

ANNUAL REPORT

ON THE

WORKING OF CO-OPERATIVE  
CREDIT SOCIETIES

IN THE

PUNJAB

FOR THE YEAR ENDING

31ST MARCH 1905.

Price Annas 3 or 6 Pence.



Lahore:

PRINTED AT THE PUNJAB GOVERNMENT PRESS,  
1905.

---

ANNUAL REPORT  
ON THE  
WORKING OF CO-OPERATIVE CREDIT SOCIETIES  
IN THE  
PUNJAB, 1905.

---

## Agents for the sale of this Report.

### IN LONDON.

F. A. ARNOLD, 41 and 43, Maddox Street,  
Bond Street W.  
CONSTABLE & Co., 16, James Street,  
Haymarket, S. W.  
P. S. KING & SON, 9, Bridge Street,  
Westminster, S. W.  
KEGAN PAUL, TRENCH, TRÜBNER & Co.,  
Charing Cross Road, W. C.  
B. QUARITCH, 15, Piccadilly, W.  
DEIGHTON BELL & Co, Cambridge.  
B. H. BLACKWELL, 50 and 51, Broad Street,  
Oxford.  
HENRY S. KING & Co., 65, Cornhill, E. C.

### ON THE CONTINENT.

FRIEDLANDER & SOHN, 11, Carlstrasse,  
Berlin.  
OTTO HARRASSOWITZ, Leipzig.  
KARL W. HIERSEMANN, Leipzig.  
ERNEST LEROUX, 28, Rue Bonaparte, Paris.  
MARTINUS NIJHOFF, The Hague.

### IN INDIA.

THACKER, SPINK & Co., Calcutta & Simla.  
NEWMAN & Co., Calcutta.  
THACKER & Co., Bombay.  
HIGGINBOTHAM & Co., Madras.  
V. KALYANARAM IYER & Co., 189,  
Esplanade Row, Madras.  
NATESAM & Co., Madras.  
SUPERINTENDENT, AMERICAN BAPTIST  
MISSION PRESS, Rangoon.  
A. CHAND & Co., Imperial Book Depot  
Office, Delhi.  
GULAB SINGH & SONS, Mufid-i-'Am Press,  
Lahore.  
S. MUMTAZ ALI & SON, Rafah-i-'Am Press,  
Lahore [for Vernacular publications only].  
MOHAN LAL, Punjab Law Book Depot,  
Lahore.  
MANAGER, "The Aryan Printing, Publishing  
and General Trading Co., Limited,  
Lahore."

READ—

Senior Secretary to the Financial Commissioner's No. 249, dated 13th July 1905, submitting with the Financial Commissioner's remarks the Report of the Registrar of Co-operative Credit Societies for the year ending 31st March 1905.

REMARKS.—The Report, which is the first annual report on the subject that has been submitted to Government, deals practically with only three months of active work, as the Registrar who assumed charge of his duties on the 21st of October 1904 was at first occupied with preliminary arrangements.

2. In paragraphs 3 and 4 of his Secretary's letter the Financial Commissioner criticises the selection of districts chosen for the initial operations of the Registrar. As regards the districts of Ráwalpindi and Montgomery, the Registrar seems not to have attempted operations because the Deputy Commissioners concerned discouraged him, and in view of their attitude no other course was open to him. But His Honour is unable to approve of the action of these officers, who have practically vetoed the selection of districts made by Sir Charles Rivaz and have prejudged the experiment because they did not feel sanguine as to its success. Sir Denzil Ibbetson expects active assistance from his District Officers, who, if they know their districts as they should do, will have little difficulty in selecting the most promising starting points. They may have their own private opinions about the probability of success, and no one can feel quite sure of the result. But the intention of Government is that this experiment shall have a fair trial with all the advantages which the co-operation of its officers can give it, and the latter must regulate their conduct accordingly. If, as appears from the Registrar's report, there is hope of success in Jhelum, there appears no good reason for not making the experiment in the adjacent district of Ráwalpindi, which is similar in respect of population and other circumstances. And, in the case of Montgomery, considering the success which has been attained by one society there, and the immense advantage to the people of the district that the successful institution of these societies would be, His Honour sees no reason for abandoning the experiment.

3. The Officiating Lieutenant-Governor entirely agrees with the remarks of the Financial Commissioner in paragraph 5 of the letter under review, and will consider any additions to the list of selected districts which the Financial Commissioner on the recommendation of the Registrar acting in consultation with the Deputy Commissioner may wish to make. But in any case, the attention of all Deputy Commissioners should be drawn to the Government of India (Revenue and Agricultural Department) Resolution No. 1—63-3, dated 29th April 1904, and to their letter No. 548-55—63-6 of the same date, in which the policy of the Government of India in regard to these societies was explained, and every District Officer should be supplied with a copy of these papers. It is almost certain that some officers will be interested in the matter and will be able to interest certain of the people of their districts also, in which case the Registrar's advice and assistance will be at their disposal; and His Honour would be inclined, for the present at any rate, to trust to spontaneous development of this kind rather than to additions to the list of officially selected districts.

4. Sir Denzil Ibbetson is averse from starting too many societies in the same tract or district. The first experiments must, almost of necessity, have an official tinge about them, and will require very great attention in order, as far as possible, to prevent failure which would be disastrous. If two or three really successful societies (or even a single one) can be started in a tract, spontaneous imitation may confidently be hoped for. Till that begins, the experiment cannot be said to have attained success; but, if it does begin, success will spread in a geometrical ratio, each new society acting as a model and a starting point for others. It will not do to be impatient or disappointed if success at first is slow; ample time must be given to allow the leaven of example to work.

5. Even in the little that has been done so far, encouraging features are not absent. The Panjavar type of society probably requires a Híra Singh for success, and such men are rare. His Honour is not sure of the expediency of recommending it for general imitation, though he would not wish to discourage attempts where conditions are favourable. But the effect produced in the Miánwáli Tahsíl by the success of the societies already started, the fact that they have had no bad debts, the fact that the people in Hoshiárpur and Montgomery have ideas of their own, on which they insist, as to the form which their operations should take, and the evolution of a special type of society in Bhakkár, all tend to inspire hopes of ultimate success.

