

ANNUAL REPORT

ON THE WORKING

OF THE

Co-Operative Credit Societies Act

(X OF 1904)

FOR THE YEAR 1904-1905.



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ANNUAL REPORT on the Working of the Co-operative Credit Societies Act (X of 1904) for the year 1904-1905.

No. $\frac{357}{\text{XII-43}}$ of 1905.

FROM

J. HOPE SIMPSON, Esq., I.C.S.,
REGISTRAR, CO-OPERATIVE CREDIT SOCIETIES,
UNITED PROVINCES,

TO

THE JOINT SECRETARY TO THE BOARD OF REVENUE,
UNITED PROVINCES.

Dated Lucknow, the 22nd September 1905.

SIR,

I HAVE the honour to submit, for the information of Government, the first annual report on the working of Act X of 1904 (the Co-operative Credit Societies Act). According to the orders conveyed in G. G. O. No. 547-63-5, dated the 29th April 1904, this report for the year 1904-1905 should have been submitted to the Government of India by the 1st of August and the Local Government has prescribed the 1st of June as the date on which the report should reach it. I have consequently to apologize for the delay which has occurred in its preparation and submission. It has been difficult to obtain figures showing the working of the societies during the year ending the 31st March last. The figures now submitted are incomplete, and probably in a number of cases inaccurate. I have, however, considered it preferable to submit the report with inaccurate statements rather than to further delay its submission in the hope of obtaining greater accuracy.

2. I took over charge of my duties as Registrar under the Act on the 3rd November 1904, after my return from leave. The first duty was to organize an office, and this was done. I then left for camp on the 5th November, and continued on tour till the close of the year, with short intervals at headquarters. The following districts were visited: Bara Banki, 18th to 22nd November; Fyzabad, 23rd to 28th November; Sultánpur, 29th November to 1st December; Fyzabad, 12th to 15th December; Partábgarh, 16th and 17th December; Bánda, 19th and 20th December; Benares, 24th to 29th December; Allahabad, 31st December to 4th January; Bánda, 5th to 27th January; Hardoi, 30th January to 2nd February; Budaun, 13th to 20th February; Moradabad, 22nd to 27th February; Bulandshahr, 28th February to 2nd March; Agra, 3rd to 6th March; Cawnpore, 6th March, Bara Banki, 9th and 10th March; Amethi (Sultanpur), 11th March; Bareilly, 14th to 16th March; Naini Tál *tarai*, 17th to 24th March; Pibibhít, 25th to 29th March.

3. Munshi Wasi-ud-din, Inspector of Kánungos, who had served as Village Bank Inspector under the Director of Land Records, was appointed Inspector of Co-operative Credit Societies, and took over charge of his duties on the 8th November 1904. He accompanied me in camp until the close of December, and from that time till the close of the year he toured separately, and inspected the societies in the following districts: Partabgarh, Saháranpur, Meerut, Muzaffarnagar, Aligarh and Bulandshahr.

4. *Existing societies.*—The societies in existence when my appointment commenced were all village banks, and were of the Raiffeisen type. They numbered 223 and the majority had been founded in 1901. Of this number a large proportion had ceased active operations, and of those which remained active, the majority were innocent of any co-operative principles, and were simply an agency for the distribution and collection of agricultural advances at a low rate of interest. In the statements attached to this report figures are furnished for 159 societies in 30 districts. In the case of six districts where societies were originally started figures showing the working during the year are not available. In the case of eight districts figures have been furnished for some of the societies and not for others; while in the remaining 22 cases the figures are complete.

5. *Amount of capital.*—The entries in column 4 of Form I refer only to the number of societies in column 3, to which societies also the figures in the statements refer. The average number of members is about 76 in each society. The borrowed and deposited capital amounts to Rs. 62,094—an average of Rs. 391 per society and very slightly in excess of Rs. 5 per member. It is obvious that on an average the legitimate requirements of a cultivator, for purposes of cultivation alone, must be largely in excess of Rs. 5.

There are, however, certain societies where even this sum is not available. In Azamgarh, for instance, returns are submitted for two societies of which the membership is 111, and in which the working capital from deposits and loans is but Rs. 187—or Re. 1-11-0 per head. In the Fyzabad institutions again it is only slightly in excess of Rs. 3 and in Gonda it works out at Re. 1-15-0. It is of course an advantage that at the initiation of a movement of this description experience should be acquired as cheaply as possible; but it is at the same time undoubted that at least a portion of the non-success which has attended these young societies has been due to the fact that more members were at the commencement enlisted than was justified by the capital available to meet their requirements.

6. *Employment of capital.*—A rough test of the working of the societies during the past year may be found in a comparison of the entries in column 18 of Form I with the total of columns 7 and 8 of Form II. Where a society turns over its capital regularly, it may be assumed that its members take an interest in its working and that it is meeting a need. Where, on the contrary, the capital remains idle, whether in the treasury of the society or in the hands of its debtors, the inevitable conclusion is that the society is not a success. In the societies whose figures are included in the statements, the working capital amounts to Rs. 62,094 (total of columns 7 and 8 of Form II). The loans issued during the year amounted to Rs. 64,422. On an average the capital was very fairly employed during the year. There are, however, certain districts where capital lay suspiciously idle. In Agra, for instance, with a working capital of Rs. 1,055, work has entirely ceased and no loans whatever were issued during the year. In Farrukhabad, with a working capital of Rs. 713, only Rs. 289 were lent. In Lucknow the figures are Rs. 1,616 and Rs. 1,179. In Bahraich Rs. 742 and Rs. 643; in Sultanpur Rs. 4,063 and Rs. 2,340; and in Bara Banki Rs. 2,405 and Rs. 1,788. There are other districts where the capital was employed to the full. In Meerut the working capital was only Rs. 509 and Rs. 845 were lent to members during the year; in Mainpuri, with a capital of Rs. 3,502, the loans amounted to Rs. 4,956; in Fatehpur the figures are Rs. 1,065 and Rs. 1,557; in Banda Rs. 3,856 and Rs. 4,534; in Allahabad Rs. 1,955 and Rs. 2,413; in Rae Bareilly Rs. 2,529 and Rs. 3,889; and in Fyzabad Rs. 2,944 and Rs. 3,405.

