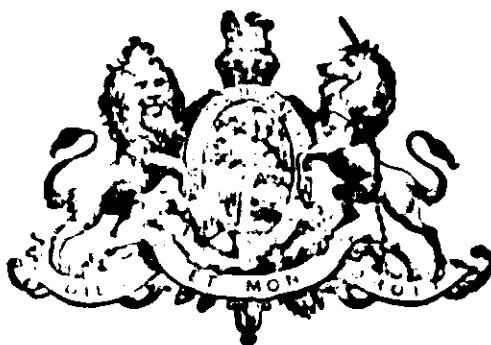


ANNUAL REPORT
OF THE WORKING OF
CO-OPERATIVE CREDIT SOCIETIES IN BURMA
FOR THE YEAR 1905-06.



RANGOON :
OFFICE OF THE SUPERINTENDENT, GOVERNMENT PRINTING, BURMA.
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1906.

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TABLE OF CONTENTS.

RESOLUTION ON THE REPORT OF THE WORKING OF THE CO-OPERATIVE CREDIT SOCIETIES IN BURMA FOR THE YEAR 1905-06.

	<i>Para.</i>	<i>Page.</i>
Results obtained	1	1
Method in which the Societies should be financed	2	<i>ib.</i>
Proposal for the establishment of an Agricultural Bank	3	2
Remarks regarding the compilation of future reports	4	<i>ib.</i>
Rules framed	5	<i>ib.</i>

REPORT OF THE WORKING OF THE CO-OPERATIVE CREDIT SOCIETIES IN BURMA FOR THE YEAR 1905-06.

	<i>Para.</i>	<i>Page.</i>
Progress during the year of report	1	1
Summary of conditions existing in the Money Market in Burma	2	<i>ib.</i>
Financing of the Societies	3	2
Remarks on Societies formed	4	3
Bye-laws issued required modification	5	<i>ib.</i>
Alterations made in bye-laws	6	<i>ib.</i>
Rate charged on loans	7	<i>ib.</i>
Average loanable capital	8	4
No interference found necessary in the internal working of any Society	9	<i>ib.</i>
Increase of membership	10	<i>ib.</i>
All books well kept	11	<i>ib.</i>
Reserves	12	<i>ib.</i>
New Societies	13	<i>ib.</i>
General result of the year's working	14	<i>ib.</i>
Programme for 1906-07	15	5
Urban Societies	16	<i>ib.</i>
Services of Officers	17	6

APPENDIX.

		<i>Page.</i>
Rules as amended to date		6
Table of Societies and their Funds		8

RESOLUTION
ON THE
REPORT OF THE WORKING OF CO-OPERATIVE CREDIT SOCIETIES IN BURMA
FOR THE YEAR 1905-06.

Extract from the Proceedings of the Government of Burma in the Agricultural Department,—No. 3A.11,
dated the 20th August 1906.

READ—

The Annual Report on the working of the Co-operative Credit Societies in Burma for the year
1905-06, by the Registrar, Co-operative Credit Societies, Burma, submitted with Financial
Commissioner's letter No. 1078—7C.11, dated the 29th May 1906.

RESOLUTION.—Operations under the Co-operative Societies Act 1904 were commenced in Burma in December 1904, when Mr. Fielding Hall took up the appointment of Registrar under the Act. As a result of three months' work the Registrar was able to report at the end of March 1905 that four Societies with a subscribed capital of Rs. 5,600 and 188 members were already in existence. The Report now submitted shows that by the 31st of March 1906, the number of Societies registered under the Act had increased to 21, with 1,865 members, and a working capital of Rs. 68,581, of which no less than Rs. 35,030 had been subscribed by members. It is as yet too early to form any opinion as to whether the experiment will prove a lasting success, and the Societies which have been started will take root and flourish as permanent institutions. But the results obtained during the first 16 months are undoubtedly encouraging and reflect great credit on the sympathy and tact with which Mr. Fielding Hall has applied himself to his difficult task.

2. The greater portion of the Report is taken up with a discussion of the method in which these Societies should be financed. The question is one which has already formed the subject of separate correspondence with the Financial Commissioner, to whom the Lieutenant-Governor has already explained his views on the subject at some length. It is therefore only necessary to indicate generally the conclusions at which Sir Herbert White has arrived. In advocating a wide extension of the system of Government advances to these Societies, Mr. Fielding Hall appears to have overlooked the fact that the intention of these advances was to encourage pioneers, and to furnish an object lesson of the advantages and possibilities of these Societies. It is not possible, and it was never the intention, that Government should take upon itself the task of financing such Societies on any very large scale. If the system is to be a success the development must come from the people themselves and the Societies must obtain their capital either by deposits of the members or by money obtained on loan from outside sources on the joint security of the members. No Societies, wholly or mainly financed by Government, can ever attain the object in view, which is to encourage thrift and co-operation among the agricultural classes. Unless the people can eventually be induced to combine together and form Societies without, in the first instance, obtaining pecuniary aid from Government the movement will be a failure. The Lieutenant-Governor does not accept the view that the local capital necessary for the purpose does not exist. The fact that the members of the Societies already formed have themselves contributed a sum of Rs. 35,000 as working capital is in itself evidence to the contrary. And Sir Herbert White believes that as the Societies develop and their trustworthiness becomes known, they will have

