

**PROCEEDINGS**

OF THE

**PROVINCIAL CO-OPERATIVE  
CONFERENCE**

HELD IN

**POONA**

**AUGUST 29-30, 1912.**

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## AGENDA.

| Subjects.   | Speakers.  |
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| I. Account of Divisional Conferences.                                 | Registrar.   |
| II. (i) Withdrawal of Government loans.                               | The Hon'ble Sirdár R. B. Motilal Chunilal, (Note).                                 |
| (ii) State-aid ... ..   | Mr. G. K. Deodhar, (Note).   |
| III. Practical difficulties of Rural Societies.                       | Mr. G. K. Chitale, (Note).   |
| IV. Position of the Bombay Central Co-operative Bank.                 | Ráo Bahádur A. B. Desai and the Hon'ble Sir Vithaldas D. Thakersey, (Notes).       |
| V. Dairies and other forms of distributive agricultural co-operation. | Professor O. V. Muller, (Note).  |
| VI. Famine insurance by co-operation .                                | Mr. G. K. Deodhar, (Note).   |
| VII. Use of Reserve Fund ...  | Mr. R. G. Naik, (Note).  |
| VIII. District Unions ... ..  | Notes by Mr. R. R. Kale, Mr. G. R. Deodhar, Mr. V. M. Herlekar and Mr. S. Talmaki. |
| IX. Organization of Rural Societies ...                               | Notes by Mr. A. U. Malji and Mr. R. M. Sane.                                       |
| X. Weavers' Societies and their unions.                               | Notes by Mr. V. M. Herlekar and Mr. G. K. Chitale.                                 |
| XI. A co-operative organ ...  | Mr. K. S. Gore, (Note).  |
| XII. Co-operative Grain Banks ...                                     | Ráo Sáhib S. J. Deshmukh, (Note).  |
| XIII. Miscellaneous questions.  |  |

## REPORT

### ON THE PROCEEDINGS OF THE PROVINCIAL CO-OPERATIVE CONFERENCE HELD IN POONA ON THE 29TH AND 30TH AUGUST 1912.

The Conference met at 11-30 a. m. on Thursday, the 29th August 1912, in the Council Hall, Poona.

#### *Present.*

His Excellency the Hon'ble Sir George Sydenham Clarke, G.C.S.I., G.C.M.G., G.C.I.E., Governor of Bombay (presiding).

The Hon'ble Sir Richard Lamb, K.C.S.I., C.I.E., I.C.S., Member of Council.

The Hon'ble Mr. Mahadev Bhasker Chaubal, C.S.I., LL.B., Member of Council.

The Hon'ble Mr. Claude A. Hill, C.S.I., C.I.E., I.C.S., Member of Council.

R. B. Badve, Esq., Special Mámlatdár, Co-operative Societies, C. D., Baramati.

Dr. V. B. Bhide, L. M. & S., Sátára.

The Hon'ble Mr. G. Carmichael, I.C.S., Chief Secretary to Government, Bombay.

The Hon'ble the Chief of Ichalkaranji, Poona.

Chimanlal Harderam, Esq., Secretary, District Agricultural Association, Broach.

W. G. Chirmulé, Esq., LL.B., Pleader, Sátára.

G. K. Chitale, Esq., LL.B., Honorary Organizer of Co-operative Societies, Ahmednagar.

The Hon'ble Mr. G. S. Curtis, C.S.I., I.C.S., Commissioner, C. D., Poona.

G. K. Deodhar, Esq., M.A., Member of Servants of India Society, Poona.

Ráo Bahádur A. B. Desai, Honorary Organizer, Southern Division, Belgaum.

G. H. Desai, Esq., B.A., Auditor, Co-operative Societies, Northern Division, Broach.

V. A. Desai, Esq., Member of Servants of India Society, Poona.

Ráo Sáhib S. J. Deshmukh, Honorary Organizer, Co-operative Societies, Bijápur.

Ráo Sáhib A. J. Deshpande, Honorary Organizer, Co-operative Societies, Bijápur.

Sirdár K. R. Dhulap, Ratnágiri.

R. R. Divekar, Esq., Special Mámlatdár, Southern Division, Dhárwár.

S. K. Duduskar, Esq., Maháلكari, Peta Khandála, Sátára.

R. B. Ewbank, Esq., I.C.S., Registrar, Co-operative Societies, Bombay Presidency.

The Hon'ble Mr. S. D. Garud, LL.B., Pleader, Dhulia.

V. G. Ghaneker, Esq., Pleader, Sátára.

T. Gilbert, Esq., Deputy Director of Agriculture, Dhárwár.

K. H. Gokhale, Esq., Chairman, Cosmos Co-operative Credit Society, Poona.

F. F. Gordon, Esq., Editor, "Advocate of India," Bombay.

K. S. Gore, Esq., Auditor, Co-operative Societies, Central Division, Poona.

P. G. Halkatti, Esq., Pleader, Bijápur.

V. M. Herleker, Esq., LL.B., Pleader, Dhárwár.

G. A. Hiremath, Esq., District Deputy Collector, Bijápur.

T. M. Honmodé, Esq., Chairman, Ashwi Co-operative Credit Society, Ahmednagar.

The Hon'ble Sirdár Shambhusing Jadhavrao, Raje of Málegaon, Poona District.

Ratnasinva Shambhusing Jadhavrao, Esq., Chairman, Málegaon Co-operative Credit Society, Poona District.

D. K. Jadhava, Esq., Chairman, Dr. Harold H. Mann Co-operative Credit Society, Kurul, Sholápur District.

G. V. Joglekar, Esq., District Deputy Collector, East Khándesh.

M. N. Joshi, Esq., Member of Servants of India Society, Poona.

M. J. Kadri, Esq., Sub-Judge, Umreth, Kaira District.

The Hon'ble Mr. R. P. Karandikar, Pleader, Sátára.

Professor J. B. Knight, College of Agriculture, Poona.

J. P. Lakhia, Esq., Honorary Organizer of Co-operative Societies, Ahmedabad.

The Hon'ble Mr. Lallubhai Samaldas, Director, the Bombay Central Co-operative Bank, Bombay.

Laxmiram Mahipatram, Esq., Honorary Organizer of Co-operative Societies, Broach.

A. U. Malji, Esq., Pleader and Honorary Secretary, Broach Trading and Banking Co-operative Society, Broach.

Dr. Harold H. Mann, Principal, College of Agriculture, Poona.

T. F. Main, Esq., Deputy Director of Agriculture, Poona.

Chunilal V. Mehta, Esq., M.A., LL.B., Bombay.

V. L. Mehta, Esq., B. A., Manager, the Bombay Central Co-operative Bank, Bombay.

G. L. Mirikar, Esq., Inámdár of Miri and Chairman, Miri Co-operative Credit Society, Ahmednagar District.

The Hon'ble Sirdár Ráo Bahádur Motilal Chunilal, Honorary Organizer, Co-operative Societies, Gujarát, Broach.

Khán Bahádur B. E. Modi, Chairman, Surat District Union, Surat.

The Hon'ble Sirdár Coopooswami Mudliar, Poona.

Professor O. V. Muller, Elphinston College, Bombay.

Sirdár V. N. Mutalik, Inámdár, Sátára.

Narottam Morarji, Esq., Sheriff of Bombay, Bombay.

R. G. Naik, Esq., Honorary Organizer for Belgaum District.

M. B. Nanavati, Esq., Registrar, Co-operative Societies, Baroda State.

G. J. Padhye, Esq., Special Mámlatdár, Co-operative Societies, C. D., Sátára.

Prabhashanker D. Patani, Esq., C.I.E., Diván of Bhávnagar.

P. E. Percival, Esq., I.C.S., Secretary to Government, Legal Department, Bombay.

Ráo Sáhib T. J. Pitre, Chief Officer, Sholápur Municipality.

W. T. Pomfret, Esq., Victoria Jubilee Technical Institute, Weaving Adviser to the Registrar.

The Hon'ble Mr. F. G. Pratt, I.C.S., Inspector General of Registration, etc., Bombay.