7. *Capital raised by deposits.*—The capital of the societies has been raised in one of two ways,—either by deposit on the part of the members, or by loans from various sources. Column 5 of Form I and column 7 of Form II were intended to contain the amounts deposited by *bond fide* members, and deposited by such members as savings. The figures in those columns are, however, misleading, as amounts have been included which, though deposited by nominal members, are in fact of the nature of loans to the society. Of the districts in which I toured during the cold weather I found *bond fide* deposits in three only. These were Banda, Allahabad, and Fyzabad. In Banda (largely owing to the interest taken in the movement by the Collector) there are deposits in all societies. In Allahabad, with comparatively little fostering care on the part of the authorities, the society at Mahewa is rapidly developing into a savings bank on a small scale for small men. In Fyzabad, where the Deputy Commissioner helped the societies and where at least one of the taluqdars was of great assistance, the custom of depositing at harvest seems in a fair way to being established. The habit of depositing money with the societies is the most hopeful symptom of vitality and at the same time the most certain sign of success in the future. It is obvious that in those societies in which the members have themselves deposited money there is an incentive to careful supervision over loans and recovery of loans, which does not exist in those societies in which the whole of the capital is borrowed capital. The system of deposits at harvest is acceptable as a rule to the members of these societies, wherever they take any real interest in them;

and in all the societies which have been formed since the close of the year compulsory deposit of a small sum at harvest has been accepted as a condition of membership. The method of calculation varies from district to district. In Bareilly the members have agreed to deposit a sum calculated at nine pias on each rupee payable to the landlord. In Bulandshahr they have fixed the amount at one anna in the rupee of rent. In Banda they have agreed to deposit five seers of grain at each harvest for each plough in their possession. The grain so collected is sold in the bazar and the proceeds credited rateably to the current account of each of the members. If this system of depositing becomes general (and there seems every sign that it will) all difficulty in financing village societies will be at an end.

8. *Capital raised by loan.*—The amounts raised by loan (columns 6 and 7 of Form I and column 8 of Form II) are obtained at rates of interest which vary according to the source whence the loans are obtained. In the case of the organization societies, the loans are usually given at rates of interest very much below that at which money could be raised even on the very best security by private persons or by joint-stock companies. I consider this to have been a great initial mistake, for it at once removed the societies from the sphere of business concerns into the world of philanthropy. I think there is no doubt that the greater portion of the amount raised by the organization societies was looked upon by the subscribers as a charitable donation and lost money. They did not subscribe to it with the object of investment, and in many cases even now refuse to accept the interest. The object with which the money was subscribed may have been an honest desire to give the societies a chance, or it may have been the knowledge that the authorities were desirous of pressing the scheme and needed capital wherewith to start it. But whatever the object with which the money was given, the fact that interest was fixed at so low a rate (usually 4 per cent.) has given an air of unreality to the movement and has led the landlord class in most districts, and the borrowers in nearly all, to look upon the movement as circumscribed and ephemeral. It is clear that in this country, where rates of interest even on money advanced on good security run high, it is impossible to expect that money will be available for co-operative societies at as low a rate as that charged to them in Europe. And the rate actually paid here is frequently less than that paid by the Raiffeisen Banks in Ireland which obtain what accommodation they need from the joint-stock banks at $4\frac{1}{2}$ per cent.

9. *Raising of capital in Bundelkhand.*—A remarkable symptom of the economic results of the recent Bundelkhand legislation came under my notice during my visit to the Banda district. I was approached by the largest money-lender in the eastern part of the district with the object of ascertaining whether there was in the co-operative movement an opening for the investment of capital at 6 per cent. When in the headquarters station of the district, I was again approached with the same object by two native bankers, whose claims were under adjudication by the Special Judge, and I have no doubt that as much capital as may be necessary to finance the societies in that part of the country will be forthcoming from the local money-lenders. While in Allahabad I had the opportunity of discussing, with one of the Directors of a joint-stock bank, the question whether that institution would be prepared to finance co-operative credit societies registered under the Act. His criticism was that as a rule the amounts required were too small to justify the bank in advancing capital, but that if the requirements of a number of small societies could be consolidated into one loan, the bank would be willing to advance the amount required at a reasonable rate of interest.

10. *Rate of interest on loans to members.*—A further difficulty has arisen from the system of borrowing and advancing to the societies at rates of interest much below market rates. The societies having obtained loans from the organization societies at $4\frac{1}{2}$ or 5 per cent. were content to charge their members Rs. 9-6-0 per cent. on loans. Now, further capital has to be raised, and cannot be raised at the rate at which the initial loans were given. It is consequently necessary to raise the rate of interest on loans to members from Rs. 9-6-0 to Rs. 12-8-0—a most unpopular measure, and one which tends to check the spread of the movement. Had the rate of interest been originally fixed at $12\frac{1}{2}$ per cent., the cultivator would have compared that rate with the exorbitant rate which

he previously paid to the village *mahájan* and would have willingly agreed to pay it. Now, when his society calls upon him to pay at that rate, he naturally compares it with the more favourable rate at which he has been borrowing for the last few years, and feels that he is the victim of injustice.