no difficulty in securing the capital which they require. Indeed the Report indicates that a certain number of people in Rangoon and elsewhere are already willing to lend money on deposit to the Societies which have already been established. The formation of Co-operative Societies on these lines will, no doubt, be a task of much difficulty and will require infinite patience, while the growth of the system must necessarily be slow; but Sir Herbert White believes that in the organization of Societies on this basis lies the best chance of establishing the system in Burma on a sound and permanent footing, and he is confident that Mr. Fielding Hall will use every endeavour to carry out the wishes of Government in the matter.

3. The proposal for the establishment of an Agricultural Bank is a question which must be considered apart from the question of the formation of Co-operative Credit Societies. An Agricultural Bank would, no doubt, provide one of the sources from which Co-operative Credit Societies could obtain the capital they require, but until such Societies are numbered by hundreds the business of a Bank formed solely for the purpose of making advances to these Societies would not be sufficiently extensive to justify its existence. If an Agricultural Bank is to be a success, it must be established on a somewhat wider basis. The Lieutenant-Governor is at present considering the possibility of encouraging the establishment of a Bank in Burma for the purpose of making loans to cultivators on the lines of the similar Bank established in Egypt.

4. The report is inadequate as a record of the work of the year and the actual administration of the Societies. Future reports should contain more detailed information regarding the work of the Societies which have been formed. In view of the importance of working Societies as far as is practicable on local capital, capital borrowed from Government should be distinguished from capital borrowed from other outside sources, while share capital and deposits made by members should also be separately shown. Further, it is desirable that some information should be given as to the number of loans granted and repaid, and the amount outstanding on this account at the close of the year; the amount of loans overdue being separately shown. The amount of interest received on account of loans and of interest paid on deposits should also be shown. The aid and sympathy of District, Subdivisional and Township Officers should be enlisted to a greater extent than seems to have been the case in the past. The main field of operations should be the comparatively rich Districts of Lower Burma, though Upper Burma need not be neglected.

5. A set of Rules has been framed under Section 27 of the Act and will shortly be published. The Rules have been made as simple as possible in order to allow the Registrar as free a hand as possible in constituting these Societies. In paragraph 4 of his letter, submitting the Report, the Financial Commissioner discusses the question of Bye-laws framed for rural Societies. These bye-laws cannot suitably be dealt with in connection with the Report. They should be separately considered and submitted for the orders of Government, if the orders of Government appear to be required on any point.

.. . By order of the Lieutenant-Governor of Burma,

R. E. V. ARBUTHNOT,
Revenue Secretary to the Government of Burma.

Burma.

No. 1078—7C.-11, dated Rangoon, the 29th May 1906.

FROM

R. B. Smart, Esquire,

Offg. ASSISTANT SECRETARY TO THE FINANCIAL
COMMISSIONER, BURMA,

TO

THE REVENUE SECRETARY TO THE GOVERNMENT
OF BURMA.

SIR,

With reference to Mr. Mathew's letter No. 409—3A.-7, dated the 14th August 1905, I am directed to submit a report for the year 1905-06 on the Co-operative Credit Societies in Burma by the Registrar (Mr. H. F. P. Hall).

2. There are now 21 rural societies in the Province of which 12 were formed in the second half of the year under consideration. The members, 1,365 in number, have subscribed Rs. 35,030, while the loans and deposits, including Rs. 29,210 advanced by Government, amount to Rs. 31,031. Money due to the societies—principal and interest—is being punctually repaid. The societies are very popular and there would be no difficulty in establishing a large number of them, *provided that* Government advances as hitherto a sum equal to that contributed by the members of the societies in the form of shares. However, as pointed out in your letter No. 697—3A.-3, dated the 24th November 1905, "it was not the intention of the Government of India that such advances should be made indefinitely." The sum allotted for advances in Burma was Rs. 50,000. This will shortly be exhausted and it is anticipated that if no further grant is made, it will not be possible to establish many more societies. The Financial Commissioner has asked the Registrar to endeavour to start some societies with advances amounting to less than the share money contributed by the members, but that officer is of opinion that at present it is not possible to do this.