H. O. Quin, Esq., I.C.S., Commissioner of Customs, Salt, Opium and A'bkári, Bombay.

J. L. Rieu, Esq., I.C.S., Secretary to Government, General Department, Bombay.

R. M. Sane, Esq., Pleader and Chairman, Barsi Co-operative Credit Society, Sholápur.

W. C. Shepherd, Esq., I.C.S., Collector of Salt Revenue, Bombay.

Shivamurtiswami Kanbargimatha, Esq., Honorary Secretary, Gokák Falls Co-operative Credit Society, Kánara District.

W. W. Smart, Esq., I.C.S., Director of Agriculture, Bombay Presidency, Poona.

L. C. Swifte, Esq., I.C.S., Collector, Poona.

S. Talmaki, Esq., LL.B., Chairman, Shamrao Vithal Co-operative Credit Society, Bombay.

M. R. Tarkundé, Esq., Pleader, Sáswad.

The Honourable Sir Vithaldas D. Thackersey, Director, the Bombay Central Co-operative Bank, Bombay.

L. V. Tikekar, Esq., Sholápur.

R. L. Udyawar, Esq., Auditor, Co-operative Societies, Southern Division, Dhárwár.

M. R. Upleker, Esq., keeper of the jaggery shop of the Central Bank, Baramati.

V. P. Wagle, Esq., Pleader, Hubli, Dhárwár.

K. L. Walwekar, Esq., Pleader, Hubli, Dhárwár.

I *His Excellency the Governor* in opening the Conference said :—

Gentlemen,

This is the fourth Provincial Co-operative Conference which I have had the honour to open, and there is no cause which appeals to me more strongly than that which we have met to-day to promote. I shall always remember with thankfulness the progress which the co-operative movement has made in our Presidency during the last five years. Speaking in 1908, I pointed out that the total number of Societies was 145 with a membership of 8,477 and working capital amounting to Rs. 3,69,880. The eighth Annual Report tells us that Societies of all kinds now number 368 with a membership of 29,419 and a total working capital at the end of the year 1911-12 of Rs. 32,08,911. We may well regard these figures as a most satisfactory and encouraging result of eight years of work among classes which do not rapidly assimilate new ideas or accept new systems.

The Report brings out the fact of a marked increase in the last year and gives us reason to believe that the co-operative movement has taken deep root among our people and will advance with accelerated speed in the future. I note with special interest the progress of the Rural Societies from 99 in 1908 to 284, with a membership of 19,247 and capital amounting to Rs. 14,47,118 at the present time. In gauging the success of co-operation among our cultivators, the most important point is evidently the extent to which Rural Societies can win local confidence and attract local deposits. We are told that of the total capital about 14 per cent. has been lent by Government, and 43 per cent. from financing institutions, leaving 43 per cent. raised "partly from non-members but chiefly as deposits from the members themselves". I regard this as very satisfactory at the present stage and the corresponding figures will doubtless be carefully noted in the years to come. Clearly local investment should be encouraged as far as possible since it implies trust on the part of members of the Societies and may also indicate that the sowkars are willing to divert their capital into co-operative channels, abandoning the method of individual loans which in too many cases have been fraught with disaster to the rayats. The success of the co-operative movement is, however, impossible without the aid of other than local capital which can rarely suffice for requirements certain to develop rapidly in directions at present practically unexplored in India. Moreover, it is of the essence of co-operation that capital should freely flow out, like water from storage reservoirs, into channels where it can give strength and prosperity to struggling workers and thus increase the extent of profitable production for the general good of the community.

Eight years ago it was essential that Government should act the Banker's part. When Co-operative Societies were first started, when their success in this country remained to be proved and when there was as yet little public interest in the movement, only Government could have given the necessary impulse and obtained the confidence of the cultivators. The situation has now greatly changed. When opening the Conference of 1910, I alluded to the excellent

project for a Central Bank which had been prepared by the Honourable Sir Vithaldas Thackersey and the Honourable Mr. Lallubhai Samaldas, the establishment of which, I believed, would enable the co-operative movement "to take a fresh leap in advance". In 1911, I was able to say that the objections had been removed and that the project, which involved a partial Government guarantee, had been sanctioned. Sir Vithaldas knows that I spared no effort to obtain this sanction and it is a great pleasure to hear that the Central Bank, which was registered on the 11th October last, has made an admirable start. It has 913 shareholders which shows the wide interest taken in the scheme and the general confidence it inspires. Already, up to the end of July, the Central Bank has lent nearly 10½ lakhs, of which about 3 lakhs have been repaid, to 88 Rural Societies at rates of interest varying from 7 to 8 per cent. The Branch at Baramati, where there are 29 Societies, gives special facilities and undertakes to sell jagari and to supply manure on commission. If the agency business shows profits, they will be returned to the Societies after deducting one-half of the cost of the Branch, while, if there is loss, it will not fall on the Societies. This is a most interesting experiment which will, I trust, lead to more Branches being formed with other important developments. In the Central Division, 19 Societies have received loans amounting to only 6½ per cent. of their assets; in the Southern Division, 19 Societies have loans amounting to only 2½ per cent. of their assets; while in the Northern Division 23 Societies have borrowed up to 11½ per cent. of their assets. In addition the Bank has given assistance to Societies in Gujarat during the fodder famine which has now happily passed away. Sir Vithaldas tells me that the Directors feel that the progress of the Bank is "quite satisfactory" and that they earnestly wish that larger sums should be utilized for the benefits of the Rural Societies. The policy of the Bank is to encourage these Societies, to secure as much local capital as possible, and to lend only when such capital does not suffice to meet the local requirements. The financing of the sugarcane industry can now proceed on Swadeshi principles, and with the completion of the Nira Right Bank Canal, and the supply of more water to the Left Bank Canal, this important and profitable industry should attain large dimensions. I need not point out to the Conference that this is business on sound economic lines, and I hope that we shall hear no more of the boycott of foreign sugar, the only effect of which must be to raise prices against those to whom this commodity is a humble and much-prized luxury.

Valuable assistance which the Report records is also being rendered by district Banks. To the Honourable Sir Vithaldas Thackersey, the Honourable Mr. Lallubhai Samaldas and to the other Indian gentlemen who have freely given their patriotic efforts to the establishment of financing institutions, the community and Government are deeply indebted.

I understand that the cessation of Government loans will be discussed by this Conference, and I wish to make a few remarks on this important question. As I have said, Government assistance was essential in starting the co-operative movement, and I can well understand that some of you may fear lest the growth of Societies may be checked and the general confidence shaken if this assistance is no longer forthcoming. On the other hand, experience, in Prussia especially, has shown that large funds supplied from the State treasury had the effect of causing a marked increase in the number of Societies which was soon counter-balanced by liquidations and dissolutions, mainly occurring among the State-aided Societies. The conditions in India differ widely; but, as a broad principle, it is desirable that co-operative organizations should be as far as possible independent of Government support and economically self-contained. Thrift and careful management are thus best promoted, and these conditions form the basis of credit upon which sound co-operative progress must depend. At the Conference of 1910, it was decided that Government loans were necessary because funds from other sources were not then available. Now we have the Central Bank ready with more funds than have yet been utilized and capable of great future extension. Government have continued their loans longer than has been the case in the other Provinces of India; but the system was always intended to be temporary only, and it is our opinion that the time has come to bring it to an end. At the same time, we do not desire to lay down an absolutely hard and fast rule, and I shall be glad if this Conference will consider whether, in the case of special Societies such as those of weavers, a case can be made out for a continuance of Government loans.



The question of takavi loans is dealt with in Government Resolution No. 1158 of 3rd February 1909, and I wish to remind you that, while it has been decided that takavi should not be given to a Co-operative Society in its corporate capacity, special loans in times of real stress may still be made to prevent a Society from extinction. And further takavi loans for individual members of Societies will be given through the Society, which would be the security and could charge a fee not exceeding 2 per cent. non-recurring on the amount of the loan for its services. Government hope that this means of obtaining takavi loans will be resorted to.

