, and the co-operative movement itself. With the starting of the provincial bank this work will become easier.

Deputy and Assistant Registrars.—The scale of supervising staff recommended by the committee was never required by the department before, in spite of so much failure of societies. The real defect of improper training of societies to manage their own affairs is expected to be fully controlled by increased number of the supervisors and Junior Assistant Registrars. Officers of the rank of assistant registrars, one for each division, can be fully relied upon to inspire the movement with all desirable features, and remove the defects in the societies under their charge. They will also, along with the personal assistant, relieve the Registrar of most part of his office work, which takes up so much of his time up till now. With the separation of finance from supervision and elimination of chances for handling money or interfering with the work of primary societies, the nature of supervision is also being altered. This arrangement will leave the Registrar quite free for his real duties of guiding the policy of the movement and filling it with enthusiasm. Any assistant registrar will also be quite competent to take the place of the Registrar at any time, temporarily or permanently. Under these circumstances, the posts of Deputy Registrars will be nothing better than too expensive luxuries or even superfluities, who *will have no real work to do* in spite of the size of the province. This post will merely add a most unnecessarily heavy burden on the poor tax-payer. So many assistant registrars under one Registrar will make for the cheapest and most efficient and responsible machinery for running the department. Dissenting from the recommendations of the committee, I would strongly urge for the total abolition of the post of the Deputy Registrar.

In spite of the reluctance of rest of the committee, I feel it necessary that assistant registrars and junior assistant registrars should keep their headquarters in small towns or villages, preferably railway stations. This should enable them to train up some ideal societies in their vicinity (to manage their own affairs) by constant supervision and personal influence, and to adapt themselves better to village conditions of the locality. Passed students of the Agricultural School, Bulandshahr, should

also be shown preference in making selections for the post of supervisor, as they would materially assist the societies in adopting improved methods of agriculture. Supervisors should also be made to live in the centre of their circles.

A higher standard of integrity should be insisted on subordinate officers of this department, as they have to deal with money matters constantly. A prompt inquiry should be undertaken on reasonable complaint. After definite suspicion of dishonesty, removal from service should be ordered.

SADHO SINGH, M.L.C.

NOTE OF DISSENT.

It must be conceded that the president allowed us the fullest opportunity for discussing the report, and so, naturally enough, there should have been no note of dissent. There are, however, two recommendations in the report to which I cannot agree. In the first place, I think that there is an immediate and urgent need of initiating the scheme of land mortgage banks on the lines adopted in the Punjab. The co-operative department has hitherto done absolutely nothing for the land-owning classes of the province, and no one can gainsay that they are rapidly drifting towards poverty and ruin, as will appear from the enormously large number of coercive processes which the government has to use annually for the realization of land revenue and the increased and the increasing sales of ancestral properties. As they form an important factor in the agricultural policy of India, the co-operative department cannot afford to ignore the landholders any further. Practical difficulties are inevitable in the way of every new venture, but it is up to the department to overcome them and now that the Punjab co-operative department has taken the lead in right earnest, our province has not much spadework to do in this connexion. It will be advisable to start at least one land mortgage bank in each division with a small capital for relieving the small landholders, paying, say, a land revenue of Rs. 100 and less, who form between 80 and 86 per cent. of the total number of landholders in the province. Later on, these banks can be expanded so as to bring within their scope large proprietors.