3. The Registrar represents that in Burma the circumstances are such that the credit of societies will not suffice to induce outsiders to deposit money. When he remarks that there is no cash available in Upper Burma and very little in Lower Burma, he, in the Financial Commissioner's opinion, somewhat overstates his case. Buried hoards may not exist to the same extent as in India, but in the Irrawaddy Delta cultivators and others have often got spare cash and they do not in all cases engage in money lending or in trading. Again the cultivator who engages in trade—usually speculation in paddy—often fails to make a profit. The Registrar remarks (paragraph 2 of his report) that the cultivator uses his surplus money "in trade where capital makes large profits." But it frequently happens that a cultivator having made a little money borrows from a chetty and spends all his own savings together with what he contrives to borrow in buying paddy after harvest in hope of being able to sell at a much enhanced price some months later. He often has to sell at a lower price than that at which he bought and finds himself unable to pay the money-lender the principal and interest that are due. Such speculation is naturally very fascinating but it may be hoped that successful cultivators may yet learn to be satisfied with the modest but safer return offered by the societies. The Registrar admits that in a few towns in Lower Burma advocates and others hold a little capital which they might be willing to lend to societies at 12 per cent.

Again, the Registrar in paragraph 6 of his report states that a rate of 9 per cent. did attract some money from depositors in Rangoon, and "there is a prospect of a fair amount being so invested by Europeans and others in societies that are well established."

However, though the Financial Commissioner has felt constrained to represent that the Registrar's remarks as to the absence of capital require modification, he is strongly of opinion that it is futile to expect that a sufficient amount of money will be deposited with the societies to make them generally useful throughout the country. If Government adheres to its policy of ceasing to make advances of Government money, little or no further progress can be made unless an Agricultural Bank willing to lend money to the societies at a low rate of interest be established. If such a bank were available, the Co-operative Credit Society movement in Burma would probably advance with very rapid strides. Failing this, the experiment, the initial success of which is so very gratifying—can hardly develop into a general system of real use throughout the country. The Hon'ble Sir Denzil Ibbetson in his speech in Council on the 28th March 1906 mentioned that the Government of India had under consideration "a scheme for the institution of an experimental agricultural bank." The Financial Commissioner would deprecate the postponement of such an experiment in Burma until after the attempt has been made in India. Such an institution is urgently required in Burma, the Societies promise to be very successful indeed provided that loans or deposits can be procured, and as Mr. Bayne has pointed out in my letter No. 975—7C.-2, dated 22nd December 1905, the consequences may be very serious if on the passing of the Land Alienation Law, the native money-lenders refuse to advance money in sufficient quantity, and there is no other source from which the cultivator can borrow what money is necessary to enable him to carry on his operations. No one denies that the agriculturist in Burma as all over the world must borrow money. The amount which it is incumbent on him to borrow is much less than is sometimes represented. The ploughman's wages, the cost of hiring cattle, and other items are frequently paid after the following harvest in grain, but at the same time considerable sums of money have to be borrowed or the work must remain undone. Agricultural operations will undoubtedly be hampered, if the cultivator cannot borrow such money as is really required for his purpose, and the total amount necessary for the whole province is very large. In the Financial Commissioner's opinion an Agricultural Bank would solve the difficulty, but such a bank can hardly be established to meet the requirements of 21 societies, and without further advances from Government new societies cannot be established.

4. No rules have as yet been passed under section 27 of the Act. The bye-laws for rural Societies (as amended to date) which are appended to the report were framed under section 6 (2) of the Act.

It appears to the Financial Commissioner that Bye-law 7 is not in accordance with section 8 of the Act. It does not provide for the reduction of the interest on loans to members before any portion of the profits is distributed. Again, the Act requires that the reserve fund should mount up to a fixed proportion of the liabilities of the Society before profits are divided, whereas Bye-law 7 prescribes a certain sum of money which would form a very different proportion of the liabilities in the various societies.

Bye-laws 8 (a), (2) and 19 (a) are not very accurately drafted, and they might be understood to indicate that the liability of members is limited in contravention of section 7 of the Act. The Financial Commissioner has ascertained that the Registrar intended Bye-law 8 (a), (2) to mean that no society shall incur liability to non-members exceeding Rs. 40 per member. The second sentence is not required as it merely repeats the first provision of section 9. Perhaps the following may be substituted for the existing bye-law:—

"The Society may borrow from persons who are not members only to the extent of Rs. 40 per member".

The Registrar explains that rule 19(a) is intended to limit the amount which a member may borrow from his society.

The liability of each member of all the Rural Societies for their debts is unlimited except in the case of Myinmu in which case the special sanction of the Local Government has been obtained as required by section 7 (a) of the Act.

5. In the Financial Commissioner's opinion the Registrar (Mr. H. F. P. Hall) deserves much credit for the patience, care, sympathy and tact with which he has commenced to carry out his very difficult task. It would clearly have been satisfactory if societies could have been established without such a large proportion of the money being advanced by Government. But that 21 rural societies should have been successfully started without friction or mishap in a country where many people suggested that the faculty for co-operation was rare or did not exist, is a notable accomplishment, and if progress can only be maintained so that the system may become firmly and generally established it will undoubtedly be an invaluable boon, to the country.

I have the honour to be,

SIR,

Your most obedient servant,

R. B. SMART,

(Offg. Asst. Secy. to the Financial Commissioner, Burma.