When we last met, I told you that Government would amend the Dekkhan Agriculturists' Relief Act in order to free Co-operative Societies from hampering conditions. This has been done, and I hope that Bombay Acts I and II of 1912 will prove helpful to your cause. We have recently instituted a searching enquiry into the practical working of the Dekkhan Agriculturists' Relief Act which will lead to further amending Legislation for the benefit of our cultivators. This Conference may be able to give us advice which we shall welcome. In 1910, the extension of the co-operative system to other industries than agriculture was discussed. I am glad to gather from the Report that some progress has been made in this direction. As you know, Government is carrying on a systematic survey of indigenous industries. The first report, for which Mr. P. N. Metha deserves much praise, showed clearly that what the handloom weavers needed most was organization and credit. I am convinced that the future of this ancient and important industry depends upon the application of sound co-operative methods. There are now 10 Societies which deal solely with weavers; but their combined working capital amounts only to about Rs. 18,000, and as most of their members are in debt to sowkars, operations on a much larger scale are necessary. The business of purchasing and supplying yarn must be taken up and the weavers must be enabled to take advantage of a favourable market in place of living from hand to mouth at the mercy of their creditors. Government have decided to establish schools to give instructions in the use of Mr. Pomfret's loom which seems well suited to the requirements of the cotton weavers. The tanning industry was next investigated, and here also there is an opening for beneficent co-operation; but the tanners' societies at present lack competent guidance without which success is impossible. The third industry which will be examined immediately is that of the expression of oil from seeds, and we hope thus to ascertain the needs of this form of enterprise.

One of the most important needs of the rayats is the certain supply of good seed at reasonable market rates. The annual loss in the Deccan from the use of bad seed must be very great. Dr. Mann informs me that 65 per cent. of cotton seed examined was classed as bad, and many of the other seed samples would not be thought worth using in Western countries. The Bulletins of the Agricultural Department dealing with this question are well worth study. Government are anxious that the co-operative movement should be utilised to save the cultivator from heavy preventible losses. There are now 49 Seed Societies in the Presidency of which very few work on co-operative principles; but the Annual Report holds out hopes of further advance in the near future. The cheap supply of manure is another very important matter, and as I have said the Baramati Branch of the Central Bank is already undertaking this business. The use of chemical manures is at present little known in India; but I have now great hopes of the establishment of chemical works in Bombay which ought to have been accomplished long ago, and I have pressed upon the promoter the advantages of the local manufacture of chemical manures. This question, that of seed supply and others are intimately bound up with the functions of the Agricultural Departments, and I need not point out to the Conference that the two Departments must work in close association. By this means only can the Rural Co-operative Societies secure the expert advice which must often be essential to their success.

I hope that I have not detained you too long from your deliberations. No words of mine can express adequately the importance which I attach to the work on which you are engaged. Alike from the political and the economic point of view the co-operative movement is capable of far-reaching results infinitely beneficial to the people of India. Canon Rivington, whose knowledge of

conditions in the mofussil is profound, told me not long ago that he believed that the Agricultural and the Co-operative Departments were making a deeper impression upon the life of the people than any other of the measures which Government are engaged in promoting. The member of a well-managed Co-operative Society must learn lessons which nothing else can bring home to him. Habits of thrift, the value of collective credit dependent upon honesty and business capacity, the advantages of corporate action involving mutual confidence, the dignity and self-respect inculcated by self-help, and the legitimate pride engendered by membership of a successful association—these are just the lessons which Indians should be taught, because they can help to impart the true spirit of nationhood. In 1908 I alluded to the indebtedness of our cultivators as "one of the very saddest features in the life of our Presidency", and I indicated the co-operative movement as perhaps the only practical remedy. That movement is still in early infancy and we have far to travel before the evil can be sensibly reduced; but the last Report contains words of hope which I believe to be justified by the facts before us. "For the first time", we are told, "the small cultivator has found access to the money market" "Redemption of old debts on a sweeping scale has become possible and a beginning has already been made." I rejoice to read these words in an official Report, and I earnestly hope that the dawn of the release of our patient rayats from the servitude of debt is at hand.

There is only one other aspect of my subject to which I must refer. The organisation and direction of the co-operative movement must continue to depend largely on the efforts of private citizens generously spent on ameliorating the condition of our working classes. To the Honourable Sardar Rao Bahadur Motilal Chunilal and the many other honorary organizers named in the Report warm praise is due. Such work as theirs is patriotic in the truest sense. It is twice blest, and that it has been liberally forthcoming and will, I am sure, be forthcoming in greater abundance as the result of this Conference and of future Conferences is one of the signs which enable me to leave India with hope.

Gentlemen, I deeply regret that this is the last time I shall be able to address you. I am sure you all understand that my heart is with you in this great movement for the uplifting of the people. I shall not forget these four Conferences which I have been privileged to attend. I firmly believe that, of all the many causes which I have striven to help in these five strenuous years, none is more worthy of active sympathy, more hopeful, or more beneficent than that to which I now wish God-speed.

*The Hon'ble Sir Vithaldas D. Thackersey* thanked His Excellency for attending the Conference and for taking so lively an interest in the movement.

*His Excellency the Governor*, in reply, commented on the great progress of the movement during his tenure of office and congratulated the Conference on its large attendance.

His Excellency vacated the chair, which was taken by the Hon'ble Sir Richard Lamb.

### ACCOUNT OF DIVISIONAL CONFERENCES.

The Registrar recapitulated the results of the Conference held last year. Mr. Chirmule's note on the registration of shares and debentures of Co-operative Societies had resulted in the insertion of section 27 in the new Co-operative Act. The proposals made by a Special Committee consisting of Mr. Chitale, Mr. Herlekar and Mr. Sane, with regard to the serving of summonses in suits in which a Co-operative Credit Society was a plaintiff, had been accepted by the High Court and their proposal to grant special powers to Village Panchayats in such suits was being considered by Government.

Mr. Pomfret's note on weaving had resulted in the opening of a hand-loom branch at the Victoria Jubilee Technical Institute. Government had also undertaken to open village weaving schools in selected districts and hold fly-shuttle-loom demonstrations in all weaving centers. Two Divisional Conferences had been held during the year at Surat and Dharwar and had been well attended.

The Registrar's remarks were accepted without discussion.

## WITHDRAWAL OF GOVERNMENT LOAN. (APPENDICES I AND II.)

*The Hon'ble Sirdar Rao Bahddur Motilal Chunilal* dwelt on the opposition to the withdrawal of Government loans shown at the Divisional Conferences and considered that they were still required for the encouragement of Rural Societies. The system inspired the villagers with confidence in the intentions of Government.

*Mr. G. K. Deodhar* read out the paper printed as appendix II.

*The Hon'ble Sir Vithaldas Thakersey* opened the discussion by objecting to the statement that the withdrawal of Government loan was connected with the opening of the Central Bank. Although he was a believer in self-help he had no objection to the continuance of some sort of State-aid. For instance, in illiterate Societies, the State might well contribute towards the expenses of a competent Secretary.

*Mr. Herlekar* believed that Government loans created a mischievous impression that the movement was more charitable than business-like. He contended, however, that Government might properly subscribe to the expenses of a karkun.

*Mr. Walvekar* was of opinion that it would be difficult to organize new Societies without the inducement of a Government loan.

*The Hon'ble Mr. Lallubhai Samaldas* opposed Government loans on the ground that Societies relying on them did not learn the need of building up their own credit. State-aid should be given, not in money, but in supervision.

*Mr. Sane* recommended that the Registrar should have powers to grant loans when funds were not forthcoming from elsewhere.

*Mr. Chitale* thought the stoppage of Government loans was premature and had been done too suddenly. In Societies composed of backward classes he agreed with Mr. Sané.

The Registrar pointed out that since the withdrawal of Government loans, the progress of Co-operative Credit Societies had been more rapid than ever before.

The following resolution was unanimously adopted—

“That this Conference, while approving of the principle that Government loans should not as a rule be granted to all Societies that may be started hereafter, is of opinion that in cases where the Registrar finds that owing to exceptional circumstances, State-aid is necessary for a new Society, Government loans should be granted whether the Society be an agricultural or any other class of Society.”

*The Hon'ble Sir Richard Lamb* expressed his satisfaction that the Conference had concurred in the withdrawal of Government loans. To continue them would look like an admission of failure of the movement.