Again, I disagree with the recommendation that the debts due from the liquidated societies should be continued to be realized through Collectors as arrears of land revenue. Experience has shown that this provision of the law has proved to be fatal to the cause of co-operation. In the Bombay Presidency liquidation proceedings are conducted through non-official agency remunerated from fees. The sad history of these proceedings in my own district of Budaun has partly come to the notice of this committee and should be a sufficient justification for the condemnation of the system once for all. Its working in the above district has practically ruined villages after villages and driven several prosperous families into a condition of utter destitution. When the machinery of the law was once set in motion all the remonstrances of the unlucky tenants

proved to be a cry in the wilderness. The organizing officials had lumped up a large number of dishonest and indebted with honest and solvent men in individual societies, and the latter had to pay three, four and even five times the amount of their original debts at the sweet will of the official liquidator by borrowing money at an incredulously high rate of interest from the much maligned village shylock. Their groves, cattle, cooking utensils, and even clothes were freely sold up at a very short notice. Even those members of societies who had not actually borrowed a single shell had to pay as much as Rs. 3,000 to Rs. 5,000 each at the bidding of the all-powerful executive subordinates. The suggestion of the Maclagan Committee for contributory levies *per capita* in such cases could not be heeded when the debts were to be summarily realized as arrears of land revenue by the local authorities.

FASIH-UD-DIN.

NOTE OF DISSENT.

As I do not agree with the conclusions arrived at by my colleagues in certain respects I am constrained to express my views separately. The general trend of the committee's findings would appear to be that the co-operative movement in this province has not been conducted on correct lines; but I differ from that view. Knowing, as I happen to do, the past history of the movement in this country and having carefully studied its present position and the circumstances which influence it, my deliberate opinion is that it has made as much progress in this province as it could in the circumstances which obtain here, and that there is absolutely no reason for any discouragement. It is true that all the societies organized in the province have not attained success, nor have all those working become ideal co-operative societies; but it would clearly be unreasonable to expect these results during the short period of our effort as compared with some European countries and in the educational, economic and moral condition of the people for whose benefit and through whom this work has to be done. Not only the figures quoted by the committee show that we have been making continuing progress, but the individual societies that we inspected showed that a very fair proportion of them were working satisfactorily. Our progress has doubtless been largely confined to credit co-operation, but this was inevitable for the progress of every popular movement must necessarily depend on the capacity of the people who have to work it, and it cannot be denied that the mass of our people are not in a position yet to manage complicated co-operative organizations. It is not only unavoidable, but in fact also desirable that we should move slowly and with patience and caution, for it can neither be wise nor safe to force the pace.

I strongly hold that the movement has made fully as good progress in this province as was practicable in its especial conditions and that there has been no defect in its administration. Its need for fuller development is not one or two men of outstanding ability, but an army of voluntary workers spread all over the province and imbued with the spirit to make it the success that we all want it to be. It is not a business which can be run by a few men howsoever able they may be. Its success depends on the capacity of the mass of the people for whose

benefit it is run to make it so. No engineer in the world, however competent and experienced, can duplicate the Buckingham Palace or the Taj in the desert of Arabia without bricks or mortar, or without the necessary cost and time. We must, therefore, restrict our expectations and exercise patience.

I would now briefly make my comments on the various statements made by my colleagues which I want to qualify.

CHAPTER II, PARAGRAPH 5.

I do not agree that there has been any less increase in the number of members than in the number of societies. The two periods between which the comparison is made have not been stated. I find that in recent years the two increases have been remarkably proportionate, for since the year 1919-20 they have been 61 per cent. and 60 per cent. respectively. It should also be noted that, in view of the limited managing capacity of their members and the need for their close mutual knowledge, it has been the deliberate policy for some time past to prefer small village societies to large ones, and it should, therefore, not have been a matter either for surprise or dissatisfaction if the increase in the number of members had in fact been less than that in the number of societies. But this did not happen. This policy is fully in accordance with the advice of the Maclagan Committee which remarked that "the members of a society should be few to start with and increases should be gradual and the ultimate total moderate. . . Small societies are more easily supervised and trained in co-operative principles, just as small classes are more easily taught in school," etc. (paragraph 26, page 18).

CHAPTER II, PARAGRAPH 10.