ANNUAL REPORT
OF THE WORKING OF
CO-OPERATIVE CREDIT SOCIETIES IN BURMA
For the year 1905-06.

The report for last year 1904-05 dealt with little more than three months' working. Only four societies had been started and they had been working so short a time that their future was entirely problematical.

The experience of the Registrar as to the best methods of starting societies, how to finance them, and what rules to frame was very small. The difficulties in the way and the best ways of surmounting them had hardly been given time to show themselves. But in the year of this Report a great deal has been done. The state of the money market in the villages of Burma has been carefully studied, the working of the societies has been gradually evolved along the simplest and best understood lines, and the whole subject has now become clear and understandable. The problems that have to be faced are now quite plain.

2. It will be convenient before entering on the working of the societies to give a short summary of the conditions existing in the money market in Burma. They differ greatly from those obtaining elsewhere, and to understand what difficulties the societies have to face and their prospects of success it is necessary to explain these conditions.

The organisation of society in Burma is still, even in Lower Burma, in a very primitive state. Before the annexations the people consisted almost entirely of cultivators. Besides these there were a few traders and a few artisans, but that was all. There were no bankers or money lenders at all. No such castes as the Chetties in Madras or the Marwaris in Northern India had grown up. Money was of recent introduction, was little used, and was scarce, and if lent at all was usually lent on usufructuary mortgage. Simple mortgage was unknown and loans on crops, or to traders on goods, or on personal security were also almost unknown. What money was lent was the surplus of well-to-do people. Money-lending as an occupation did not occur.

In large towns, such as Mandalay, a few foreigners, Indian, Chinese, etc., sometimes lent money, but in the villages there was usually no money at all to be had. There was also little demand for it. But when after the annexation of Lower Burma trade increased there arose a great demand for money. This was supplied by Chetties from Madras who began some 40 years ago. They have now greatly increased and there are chetty firms in all big villages in Lower Burma.

After the annexation of 1835 they spread slowly to Upper Burma where they are now established everywhere. They constitute the only established money lender caste in Burma.

It is true, of course, that a great deal of money is lent by individual Burmans also, but on a very small scale compared to the Chetties. They have no capital like the big Chetty firms, they cannot borrow from the Banks as the Chetties do; they rarely advance except on mortgage of land, and they have no organisation among themselves as the chetties have. The money market is entirely in the hands of the Chetties. The interest the Chetties charge is from 2 per cent. to 5 per cent. per month usually payable in advance. For cultivators with good landed security the rate averages about 2½ per cent. per month. The time is usually a year, but in some cases is longer. The Chetty never takes an usufructuary mortgage. Among merchants and traders the rates are a little lower, because

the sums lent are larger. A merchant can get a loan on good security at from Re. 1-12-0 to Rs. 2 a month. Thus the money-market of Burma is in the hands of a foreign caste who charge exorbitant rates, who are not domiciled in Burma, who usually stay but a short time, and then return to Madras taking with them their capital and profits.

They sweep the country yearly of large sums of money which if left here would accumulate and would gradually cause money to be more plentiful and the rates of interest lower. They make their profit and they go. Although a great deal of money is made by the Burmese cultivators and traders every year, much of the surplus disappears. Money instead of being more plentiful is actually scarcer than it was because the demand increases so fast, and the prosperity of the country is greatly checked owing to the impossibility of getting money even at exorbitant rates. There is no cash available anywhere in Upper Burma, and very little in Lower Burma. What exists is in use. There are no buried hoards as in India. The Burman cultivator and trader wants more capital than he has. Where a cultivator or trader makes a surplus he either lends it at from 2½ to 5 per cent. or he uses it also in trade where capital makes large profits. Thus there is with one exception no outside money available for deposits at low interest in societies or Banks. This state of affairs exists not only in the villages among the Burman but is common to all communities in Burma. The English banks obtain next to no deposits here, and they work with deposits obtained in India. Europeans can obtain 9 per cent. on good security in Rangoon, and therefore deposits in banks at 4 per cent. are not attractive. No joint stock bank has much chance of success, unless it has branches elsewhere which can get the deposits to lend out in Burma.

Everywhere in all classes in Burma the demand is much greater than the supply, and there is no idle money. The money stringency in Rangoon in the spring is often so severe that possessors of money put it up to auction. The banks frequently charge 13 to 14 per cent. for loans.

3. How, therefore, are societies to be financed? The first object of a society is to join many weak credits into one strong credit, and so borrow money at easy terms. In Germany where these societies originated the first societies were started with money lent at low interest from charitable motives. When the societies became established they could borrow in the market at low rates because in Germany as in most countries there is a great deal of money which readily accepts any investment giving good security at very reasonable rates of interest. The societies could borrow money at about 5 per cent., and once established there was no further difficulty.