## PRACTICAL DIFFICULTIES OF RURAL SOCIETIES. (APPENDIX III.)

*Mr. G. K. Chitale* introduced his paper by pointing out how difficult had been the position of Societies in his district during the past bad season. Funds were not available to meet urgent necessities. Tagai had been refused to members of many Societies. He suggested that the assets of all Societies should be ascertained and the Central Bank should open cash credits in their favour to avoid delay. Government officers should not be prevented from making deposits in Co-operative Credit Societies.

*The Registrar*, in reply, quoted the orders of Government in reference to deposits by Government servants in Co-operative Credit Societies, and also with reference to the grant of tagai to members of Societies. In both cases the existing orders did not hamper their work. The Central Bank could not be accused of undue slowness in granting loans to the Nagar Societies, because very few applications had been received upto date.

The paper was recorded.

## POSITION OF THE BOMBAY CENTRAL CO-OPERATIVE BANK. V

### (APPENDICES IV AND V.)

*Rao Bahadur A. B. Desai* criticised the work of the Central Bank at Baramati as more commercial than co-operative. He considered it wrong that the Societies should be controlled by a Government Agent and objected to the practice of the Central Bank taking mortgage-promises as collateral security.

*The Hon'ble Sir Vithaldas* read out his paper, printed as appendix V, and urged that special arrangements must, for the time, be tolerated at Baramati in view of the large sum at stake.

*The Hon'ble Mr. Curtis* explained that the present position at Baramati arose from the amalgamation of two opposing ideas. The system of Co-operative Banks had been superimposed upon a system which took the Agricultural Bank of Egypt as its model. He remarked that in his opinion the rate of interest charged by the Central Bank was too high.

*Mr. Waltekar* thought that the Central Bank ought to reduce its rate of interest to about 6 per cent. by curtailing its own expenses. He also thought the shares of the Central Bank should have been reserved for Co-operative Societies.

*The Hon'ble Mr. Lallubhai Samaldas* undertook to allot shares at par to any Co-operative Societies that genuinely required them and were willing to take them up at once.

After Sir Vithaldas had replied to the discussion, his paper was recorded.

At this point the Hon'ble Sir Richard Lamb vacated the chair, which was taken by the Hon'ble Mr. Carmichael.

## NOTES ON DAIRIES, EGG-COLLECTING SOCIETIES AND VI STORES.

### (APPENDIX VI.)

*Professor O. V. Muller* gave a very full resumé of the paper, printed as appendix VI. He intended to visit Denmark shortly and promised to give a full account of the system in vogue there at some future Conference.

*The Director of Agriculture* welcomed the proposals and gave some description of the co-operative dairy that has been started at Benares.

*The Hon'ble Mr. Karandikar* dwelt on the difficulty of obtaining good milk in towns and recommended that action should be taken on the lines sketched out by Professor Muller.

*The Hon'ble Mr. Garud* supported the motion and mentioned similar difficulties in obtaining reliable fodder.

The following resolution was put from the chair and carried unanimously—

“That this Conference is of opinion that the time has come when efforts should be made towards the organization of co-operative dairies and other similar enterprises and the Director of Agriculture and the Registrar of Co-operative Societies should grant the necessary facilities.”

## FAMINE INSURANCE BY CO-OPERATION. VII

### (APPENDIX VII.)

*Mr. Deodhar* summarised his note (appendix VII) and mentioned the measures taken by the Wadia Trustees to build up a Famine Insurance Fund amongst the Rural Societies of Gujarát.

*The Hon'ble Mr. Karandikar* opposed the proposal on the ground that it might give rise to the impression amongst the agriculturists that Government is trying to shirk its responsibility for assisting rayats in times of scarcity.

*The Registrar* explained that the famine reserve is not an entirely separate fund, but a reserve within a reserve, kept in a more readily available form than the rest of the reserve.

*The Hon'ble Mr. Lallubhai Samaldas* considered that the resolution should take the form of a recommendation to Societies and should not imply compulsion.

*The Honourable the Chief of Ichalkaranji* believed that the effects of the proposal would be greatly to relieve members in times of scarcity. He described the sad condition to which cattle were reduced for want of fodder in his own experience.

*Mr. Chitale* said that the proposal did not affect the responsibility of Government to make provision in famine time. He heartily supported *Mr. Deodhar's* motion.

*The Honourable Sirdar Ráo Bahádur Motilal Chunilal and the Honourable Sir Vithaldas Thakarsey* also supported the motion. Voting was postponed until the following day when the following resolution was carried unanimously—

"In the opinion of this Conference the extended application of Co-operative Credit to Agriculture is calculated to serve efficiently as one of the preventive measures of famine relief; it further recommends that Rural Societies be advised to build up a small Famine Insurance Fund to be invested separately and not to be utilised except in the event of famine or other extraordinary contingency."

The Conference then adjourned till next day. On August 30th the proceedings were opened at 11-45, with the Honourable *Mr. Carmichael* in the chair.

## VIII

### USE OF RESERVE FUND.

#### (APPENDIX VIII.)

*Mr. R. G. Naik* introduced his paper by explaining the objects of the Reserve Fund as laid down by *Mr. Wolff*. He discussed the resolutions which had previously been adopted on the subject by the Imperial Conference of Registrars at Simla and by the Provincial Conference of 1910. In the case of infant Societies he suggested that the Reserve Fund should be used in their own business; but he would exclude the Special Famine Relief Fund, as regards which he agreed with *Mr. Deodhar*. He considered the gold and silver ornaments were better investment for Reserve Fund than Government Promissory Notes.

*Mr. Herleker* sympathised with the desire of small Societies to employ the Reserve Fund in their own business but thought that when this grew to a fair amount it should be kept apart as a liquid asset in times of emergency.

*Mr. Talmaki* supported *Mr. Herleker* and emphasised the necessity for keeping the Reserve Fund readily available. A Sound Reserve Fund was a useful bond of union between members.

*Mr. Walweker* recommended that in the investment of Reserve Fund preference should be given to Co-operative Banks. The position of a Society largely depended on the size and liquidity of its Reserve Fund.

*The Honourable Ráo Bahádur Motilal Chunilal* agreed with the last speaker and thought that the Reserve Fund might more profitably be invested in District Banks than in the Central Banks.

*The Honourable Sir Vithaldas Thakarsey* held that it was an absolutely wrong principle to invest money at  $3\frac{1}{2}$  or 4 per cent. and to borrow funds in its place at 7 or 8 per cent. He illustrated his point by concrete examples and gave the opinion that Reserve Fund should always be invested in the current business of the Societies. To meet the objection that it was necessary that every Society should have a fund available to meet the claims of its creditor, he suggested that Cash Credits should be opened by the Society with the Central Bank and that some portion of the Cash Credit should be held in reserve to meet special contingencies. It was wrong to judge the solvency of a Society by its reserve. The real test was the assets.

*Mr. Chitale* differed from the previous speaker, and pointed out that all Joint Stock Banks found it to their advantage to have funds invested in Government paper. As the total amount of the Reserve Fund had risen to Rs. 61,000, it was obvious that the time had come when it should be treated separately. The question must be looked at from the point of view of the villagers and not of the financier.

*The Honourable the Chief of Ichalkaranji* considered that the village people were not men of business and could not be trusted to manage their affairs entirely without restrictions. He quoted an amusing illustration of the way in which an Indian family travelled at sea.

*The Honourable Mr. Lallubhai* did not object to a Special Famine Insurance Fund but thought that Rural Societies should be trusted. Joint Stock Banks do use their profits for the purposes of their own business.

*The Honourable Sir Vithaldas Thakarsey* asked how the Central Bank could finance Societies which were not to be trusted to look after even their own Reserve Fund.

*Professor Muller* thought that the Reserve Fund should be invested outside and the loss entailed by this transaction should be regarded as an insurance premium against emergencies.

*The Registrar* pointed out that outside investment of Reserve Fund created confidence and attracted deposits at a lower rate of interest than would otherwise be paid. The loss was, therefore, small. In some Societies the Reserve Fund simply represented a sediment of bad and irrecoverable debts, a fact which would be brought to light if outside investments were insisted on.

*The Director of Agriculture* observed that in forming his opinion of a bank he looked first at the audit memorandum of a chartered accountant and secondly at the amount of the Reserve Fund. He strongly held that a Reserve Fund should justify its name and be really a reserve.