6. In the last clause of paragraph 5-A of the Report mention is made of the desire of certain Khatris and Brahmans to deposit money with rural societies. The dangar that their object may be to crush a society which they may regard as a dangerous rival, must be carefully guarded against. The professional money-lender should, His Honour thinks, in no case be allowed entrance into a society, or any voice in its management. But so long as the loan is genuine, made on business principles, and at moderate terms, Sir Denzil Ibbetson can see no objection to it. One object of these societies is to utilize the enhanced credit which joint security gives, and that can be done only by some form of borrowing (which, however, should in the first instance be very cautiously undertaken); and His Honour is not sure that the Registrar is right in wishing to confine deposits to the members of the society.

7. The question of loans for unproductive expenditure is one of the most difficult and disputed points in the whole scheme. Mián Híra Singh's testimony as to the effect upon marriage expenditure is striking and valuable, and if members of societies could be induced to bind themselves by the decision of the Committee as to the amount of expenditure on these ceremonies and could be trusted to fulfil their promises, this might be the beginning of a movement which might be of immense value to the people. But Híra Singh's success in this direction was evidently due to his personal influence and to the fact that his society had "the practical monopoly of money-lending in the village," and it is doubtful how far pledges such as are suggested by Mr. Wilberforce would be adhered to. His Honour would certainly not sanction "preference to loans for marriage expenses," except in a very exceptional case, as an experiment, and at the suggestion and strong desire of the people themselves. But neither would he forbid such loans, though probably it will be wise at first to give the preference to loans for productive purposes.

8. As for the central societies discussed in paragraph 9 of the Report, they must be postponed until local rural societies are firmly established. The latter must learn to take care of their own and their neighbours' money and use it wisely before they attempt to go further afield.

9. His Honour is not prepared to accept Mr. Wilberforce's suggestion that the Náib Tahsildár attached to him should be replaced by an Extra Assistant Commissioner as the work to be done is not sufficient to occupy the whole time of an officer of that standing as well as the Registrar's, but if the Registrar can carry efficient apostles of the cause with him when on tour, Sir Denzil Ibberson is ready to defray the attendant expense to a moderate amount.

10. None of the proposals to which the Registrar refers have yet reached Government. They should now be submitted without delay, and it would at the present stage be useless to discuss them.

11. The Report contains an interesting account of the societies which the Registrar found in existence and of the steps he has so far been able to take to start new societies. He has grasped what is expected of him, and has realized that his function is not to interfere in details, but to assist with explanations

and encouragement. His Honour's acknowledgments are due to Mr. Wilberforce for the report, which is an excellent one, and Mián Hira Singh should be informed through the Deputy Commissioner of the appreciation with which his work is viewed by the Lieutenant-Governor.

---

ORDER — Ordered that a copy of the foregoing Remarks be published in the *Punjab Government Gazette*, and communicated to the Financial Commissioner, Punjab.

Also that a copy, with a copy of the Report and the Financial Commissioner's note thereon, be forwarded to the Government of India, Revenue and Agricultural Department, and to all Local Governments and Administrations for information.

By order of His Honour the Lieutenant-Governor,

A. H. DIACK,

*Chief Secretary to Government, Punjab.*

No. 249 S., dated Simla, 13th July 1905.

From—L. H. LEPLIE JONES, Esquire, Senior Secretary to the Financial Commissioner, Punjab,  
To—The Chief Secretary to Government, Punjab.

I AM directed to submit the Annual Report on the working of Co-operative Credit Societies in the Punjab for the year ending 31st March 1905, together with a review thereon by the Financial Commissioner.

### Review of Report of Registrar, Co-operative Credit Societies, for 1904-05.

MR. M. S. D. BUTLER, I.C.S., was nominated to the appointment of Registrar, Co-operative Credit Societies, and actually assumed charge of the office on 19th September 1904, but almost immediately relinquished it to take up an appointment under the Government of India. Mr. Wilberforce was then appointed and assumed charge on 21st October 1904. His first duty was to organize his establishment and arrange preliminary details, so that the report which he now submits really relates to operations during the last quarter of the year.

2. The lines on which this first report should be written were sanctioned in Chief Secretary to Punjab Government's letter No. 92, dated 11th May 1905, the form of future reports being left for further consideration. The present report is for the most part taken up with an account of the results and prospects in the four districts to which the Registrar confined his attention. No tabular statement is appended. Detailed instructions will be issued as to the form of the report for the current year; and it is hoped that the dates fixed for submission to the Financial Commissioner and to Government will be adhered to.

3. In paragraph 27 of Government of India Resolution No. 1-63, dated 29th April 1904, it is suggested that a few districts in each Province should be selected in which the Local Government thought that the experiment might be most hopefully tried; and it is added that "an important factor in the choice will be the personal character and influence of the District Officer, and the probability of his remaining in charge of the district for some time to come . . . it is the latter who must give the first impulse, &c., &c." It seems doubtful if sufficient attention was paid to these considerations in the choice of districts. One district in each of the 5 Divisions was selected. The necessary conditions as regards the District Officer were fulfilled in the cases of Karnal and Hoshiarpur; and in Mianwali Societies started through the exertions of the late Captain Crosthwaite, who may be regarded as the pioneer of the movement in the Punjab, were already in existence (paragraph 6 of the Report). No attempt was made to start Societies in Rawalpindi (paragraph 2), while such a backward district as Montgomery could scarcely be regarded as a promising field of operations, although (paragraph 7 of the Report) one Society was actually formed there through the exertions of a local notable.

4. The Financial Commissioner is inclined to think that the plan of distributing the experiment over the Province was not altogether a suitable one. Success must in the first instance depend chiefly on the character of the population to be dealt with as regards intelligence and enterprise; and the process of development, if the experiment does take root, would naturally be one of extension from the more advanced to the backward districts. Although the prospects in Karnal are not very encouraging, it would probably be a mistake to abandon our efforts there, while there are special reasons for continuing them in Mianwali. In Hoshiarpur the prospects appear to the Financial Commissioner to be distinctly encouraging, while the Kupar Sub-Division of Ambala, the Ludhiana, and, possibly, the Multan Districts, where the conditions appear to be favourable, might be included in the scope of the operations, instead of Montgomery and Rawalpindi. This question of the selection of districts is really one of the first importance.