It is true that the inculcation of thrift in members and the attraction of their savings has been an object to be kept in view in Europe. But this object has only been realised, even in Germany, to a very slight extent. In Sir F. Nicholson's report (page 150) he states that of the available funds of the Raiffeisen Societies only three-tenths are deposited by members. The other seven-tenths are borrowed from outside, and this is after many years of working. In the Luzzatti Societies of Italy the funds have usually been supplied by the banks, such as the Bank of Naples at special rates (see page 166, Sir F. Nicholson's report). The societies also receive deposits, but of these the bulk seems to be from outside. Thus societies even in Europe cannot be started or worked without loans and deposits from outside. But as there is a great deal of available money the societies once firmly established by charitable loans can count on attracting enough outside deposits or loans at low rates to enable them to expand. In India it has been assumed that the same circumstances exist, that in all villages a considerable amount of idle money is found, and all that is necessary is to attract this into the coffers of the societies. In Burma it is quite otherwise; there is little idle money. Every villager who has saved a little money can and does lend it on excellent security at 2½ per cent per month or makes even bigger profits by trading. He would never deposit it in a Society to get 9 per cent. and if he did it would not extend the loanable capital. It would be only lending with the left hand instead of the right. A careful consideration of the local conditions leads to the belief that generally speaking the most is made of the capital available, and that what is wanted is more capital.

4. So far all the societies started have done so with a Government advance. This has formed the necessary nucleus; none could be obtained elsewhere. The Zemindars and others who have advanced money to start societies in India do not exist here.

The societies formed in 1904-05 were four in number, but in April and May five others were formed so that there are now nine societies that have been in working for about a year.

All these societies have done well: eight out of nine have done very well indeed. The exception is a society among Christian Karens of Kosu in Bassein, and the difficulty that has occurred there is due to the fact that the Chairman lives at some distance and hence meetings are difficult to arrange. I hope in June to get them to elect another Chairman.

In all societies interest has been punctually paid, loans punctually repaid, and no difficulty about money has arisen. The people are keenly alive to the advantages of the societies and interested in their success. All suspicion has passed away, and the members understand that the society is theirs to make the best of. Interest when received, is at once issued as new loans and the Societies are full of life. When visited the members were eager with questions and discussed the points that arose in working most intelligently. They in fact thoroughly understand the object of the societies.

5. The bye-laws which were issued to these societies were, of course, experimental and they have required modification and enlargement. As a point has arisen it has been dealt with, but no bye-law has been made from theory alone. It has been considered better to build up the bye-laws bit by bit as necessity arose; as by this means the opinions of the societies could be obtained with good result. The members are always quite ready to discuss and consider a point that has actually come up and to express sensible opinions. But if a point is purely problematical and has not occurred in practice, they are usually quite unable to concentrate their minds on it. The bye-laws, therefore, if incomplete, are practical and are intelligible to the members.

6. The alterations have been mainly on the subject of the rate of interest charged on loans and interest paid on deposits.

The original rate allowed for deposits was 6 per cent. and that charged for loans to members was 12 per cent.

Hardly any deposits were attracted and as an experiment the rate was raised to 9 per cent. This has attracted some money from depositors in Rangoon and there is a prospect of a fair amount being so invested by Europeans and others in societies that are well established. This is the exception referred to in paragraph 2 of the Report. Small sums of Rs. 500, Rs. 1,000, and so on, cannot be well invested in Rangoon because mortgagers will only accept much larger sums, and Europeans and advocates in large towns do not care to go in for the small loan business a Burman likes. But depositors will not deposit in societies that have not shown an ability to manage their affairs. As to local deposits, for the reasons given in paragraph 1, there are none, nor likely to be any. All societies are quite unanimous on that score. They say that there is hardly any spare money anywhere and what there is, can get $2\frac{1}{2}$ per cent. per month. They, therefore, do not expect to attract any local depositors.

7. The rate charged on loans was originally 12 per cent. or 1 per cent. per month. Most societies have asked to have the rate raised to 15 per cent. per year or $1\frac{1}{4}$ per cent. per month.

This as compared with the 30 to 60 per cent. of the money lender is still very low and no one has objected. The advantages are that the reserve increases more rapidly and that $1\frac{1}{4}$ per cent. is easier to calculate than 1 per cent. per month. It is one anna per Rs. 5 per month. Thus a loan of Rs. 35 pays 7 annas per month a loan of Rs. 65 pays 13 annas per month. Whereas at 1 per cent. per month, the interest is difficult to calculate. One new society in Lower Burma has fixed its rate at 18 per cent. per year. The members considered even 15 per cent. as being too far beneath the market rate. They wanted first to accumulate a reserve.

8. The average loanable capital per society will be seen from Table I attached to be Rs. 3,265-12-10. This is, of course, quite inadequate to the demand. Each Society represents a village or group of villages. It includes all the best people in the village. It is considered as being a village institution. This is as it should be. Members are proud of their membership and it is becoming a sign of respectability to be a member of the early societies. No doubt it will be so with all in time. But Rs. 3,265-12-10 for a village or group of villages is a very small sum. They want Rs. 15,000 or Rs. 20,000 to be really useful, and in many cases could utilize much more than this.