*Mr. Sané* suggested that as there was an acute difference of opinion the question might be postponed until next year.

*The Honourable Mr. Carmichael* agreed with Mr. Sané and put the following resolution, which was carried:—

“That this Conference is of opinion that the time has not yet come to decide finally how the Reserve Fund should be utilised; and in view of the great divergence of view on this point, the question may be postponed.”

## DISTRICT UNIONS.

IX

### (APPENDICES IX, X, XI AND XII.)

In the absence of *Mr. R. R. Kale*, *the Honourable Mr. Karandikar* introduced his paper, appendix IX, and explained briefly the circumstances under which District Unions had become necessary in the co-operative movement in this Presidency and referred to the action which had been taken by him and some other gentlemen in Sátára.

*Mr. Deodhar* pointed out that no supervising agency was at present available except the Registrar and his staff and these were no longer adequate to perform the duties falling on the Department. The time had come when the work of the official staff should be supplemented by unofficial help. This should take the form of organizing Unions, not only to finance Societies but also to supervise them. A link is required between the Central Bank at the top and the Rural Societies at the base.

*Mr. Herleker* in submitting his note, appendix XI, observed that he was glad that the need of District Unions was being universally acknowledged. Besides supervising Societies, they will exercise moral influence over them. He was ready to start such a Union in Dhárvár.

*Mr. S. Talmaki* read out his paper, appendix XII.

*The Honourable Sir Vithaldas* heartily agreed with the idea of starting Unions to act as mediators between the Central Bank and Rural Societies. The Central Bank would willingly deal with them through such Unions and allow them a reasonable commission. This would save the Central Bank the expense of opening branches.

*Mr. Chitale* enquired whether the Central Bank would be willing to bear a part of the cost of management since a small commission would not cover the pay of an additional karkun.

*The Honourable Mr. Lallubhai Samaldas* advocated the formation of Unions and took the opportunity of contraverting the charge that the Central Bank discouraged Co-operative Societies from taking its shares.

The following resolution was unanimously adopted—

“In the opinion of this Conference the time has now come in this Presidency when in view of the increase in the number of Societies started, the formation of Unions, as supervising agencies in the first instance, should be undertaken by those who are interested in the Co-operative organization, specially with the object of promoting knowledge of Co-operation, starting new Societies and inspecting and controlling the transactions of affiliated Societies. The Conference further recommends that the Registrar be requested to frame a set of by-laws for the organization of Co-operative Unions and steps should be taken to settle preliminaries to the establishment of such institutions at an early date.”

X

## ORGANIZATION OF RURAL SOCIETIES.

(APPENDIX XIII.)

*Mr. A. U. Malji* pointed out that his paper covered much the same ground as that of *Mr. Sané*. Time was when Rural Societies could get no funds; but the opening of the Central Bank had removed that difficulty. It is necessary that the Registrar should make very full enquiries before granting registration and it would be well if a list of members was filed in his office. He pointed out the difficulties which arose from the *Bhagdári* and other restricted forms of land tenure.

The Conference proceeded to take subject No. XI along with subject No. X.

*The Honourable Sir Richard Lamb* at this stage took the chair in place of the *Honourable Mr. Carmichael*.

XI

*Mr. Sane'* in introducing his paper, appendix No. XIV, doubted whether the idea of Unlimited Liability was as popular in India as *Mr. Wolff* believed. The significance of it was not properly understood in villages and probably proportionate Liability would be found to work better.

*The Honourable Sir Vithaldas* supported *Mr. Sané* and considered that the conditions mentioned in paragraph 18 of his paper would prove a useful working guide.

*The Registrar* said that conditions 1, 6 and 7 only were likely to prove useful to him. He objected to condition 3 on the ground that money circulated more freely in Societies in which members were of different classes and professions than in those in which they were of the same social level. With regard to condition 5, it should be remembered that poor people who often cannot command credit individually can obtain it collectively. Clauses 9, 12, 13 and 14 could only be complied with by setting an examination paper to promoters of every Society.

*The Honourable Sirdar Rdo. Bahádur Motilal* considered that the Honorary Organizers should not be bound down to pay attention to certain points. It is impossible to fix hard and fast rules.

*The Honourable Sir Vithaldas* agreed with the previous speaker and pointed out that the Registrar was requiring Societies to make some deposits as a condition of registration. In his opinion this was only wise when the deposits came out of the pockets of members who were not themselves borrowers.

*The Honourable Sir Richard Lamb* understood that the sense of the Conference was that no resolution was necessary and that papers of *Mr. Malji* and of *Mr. Sane'* might serve as a guide to the Registrar and to the Honorary Organizers.

XII

## WEAVING SOCIETIES.

(APPENDICES XV AND XVI.)

*Mr. Herleker* in submitting his paper, appendix XV, said that he wished to add nothing to what he had written and did not propose to move a resolution.

*Mr. Chitale*, with reference to paragraph 2 of his paper, appendix XVI, said that he wished to move a resolution in favour of the establishment of a Central Co-operative yarn store. He believed that by demonstrating improved looms Government were starting at the wrong end. The work at the yarn store would not overcome the prejudices of weavers in favour of the particular trade marks. It is difficult to manage yarn supplied locally and his attempt had ended in a very heavy loss.

*The Honourable Sir Vithaldas* thought the preference of weavers for a particular trade mark was usually sound and well grounded. He doubted whether Government could undertake to open a store to supply yarn on the lines proposed.

*Mr. Pomfret* stated that to supply yarn wholesale to all weavers would entail a very large expenditure. In Ahmednagar alone there were 8,000 weavers and they would require at least Rs. 20 per loom per month apart from their maintenance expenses. The question was complicated by the difficulty of arranging that the manufactured product should be sold at a constant rate.

With regard to *Mr. Chitale's* remarks he thought that the practical value of flyshuttle loom was very great, but owing to the conservatism of weavers progress must be very slow. The results of his demonstrations would be seen in the next generation.

*The Honourable Sir Richard Lamb* thanked *Mr. Pomfret* for his valuable speech and thought it would not be proper to press Government to open a Central Store at its own expense under official management.

The papers were recorded.

## A CO-OPERATIVE ORGAN.

XIII

### (APPENDIX XVII.)

*Mr. Gore* urged that an independent journal for Co-operative matters was required. Such has already been instituted in the Madras Presidency. The object of the journal should be to promote intercourse between Societies and to put borrowers and lenders into touch. The details of the proposals could best be discussed by a Committee.

*The Honourable the Chief of Ichalkaranji* welcomed the proposal and said that the paper should first be issued in English. There was not sufficient room in the Agricultural magazine for Co-operative matters.

*The Registrar* explained the arrangement which had already been made with the "*Shetki and Shetkatri*" and added that *Mr. F. F. Gordon*, the Editor of the *Advocate of India*, proposed to devote special space in his vernacular paper, the "*Jagadvritta*," to Agricultural and Co-operative matters.

*The Director of Agriculture* opposed the unnecessary expense of a separate magazine and recommended that every effort should be made to increase the circulation of the Agricultural magazine with its Co-operative supplement.

*Mr. Deodhar* recommended that a Committee of ten should be appointed to consider the proposal.

The Director of Agriculture then suggested that the subject might be postponed until next year.

*Mr. Deodhar* in opposing him said that the magazine was required to rouse interest and that the agricultural journal was not likely to do so. Columns in newspapers would not adequately serve the needs of so vast and varied a subject as co-operation.

*The Director of Agriculture* said that if the paper was exclusively required for the educated classes, a case for separate journal might be made out.

*The Registrar* recommended that a Committee of five members should be appointed to consider the question.



The following resolution was unanimously adopted—

“ In the opinion of this Conference the question of the advisability of starting an organ of Co-operative subjects be left to be considered by a Committee of the following gentlemen—

The Honourable Sir Vithaldas Thakarsey,

Mr. R. B. Ewbank, Registrar,

Professor Muller,

The Honourable the Chief of Ichalkaranji,

Mr. G. K. Deodhar, and

Mr. K. S. Goré,

who should report to the Conference next year.”

## XV

### GRAIN BANKS.

(APPENDIX XVIII.)

*Rao Sahab S. J. Deshmukh* read out the paper printed as appendix XVIII.