11. *Profits of societies.*—The statement of assets and liabilities (Form II) shows how the societies would stand if they were to be wound up at the present time. Column 13 contains the profits, and as will be seen they amount to Rs. 10,319. This sum is 16·5 per cent. of the deposited and borrowed capital. It may be assumed for the purposes of calculation that all the societies were founded in the year 1901. The percentage of profit thus works out to about 4 per cent. per annum, which is satisfactory.

12. *Reserve fund.*—In the majority of the banks the reserve fund has been deposited, as is directed by the rules under which they were constituted, in the post-office savings bank. There are, however, exceptions to this rule, and in not a few cases the amount of the profit has been added to the working capital of the bank and lent out in loans to the members. The *panchayat* is in most cases greedy of profits, in order that the society may show rapid growth, and it is sometimes difficult to convince that body of the unwisdom of placing all the eggs in one basket. A step in the right direction has been taken by two of the banks whose reserve fund in each case exceeded Rs. 100. The amount has been placed in Government paper, and the paper deposited with the organization society. In the case of the Salehnagar Bank, I spoke to the agent of the local branch of the Allahabad Bank, Limited, at Bareilly, and it is probable that as soon as the reserve fund of the institution reaches Rs. 100 it will be placed in fixed deposit with the Allahabad Bank. This will be an example which will, I hope, be very generally followed as tending to establish relations, though at present on a small scale, with the joint-stock banks.

13. *Success and failure of existing institutions.*—Some of the banks founded in 1901 have attained a success quite phenomenal. In the Meerut division the banks at Jewar and Chandauk in the Bulandshahr district are cases in point. These banks are under the guidance of Kunwar Khushal Singh, a large zamindár of Jewar, and Mahabir Singh, who is by caste a Thakur and by predilection a devotee, and resident in Chandauk. The success has in each case been largely due to the care exercised by these gentlemen in the management. The district is progressive and the idea of co-operative banking appeals largely to the cultivators of the better classes. In Wair-Badshahpur, on the Court of Wards estate of that name, there was what was known as a Court of Wards Bank. For various reasons it seemed advisable to close that institution. When the members got wind of the proposal they at once made arrangements to take over the management themselves and have now commenced to run the bank with no help from the officials of the court. They have also agreed to the principle of compulsory deposits, and a new era of success seems about to dawn upon the institution.

14. In the Agra division the societies in Mainpuri are the most successful. I regret to say that I have been unable as yet to visit the Agra division, and so am not able to apportion the responsibility for the success here attained. Judging, however, from the reports submitted in the Court of Wards Department on the working of the societies on these estates, it would seem that the supervision of Court of Wards officials and the interest of the Collector in the scheme were in large part responsible for the results.

15. In the Rohilkhand division the banks in Bareilly, Budaun, Moradabad and Pilibhit are all flourishing. Those in Bareilly have been under the supervision of the Assistant Manager of the Court of Wards, who has devoted much time and care to their management. The management of the institution has now been more largely delegated to *panchayats* representative of the members, the Assistant Manager giving them such advice and assistance as they require. The accounts are kept by a muharrir of the Court of Wards Department, who is allowed an honorarium by the *panchayats* from the annual profits and the arrangement works well.

In Budaun the most successful of the societies are those in the Saheswan tahsil. They are looked after and assisted by Bábu Prem Chandra, Naib Tahsildár,

who has developed a keen enthusiasm for their success. The excellent results are largely due to him. A large extension of co-operative effort in this tahsil may be looked for in the near future. Hitherto the societies have worked with very insufficient capital. More has been raised, and many of the villages in the vicinity of the headquarters of the existing societies desire that similar societies should be formed within their precincts.

In Moradabad success has been very largely due to the efforts of the Collector, Mr. Winter (at present Commissioner of Gorakhpur), seconded by those of certain public-spirited zamíndárs, among whom may be named Mahant Parbhu Ban of Salempur and Chaudhri Maharaj Singh of Aghwanpur. Here the movement has been heartily welcomed. Proposals for extension on a new system were submitted in my letter No. $\frac{294}{VII-16}$, dated the 14th July 1905, and are now before Government.

16. In the Allahabad division two of the banks in Fatehpur district are doing very well. They are managed by a public-spirited gentleman, Lála Ishwar Sahai. In Banda nearly all the societies are progressing favourably. The one most worthy of note is the Bargarh society whose success is mainly due to the efforts of Pandit Bishnath Singh, a zamíndár of Bargarh. This gentleman was formerly himself a money-lender, but has now placed his abilities at the disposal of his fellow members of the bank, with very happy results.

17. In the Gorakhpur district there is the Kasia bank. This is a society of so-called debenture-holders, who lend money to cultivators in Kasia and its vicinity. The bank had at the close of last year a capital of Rs. 2,910 in debentures, the whole of which was used in loans to cultivators. The debentures paid 12 per cent. As a result of this high rate of interest applications for new debentures have flowed in since the close of the year, and the bank has now an available capital of about Rs. 5,000. It has been decided to issue share capital and to pay off the debenture-holders. The experience gained has, however, been useful, for it has proved that the bank could not borrow practically as much money as it needs at 12 per cent. The bank has been largely the nursling of the Sub Divisional Officer, but it has also received a large amount of assistance from disinterested debenture-holders who have attended the meetings of Directors at which loans were distributed to members. The number of members at the close of the year was 582. It has now reached 800,

18. It is unfortunate that the figures for the Mianganj bank in the Unao district are not available, for that institution is one of the most successful in Oudh. It is being supervised by Munshi Wasi-uz-zaman, a taluqdár of the place, whose estate is under Court of Wards management. The father of the present taluqdár took a keen interest in the society from its commencement, and since his death the present taluqdár has continued to evince an equal interest in its welfare. During my recent visit to Unao it was decided to extend the sphere of operations of this society,

The Banks in Rae Bareli, especially those on the estate of Rája Rampal Singh, C.I.E., of Kurri Siddhaoli, are doing well and have proved themselves worthy to command more capital than that with which they commenced. Arrangements are at the present moment being made to divide them into true village societies. When they were first organized a large number of villages were included in the sphere of operations of each of the banks. I am in correspondence with the Rája as to the best method of effecting the change, and the Inspector of Co-operative Credit Societies is under orders to visit the tract at an early date, to see that the arrangements made are satisfactory and himself to render what assistance he can.