9. In no case has it been necessary to interfere in the internal working of any society. Of course difficulties have arisen, but they have been settled by the members. In one or two cases there have been expulsions of members, in others there have been resignations of refractory members. No complaints have been made to the Registrar. They all recognise that these are matters for the Committee.

10. There has been an increase of membership, but generally speaking there are too many members for the funds available, and in any case a membership of eighty or ninety is enough for one society at present. If a society grew larger it might be difficult to keep that check on borrowers which is the essence of proper working. It would probably be better to divide the old society.

There are plenty of applications for membership.

11. All books, except in one society, have been thoroughly well kept. They are simple but give all necessary information.

12. *Reserves.*—The total profit made by the societies to the end of the year is Rs. 3,218-2-1, of this Rs. 697-2-6, has been spent in various ways, on safes, payment of Secretary, peons, forms, etc., leaving Rs. 2,520-15-7 as a reserve. This reserve is put into the loanable capital of the societies and is lent with the other funds. It is not deposited either in the Post Office Savings Bank or with English Banks, as has been done in certain places in India. The great want of the societies is loanable capital and to borrow money at 9 per cent. and then lock up a portion of the capital at 3 or 4 per cent. under the name of reserve has not appeared to be reasonable. These societies do not do banking business, are not subject to sudden calls, and there seems no motive for depriving themselves of much wanted loanable capital by depositing it elsewhere.

13. *New Societies.*—Since November twelve new Societies have been formed making a total of 21 rural societies. There is no difficulty in forming new societies in the neighbourhood of old societies where the working of the old societies can be seen. The only limit to the formation of societies is the necessary funds. All the new societies are doing well.

14. The general result of the year's working is to show that the societies are greatly welcomed by the people, and that they work well and easily. They are recognised as a boon and as giving promise of great things. The people act thoroughly honestly towards their societies and all are interested to protect them. Their wide extension would be a boon the value of which could not be overestimated. There is no difficulty in the working. The only difficulty is funds. Each society requires a nest-egg to start with, and although once started it will probably continue to increase by the taking of new shares and the rise of the reserve fund, it cannot be really prosperous unless it can get loans or deposits. These, as has been already observed, are not available locally, and that available from Rangoon and other towns will meet but a very small part of the demand. The great want of Burma is more capital. And the amount of capital required is large far beyond anything that the province itself can supply. It would amount to a crore or more for rural societies. Government has given already Rs. 50,000 of which Rs. 29,210 has been used so far and Rs. 20,790 is available for next year. This has been advanced without interest for three years and after that at 4 per cent. with one-tenth to be repaid each year. These terms are very liberal and societies would gladly form if they could borrow money on the same terms as agricultural advances. Government is willing to advance money to individuals as agricultural loans: this money would be equally useful and far more effectual if advanced to societies. The

people are shy of agricultural advances for several reasons, they are not shy of societies. But far the best way would be to have a guaranteed bank to finance these societies. A scheme for such a bank was framed last year. It would make its own profit, and at the same time be of very great value to the country. A bank advancing not to individuals on mortgage, but to Co-operative Societies would not be open to the objections and difficulties that could beset a bank after the system of the Bank of Egypt in Burma. It would not only provide money but help to build up a system that would revolutionize agriculture. It would encourage self help, co-operation, and thrift. For the members, though unwilling naturally to deposit money at interest, are ready to take shares if by so doing they can increase the societies' credit, can raise loans, and establish their society. Thus members have in Burma already taken shares to the amount of Rs. 35,030. They have contributed to their own societies far more, comparatively, than in any province of India or in Europe, and this proportion tends to increase yearly. Thus the Myinmu Society in which on starting the Government loan was 50 per cent. of the total funds, now hold Rs. 2,870 share capital, Rs. 301-5-9 reserve, and Rs. 1,200 other deposits. The proportion of the Government loan to the total funds is now about 30 per cent. only.

15. The programme for 1906-07 is more for the development of existing societies than the formation of new ones. The balance available of the Government loan is small and most of it will be better used in developing societies to their utmost than in formation of new ones. Some five or six new societies are ready for formation in the delta, and these will probably be enough for the present. There are several difficult points to be met and settled. One of these is the question of what new members should pay for admission. It has been pointed out by several societies that to admit new members with shares on the same footing as old members is not fair to the latter. The society has been got into working order, the initial difficulties have been overcome, much hard work has been done, and reserves have been built up. Old members are, therefore, reluctant to allow new members to enter into all these advantages, including a claim on the reserve in case of death, or the winding up of the society, by merely taking a share of Rs. 10. They think that either new shares should be issued at a premium or that new shares should not rank with old ones. This is a reasonable desire and must be met. Unfortunately nothing has appeared in any Indian reports to show if the difficulty has arisen there and how it has been met, yet many Indian Societies have existed for several years. The much greater interest in the future of their societies taken by the Burmese and the greater rapidity with which they build up reserves may explain the difference. Another reason may be that many of the Indian Societies are on the Raiffeisen principle where there are no shares. But this system does not appeal to the Burmese at all, and they would not form any society on that basis. The societies are all on the Schulze—Delitzze share principles with modifications as to length of loan, etc.