*Mr. Deodhar* considered that there were grave defects in working Grain Banks and recommended that in future they should all be organized on co-operative lines.

*The Honourable Sir Richard Lamb* read out paragraph 48 of the Registrar's Administration Report for 1911-12 and remarked that the Seed Banks referred to were really Grain Banks and not Seed Banks and that there were very few that had been organized on co-operative lines.

*The Director of Agriculture* thought that members scarcely understood the difference between Grain Banks and Seed Banks and explained to them the distinction between the methods and objects of each type.

*Mr. Shivamurti Swami* supported Ráo Sáheb Deshmukh and urged that more attention should be paid to Grain Banks.

The paper was recorded.

## XVI

### MISCELLANEOUS QUESTIONS.

*Mr. Chitale* brought it to notice that in the Military Account Office an order had been issued by the head of the office to the members of the Government Servants Co-operative Credit Society which had been formed there, forbidding them to stand as sureties for each other and quoting, as its authority, Government Servants' Conduct Rules, 1904, Rule 7; the result was that the work of the Society had been brought to a standstill.

*The Registrar* informed the Conference that he hoped to get the order modified.

*The President* remarked that Rule 7 of the Government Servants' Conduct Rules did not seem to him to bear the meaning that has been imposed upon it.

A resolution was adopted.

“That this Conference is of opinion that Rule 7 of the Government Servants' Conduct Rules, 1904, should not be made applicable to Co-operative Societies.”

*The Honourable Mr. Lallubhai* then moved, and *Khán Bahádur B. E. Modi* seconded, a cordial vote of thanks to Sir Richard Lamb and the Honourable Mr. Carmichael for having kindly spared time to preside at the Conference. After Sir Richard Lamb replied in suitable terms, the Conference was dissolved.

## APPENDIX I.

*Government Loans to Rural Co-operative Credit Societies.*

Before 11th October 1911, when the Registrar of the Co-operative Credit Societies informed the Honorary Organizers that as the Central Bank was opened Government had stopped the payment of Loans to the Rural Societies, the rule was that every Society received a Loan from Government of an amount equal to that collected by the members by fixed deposits plus the entrance fees. As the sudden stoppage of the Government Loans had, when the Registrar's orders were out, checked the growth of new Societies, the point was discussed at the Divisional Conferences held at Surat and Dharwar and both of them came to an unanimous resolution that the continuance of the Government Loans to new Societies was necessary as an encouragement.

2. The orders for stopping the payment of Government Loans were issued, I believe, to encourage the business of the new Central Co-operative Credit Society at Bombay which has been brought into existence mainly to supply funds to the Rural Societies and which is working under a Government guarantee. The questions for consideration therefore are as to whether the organization of new societies has suffered by the stoppage of Government Loans? And whether the continuance of the Government Loans would in any way affect the business of the Central Bank?

3. So far Gujarat is concerned, the number of new Societies organized since the stoppage of Government Loans, is larger than in any of the previous years—especially in the Broach District—but they were not able to work so efficiently as the Societies with Government Loans organized in former years. The new Societies were in many cases applied for by the people themselves owing to the bad year under the impression that they would get the Government Loan free of interest and that it would be supplemented by a Loan from the Central Bank on easy terms and the total amount thus obtained would enable the villagers to tide over the bad year. Unfortunately their expectations were not realized because their applications for Government Loans had to be refused in accordance with the terms of the Registrar's Circular of the 11th October last, and the procedure for obtaining a Loan from the Central Bank proved to be dilatory. They had therefore only the amount collected by them to lend to the members which of course was quite insufficient. Some of the Societies received loans from the District Co-operative Societies of Surat, Broach and Ahmedabad, but their limited resources were soon exhausted. Later on the Central Bank gave loans to the Rural Societies but they came too late. However they are useful in helping the people during the current rainy season. The discontinuance of the Government loans has also seriously affected the raising of local capital. Every village used to raise the largest amount it could afford up to Rs. 2,000 (two thousand) at the time of starting a Society to entitle it to a large loan from Government of a similar amount free of interest for three years, but the recently started Societies did not collect even one-fourth the amount the villagers could afford to raise. They have collected small sums merely to entitle them to have their Societies registered and have applied for large loans from the Central Bank and the District Urban Societies which however before giving the loans required information regarding the value of the immoveable property possessed by each member and the extent to which he is involved in debt. The information was submitted in each case but its collection took time so the loans were sanctioned and paid very late. The case was different before the memorable 11th October 1911. The villagers tried to raise as large an amount as they could up to Rs. 2,000 (two thousand) and received as much from Government as loans. The double amount helped them to make the Society popular on starting and they did not feel the delay which took place in obtaining the Loan from one of the District Urban Societies or the Central Bank. The discontinuance of the Government Loan unfortunately took place at the beginning of a year which was one of famine in Ahmedabad, Kaira and Panch Mahals and of scarcity in Broach and Surat Districts and it therefore told upon the people. More so, as I am told by the villagers who had started new Societies after the stoppage of Government Loans, that their condition had become worse owing to the refusal by the Collectors of Tagavi loans which however were freely given in villages which had no Co-operative Societies. The result was that the villages without Co-operative Credit Societies received better treatment from Government than those which had willingly shown the enterprize of Co-operation by organizing Societies. In the orders promising loans to Societies free of interest for three years Government did not say that they would be discontinued after a certain number of years and it was therefore believed and understood by every one that the loans would be perpetually given. The sudden withdrawal of the former orders has naturally created a bad impression on the minds of the people as to the policy and promises of Government. The people of the villages in which new Societies were organized have thus suffered in three ways, viz., no Government loans to supplement their local capital; undue delay in obtaining loans from the District Urban Societies and the Central Bank; and the refusal of the Tagavi loans by the Collectors.

4. In regard to the second point I am respectfully of opinion that the business of the Central Bank is not at all likely to suffer by the continuance of Government Loans. They merely help the Societies to start the business and to inspire into the minds of the

people confidence in the safety and the solvency of the Society and evinces that Government take an interest in its prosperity. The fact that Government have lent money has a magical influence on the minds of the people and they consider the Society a safe place of investment. Private deposits are obtained more easily by Societies who have got Government loans than by Societies which have not received them. The Societies are started with the object of teaching the cultivators co-operation, thrift and self-help, and if this object has to be attained, it is necessary to give due consideration to the popular belief and to continue the Government loans which alone is considered by the people to be the guarantee for the solvency of the Society and the safety of their investments. Almost all Societies had hitherto borrowed money from one of the Urban Societies of Surat, Broach or Ahmedabad or the Central Bank or from private individuals to meet the local demand and for some years to come many of the societies will require large sums to meet ordinary demands for loans to members and with the increase of the number of the Societies and of the members of each the demand will be larger. None of the Societies as yet have undertaken the liquidation of old debts and I do not think that for a few years more it would be possible for any of them to do so. Owing to the operation of the Deccan Agriculturists' Relief Act the Sawkars have ceased to give loans to cultivators and the confidence once lost is not likely to be revived even if that Act were abolished. The Sawkars also are beginning to believe more in corporate bodies than in the advantages of their individual money-lendings.

5. From my experience of six years' working of the numerous Societies in my division and from what I have come to know by personal interviews with the villagers I think that the Societies are becoming very popular and in some villages, where they have been working for some years, the people are showing intelligent interest in them and I am sure that some of them will add co-operative stores and seed branches to their business—a very necessary adjunct to the village agricultural Bank—and later on they may think of purchasing a set of improved implements for cultivation purposes. All these will require a much larger capital and a time will come when, like the District Urban Co-operative Societies of Surat, Broach and Ahmedabad, the Central Bank may have to say in reply to numerous applications "Save us from my friends," as the District Urban Societies are doing at present.

6. Perhaps it might be said that under the circumstances the grant of small Loans by Government equal in amount to the initial capital raised by the villagers will hardly enable the Societies to meet the anticipated extraordinary demands for Loans without recourse to the District Urbans and the Central Bank. The amount of Government loan alone will certainly not suffice, but as I have already said the mere fact of Government having lent money to a Society establishes popular confidence in it and it brings larger private deposits, the total amount of which in course of time materially helps a Society and reduces the pressure on the District Urbans and the Central Bank.