5. There would appear to be one disadvantage in confining our attention to selected districts. In the paragraph of the Government of India Resolution already quoted firm emphasis is laid on the fact that it is the District Officer "who must give the first impulse." It seems likely that in some districts other than those selected the Deputy Commissioner might possess the necessary qualifications as well as the desire to start the experiment, or again the people themselves might show some inclination to start Societies—these are not imaginary cases. It would, in the Financial Commissioner's opinion, be a mistake to discourage a genuine local moment in the direction of founding Societies which might be due either to the exertions of the Deputy Commissioner or to the spontaneous action of leading men in districts other than those selected. It would seem advisable that general instructions should be issued which would provide for the movement being taken up in any district in the Province where the conditions were favourable. So far the initiative

has been left to the Registrar, which is wrong, and the experiment has been strictly confined to five districts of which three are altogether unpromising. No general instructions have been issued; and outside of these five districts no Deputy Commissioner considers himself concerned in the matter.

6. Considering the very brief period (three months) during which he was at work in the districts, it was not to be expected that Mr. Wilberforce would be able to report a substantial progress in the way of Societies started. Little more was really to be looked for than that he should inform himself of the possibilities, and spread information amongst the people, putting things in train for future operations, and giving a stimulus to the movement where it had already been commenced. It is clear from the account given in paragraphs 4—8 of the Report that he can point to some results, although it is much too early to say whether they will be of a permanent character. The action of two Tahsildars in the Karnal District is illustrative of a danger which was no doubt to be anticipated. Any action that goes beyond fostering the voluntary growth of Societies would be fatal; but it was to be expected that zealous officials would go beyond the intentions of Government and would indulge in compromising action. Four Societies were started in Karnal and three in Hoshiarpur, with the prospect in the latter of an increase of the number in the immediate future. The Panjwar Society in Hoshiarpur is certainly an interesting development. The primary object here was, no doubt, co-operation for the purpose of saving the land from the action of a hill torrent; but the *credit* element has been added apparently with very satisfactory results. It should be mentioned that the Society is not registered. Application will probably be made under Section 29 of the Act to have it registered; but it lends money to persons other than its members, and exemption from the provisions of Section 10 of the Act would be necessary. In the Mianwali District five Societies started under the auspices of Captain Crosthwaite were registered, and there is reason to expect that others will be found on their model.

7. No rules have so far been submitted to Government for sanction; but a few simple rules have been drafted, and will be sent up for approval shortly. In this connection attention may be invited to paragraph 3 of Government of India letter No. 548, dated 29th April 1904. As regards the matter of bye-laws, the Financial Commissioner has not at present any remarks to offer. No financial assistance has so far been given to any Society.

*The 11th July 1905.*

T. GORDON WALKER,

*Offg. Financial Commissioner, Punjab.*



ANNUAL REPORT  
ON THE  
WORKING OF CO-OPERATIVE CREDIT SOCIETIES  
IN THE  
PUNJAB  
FOR THE YEAR ENDING 31ST MARCH 1905.



PREFATORY.

THIS report deals with a period of five months, *i.e.*, from October 26th, 1904, when I took over charge, to March 31st, 1905. For practical purposes, however, the period dealt with is little more than three months, as before January I had little time for any active measures, as most of my time was spent in collecting establishment and making other arrangements incidental to a new appointment and maturing a plan of campaign. For the latter purpose I had to visit the existing societies in the Punjab and study their methods. I thought it also advisable to draw up some model by-laws and to write a short pamphlet describing the most suitable types of societies for the Punjab and the way in which they could be started.

2. The Punjab Government decided that active operations should be started in five districts which were selected as specimen districts of each Division. The districts selected were Karnal, Hoshiarpur, Montgomery, Mianwali and Rawalpindi. I did not, however, visit Rawalpindi partly from want of time and partly because the local officers considered that there was no favourable opening in the district. This report therefore deals only with the results and prospects in four districts, which can be conveniently considered separately. Before describing the actual results and giving my impressions on the prospects for the future, it may be advisable to give a short sketch of the progress already made in the Punjab, the types of societies which I advocated and the methods which I adopted.

3. In two districts only had any effort been made by officials to induce the people to benefit themselves by co-operation. Through the efforts of Mr. Maclagan and Captain Crosthwaite three societies were founded in the Multan District in 1895. The existence of these societies was short, though one would undoubtedly have succeeded if it had continued to receive official assistance. In the Bhakkar Sub-Division of Mianwali Captain Crosthwaite's efforts have met with better reward. Five societies founded by him from 1900 onwards are all flourishing under his fostering influence. In the Hoshiarpur District there has existed a society since 1892. It is not only the most long-lived of all Punjab societies, but the most prosperous. It has never received any official assistance, and its existence was unknown to European officers till quite recently. This short sketch shows that the co-operative principle has been adopted to an insignificant extent in the Punjab.

The spread of information regarding this principle has been equally slight. The vast majority of agriculturists had not even heard of the Act, and I did not meet one who had read it. They had merely heard a rumour that Government was going to relieve their indebtedness. Under these circumstances, District Officers' and the Registrar's main duty is at present to spread information and correct misapprehensions. In pursuance of this object I have held a few large and several

small meetings of agriculturists and privately instructed a large number of men of local prominence in the co-operative idea in general and the types of societies suitable to their special needs. I have also distributed a large number of copies of the short explanatory pamphlet with the model by-laws, &c., which I drew up. Both in this pamphlet and orally I have recommended three types of society in particular. These types are the Panjavar, the Mianwali and the money deposit.

The Panjavar and Mianwali types of society are described in paragraphs 5 B and 6. The money deposit type which I have advocated is not that now in use in Germany owing to the law on the subject, but the type contemplated by Act X of 1904, *vis.*, it has no share capital, and operates with fixed deposits bearing interest, and uses these deposits for advances to members who are charged a higher rate of interest than that allowed to depositors. The deposits are if possible raised entirely from members. The profits are of course carried to a reserve fund which is indivisible among the members. The Panjavar type of society I have recommended as best of all for villages which possess some undivided common land (*shamilat*). Owing to constant division these villages are unfortunately few in number. The Mianwali type I have recommended for poor communities who have to create capital, and the money deposit type for the more prosperous villages of the Central Punjab. In the spread of information I have been greatly assisted by the Deputy Commissioners of Hoshiarpur, Karnal and Mianwali and by a few Tahsildars. After my experience in the Kaithal and Thanesar Tahsils of Karnal where the Tahsildars' misguided efforts were only calculated to discredit the scheme, I have been very cautious in availing myself of Tahsil assistance and have only asked specially selected Tahsildars to help me.