19. In the Fyzabad division good work has been done in Fyzabad, Sultánpur, Partábgarh and Bara Banki. The most conspicuous success is noticeable in the case of some of the banks in the first-named district. This is due largely to the interest taken in the subject by the Deputy Commissioner, and also to assistance given by two of the taluqdárs, Mír Abu Jafar and Mír Rahat Hussein.

In Bara Banki also some most disinterested work has been done by Chaudhri Rashid-ud-din Ashraf, who is Secretary of the Organization Society and performs his duties with very little assistance from the other members.

It is scarcely possible to generalize from the above instances as to the conditions requisite for successful co-operative village banking. The presence of a man of influence who shows himself friendly to, and interested in, the movement is of great assistance in its successful development. This has been the experience in Europe also. At the same time among the successful banks there are several most excellent institutions, which have no assistance from any man of influence and which are entirely managed by members of the class from which the borrowers also are drawn. As examples of such banks, which in my opinion are the most hopeful sign for the ultimate success of the movement, may be mentioned the Káchhi Bank at Kalinjar in Bánda, the Bilgaon Bank in the same district, the Mahewa Bank in Allahabad and the Raepur-Amethi Bank in the Sultánpur district.

20. *Registration of societies.*—No societies were registered under the Act during the year under report. Rules prescribing the procedure to be observed in applications for registration were published in the Gazette of the 25th March 1905. It was then necessary to translate these, and to prepare forms for the register in which the societies applying for registration would be registered, and to prepare and translate sets of model bye-laws for societies of various descriptions. This has been done, and applications for registration are beginning to come in. Of the societies in existence, a large number will probably not desire to apply for registration in their present form.

21. *Rules.*—Besides the rules referring to registration, certain rules under section 27 of the Act have been prepared and submitted for the sanction of Government since the close of the year. They were published for objection under notification No. 2117/I—986D., dated the 13th July 1905, in the Local Government Gazette of the 22nd July 1905.

22. *Model bye-laws.*—I have prepared sets of model bye-laws for a rural society, for a central society with share capital, for a central society with borrowed capital, for a village society affiliated to a central society, for a seed society, for a Tháru Central Bank, and for village societies affiliated to the Tháru Central Bank. These have all been translated and have been distributed, with the forms of application for registration. I have also prepared a note on central bank accounts, which has been translated. A leaflet has also been printed and translated, and will be distributed as opportunity offers.

23. *Extension.*—Of the various institutions which were started, or for the initiation of which steps were taken during the year, the most important was the proposed Tháru Bank in the Naini Tál *tarai*. During the month of March I camped through the Tháru tract with the Deputy Commissioner and made an inquiry into the indebtedness of the Thárus. The results of that inquiry were reported to Government in my letter No. $\frac{149}{\text{C.C.S.}}$, dated the 14th April 1905. As a result of the orders conveyed in G. O. No. 1933, dated the 25th June 1905, a Central Bank has been started at Khatima with branches in four of the villages in the vicinity. It is hoped that next year may see the extension of the work. It should prove practicable to reach all the Tháru villages, and so to rescue this most deserving people from the clutches of the Banjára money-lender.

A further large extension of the work has taken place in the Bánda district. There the society at Bargarh had worked extremely well from the commencement, and as a result there was a keen desire on the part of the cultivators in the surrounding Patha villages to join the institution and share in the benefits which it confers. As a result of a visit paid to that portion of the district, 11 new societies were formed, and affiliated to the Bargarh Bank, which became the Central Bank for the tract. It is noteworthy that the Patha, on which Bargarh is situated, is the poorest portion of the Bánda district, and probably of the United Provinces.

Bulandshahr is another district where the movement shows signs of large growth. In the south-west corner of the district, round Jewar, and in the Bulandshahr tahsil, round Chandauk, in both of which places the institutions started in 1901 have been successful, a large number of societies, 26 in all, have been formed, and have succeeded in raising the necessary capital from a local capitalist. In the case of these societies, as in that of the Tháru Bank, the work which resulted in their formation was done during the year under report, though their actual institution fell in the current year.

In certain of the districts of Rohilkhand there is every prospect of a large extension in the number and size of the societies. The only district in which that extension has actually taken place is Bareilly, where four village societies with a capital of Rs. 2,100 were started in March last. These societies were formed by fission from the existing Salehnagar Bank. Of the capital Rs. 200 were subscribed by the members themselves and a further Rs. 200 was advanced as a loan from Government under paragraph 26 of G. G. O. No. 1—63-3, dated the 29th April 1904. Rupees 500 was advanced by the Court of Wards at 6 per cent. and I advanced Rs. 1,200 from the amount placed at my disposal as the share of these provinces in the advance given by Mr. Hamilton of Calcutta. This advance was made at 5 per cent. In these societies the members agreed to deposit annually nine pias on each rupee of the rent which they pay to their landlords, and with the recent *rabi* harvest they deposited their first instalment, amounting to Rs. 150.