My diagnosis of the disease of lack of expansion differs from that of my colleagues. The root cause of the lack of large or diversified expansion is not that the benefits are not felt to be real and substantial, but that the capacity in the people to manage such business is insufficiently developed yet, and the number of teachers has not been sufficient. The same have also been the reasons of insufficient expansion of primary education in this province. I also disagree that "the money-lender has not been alarmed." There is ample evidence to show that in the tracts in which co-operative societies have developed the money-lenders have substantially reduced their rates of interest. Further, "the centralization of authority in central banks" is not the cause of the societies being "generally *effete* and incapable of managing their affairs, but in fact the unavoidable consequence of it. The

primaries have to be trained and guided and the training and guidance has, therefore, to be undertaken by somebody. For this province the basic principle has always been that the central banks should perform this function. I do not consider that there is any practical alternative to this principle.

CHAPTER III, PARAGRAPH 15.

I would point out that the conditions to which the committee has referred are in fact the ideals to be aimed at, and it is, therefore, unreasonable to disparage the movement because those conditions have not yet been fulfilled. The Maclagan Committee itself remarked that it was "a mistake to expect more from these societies than human nature is likely to realize." Also that "persons who know of co-operation only from books are doubtless often disappointed when confronted with concrete cases of societies in actual working, whether in India or in Europe, and are apt thereafter unjustly to discourage the whole movement because the specific instances which come before them fall short of their ideals." It is in fact highly satisfactory to note that the societies of the first three classes, viz., especially good, good and fair, constitute 64 per cent. of the total number of societies classified at audit (vide annual report for 1923-24, paragraph 23).

CHAPTER III, PARAGRAPH 15(v).

I do not agree that the instance of Jalaun mentioned can rightly be regarded as a correct test of genuine repayments. The test applied was to refuse fresh loans after a period of some months of the date of repayment. In such a case naturally no sensible person who expected to require money after a shorter period would lose the money in hand, and he would, therefore, not make a repayment which he would otherwise have done if he had felt satisfied that he would get a loan when he needed it.

CHAPTER III, PARAGRAPH 15(x).

I would remark that the object of taking shares from members is in itself to compel thrift and therefore in this respect they are in a better position than non-members. I also hold that, in view of the present capacity of the members of primary societies to manage the affairs of their societies, deposits from outsiders should not be encouraged.

The following remarks of the Maclagan Committee bear on this point:—"As a means of inculcating thrift and building up an owned capital we consider that small instalment shares are preferable to a compulsory deposit system" (paragraph 49, pages 29 and 30).

CHAPTER III, PARAGRAPH 18(i).

I would substitute "Insufficiency of the departmental staff" for "Unsuitability of the departmental staff;" the staff has in fact not been unsuitable in the circumstances of this province, but inadequate.

CHAPTER IV, PARAGRAPH 21 (2).

The person concerned was M. Abdur Rahim who was not the "Managing Director," who is an honorary worker, but the salaried assistant manager of the Jagdishpur Bank. The Honorary Manager was Pandit Kalidin [vide annual report for 1917-18, Appendix (A), paragraph 20].

CHAPTER IV, PARAGRAPH 21(v).

I am not prepared to agree that "no effective action" was taken by the departmental officers. The annual reports show that constant endeavours were made to improve the position, and this certainly was the correct attitude for the department to adopt. It is easy to destroy but difficult to save, and the departmental endeavours should continue to be concentrated in all such cases on improving the position by all possible means instead of liquidating societies prematurely.

CHAPTER V, PARAGRAPH 22.

I hold that the defect of organizing societies without provision for adequate supervision has already been largely removed as the following quotations from the annual reports of the department would show:—

(i) *Report for 1919-20 (page 2, paragraph 6).*—"The department continues to pursue the policy of great caution compelled by the experience of recent years. More attention has been given to consolidating the position of the movement and to securing gradual and orderly development than to multiplication of societies . . . No new society is registered unless its organization has been tested on the spot by the Government staff and new registrations are, as a rule, avoided in localities where arrangements cannot be made for the supervision and control of the societies by non-official workers with intimate knowledge of the men and the locality."