#### RESULTS AND PROSPECTS IN EACH DISTRICT.

4. As the conditions vary in each of the districts in which active operations were started, it will be convenient to deal separately with each district—

*Karnal.*—In this district four new societies were founded and registered in January mainly through the efforts of Mr. J. P. Thompson, the Deputy Commissioner. These will all work with fixed deposits which were provided by several members in each case. No single member has a preponderating interest except at Shamgarh where the Sardar has contributed more than the rest of the members. Three of these societies promise eventual success. They will have as able management as is to be obtained in the district. At present the members understand little of co-operative principles, but this is hardly to be expected, especially in Karnal. Mistakes are bound to occur to begin with, and no society can gain confidence at once. My latest visit to two of these Karnal societies showed that they are regarded with a certain amount of suspicion especially by persons who desire to borrow money. They are regarded as Government banks and the experience of persons taking advances from Government has not always been happy, especially in districts like Karnal, where the people have been accustomed for centuries to submit to being plundered by petty Government officials. At Shamgarh two members have ventured to borrow small sums. It is hoped that their example will attract others. Some of the depositors have also borrowed money to show that there is no danger of being plundered. The publicity of loan transactions should soon remove any apprehensions. Each of the four societies has wisely started on a small scale, though there is plenty of capital which might be attracted to enable them to extend their operations. In two of them deposits of Rs. 725 and Rs. 500 have been collected. The other two have not yet collected deposits owing partly to delay in obtaining sanction from the Postmaster-General to open accounts at the Post Office Savings Banks. Deposits on a similar scale may be expected.

Besides starting these four societies I spent a considerable time in the district under the erroneous impression that prospects were more promising than they really were, owing to the number of applications for registration. Further experience proved that I might have spent my time more profitably elsewhere. I received altogether nine applications for registration, of which I accepted four.

The other five I found to be due to coercive persuasion on the part of the Tahsildars of Kaithal and Thanesar in defiance of course of Government's intentions and Mr. Thompson's instructions. These Tahsildars received some excellent instructions from the Deputy Commissioner, but entirely misunderstood their purport. They thought that it was a Government order that societies should be started everywhere, and without the least comprehension of the nature of the scheme proceeded to take energetic and active measures. The Tahsildar of Kaithal explained to a large meeting of zaildars and lambardars that the Registrar was arriving shortly and that before his arrival they must each send in applications for registration. He proceeded to distribute forms of applications in which he ordered the amount of contribution (apparently by way of gift) of each applicant to be entered. Fortunately perhaps neither the Tahsildar nor the zaildars and lambardars possess much influence in Kaithal. The number of applications was therefore restricted to five, of which one was irregular. In one case I registered a society as the people, after understanding the scheme apparently approved of it. In the other three cases the coerced contributors were practically all in debt and naturally saw no advantage in borrowing Rs. 50 or Rs. 100 at 27 per cent from a money-lender to finance a society in which they took no interest and of which they had no knowledge. The Tahsildar of Thanesar adopted practically similar methods in two localities which he specially selected. Neither of these localities contained a single individual capable of managing any form of Society. The misguided action of these Tahsildars has to a certain extent discredited the scheme in Thanesar and Kaithal. But I doubt if at any time there was much prospect of success in these Tahsils.

In the other Tahsils prospects of any extension of the movement are not much better. Probably one and possibly two more societies may be started this year. This, however, seems the limit which can be expected at present. It is possible of course that the success of the already established societies may have a good effect. Even this is doubtful, as the obstacle in this district is not ignorance of the benefits of co-operation but the enervated character of the people caused by centuries of oppression and defective drainage. The result is that both public spirit and private enterprise are wanting and the people are either content with the present or hopeless of the future. They view any scheme for their improvement with languid indifference or suspicion. Few of their leading men are trusted or possess any influence. With such material any form of progress is out of the question.

In Karnal too there was a certain amount of opposition on the part of the money-lenders. They were responsible for a widely spread rumour that whoever joined a society would be sued at once on either a real or fictitious claim and treated with the greatest severity allowed by law against unfortunate judgment-debtors.

However hopeless prospects may be in the Karnal District I do not think that there is any reason to regard the district as typical of the Delhi Division. In the Delhi District itself circumstances may be somewhat similar. Mr. Thompson, who knows Rohtak well, thinks that chances of success are better in that district, and I feel sure that in Ambala, prospects would be more favourable.

5. *A.—Garhshankar, Hoshiarpur and Dasuya Tahsils.*—In this district I was only able to spend some four weeks, of which nearly a week was wasted owing to heavy and practically continuous rain. I had received no applications for registration, nor had the establishment of any society been arranged, as was the case in Karnal. Mr. Fagan, the Deputy Commissioner, had, however, by conversing with the people during his tours, done more to stimulate their interest than had been done elsewhere. As a result of this, I was able to establish and register three most promising societies, two on the money deposit system and one of the Mianwali type, which, however, will also take cash deposits. This last one was started at Badla, a large village of Hoshiarpur District.

Muhammadan Rajputs. I went there and explained the various types of societies, of which the people preferred the Mianwali type. As I was not sure whether they really desired to start a society, I told them to consider the matter and that I would revisit the village in a week. On my return they produced by-laws for my approval which also allowed for cash deposits some of which were promised, and said that with only grain subscriptions they could not progress as rapidly as they desired. Twenty-three members had joined and many others were ready. The competition to serve on the committee was so keen that they had arranged for one of 17 members which as they were reluctant to reduce I was compelled to allow. Since registration they have framed a new by-law regulating fixed deposits and allowing different rates of interest on deposits for ten years, five years and less. Deposits of over Rs. 1,000 have been promised. The intention is to receive them after the present harvest. If they maintain their interest in the society it should be most successful. The other two societies which I founded were at Mahalpur and Manaswal. At Mahalpur a society was formed for the Bains Jats residing within a three mile radius. Here also there was a most intelligent interest shown in the society and my model by-laws were most carefully scrutinised and one or two alterations made. The people here also insisted on long term deposits, though I made no suggestion on the point. At Manaswal a Rajput society was started. Tika Opinder Singh, son of the Rana is taking great interest in the society. Rs. 800 fixed deposits have already been collected. All these societies were started in the latter part of February. Owing to plague practically nothing was done in March.