24. *Societies of other types.*—It is not intended that the system of co-operative credit should be restricted to village banks. In the course of my cold weather tour, I visited Amethi in the Sultanpur district with the object of seeing whether it would be possible to organize a federation to take over the stock of seed in the Government seed depôt at that place, and carry on the business as a co-operative seed store. I met a very large number of the cultivators, and prospects appeared highly promising. When I returned to Amethi after the *rabi* harvest, with the object of commencing operations, circumstances had arisen which prevented the scheme coming to fruition. The failure was partly due to the frost, and partly to other causes. It is a question whether anything can be done this year, as the price of seed grain is at present very high and likely to remain so; but the matter will not be lost sight of, and it is hoped that next year may see the scheme in practical working order.

Enquiries have also been made as to the possibility of applying the co-operative principle to the sugar-boiling industry and so saving for the actual cultivator a portion of the large profits which at present go to the middleman. The question is a large one and one of some complexity. Opposition will be encountered not only on the part of the *khandsari*, but also that of the landlord to whom a portion of the profits go. It should, however, prove possible to effect something, if only the provision of advances for sugar cultivation, at reasonable rates of interest. The question is one to which attention will be specially directed during the coming cold weather.

An enquiry is at present being made into the possibility of improving the position of the weavers of silk and *kamkhwab* in Benares. There are large profits to be made in the business, but at present these are entirely swallowed up by the capitalists. The manufacturing *julahas* are in a condition bordering on serfdom, and lead a wretched existence, the majority of them being among the poorest of the poor. There are, however, some influential members of the caste, and with their assistance it is anticipated that the trade may possibly be replaced in the hands of the workmen who produce the finished article.

Preliminary steps have been taken with a view to examining the financing of the Bhutia trade between Thibet and British India. I am indebted to the Deputy Commissioner of Garhwal, Mr. V. A. Stowell, for a most interesting report on this subject. I had intended to make a tour through the tract and to proceed with Mr. Stowell to Joshimath; but work in the plains has been of so pressing a nature that the scheme fell through. It may prove possible to take up the question during next hot weather.

25. *Changes in method.*—Considerable changes have been made in the method of working the village societies. Those originally started were governed by rules modelled on the rules which govern similar societies in Europe, and the range of operations, for which loans could be granted under those rules was strictly limited to reproductive agricultural purposes. The term for which loans could be given was restricted to six months, and the accounts of the societies were kept in forms laid down in the rules, and of a western type. Experience gained by inspection and from consultation with the committees of the societies very soon led to a conviction that the rules were in some points unsuited to the conditions obtaining in the provinces, that the fixed term of six months was inadvisable and that the form of the

accounts was somewhat of a stumbling-block in villages where the account-keeping agency was not of a high type. In the draft rules under section 27 of the Act which have been submitted to Government, the power of making bye-laws has, as is contemplated by the statute, been left to the societies themselves. For their guidance sets of model bye-laws have been prepared and in these bye-laws the objects for which loans may be given, the term after which they should be repaid and the form in which the accounts may be kept, have all been left to the local society for determination. This has resulted, as was to be expected, in the commencement of *bahis* of the native type, for the keeping of accounts, in the distribution of loans for other purposes than those of a strictly reproductive agricultural nature, and in the fixing of terms of repayment, sometimes by instalments and in most cases very much more acceptable to the debtors than the six-monthly term previously fixed. One great object, however, has been gained. The members of the societies have realized that the institutions are not Government institutions and the devolution of responsibility on the management of the societies has resulted in a far keener attention to their business than was the case under the old rules. I am hopeful that the experience of the next few years may result in the discovery of the special local methods most suited to the provinces. This is the great point at which to aim. There is no question of the exoticism of the principle. There is probably no country in the world where the principles of joint responsibility and co-operation are better understood. The method of application of those principles is the point at issue, and this can only be ascertained by a liberal devolution of authority upon the local managing bodies, and by a wide experience of the results. It is not to be expected that the results will be immediately striking. Though it is probable that the experience of Sir Horace Plunkett in Ireland will not be repeated, it is still certain that progress will at the outset be slow. There is, however, in the movement, the hope of redemption for the Indian agriculturist, and the invaluable experience gained from the history of the institutions founded in 1901 justifies the belief that the future is bright. Even in the cases of failure, the experience has been useful, as it has taught what to avoid, while in the cases of success the conditions of that success point to the method to be employed elsewhere.

26. I regret that this report gives so little valuable information. It is not to be expected that much could be said where there is so little to report. My own time and that of the Inspector has been spent in propaganda, alternating with the audit of accounts which were frequently in very serious confusion. The propaganda has already borne fruit, and may bear more; but as in the case of missionary work of a more serious description, patience is the most necessary of virtues and a determination not to despise the day of small things,

I have the honour to be,

SIR,

Your most obedient servant,

J. HOPE SIMPSON,

Registrar.

STATEMENTS I AND II.