(ii) *Report for 1921-22 (page 2, paragraph 5).*—"Great caution was exercised, as usual, in the registration of new societies. The news of the unsatisfactory state of affairs in the Central Provinces resulting from unfettered expansion gave an additional reason for watchfulness, and the financial position

of every central society was carefully examined to secure that those which did not possess adequate fluid reserve should devote themselves to consolidation. Pending the result of such examination by an officer of the department all expansion was stopped and only those banks were subsequently allowed to organize new societies whose financial position fully permitted it."

- (iii) *Report for 1922-23 (page 2, paragraph 5).*—"The department continued the policy of great caution in registering new societies and more attention was paid to consolidation. Gradual and orderly development is preferred to hurried multiplication of societies and no expansion was allowed in the localities where arrangements for proper financing of societies and good supervision could not be ensured . . . It is gratifying that expansion was made on sound lines and the interest of efficiency were not sacrificed to any desire for sudden development."

I find that while an increase of 133 per cent. was made in the strength of the Government staff, the increase in the number of societies subsequent to this increase was only 76 per cent. A large increase in the audit staff also occurred during the same period. It is, therefore, clear that the supervisory agency proportionately to the number of societies was much more adequate than before. In fact, it was not the machinery for supervision that was wanting under the banks, but a strong driving power behind the machinery. The supervisors were there, but they were not under strict control and did not, therefore, carry out their duties as they were expected to do. Both they and their masters were continually pressed for it, but the general efficiency did not increase to the extent needed. This was what the late Registrar meant when he said "The chief defect of the administration is insufficient supervision and education of primary societies," a remark which has been quoted in paragraph 26, Chapter VI of the report. It was to remedy these defects that the proposal to "provincialize" the banks services, i.e., to place them under a central control, was urged upon the Government years ago and which in this report the present committee is also adopting (vide paragraph 29).

CHAPTER V, PARAGRAPH 23.

I strongly and entirely disagree that these defects can in any sense be regarded as general or ever widespread. They may possibly have occurred here and there, which fault it would be impossible to eradicate in practice. But we must accept the statements repeatedly made in the

annual reports that the need for sound organization was constantly before the department and that every practicable endeavour was made to conduct organizations on proper lines. We have it on the authority of an ex-Deputy Registrar that the policy of caution exercised in organization and registration, was in his opinion rather excessive than otherwise.

CHAPTER V, PARAGRAPH 24.

While agreeing generally with the procedure suggested I hold that the criticism " that wrong remedies were applied to the evil of hasty organization " is neither fair nor reasonable. The responsibility for the registration of societies rests entirely with the Registrar, and the Registrar has therefore to assure himself that every society sent up to him for registration is fit for that purpose. How is he to obtain this assurance without providing effective check that any instructions given to the officials primarily responsible for organization are actually followed? The number of visits fixed are only intended to serve as a check that no hasty and superficial recommendations are made. As the work of organization entails visits to outlying villages, the natural tendency of the officials concerned would be to avoid such visits as far as possible for their own convenience, and if they are not compelled to pay repeated visits I think that the inevitable result would be hasty and superficial registrations from which the movement suffered in its earlier periods. I hold that it is far better to delay registration than to take the risk of registering immature societies. I further hold that the remarks relating to " subsequent instruction " have nothing to do with the question of organization, which is the main subject of this chapter. So far as organization is concerned, if the Assistant Registrars are also to check, the delay complained of in this paragraph would manifestly be greatly increased, and any check of organization by them subsequent to registration would be altogether futile for the purposes of registration.

CHAPTER VI, PARAGRAPH 26.