Besides starting these three societies, I toured over a large part of the district and met most of the prominent men. I held two big meetings in the Garhshankar Tahsil at one of which I had the assistance of a most eloquent orator Uttam Singh, a Jat of Moranwali, and after each had to answer a large number of most relevant questions which showed that those present had grasped the whole idea. To only one question which was generally asked first in Hoshiarpur was I unable to give a definite answer. This question was, what facilities will Government give for recovery of loans? Many men of all classes thought that the success of the scheme depended on the answer to this question, and said that they would not take any action before this matter was settled. I informed them of the rule which I have proposed to Government. They considered it satisfactory, and I hope it will be accepted.

In my opinion prospects of a gradual extension of the movement in Hoshiarpur are promising. I should be very disappointed if at least 4 or 5 new societies were not started in the present year. Both the prominent men and the ordinary agriculturists are ready to listen to any scheme for their improvement and some are ready to adopt it at once; many, however, are cautious and prefer to wait and allow others to try the experiment with the intention of adopting it themselves if successful. The character of the people generally is most favourable. They have a different outlook on life from that of the Karnal agriculturist. They are full of enterprise and always trying to better their fortunes if good and hopeful of recovering them if lost. Many have recovered their land by successful ventures in Australia and Africa. The standard of education and intelligence is much higher than in the Western or Eastern Punjab. Among the Rajputs especially clan feeling is strong, and they are the more ready to combine. These remarks apply especially to the Garhshankar and Hoshiarpur Tahsils, and to a lesser degree to the northern part of the Dasuya Tahsil. The central and southern parts of the Dasuya Tahsil contain a population enervated by an unhealthy climate with no enterprise and no leading men.

Another factor which may contribute to success is that in many parts of the district there is a large amount of capital which may be attracted by well managed societies. Large sums of money are remitted and brought home from Australia and Africa and various parts of India. This money is generally sent to a trusted relation either for redeeming mortgaged land or for deposit with some safe money-lender who allows only 3 per cent interest. As soon as a society gains confidence it ought to be able to attract most, if not all, of the money now deposited with money-lenders.

In some parts of this district if capital were required it could be obtained from money-lenders themselves. Many of the wealthier Khatris and Brahmans told me that they had a large amount of capital lying idle owing to the disabilities imposed by Punjab Land Alienation Act, and asked whether they would be allowed to deposit money with rural societies. The result of the Act has been to place the wealthy Jat money-lender in a privileged position as compared with his professional rival, and some danger exists of this position being abused. Village societies which give the money-lending profession an opportunity of making an honest and reasonably advantageous use of their money on good security will, to some extent, readjust the balance and prevent the Jat from obtaining a monopoly of money-lending and abusing the privileges granted to him.

5. *B.—Una Tahsil.*—I made two visits to the Una Tahsil—once in December and once later. In this tahsil there exists the only instance in the Punjab of spontaneous co operative action in the shape of the Rajput society of Panjwar, a village of average size situated on the inner slopes of the Siwaliks. This society has never been fostered by Government; its existence even was unknown for nearly 10 years. Both to explain previous remarks and from its inherent interest a short description of its progress and constitution will not be out of place.

This society was formed in 1892 and joined by all the land-owners of the village now 55 in number. The cause of the formation of this society was as follows:—The undivided common land belonging to the village consisted of about 1,500 acres. Of this about 900 acres of sandy stony soil had been recently thrown up on the Panjwar side by the Sohan and was in almost daily danger of being washed away. Light crops were raised on parts of it without any thought of the future. The rest of the common land was exposed to the attacks of hill torrents (chos) and was being cultivated in the same improvident manner and was rapidly deteriorating. A large part of the village property was thus becoming worthless, and there was every indication that this process would continue. Protective measures were obviously required, and it was equally obvious that even in the improbable contingency of individuals taking such measures disjointed efforts would be wasted. The only chance of any improvement lay in combined action. Fortunately there was a clear-sighted man in the village Mian Hira Singh, the Lambardar, who realized the situation himself and considered it his duty to impress it on his improvident neighbours. He also saw an opportunity of relieving the village from its fast increasing indebtedness. Mortgages of over Rs. 10,000 had already been effected. He thought out a scheme calculated to counteract both these evils, and after much difficulty he induced his fellow-villagers to accept it. His scheme was that the whole of the common land should be handed over to a Committee of management for a considerable period and that its income should be employed, (1) in managing and improving the common land, (2) in taking over the mortgages held by outsiders on behalf of the mortgagors, (3) in making ordinary advances, and generally for the improvement of the village. The whole of the undivided common land was therefore handed over for 30 years to a Committee elected by the members for management and for applying the income according to Hira Singh's scheme. At the end of 30 years partial or total disruption can take place according to the wish of the majority. It seems certain, however, that a considerable sum will be retained as the capital of a permanent village society.

To begin with the total income was small and was practically all spent on improvements to the common land. The first year the balance was only Rs. 109, last year it was Rs. 2,200. No cultivation was permitted at first on the land thrown up by the Sohan. Most of this is now under cultivation and improving yearly. For the first few years the Committee ably led by Hira Singh, spent most of their funds in securing this land by planting kharkana grass and trees at the spots most liable to attack. They allowed the land to settle down instead of weakening it by cultivation. The result is that they have made themselves practically secure in the possession of

this valuable property. They have in the same way arrested the attacks of the hill torrents and cut down their damage to an extent not attempted elsewhere, and have rescued much land which was previously worthless. They have planted altogether a lakh of trees, nearly all shisham. At the end of the 30 years their value at the lowest computation will be Rs. 3,00,000. Besides these improvements they have taken over all the land mortgaged to outsiders at a cost of over Rs. 10,000 and have now about Rs. 3,000 lent out on short loans at 6 per cent. As their object in taking over these mortgages has been to benefit the mortgagor, they have returned to him at once as much as they can without actual loss to the society. As a general rule, they have returned nearly half of the land at once. At the end of the period the mortgagors will receive the rest of their land without payment, as their shares of the total funds will certainly exceed the amount of the mortgage. They have also sacrificed a large amount of income, for instance, they have made gratuitous distribution of seed in bad years, and paid Government revenue without asking for repayment. They have also had the expenses of a law suit, in which they have succeeded, over the largest of the mortgages. Fortunately one of their members is a public spirited Vakil who has given his services for nothing. All these results have been attained on an income averaging about Rs. 1,500 a year, and mainly through the efforts of a man of poor education, though of great organising ability.