FORM
Balance-Sheet of village banks in the United

District.	Number of banks in the district.	Number of banks reported on.	Number of members.	Income.					
				Deposits.	Loans from organization society.	Loans from private persons.	Loans repaid by members.	Interest paid by members on loans.	Entrance fees.
1	2	3	4	5	6	7	8	9	10
				Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Dehra Dún ...	...	...	...	...	...	...	...	...	...
Sahāranpur ...	2	2	130	2	8	62	1,009	71	2
Muzaffarnagar ...	1	1	45	...	1,000	...	374	38	11
Meerut ...	3	3	116	...	95	355	1,177	117	13
Bulandshahr ...	8	8	854	...	100	...	6,525	490	36
Aligarh ...	3	2	125	10	...	...	901	37	7
Total, Meerut Division ...	17	16	1,270	12	1,203	417	9,986	753	69
Muttra ...	...	...	...	...	...	...	...	...	...
Agra ...	5	4	111	...	...	756	388	72	...
Farrukhabad ...	4	4	203	...	71	400	175	7	...
Mainpuri ...	7	7	470	77	400	280	4,005	357	23
Etāwah ...	...	...	...	...	...	...	...	...	...
Eath ...	4	...	...	...	...	...	...	...	...
Total, Agra Division ...	20	15	784	77	471	1,436	4,568	436	23
Bareilly ...	4	4	99	...	...	1,350	...	145	9
Bijnor ...	1	1	51	...	...	...	100	8	...
Budaun ...	16	14	1,520	...	789	...	6,666	518	72
Moradabad ...	10	10	876	...	150	49	3,350	325	18
Shāhjhānpur... ..	1	1	1	...	...	...	79	7	...
Pilibhāt ...	8	8	712	23	1,099	382	2,202	215	24
Total, Rohilkhand Division	40	38	3,259	23	2,038	1,781	12,397	1,218	123
Cawnpore ...	...	...	...	...	...	...	...	...	...
Fatehpur ...	3	3	153	...	...	...	1,538	83	7
Bānda ...	8	8	430	280	1,100	623	2,412	255	42
Hamīrpur ...	...	...	...	...	...	...	...	...	...
Allahabad ...	11	5	431	73	340	...	2,067	137	21
Jhānsi ...	9	6	303	611	...	...	1,550	239	33
Jalaun ...	...	...	...	...	...	...	...	...	...
Total, Allahabad Division	31	22	1,317	964	1,440	623	7,567	714	103
Benares ...	3	3	278	...	...	720	1,930	67	14
Mirzapur ...	...	...	...	...	...	...	...	...	...
Jaunpur ...	4	4	374	...	600	...	1,175	92	24
Ghāzipur ...	3	...	...	...	...	...	...	...	...
Ballia ...	...	...	...	...	...	...	...	...	...
Total, Benares Division ...	10	7	652	...	600	720	3,105	159	38
Gorakhpur ...	3	2	582	25	...	490	2,930	456	51
Basti ...	...	...	...	...	...	...	...	...	...
Azamgarh ...	6	2	111	...	...	...	50	5	...
Total, Gorakhpur Division	9	4	693	25	...	490	2,980	461	51
Almora ...	...	...	...	...	...	...	...	...	...
Garhwāl ...	...	...	...	...	...	...	...	...	...
Naini Tāl ...	...	...	...	...	...	...	...	...	...
Total, Kumaun Division ...	...	...	...	...	...	...	...	...	...
Lucknow ...	5	5	313	1	...	...	1,076	152	1
Unao ...	1	...	...	...	...	...	...	...	...
Rae Bareli ...	6	6	525	...	1,000	280	2,971	146	10
Sitapur ...	2	...	...	...	...	...	...	...	...
Hardoi ...	7	7	334	578	672	...	1,971	307	34
Kheri ...	4	...	...	...	...	...	...	...	...
Total, Lucknow Division	25	18	1,172	579	1,672	280	6,018	605	45
Fyzabad ...	8	8	898	612	423	...	2,526	175	48
Gonda ...	3	3	475	...	200	...	843	76	5
Bahraich ...	2	2	171	84	...	...	192	25	19
Sultānpur ...	23	18	854	20	200	...	2,316	189	16
Partābgarh ...	27	...	...	...	...	...	...	...	...
Bara Banki ...	8	8	670	2	...	...	1,497	182	5
Total, Fyzabad Division...	71	39	3,068	718	823	...	7,374	647	93
TOTAL, U. P. OF AGRA & OUDH	223	159	12,215	2,398	8,247	5,747	53,995	4,993	545

No. I.

Provinces for the year ending 31st March 1905.

Miscellaneous	Balance on 1st April 1904.	Total.	Expenditure.								Balance on 31st March 1905.	Total.
			Deposits withdrawn.	Loans repaid to organization society.	Loans repaid to private persons.	Interests paid on loans.	Loans issued to members.	Amount paid to reserve fund.	Miscellaneous.			
11	12	13	14	15	16	17	18	19	20	21	22	
Ra.	Ra.	Ra.	Ra.	Ra.	Ra.	Ra.	Ra.	Ra.	Ra.	Ra.	Ra.	
...	
15	69	1,238	...	26	...	53	1,054	77	...	28	1,238	
7	...	1,430	...	...	...	19	867	...	...	514	1,430
...	79	1,836	...	218	555	62	845	14	...	142	1,836	
...	351	7,502	...	...	...	179	6,326	67	2	928	7,502
...	...	955	10	...	...	9	935	...	...	1	955
22	499	12,961	10	244	555	322	10,027	158	2	1,643	12,961	
...	
...	21	1,237	95	...	340	34	...	...	3	765	1,237
...	130	783	...	...	457	14	289	1	...	22	783
15	221	5,378	...	...	...	109	4,956	21	2	290	5,378
...	
...	
15	372	7,398	95	...	797	157	5,245	22	5	1,077	7,398	
...	285	1,789	...	...	268	98	1,350	47	...	26	1,789
...	...	108	...	...	100	8	...	...	...	...	108
6	201	8,252	...	...	...	455	7,045	501	2	249	8,252
70	78	4,040	...	...	236	500	2,797	494	...	13	4,040
...	79	165	...	...	...	...	79	...	...	86	165
11	362	4,318	...	695	146	89	3,127	61	12	188	4,318	
87	1,005	18,672	...	695	750	1,150	14,398	1,103	14	562	18,672	
...	
...	5	1,633	...	...	1	72	1,557	...	...	3	1,633
3	321	5,036	12	...	...	119	4,534	...	...	371	5,036
...	
...	211	2,849	...	...	...	37	2,413	40	...	359	2,849
15	25	2,473	...	...	...	44	2,069	153	15	192	2,473
...	
18	562	11,991	12	...	1	272	10,573	193	15	925	11,991	
...	72	2,803	...	...	400	22	2,243	...	...	138	2,803
...	
...	95	1,986	...	...	...	17	1,748	30	...	191	1,986
...	
...	
...	167	4,789	...	...	400	39	3,991	30	...	329	4,789
38	2,536	6,526	...	...	...	335	2,933	387	21	2,850	6,526
...	
...	93	148	...	...	...	...	...	...	...	148	148
38	2,629	6,674	...	...	...	335	2,933	387	21	2,998	6,674
...	
...	
...	
1	144	1,375	...	...	...	91	1,179	2	...	103	1,375
...	
...	495	4,902	...	1,000	300	75	3,389	8	...	130	4,902	
...	
129	480	4,171	...	...	...	13	3,466	537	41	114	4,171
...	
130	1,119	10,448	...	1,000	300	179	8,024	547	41	347	10,448	
...	238	4,022	100	...	...	122	3,405	40	...	359	4,022
...	98	1,222	22	...	...	...	1,045	...	...	155	1,222
...	566	886	2	...	...	...	643	...	...	241	886
1	1,462	4,204	4	222	...	40	2,340	207	...	1,291	4,204	
...	
285	684	2,655	12	...	...	81	1,788	323	1	450	2,655
286	3,018	12,989	140	222	...	243	9,221	570	1	2,592	12,989	
596	9,401	85,922	257	2,161	2,803	2,697	64,422	3,010	94	10,473	85,922	