16. *Urban Societies.*—Three societies amongst Government clerks and employés have been formed as provident societies. It is too early to say yet if they will succeed. It is doubtful. As regards urban societies in general the difficulty is that they may co-operate their credits as much as they like, but they cannot borrow money because no money is available. For urban societies to succeed they must be able to borrow money at 12 per cent. per year or less. But as there is no available money in most places for less than 30 per cent. it is manifest that they cannot start.

In one or two towns in Lower Burma a little capital is held by advocates and others who might lend it to a society at say, 12 per cent. but there are exceptions, and they would only lend to established societies not to new ones. Generally speaking what is true of rural societies is true of urban societies. There is no money. If there were a bank to lend them money urban societies would do as well as rural societies or better. The agriculture and trade of Burma has increased so rapidly that it has outgrown its very limited capital. New capital is urgently required and that in large sums, otherwise there is bound to be a serious check to the prosperity of the province.

17. In the formation of societies an intimate local knowledge of places and persons is very necessary. Thus, outside the two districts of Sagaing and Mandalay the Registrar has been much indebted to local officers for advice in choosing villages for societies, and help in spreading knowledge of the principles and in getting the right man for chairman to start the societies. The Deputy Commissioners of Kyauksè and Ma-ubin have been much interested in the work, and the Deputy Commissioner of Pegu has initiated the movement in his district.

The following Burmese officers have been especially helpful and done much good work:—

Maung Aung Zan, K S.M., Subdivisional Officer, Ngathainggyaung.

Maung Kyin Yôn, Subdivisional Officer, Myittha.

Maung Ne Dun (3), Subdivisional Officer, Kyauksè.

Maung Yo, Inkunwun, Ma-ubin.

Maung Bo, Township Officer, Myinmu.

Maung Tin (1), Township Officer, Singaing.

The death of Maung Tin Gyaw, of Henzada, was a loss to the work.

H. F. P. HALL,

Registrar, Co-operative Credit Societies,

Burma, Maymyo.

APPENDIX.

1. Rules as amended to date.
2. Table of Societies and their funds.

BYE-LAWS FOR RURAL SOCIETIES.

1. The Society shall be called "Rural Credit Society."
2. It shall consist of cultivators and merchants of
but there must be at least five cultivators to every merchant.
3. The members shall consist—
 - (a) of those who have signed as original subscribers;
 - (b) of those subsequently admitted according to the rules.
4. Every member must take at least one share of Rs. 10.
5. One member may sell his shares to another member but not to an outsider.
6. If a member sells all his shares he ceases to be a member.
- 6 (a) If a member die his shares must be repaid to his heir—
 - (a) at once if the society have money;
 - (b) at the end of six months in any other case. With the shares should also be repaid a proportionate part of the reserve fund.
7. No interest may be paid to any member on his shares till a reserve fund of Rs. 1,000 is accumulated. After that, half the profits may be paid to the shareholders according to their shares and the other half to the reserve. When the reserve is over Rs. 2,000 three-fourths of the profits may be paid to the shareholders and one-fourth to the reserve.
8. Deposits may be received—
 - (a) from members;
 - (b) from non-members.

Such deposits shall be paid interest at such rates as the Committee shall agree to, not exceeding 12 annas per Rs. 100 per month. No deposit can be withdrawn without three months' notice unless there is money in the bank and the Committee agree to pay at once.
- 8 (a), (2). The gross liabilities of the society to non-members shall not exceed Rs. 40 per member. The liability to members for deposits, etc., may be unlimited.

9. The Society shall be managed by a Committee of _____ members who shall be elected by the members every year.

10. Of the Committee _____ shall form a quorum. The Committee shall elect a Chairman for the year.

11. The Committee shall sit whenever necessary to give out new loans or give extensions of old loans.

12. If a member of Committee dies or resigns, the other members may appoint a new Committee man to take his place till the next annual meeting.

12 (a) If a member of Committee does not attend three consecutive meetings the Committee may appoint a new member to take his place till the next General meeting.

13. If any ten members of the Society are dissatisfied with the management of the Committee they may, by giving a month's notice in writing, call a general meeting to consider any question.

14. At such a general meeting two-thirds of the members of the Society must attend or the meeting is *null and void*.

15. At any such meeting two-thirds of those present must be agreed before any order of the Committee can be set aside, or a new Committee appointed.

16. Loans may be granted to members only.

17. The rate of interest will be one rupee per hundred rupees per month.

18. No loan may be for more than one year, but a renewal may be granted up to eighteen months.

19. No loan to one person may be over Rs. $\frac{150 \text{ (in Upper Burma)}}{200 \text{ (in Lower Burma)}}$.

19(a). The liability of one member including his own borrowings and loans for which he is surety shall not exceed Rs. $\frac{300 \text{ (in Upper Burma)}}{400 \text{ (in Lower Burma)}}$.