I cannot subscribe to the committee's remarks that the views of the Maclagan Committee in regard to supervision " were not more thoroughly followed." I do not see what the departmental officers could have done which was not done. In paragraph 98 of their report (page 61) the Maclagan Committee remarks that " In whatever way the staff is organized, it is for the societies or their unions or central banks to see that a sufficient and efficient staff is maintained to carry out their duties, and the Registrar, though watching through the auditing staff how far societies do really attain to efficiency and thereby keeping a check on

supervisional work, should not himself interfere with it The staff will not be under the orders of the Registrar or his auditors, and its reports will be submitted to the body which maintains it and will not necessarily go on to the Registrar."

Evidence is not wanting that no Registrar ever failed in this province in his duty to closely watch the condition of supervision of societies or to press the central societies to perform the duties efficiently in this respect. No rules or instructions or superior checks were wanting, but the difficulty lay in the fact that the supervisors failed to carry out their duty as efficiently as, and in the manner that, the instructions required, a human failing, and it was to remove this difficulty that the extreme measure to take the supervising staff out of the control of the central banks was urged. I call this an extreme measure because it exceeded the recommendation made by the Maclagan Committee.

CHAPTER VII, PARAGRAPH 23.

I do not agree that loans should at present be advanced on pronotes on demand. The panchayat will have to depend entirely for assessment on the supervisors, and the practice is, therefore, likely to prove detrimental either to the interests of the society or of the members concerned.

MOHAMED AZHAR ALI.

February 22, 1928.

NOTE OF DISSENT.

I do not agree with the recommendations in Chapters V and VI that the entire work of supervision and organization of societies in the whole province should be entrusted to one standing committee of co-operators on which all the banks will not be only represented. Without the necessary local knowledge and influence this committee sitting at a distance cannot conceivably be expected to be able to justify the expectation unreasonably made from it. On the contrary there is every reason to fear that the evils of excessive centralization, sought to be guarded against, will be more prominently manifest to the great disadvantage of the entire co-operative movement in the province. Moreover, public interest in co-operation will completely die and the movement will be looked upon as an entirely official one. In effect also the movement will be entirely controlled by the departmental officials. This will be hardly desirable and not in consonance with the true spirit of co-operation. All these difficulties can, in my opinion, be better got over and the societies better organized and controlled if, as I proposed, local boards, which may be termed co-ordinating or departmental boards, are created with the district magistrate as the president and the directors of the central banks, inspector of schools, district departmental officers of Agriculture, Industries and Veterinary departments, and presidents and vice-presidents of municipal, district and other local boards as its members, to discharge the functions contemplated to be discharged by the standing committee. I am unable to conceive how a standing committee located in Lucknow will at all be any improvement over the existing directorate of the central banks. If the present central banks have been led by their managers and assistant managers, this committee will be led by some other officials, but its members will have a lesser chance of coming in direct contact with local panchayats. Most of the present difficulties have been, as has been admitted, due to the inadequacy of the supervising staff and not due to any fault of the directorate of the central banks. If satisfactory work is required to be done, the strengthening of this staff is essential under any circumstances. If the boards as suggested by me, or if even the existing central banks, are allowed to control organization and supervision of the societies with strengthened staff at their disposal, the results will be far more satisfactory than the

(79)

proposed standing committee may be able to achieve. If this committee is allowed to remain only an advisory body as it is at the present time, I have no objection to its retention.

I agree with the recommendation made in paragraph 38 of the report, but I would like to add at the end of it that the Government should give financial help for arrangements for proper storage of produce.

AMBA PRASAD.

February 26, 1926.

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 Jasrana 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 *rāb* 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 ^{Saidraja.} 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 ^{Fatehpur-Sikri.} 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 ^{Tanda.} 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 ^{Sandila} 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 ^{Inherent defect of} social, moral and economic weakness of the artisan as a class. ^{character.} 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 ^{Want of co-} their own part. Another potent cause is an utter want of ^{operative spirit.} 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 ^{Lack of efficient management.} 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 ^{Conflicting interests.} 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
		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	..	..	..	782	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	..	..	..	4,423	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 1,55,000 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.