Partly because the Committee has the practical monopoly of money-lending in the village and partly from the influence which it possessed originally and has since increased, it has been able to control the domestic affairs, including the marriage expenditure of its members. Hira Singh tells me that this interference in the domestic affairs of the village is the society's most popular feature. His opinion is that there is no one more pleased than the borrower who gets an advance of only Rs. 150 when he asks for an advance of Rs. 1,000. He satisfies his pride by asking for a larger advance and by abusing the Committee for their want of generosity, and has the genuine satisfaction of having saved a considerable sum of money.

The society has not yet been registered, as it desires to be exempted from the prohibition of lending money to outsiders. Its object is to acquire land elsewhere as an insurance against the possible loss of the land in the Sohan's shifting bed. As land cannot be generally acquired without preliminary mortgages, money-lending on such securities is essential. I have recommended the grant of this concession, as the insurance policy is a sound one, and as the society is legally constituted already, it is difficult to prevent this particular form of insurance.

In the Una Tahsil there is still a large amount of undivided common land which owing to constant partition exists in very few parts of the Punjab. I endeavoured therefore to start some more societies of the Panjwar type. They are the most difficult of all to start, as the assent of every owner in the village is required to the whole of the common land income being devoted to the general benefit, and much time is required to persuade recalcitrant owners to join. A sacrifice of immediate profit for future advantages does not recommend itself to every one. Such a society involves considerable apparent self-sacrifice. For instance Mian Hira Singh, the able manager of the Panjwar Society, had to give up probably for his lifetime the whole of the profits of some 200 ghumaos. As a matter of fact, as Hira Singh pointed out, the self-sacrifice is only temporary, as the advantage of greatly improved credit soon outweighs the disadvantages of a slight loss of income. For instance in 1892 Hira Singh could perhaps have borrowed about Rs. 5,000 at 24 per cent; now he could borrow at least Rs. 30,000 at 6 per cent from the open market.

As the account given above of the Panjwar Society shows, it is worth any amount of trouble to start such societies owing to their incalculable value to villages where except combined action is taken the land diminishes in area and deteriorates in value every year. I hope that before the end of next year 4 or 5 such societies will be started. If they are, the whole credit will be due to Hira Singh. His assistance has been invaluable. He stayed with me some 10 days in camp and delivered four excellent addresses. He has offered to give his

services free to help and advise any new society in the neighbourhood. I have great pleasure in bringing his services to the notice of Government. Unofficial assistance of this kind will contribute enormously to the success of the scheme.

6. In the Bhakkar Sub-Division of the Mianwali District five societies founded through Captain Crosthwaite's efforts four years ago, were registered. **Mianwali District.** The methods of these societies were first thought out by Messrs. Maclagan and Captain Crosthwaite in 1898 in Multan, and have been further elaborated by Captain Crosthwaite in the present Mianwali District. The capital of these societies is raised by voluntary grain subscriptions after the Rabi harvest. A few insignificant subscriptions have also been made from the Kharif which is of little value in the district. The value of these subscriptions is credited to the member's account and is not returnable for 10 years. The grain subscribed is partly kept for seed advances at the next sowing and partly sold to make the proceeds available for ordinary money advances. To begin with advances are only given for seed and purchase of cattle. When funds accumulate they are given for other purposes. Interest is charged at rates varying from 5 to 16 per cent and is generally payable in grain. The societies' profits consist of interest and in cases of advances for sowing of the difference in the price of grain at harvest and at sowing time. This difference is often considerable. These profits form the permanent indivisible capital of the society to which also will probably be added the subscriptions of a few wealthier members who do not intend to withdraw them. Otherwise the rules of management are on the usual Raiffeisen lines. For a poor Muhammadan community this type of society is peculiarly suitable. The members learn a splendid lesson in the advantages of thrift and combination, and by self-denial of a most minute description for 10 years they establish an institution for the permanent advantage of the village. As no interest is taken by the subscribers, a great stumbling block of rigid Muhammadans is also removed. I suggested that a fixed subscription, *e.g.*, one or two sers per maund might be more satisfactory, but the voluntary system is generally preferred.

Of the existing societies the Dhandla Fund, as it is called, is the most prosperous and the best managed. It was started in 1900. It now has a membership of about 130 and its funds amount to nearly Rs. 1,200. The President, Ahmad Khan, is the most intelligent man of this part of the country. Most of the other members also have a general knowledge of the working principles of the society. The profits of the society already amount to Rs. 290, which is almost equally accounted for by interest charged at 5 per cent and the difference in rates at harvest and borrowing time. After the Dhandla Fund perhaps the best managed is that at Kacha Shahani, which has also had the benefit of Ahmad Khan's assistance. This society started active operations in Rabi 1902. An average number of 43 members have subscribed in three years Rs. 316. Interest has only been charged at 5 per cent, but the total profits amount to Rs. 89. The funds of the society therefore now amount to Rs. 405, which have at present all been lent out to 17 members. At Chuni the society started operations in Rabi 1902, and now controls funds amounting to Rs. 448. Interest has, however, been charged at 10 per cent. The Mehranwali Society founded in 1900 is more prosperous. Its funds amount to some Rs. 800. Owing to the death of Sultan Ahmad, the founder, the subscriptions have decreased, and the management deteriorated. Sultan Ahmad's son is, however, taking an increased interest in the welfare of the society. Interest has been charged at 16 per cent, which is too high, and the grain is not converted into cash either in actual transactions or in the accounts. The average yearly total of the subscriptions is Rs. 70 and the average number of subscribers is 68. The Rangshah Society was started at the same time and under the same management and the same remarks apply. Its total funds now amount to about Rs. 470 worth of grain. There have been no bad debts in any of these societies.