Statement of assets and liabilities of the village banks

District.	Assets.				
	Cash in hand.	Loans out- standing.	Unrecovered interest due on loans on 31st March 1905.	Cash in Post Office savings bank.	Total.
	2	3	4	5	6
	Rs.	Rs.	Rs.	Rs.	Rs.
Debra Dún ... ..	...	...	...	...	...
Sahāranpur	29	1,004	60	15	1,108
Mozaffarnagar ... ..	...	494	19	544	1,057
Meerut... ..	142	534	30	21	727
Bulandshahr	863	5,349	169	79	6,460
Aligarh	1	567	21	...	589
Total, Meerut Division	1,035	7,948	299	659	9,941
Muttra ... ..	...	...	...	...	...
Agra	738	437	19	...	1,194
Farrukhabad	22	722	61	88	893
Mainpuri	291	3,714	222	7	4,234
Etāwah ... ..	...	...	...	...	...
Etah ... ..	...	...	...	...	...
Total, Agra Division	1,051	4,873	302	95	6,321
Bareilly	22	1,618	32	139	1,811
Bijnor ... ..	...	...	...	...	...
Budaun	218	5,933	163	981	7,295
Moradabad	13	3,247	143	722	4,125
Shāhjahānpur ... ..	...	87	...	1	88
Pilibhīt	188	3,389	154	192	3,923
Total, Rohilkhand Division	441	14,274	492	2,035	17,242
Cawnpore ... ..	...	...	...	...	...
Fatehpur	3	1,176	61	15	1,255
Bānda	367	3,807	193	4	4,371
Hamīrpur ... ..	...	...	...	...	...
Allahabad	611	1,706	177	64	2,558
Jhānsi	120	2,333	149	112	2,714
Jalaun ... ..	...	...	...	...	...
Total, Allahabad Division	1,101	9,022	580	195	10,898
Benares	138	1,708	108	4	1,958
Mirzapur ... ..	...	...	...	...	...
Jaunpur	192	1,653	68	104	2,017
Ghāzipur ... ..	...	...	...	...	...
Ballia ... ..	...	...	...	...	...
Total, Benares Division	330	3,361	176	108	3,975
Gorakhpur	1,912	104	20	1,333	3,369
Basti ... ..	...	...	...	...	...
Azamgarh	129	55	11	19	214
Total, Gorakhpur Division	2,041	159	31	1,352	3,583
Almora ... ..	...	...	...	...	...
Garhwāl ... ..	...	...	...	...	...
Naini Tāl ... ..	...	...	...	...	...
Total, Kumaun Division ... ..	...	...	...	...	...
Lucknow	103	1,805	156	34	2,098
Unao ... ..	...	...	...	...	...
Rae Bareli	101	2,674	141	145	3,061
Sītapur ... ..	...	...	...	...	...
Hardoi	115	3,629	206	537	4,487
Kheri ... ..	...	...	...	...	...
Total, Lucknow Division	319	8,103	503	716	9,646
Fyzabad	355	2,864	105	214	3,538
Gonda	83	955	34	121	1,193
Bahraich	241	705	72	...	1,018
Saltānpur	1,146	3,327	243	495	5,211
Partābgarh ... ..	...	...	...	...	...
Bara Banki	82	2,409	177	369	3,037
Total, Fyzabad Division	1,907	10,260	631	1,199	13,997
TOTAL. U. P. OF AGRA & OUDH	8,225	58,005	3,014	6,359	75,603

No. II.

in the United Provinces on 31st March 1905.

Liabilities.						Remarks.
Amount deposited.	Amount borrowed.	Unpaid interest due upon deposits.	Unpaid interest due on amounts borrowed.	Total.	Balance (column 6 minus column 11).	
7	8	9	10	11	12	
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
...	
7	912	1	28	948	160	
...	1,000	...	26	1,026	31	
2	507	...	10	519	208	
33	5,458	2	252	5,745	715	
275	200	15	3	498	91	
317	8,077	18	324	8,736	1,205	
...	
755	300	15	29	1,099	95	
313	400	22	16	751	142	
222	3,280	12	179	3,693	541	
...	
...	
1,290	3,980	49	224	5,543	773	
...	1,556	...	47	1,603	203	
...	
41	5,989	6	225	6,261	1,034	
124	3,325	1	78	3,523	597	
...	50	...	5	55	53	
23	3,247	...	67	3,337	584	
188	14,167	7	422	14,784	2,453	
...	
...	1,065	...	34	1,099	156	
803	3,053	42	151	4,049	322	
...	
174	1,781	34	205	2,194	304	
657	1,571	171	22	2,421	293	
...	
1,634	7,470	247	412	9,763	1,135	
51	1,620	7	74	1,752	206	
...	
5	1,752	...	28	1,785	232	
...	
...	
56	3,372	7	102	3,537	433	
40	2,910	...	17	2,967	402	
...	
28	159	...	16	203	11	
68	3,069	...	33	3,170	413	
...	
...	
...	
1,076	540	49	50	1,715	353	
...	
...	2,529	5	88	2,622	439	
...	
5	3,180	9	292	3,486	1,001	
...	
1,081	6,249	63	430	7,823	1,823	
746	2,193	12	41	2,997	541	
273	649	25	43	995	193	
216	526	15	95	852	166	
35	4,023	3	395	4,461	750	
...	
105	2,300	45	173	2,623	414	
1,375	9,701	100	752	11,928	2,069	
6,009	56,085	491	2,699	65,234	10,319	