20. No member shall receive a new loan if there are applications from members who have received no loan.

21. Interest on loans must be paid every three months.

22. Of the available money not more than one-fifth may be lent to non-agriculturists.

23. The following books shall be kept :—

- (a) list of members and their shares.
- (b) Cash book.
- (c) Register of loans.
- (d) Minute book.
- (e) Register of deposits.

24. All receipts and other documents must be signed by the Chairman and two members on behalf of the Committee.

25. A balance sheet shall be made out every year and presented to the members.

26. The Society can be dissolved by a vote of a majority of the members at a special meeting confirmed by a second meeting one month later.

RULES FOR NEW MEMBERS.

1. A candidate must be proposed by one member and seconded by another in writing and the application placed before the Committee.

2. He shall also take a share of at least Rs. 10, which shall be paid to the Committee.

3. The Committee shall keep his name under consideration till the next meeting, and if the majority of the Committee then consider him to be a proper person to be a member they shall admit him. If not, they shall return his money.

4. Provided that by unanimous vote of the whole of the Committee any person may, as a special case, be admitted a member at once.

No. 1.—Table of Societies and their funds.

Consecutive number.	Name of Society.	Number of members.	Date of formation.	Subscribed by members.	Loans and Deposits.	Profit to date.	Reserve fund.	Total working capital (columns 5 + 6 + 8).	Remarks.
1	2	3	4	5	6	7	8	9	10
				Rs.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	
1	Myinmu ...	93	3rd January 1905 ...	2,870	200 0 0	472 14 8	201 5 9	6,371 5 9	More deposits are coming in. (a) The amounts in columns 7 and 8 show cash actually realized, but as interest is only payable every three months, in most cases another instalment is due in April, so that by the end of April all these will be considerably increased. (b) Of the totals of columns 6, Rs. 29,210 is Government loan and Rs. 1,820-18-1, outside loan.
2	Amarapura ...	85	8th January 1905 ...	1,850	1,400 0 0	821 0 0	87 7 0	3,337 7 0	
3	Ngathalinggyaung.	77	4th February 1905...	1,450	1,030 12 1	861 10 0	861 10 0	3,732 7 1	
4	Myitha ...	67	4th March 1905 ...	2,050	2,000 0 0	800 0 0	202 0 0	4,252 0 0	
5	Tindeik ...	67	14th March 1905 ...	1,470	1,000 0 0	266 4 8	140 0 0	2,610 0 0	
6	Ahpyauk ...	42	23rd March 1905 ...	2,210	2,000 0 0	815 9 6	268 12 9	4,503 12 0	
7	Maletto ...	27	9th March 1905 ...	2,000	1,500 0 0	867 8 0	867 8 0	3,867 8 0	
8	Kozu ...	83	13th April 1905 ...	1,000	1,000 0 0	182 5 10	171 5 10	2,171 5 10	
9	Tanl ...	47	17th June 1905 ...	2,650	2,000 0 0	271 8 8	271 8 8	4,921 8 8	
10	Ywakainggyi...	50	31st November 1905	2,000	2,000 0 0	120 0 0	120 0 0	4,120 0 0	
11	Ywamöngyi ...	63	13rd November 1905	2,160	2,000 0 0	120 0 0	120 0 0	4,280 0 0	
12	Chaungu ...	78	12th December 1905	2,000	2,000 0 0	120 0 0	120 0 0	4,120 0 0	
13	Kyonsök ...	40	20th January 1905...	1,000	1,000 0 0	.....	.....	2,000 0 0
14	Sitchaung ...	40	30th January 1905...	1,000	1,000 0 0	.....	.....	2,000 0 0
15	Daunggyi ...	26	3rd February 1905...	1,000	1,000 0 0	.....	.....	2,000 0 0
16	Neikban ...	40	6th February 1905...	1,000	1,000 0 0	.....	.....	2,000 0 0
17	Singaling ...	149	21st March 1905 ...	1,500	1,000 0 0	.....	.....	2,500 0 0
18	Paleik ...	74	22nd March 1905 ...	1,000	1,000 0 0	.....	.....	2,000 0 0
19	Ywathit ...	159	22nd March 1905 ...	1,600	1,000 0 0	.....	.....	2,600 0 0
20	Thimbök ...	4	24th March 1905 ...	1,000	1,000 0 0	.....	.....	2,000 0 0
21	Nyaunglébin ...	40	27th March 1905 ...	2,100	1,000 0 0	.....	.....	3,100 0 0
	Total ...	1866	35,030	31,000 12 1	3,218 9 1	2,620 15 7	68,561 12 8	

H. F. P. HALL,

Registrar, Co-operative Credit Societies,
Burma, Maymyo.

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