No new societies were started in the Mianwali District, though a considerable number of prominent men expressed their willingness and ability to start similar institutions in their own villages, and I have little doubt that either this next year or in future years a large number of societies will be in active operation. Captain O'Brien, the Deputy Commissioner, and I agreed that it was a mistake to start societies on paper with a possibility that some would never advance beyond that stage. It is not till the harvest is threshed out, *i.e.*, about the end of May that societies can begin their active existence, and their future success does not depend on the formal agreement of members to subscribe but on the power of the Committee to encourage and collect actual subscriptions. The prominent men were therefore thoroughly instructed in the working methods of Rural societies and were given copies of by-laws and directed to form a village Committee to collect subscriptions and then apply for registration. I feel sure that this plan of action was the most suitable for the locality. The success of the Dhandla and other societies has had an excellent effect and has firmly established a belief in their utility which is not always accompanied by even the vaguest knowledge of their fundamental principles. This, however, is hardly to be expected in this uneducated and backward part of the country. The great advantage of such societies is that provided that one man understands their main principles he is easily able to manage them to begin with, and the other members gradually acquire by experience a thorough knowledge of their objects and results. Besides a strong belief in these societies there are many elements of success. There is no lack of enterprise among all classes, and there are many prominent men of fair intelligence and education and of considerable local influence, and perhaps most important of all Captain Crosthwaite has introduced a type of society exactly suited to local circumstances. I did not visit the Mianwali and Isa Khel Tahsils. Captain O'Brien, however, has hopes of some societies being formed in them also. Unfortunately he has now left the district, and it will be a long time before any other officer acquires such an intimate knowledge of the people.

7. I did not tour in this district, as the Deputy Commissioner gave me an unpromising account of the possibilities of the district. I spent, however, a few days at Syadwala in starting and registering a society which was arranged before I took over charge, and is the most venturesome experiment yet undertaken in the Punjab. The idea of starting this society originated some time ago with Kamir, Zaildar of Mehrpur, under the able tuition of Khan Sultan Ahmed, now an Extra Assistant Commissioner. Kamir, who had thoroughly thought out the whole scheme himself, had arranged to form a society on Raiffeisen lines open to the Muhammadan Kharals of the Gugera Tahsil. He had also got promises of Rs. 13,000 deposits to begin with. I assisted him in framing the by-laws of the society which was by no means an easy task, as there were Muhammadan susceptibilities regarding interest to consider, and Kamir was also too much inclined to regard the society as a charitable concern. Calling the interest profits (*munáfa*) did not satisfy the members. Fixed profits and interest were to them the same thing. Our solution of the difficulty was to provide that two-thirds of the total annual income should be distributed by way of bonus to the depositors and the rest should be considered the profits and be carried to the reserve. One ser of wheat per rupee or about 5 per cent was the interest fixed on loans, so it will be some years before the bonus on deposits amounts to 6 per cent, at which it ought perhaps to be limited. It was with some difficulty that I induced the members to accept as high a rate as 5 per cent. I also impressed on the members the necessity of beginning cautiously and not depositing more than Rs. 5,000 till it was seen that more could be used. My latest information is that Rs. 6,000 has been deposited. Otherwise little has been done owing to many people having fled on account of plague and the fact that the ordinary local agriculturist is very backward in education and has not thoroughly realized that a large society has been opened for his benefit.

Kamir himself is an altogether exceptional man and greatly trusted and respected in the neighbourhood, but he is not likely to get much assistance other



than pecuniary from the other members at present. However, he is I think equal to the difficult task of managing the society himself till some others have gained experience. A large part of the area covered by the society is at present the poorest country imaginable, but within 10 years when the new canal scheme will be completed, the land will be some of the most valuable in the Punjab. If the society can enable the many mortgagors to redeem their land before the dawn of prosperity and prevent the others from becoming hopelessly involved, it will have proved of immense benefit to its members. Kamir insisted on membership being open to all the Kharals of the Gugera Tahsil, but to begin with operations will be confined to the immediate neighbourhood of Syadwala, and after some experience the area of the society's business may be cut down to reasonable proportions.

#### GENERAL REMARKS.

8. No rules under the Act were published. At first I drew up general rules, but considered that they would only result in want of elasticity. I consider, however, that two general rules are essential (1) providing for arbitration in cases of dispute, and realization of debts, and (2) providing that the by-laws of the society after being approved by the Registrar shall not be changed without his sanction. The latter rule is obviously necessary to give the Registrar proper control over the management of societies. In my opinion a rule providing for compulsory arbitration, and giving facilities to rural societies in executing the arbitration award is essential to their general success. At the beginning of February I proposed rules on these two points; they are still under consideration. I also drew up model by-laws with account forms for all classes of society more to show on what points by-laws should be framed than to stereotype any particular set of by-laws. So far from insisting on a rigid adherence to my model by-laws I have encouraged persons starting societies to thoroughly consider their applicability to local circumstances and make any alterations or additions, and in not a single case have I found it necessary to disagree with any proposed amendments. The ability to make alterations or additions shows a grasp of the general principles underlying the Act which augurs well for intelligent management of a society. On one or two points, however, I should have hesitated to allow any alteration. For instance I consider the following by-laws essential:—(1) that the reserve should amount to half the liabilities and interest on loans be reduced to 6 per cent before any profits are distributed, (2) that 12 per cent is the highest rate of interest which should be taken from borrowers, and (3) that the accounts should be kept if possible in Urdu in the forms prescribed by me unless better forms are devised. All societies, which I have started, have adopted the same by-law regarding the purposes for which loans may be granted. This by-law does not prohibit loans for any moral purpose. It merely gives loans for strictly productive purposes preference over others. The other purposes are mainly marriage and funeral expenses. Whether loans should ever be granted for these purposes has been doubted by many experts. So far from agreeing with this generally accepted axiom I believe that societies which would give preference to loans for marriage expenses might be the most useful of all in certain districts and among certain tribes. In many districts of the Central Punjab the Jat is exceedingly well off in most years—no agriculturist is more thrifty. For purchase of seed and of cattle he has ample funds. He supplies his own material and gets most of his agricultural implements made for nothing. He can only require loans for four purposes—(1) sinking wells or similar improvements, (2) redeeming mortgages or paying off old debts, and (the two great causes of his indebtedness) (3) marriage expenses and (4) his favourite pastime of litigation. No society would dream of financing him for the last object; for the first he can get advances from Government with very little trouble on more favourable terms than a young society could grant, and no ordinary young society could advance enough to pay off the debts of more than one or two members of the society. A young society could, however, advance sufficient for his marriage requirements, provided that it regulated them as has been done in Panjavar. The description of that society contained in paragraph 5 B shows what can be done in this