ORDERS OF GOVERNMENT.

No. $\frac{203}{1-892-1905}$ OF 1906.

FROM

E. F. L. WINTER, Esq.,

CHIEF SECRETARY TO GOVERNMENT,

UNITED PROVINCES,

To

THE REGISTRAR, CO-OPERATIVE CREDIT SOCIETIES,

UNITED PROVINCES.

DATED ALLAHABAD, THE 16TH JANUARY 1906.

SIR,

REVENUE DEPT.

I AM directed to acknowledge the receipt of your letter no. 357, dated the 19th October 1905, addressed to the Joint Secretary to the Board of Revenue, submitting a report on the working of Act X of 1904 (the Co-operative Credit Societies Act). The report should in future be addressed to Government direct, and I am to ask that this year it should be submitted punctually by the 1st of June. The delay in submitting this report is explained by the difficulty you experienced in obtaining correct accounts from a number of banks, and even now the statement is incomplete and you doubt the accuracy of the figures in some cases.

2. You only took up your appointment on the 5th of November 1904, and during the remainder of the year were engaged in inspecting the banks started before Act X was passed. There was no time to take any action under the Act within the year, and your report therefore calls for little remark. You refer to the rules submitted since the close of the year, to the by-laws you have drafted, and to the action you are now taking. These will be discussed at length in your report for the current year, and it would be premature to take them into consideration at present.

3. The village banks which you found in existence on taking charge of your appointment were mostly started in 1901, on the lines suggested by Mr. Dupernex in his pamphlets on village banks. Few of these have met with any great measure of success, and many have ceased active operations, while a large number are languishing and have little prospect of survival in their present form. Still, though little real success has so far been obtained in the attempt to initiate a scheme of co-operative banking for the benefit of the agricultural classes, much valuable experience has been gained, and the experiments that have been made are not to be regretted. In the majority of cases the operations of the banks were limited by the capital available, while the number of the members was unrestricted and there was little chance of their requirements being met. The capital has been raised mainly by loans from gentlemen who from philanthropic or other reasons were willing to

advance money at rates of interest considerably below the prevailing rates. This tempted the society to issue loans to its members at rates of interest which did not enable it to increase its capital by the offer of reasonable profits. Instances are even known where members took advances from a society and lent it to other persons at a profit to themselves. It is obvious that no society has any chance of success which is worked on these lines and depends on charity for its capital.

4. You have recently applied for an increase in your inspecting staff on the ground that without it the banks now in existence or which you propose to register cannot all be inspected within the year nor can their accounts be audited. Government is unwilling in any way to hamper you in your work and will give such assistance as you require, but I am to point out the desirability of concentration of effort. It is not necessary or advisable that banks should, in the first instance, be started in every district or every division. Societies prematurely brought into existence and closed after a precarious existence bring discredit on the movement and retard its development; you should now mainly devote your time not in increasing the number of banks, but in selecting those offering the greatest promise of success and establishing them on a firm financial and business basis. Nothing will be more effective in promoting the object we have in view than the example of a really successful society.

5. With few exceptions there has hitherto been little co-operation in the real sense of the term. It is essential that the members of a society should take a personal interest in the management, and this will only result from a pecuniary interest in its success.

6. It is satisfactory that in the societies recently started in Banda, Bareilly, and Bulandshahr the members have accepted as a condition of membership a small deposit at harvest: not only will this provide the societies with the much needed capital, but it will encourage a habit of thrift, which is more important than the provision of facilities for borrowing.

7. Though you mention some instances, such as the Kachi bank at Kalingar, the Bilgaon bank, both in the Banda district, the Mahewa bank in Allahabad, and the Raipur-Amethi bank in the Sultanpur district, where the management is in the hands of members of the class from whom the borrowers are drawn, it appears clearly from your report that for some time to come the success of a bank will depend mainly on the personal supervision of the individual, be he a government official or landholder, who undertakes its guidance; and the Lieutenant-Governor is glad to learn that in not a few districts private gentlemen have interested themselves in the movement and are largely responsible for such success as has been attained. Among others I am to notice the names of Kunwar Khushal Singh and Mahabir Singh in the Bulandshahr district, Mahant Parbhu Ban and Chaudhri Maharaj Singh in the Moradabad district, Lala Ishwar Sahai in Fatehpur, Pandit Bishnath Singh in Banda, Munshi Wazi-uz-zaman in Unao, Raja Rampal Singh, C.I.E.,

(3)

in Rae Bareli, Mir Abu Jafar and Mir Rahat Husain in Fyzabad, and Chaudhri Rashid-nd-din Ashraf in Bara Banki. I am to request that you will communicate to them the acknowledgment of Government for the good work . they have done.

I have the honour to be,

SIR,

Your most obedient servant

E. F. L. WINTER,

Chief Secretary