7. I have not got the information in regard to the business done by the Central Bank but the following figures will show how far the three Urban Societies have been helpful to the Rurals and to their own members.

- (1) The Northern Gujarat Urban Trading and Banking Co-operative Society, Limited, Ahmedabad, has lent Rs. 3,500 (three thousand five hundred) to three Rural Societies and Rs. 28,000 (twenty-eight thousand) to 31 members.
- (2) The Broach District Urban Co-operative Trading and Banking Society, Limited, has lent Rs. 43,500 (forty-three thousand five hundred) to 17 Co-operative Credit Societies and Rs. 30,000 (thirty thousand) to 30 members.
- (3) The Surat District Urban Co-operative Credit Society, Limited, has lent Rs. 56,350 (fifty-six thousand three hundred and fifty) to 29 Societies and Rs. 13,689 (thirteen thousand six hundred and eighty-nine) to 25 members.

The amount required for these loans was obtained as under by the above-mentioned three Urban Societies.

- (1) Ahmedabad got Rs. 8,800 on account of the 1st call of Rs. 25 on each share of Rs. 100 by the sale of 352 shares and Rs. 32,700 (thirty-two thousand and seven hundred) by deposits. It will make other calls for the remaining Rs. 75 per share later on.
- (2) Broach Urban got Rs. 22,000 (twenty-two thousand) by the sale of 220 fully paid up shares of Rs. 100 each and Rs. 52,000 (fifty-two thousand) by deposits.
- (3) Surat got Rs. 10,500 (ten thousand five hundred) on account of the 1st call of Rs. 10 on 1,050 shares of Rs. 20 each and Rs. 65,000 (sixty-five thousand) by deposits.

The Surat Urban has paid a dividend of six per cent. and Broach of five per cent. to the shareholders. Ahmedabad was opened on the 9th September 1911, so it is not as yet a year old, while the other two have been about five years in existence.

8. I may venture to hope that the three Urban Societies of Gujarat will be able to sell all their shares, the total amount of which is Rs. 15,00,000 (fifteen lakhs), immediately and get about Rs. 35,00,000 (thirty-five lakhs) on account of deposits if Government will be graciously pleased to grant them the same privileges and guarantee which they have given to the Central Bank. If this is done Gujarat will be quite independent and these three Urban Co-operative Societies will be able to finance all the existing and new Rural Societies which I am sure will spring up like mushrooms and completely change the economical condition of the agriculturists and petty traders from indebtedness to that of prosperity. According to rough calculation, I estimate with some confidence that the Rural Societies which, if freely registered, will go up to 1,000 in Gujarat in five years' time and they will require a loan of Rs. 10,00,000 (ten lakhs) from the Urbans and the Bombay Central over and above their Local Capital and the Government loans, and the Urban Societies about Rs. 40,00,000 (forty lakhs) to accommodate the artisans and petty traders. I am told that in Ahmedabad City alone there is an immediate demand from these classes of people to the extent of one lakh of rupees which it is unable to meet, for want of funds. If the restriction that a member cannot purchase more than Rs. 1,000 (one thousand) worth of shares be removed, as has been done in the case of Bombay Central Co-operative Bank, rich people to whom Rs. 1,000 (one thousand) investment is no attraction, will prefer to purchase shares of the District Societies as it is a safe investment. The Government servants, who are prohibited from purchasing shares, are also anxious to invest them in the shares of the Societies. I trust that Government may be pleased to relax the rule and permit all Government Officers to invest their savings in Societies' shares. Also more stringent orders of Government for the investment of funds of minors' estates into District Co-operative Societies are necessary. The Collector of Surat who has deposited the surplus balances of his wards in the Surat District Co-operative Credit Society and the Collector of Dharwar who has kindly deposited Rs. 5,000 (five thousand) with the Northern Gujarat (Ahmedabad), no other Collector in Gujarat has thought it desirable to help the District Co-operative Credit Societies and not a single District Judge has thought it proper to carry out the orders of Government by patronizing any of them though the District Judge of Ahmedabad was requested to do so. These concessions will not, I submit, do away with the necessity of *Government Loans to Rural Societies* which are intended to help them at starting and to inspire in the people the required confidence.

23rd July 1912.

MOTILAL CHUNILAL

## APPENDIX II.

### *A Note on State-Aid in Co-operation.*

However conflicting the views of co-operators may be on the subject of "State-aid versus Self-help" in co-operation in general, it can hardly be questioned that the most magnificent edifice of agricultural and working class co-operative associations reared up in many Western countries is based upon a foundation characterised by a correlation of national or State-aid and self-help made materially to assist and supplement each other in the province of agricultural and working class co-operation. The object of this note is to discuss the relation of one to the other and particularly to point out the scope and the limits to which the State can and should engage itself actively and strenuously to foster co-operation among classes that must, for a time, lean upon the support of Government. The Indian Co-operative Act II of 1912 has justly widened the sphere of the principle of co-operation being extended to various fields of activity. We co-operators, both official and non-official, must keep our eye steadfastly to the goal which we have set before us. We have the whole country, backward in education and deficient in knowledge of modern forces, thoroughly disorganized, undeveloped in its resources, and without any thought of its economics; there is the vast problem of the indebtedness of the agriculturists staring in the face; and their moral and material progress is anxiously awaiting our helping hand. If we once recognize unhesitatingly that we have undertaken the solution of these problems by applying the lever of co-operation to lift up the inert mass and to fulfil the mission on which we are engaged, we must closely examine our achievements both from the qualitative as also from the quantitative points of view and decide whether our labours are proportionate to the immensity of the task before us.

2. At the outset, it might be asked how does this question arise now and I must briefly state my reasons for opening it. First, our work has not touched even the fringe of the field we have yet to cultivate; secondly, I do not hesitate to confess that our labours have been feeble and insufficient if not quite half-hearted; thirdly, there does not seem to be an adequate recognition of the principle of co-ordination that must exist between State-aid and private initiative; fourthly, there is a greater need, on the part of those to whose lot this reforming, emancipating, and man-making mission of co-operative

organization has fallen, for clearly understanding their responsibility in this matter; and fifthly, I submit this year to this Conference as I did last year, that our Presidency, which is so very ahead of other provinces in many matters, unfortunately lags behind them in several aspects of co-operative advancement. I feel sure that with more vigorous and sustained efforts assisted by more liberal financial support from the State for some time more and with greater private enterprise to be initiated by our farseeing and earnest-minded countrymen the movement has very great future before it. I frankly recognize that the responsibility which rests upon the shoulders of the educated and patriotic Indians in this respect is serious and readily admit that the full measure of success of this most beneficent movement depends ultimately not upon the artificial means and spasmodic attempts made but upon their spontaneous interest and patient work carried on in a spirit of faith and sacrifice. I do not wish to dwell further on that aspect of the development of co-operation which relates to public enthusiasm and popular support; but confine my remarks to that aspect of the question which makes it incumbent on the State to play a more active part in the gradual growth of this movement till it reaches the stage when it can be left to take care of itself.

3. There seems to be a feeling lurking in some minds that State-aid and Co-operation are a contradiction in terms, and if Co-operation is to be sound and self-reliant it must be thoroughly independent of State-aid. There are others who think that co-operation is the business of the State and people have little or no responsibility with regard to its advancement. Even in Western countries there are two schools of co-operative thought; one champions "pure, absolute, and unadulterated self-help and the other is in favour of conditional State-aid". The advocates of unconditional self-help depend only upon people's initiative requiring Government to put no obstacles, legislative or otherwise, in their path; whereas the partisans of conditional State-aid agreeing with the absolute self-helpers in the main, depend upon the State for certain facilities in the infancy of this movement. Here in India an impression is gaining ground that Government feel that what they have done so far—and it must be gratefully recognized that they have done much—is sufficient for the successful growth of this movement and beyond merely giving the legislative and administrative help immediately necessary they have no responsibility to bear. I am an ardent advocate of self-reliance; but I feel that within certain limits Co-operation is not inconsistent with State-aid. I need not tell the Conference that some of the best authorities on co-operation are dead against State intervention, Mr. Wolff being one of them. But in Western countries political considerations enter largely into this opposition to State-aid, which also is based on strong moral grounds; here in India there are no such political considerations as must drive us to completely set our foot upon State-aid; besides, even the uncompromising self-helpers do recognize the justice or usefulness of the assistance of the State in certain matters, their attack being mainly directed against State interference or State subventions. If we want to be practical let us appeal to history—both of European and Indian co-operation. In co-operative assemblies of the West this subject has been discussed threadbare and I specially mention the heated controversy on this topic at one of the sittings of the Sixth Congress of the International Co-operative Alliance held in 1904 at which delegates from almost all the countries in Europe were present. The discussion centred round the question, the "Duty of the State towards co-operation; should it subsidize it or not?" The debate was led by Count De Rocquigny of France who, in proposing a motion, took a rapid survey of the origin and growth of co-operation in several countries of Europe showing the part which the different States played in its working and the contribution made by the people to its success. The motion which was adopted by 102 to 55 votes advocated the principle of State-aid in a moderate degree in co-operation "for the purpose of encouraging its application and favouring its development in countries in which private enterprise is not strong enough to serve such purposes by itself."