direction by such a society if it has the monopoly of advances for marriage purposes. I believe that most agriculturists would gladly grant this monopoly by joining such a society and by binding themselves to ask for such advances from no other person and to accept the decision of the Committee as to the amount which they ought to spend. With intelligent committees a general scale of expenditure would be thus accepted by the majority and soon followed by the minority. The present lavish expenditure on marriages is approved of by no one, but few have the strength of mind to revolt from a custom which becomes more firmly established every year. Such a society could in bad years of course give loans for purchase of seed, cattle, &c., and after it had accumulated sufficient funds it could make advances for paying off old debts. Intelligent natives to whom I have mentioned the subject think that such societies would flourish in prosperous districts of the Central Punjab. They would be of incalculable benefit to their members by saving them from fresh indebtedness. Payment of old debts is considered a productive purpose by all experts; saving from new ones still more increases the productive power of the agriculturist. Owing to the exogamous and hypergamous customs prevailing in the Central Punjab, such societies would be more likely to be successful if they covered a somewhat extended area such as a zail. In most of the districts of the Delhi, Rawalpindi and Multan Divisions agriculturists get into debt for want of funds to purchase the ordinary necessities of their profession, and sufficient capital would not be forthcoming for some time for other purposes.

Captain Crosthwaite in the rules framed for his Mianwali societies did not allow loans for payment of revenue. His reason was that people might think that such societies were started to insure payment of Government revenue. I have not yet heard this objection urged, though it is quite possible that the erratic imagination of some cynic may have invented this explanation of Government's interest in the movement.

9. In other provinces of India the favourite type of society seems to be that advocated by Mr. Dupernex.

Organisation societies.

This society is mainly financed by central organisation societies. This type seems most suited for localities where capital is scarce and the agriculturist cannot borrow for his ordinary requirements at reasonable rates and his main assets are his labour and personal honesty. A proposal was made to me to start a central society of this kind on modest lines at Delhi to assist the Delhi Division, or with unlimited capital, provided that Government would undertake to recover advances made to rural societies. I did not propose such a concession, as I doubt whether rural societies financed from outside sources will be useful in the Punjab. In the Central Punjab there is no lack of capital among agriculturists. The prosperity of the people depends merely on the proper application of this capital. In the Western Punjab the agriculturists are mainly backward in education, rigid Muhammadans and without much business instinct. The Mianwali type of society will be far more suitable for them for many years. Whether a central society to finance rural societies in the Delhi Division would be useful anywhere seems doubtful. As far as the Karnal and Delhi Districts are concerned, I feel sure that there would be little advantage from such a scheme, owing to the practical certainty of mismanagement or rather want of management of the village society. Without reliable management advances from a central society would merely provide the too easy credit which has already proved the ruin of so many agriculturists. I am not sufficiently acquainted with Rohtak and Gurgaon to know what kind of society would be suitable to their needs. Under these circumstances, and as the formation of the proposed Delhi society depended entirely on Lala Damodar Das, an Extra Assistant Commissioner, being placed on special duty for some time, nothing has resulted from the proposal.

10. No Government loans were granted during the year, nor did I utilise the money generously offered by the Honourable Mr. D. M. Hamilton. Regarding Government loans I explained that they would be granted readily to societies formed on the Panjwar or Mianwali systems which have a permanent

Government loans.

capital, and to societies working with fixed deposits on the Registrar being satisfied that the deposits were *bond fide* and the management good on the understanding that they would be recoverable at once if the Registrar considered the decrease in deposits suspicious or the management culpably careless. While touring in Karnal, I thought that Mr. Hamilton's money might be usefully employed in establishing societies in places where funds were not forthcoming owing to the opposition of the money-lenders. In more than one instance this opposition combined with threats of false cases was sufficient to stop the establishment of possible societies. I could not, however, satisfy myself that in any of these places there was any prospect of even moderately capable management.

11. My remarks above have made it sufficiently clear that only in

General conclusions and prospects for the future.

Hoshiarpur and Mianwali out of the five districts selected are prospects encouraging. In the immediate future the Registrar's time will be spent most profitably in these two districts and in districts where conditions are similar. The main characteristics of the Garhshankar Tahsil of Hoshiarpur are reproduced in Jullundur, Ludhiana and Gurdaspur. In these three districts considerable success might be expected, both in forming societies on conventional lines and on the lines sketched in paragraph 8.

I have little personal acquaintance with the Western Punjab, but during the past cold weather I have discussed frequently with Europeans and natives the probability of the Mianwali type of society succeeding in other districts. The general impression seems to be that successful introduction with eventual extension on a large scale might be expected in several districts, especially Multan, Shahpur and Jhelum. In the Eastern Punjab prospects are worst. The Rupar Sub-Division of Ambala promises better results in my opinion than any other part of the Delhi Division. Mr. Gladstone, when Deputy Commissioner, gave the Rupar people many lessons in the advantages of combination. These lessons, though often without effect, have not been forgotten. At the same time I do not think it probable that a large number of societies will be started in the near future in any district except perhaps in Mianwali. The caution of the people will prevent any rapid progress. A few successful working examples will have infinitely more effect than years of academic instruction. The ordinary rustic observer of the Central Punjab will not, however, be impressed by the success of a society till its operations are conducted on a large scale and it has usurped to some extent the position of the village money-lender. In Hoshiarpur mention of Panjavar carried far more weight than all other arguments combined. It will be some years before societies started on modest lines can attain such a position. In the Western Punjab, however, people are less exacting in the proof which they require of the merits of the scheme. They are contented with the knowledge of the broad principles, while the Central Punjabi requires statistics and full details.

12. The establishment sanctioned for the Registrar was one Naib Tahsil-

Staff.

dar as Personal Assistant on Rs. 60 and one clerk on Rs. 30. The Personal Assistant's pay has since been raised to Rs. 100 and the Registrar given power to select any official or non-official. The Naib Tahsildar selected for me, Lala Lachman Das Arora, has been of little use except from a clerical point of view. I doubt whether any Naib Tahsildar or other person who would accept Rs. 100 could give much active help in encouraging the best class of agriculturist to start societies. An Extra Assistant Commissioner with the instincts of an agriculturist would be of great assistance, if only put on special duty during the cold weather. Otherwise the Registrar's best course seems to be to induce men like Hira Singh of Panjavar and Ahmad Khan of Dhandla to accompany him while on tour in their respective parts of the province. Advice from such men carries great weight, but the Registrar could hardly avail himself of their services without giving them some suitable reward.

Urban societies.

13. No urban societies have yet been registered in the Punjab.