4. From the course which co-operation has followed so far in most countries where it has flourished, it can be stated without the least fear of contradiction that the bulk of it had been State-initiated, State-aided and State-conducted in its cradle stage. There are, however, some countries like England, Germany "which have the good fortune to have centuries of civilization and economic organization to look back upon." But they are exceptions and not a rule. Concerning countries which are backward in many respects Count Alexander Karolyi of Hungary, who laboured long in his country in promoting co-operation and who was the President of this Congress, observed as follows:—

"No doubt it would be ridiculous to say that in England or in Germany, the classical countries of co-operation, State subventions are necessary for co-operation. However, there are countries where such subventions are bound to be useful, and may even be necessary. Of course you should rely upon subventions, only during as short a time as they are really wanted, and give them up as soon as organizations have wings of their own wherewith to fly." Moreover, His Excellency Luigi Luzzatti of Italy, the founder of the Italian *banche popolari* or the Popular Banks, as President of the Seventh Congress of International Co-operative Alliance of 1907, while speaking of the relation of the State-aid to co-operation, remarked as follows:—

"We have not argued as much in Italy as you have abroad, and this is really not our fault; we are poor metaphysicians (laughter); we have not argued

much about pure autonomous co-operation as opposed to State-aided co-operation. We believe in the need of both the one and the other, as the capacities of the workers and local conditions may require; we look upon the single co-operator, armed with his capacities multiplied by associations, as the main strength of the social peace army marching in the vanguard to great battles and great victories (loud applause), the State is the reserve force, which on certain occasions and in certain contingencies places itself in the front rank to win the battle. (Applause.) We think all theories are good, but the best is that which saves the greatest number from the usury of money, the usury of rent, the usury of food; the best is that which most fully achieves the purpose of raising these people bowed to the ground, of uplifting their faces towards the radiant sun of liberty. That doctrine is the purest even if it disobeys some metaphysical laws of economic principles." (Applause.)

5. Coming nearer home, what do we find? The history of Indian co-operation is plain in its teachings. We clearly see that it is Government, who, after they realized the insufficiency of the several agrarian measures introduced by them in order to ameliorate the position of the Indian rayats, discovered the usefulness of the application of the principle of co-operation to Indian conditions. It is Government who first gathered through their competent officers the technical knowledge of the theory and practice of co-operation by deputing them on that work to European countries. It is Government who did some pioneering work before undertaking the legislation of 1904. It is Government who supplied the administrative and supervising agency. It is Government who in the beginning granted subventions. And lastly it is Government who are doing some propagandist work by issuing pamphlets and Reports of Co-operative Credit Societies and by holding district, divisional, provincial and all India Registrars' Conferences. It is mainly due to these efforts that we find to-day a net-work of more than 5,500 Co-operative Credit Societies in India having a membership of over 325,000 and with a working capital exceeding 2 crores of rupees. I do not mean to suggest in the least that people had had no share in our present achievements; but I do want to suggest that it is doubtful, whether anything worth the name could really have been done, if the State had remained absolutely indifferent in this matter. Further, from the inquiries that I could make I have come to the conclusion that the movement has not yet taken any deep root and, if Government were to withdraw what little support they now give, the danger is that it may wither away. This brings us nearer the main issue, *vis.*, the scope and limits to which the State can and should engage itself in promoting co-operative organization.

6. Let us first consider the principles which the States in other countries have followed in giving their assistance and the limits to which their operations have been extended. The States have been actuated by the object of stimulating private enterprise and of giving it the necessary encouragement and help so as to enable it to overcome initial difficulties. In introducing co-operation in different forms, local conditions and the aptitude of the people have been taken into account and co-operation of an unsuitable kind has never been forced. Though, as a rule, the first impulse must proceed from individuals, it is sometimes necessary to prompt some individuals, and to put them in such a position as to warrant their counting upon the necessary facilities by the authorities. Such an attitude on the part of the State will give a push to co-operation without in any way impairing its self-reliant character. The scope of State-aid has been much wide and varied and the following, among others, are its prominent features:—

(1) Legislative facilities and exemptions from certain fiscal charges have been provided by the State.

(2) They have taken a leading part in educating public opinion. This aid has been enthusiastically received by the opponents of State-aid. In fact Mr. Wolff is very particular about it. He wants the State to spend as much money as it can spare upon the provision of proper education in co-operative principles to the masses of the people and upon leading them to co-operative action. The State have in some of their schools and high schools regular courses of co-operative training and have appointed experts to disseminate co-operative knowledge and teach methods of working various industries on co-operative basis. They have spent a large amount of money in distributing pamphlets, model rules, manuals and forms, and in supplying lecturers or gratuitous expert advice. Distinctions and rewards have been awarded to co-operative institutions and medals and prizes have been distributed among societies.

(3) By means of State legislation in France and Italy special facilities were given to co-operative associations of working-men to compete with contractors for public works.

(4) The most efficacious, but the most criticised, form of State-aid has been the subventions made by States to some kinds of co-operative undertakings. Large grants have been made in Italy, France, Hungary, Austria, Belgium, Roumania, Prussia, Bavaria, Saxony and Switzerland to societies for the purchase of agricultural materials and for the sale of agricultural produce; to cattle-breeding societies; to cattle insurance societies; to granaries; and for co-operative insurance against fire and hail. The limited space at my disposal prevents me from quoting figures from

various countries to show how great and useful has been the assistance of the States at the commencement of new co-operative enterprises; they never forgot the proper limits beyond which they did not allow their help to go. Once the rough ground is got over, the States have said "now shift for yourselves, you receive no more from us."

(5) The most direct assistance in the shape of grants of money or advances has been given by some very prominent countries from public funds to agricultural co-operative credit institutions. The need for such support has been considered to be very great when it is specially remembered that without such outside initial backing much of the present agricultural co-operation would have merely remained a matter of speculation or imagination. In this connection Count De Rocquigny observes:—

"Productive co-operation, labour co-operation, and credit co-operation are in a totally different position. Their want of sufficient capital may prevent their very coming into life. They have risks to run from locking up capital. They necessarily require working capital from the outset, and from the outset they must accumulate a reserve fund to secure them against unforeseen contingencies. Pecuniary assistance rendered to them by the State at the starting is no doubt calculated to promote their creation, and to encourage them, in the face of threatening difficulties, to push on, and overcome obstacles by study perseverance! Without such useful aid how many societies, flourishing to-day, never have been formed; how many grown strong under encouragement, would have remained timid, hesitating and unfruitful!"

7. Judging from this standard of State-aid dealt out in Western countries, I humbly submit that Indian Government will do well to extend a more liberal help to hasten the growth of co-operation on sound lines in the various directions in which European States have exercised their healthy influence. Let us see what our needs are in these various directions with regard to which we should appeal to our Government which is ever watchful and anxious to improve the condition of the vast bulk of our agricultural and industrial classes—

(1) As regards legislation I believe the State has been ever ready to give us the necessary facilities both by legislative enactments and administrative orders the evidence of which is amply afforded by the Co-operative Act II of 1912 and the amendment of the Deccan Agriculturists' Relief Act.

(2) In the matter of co-operative education and propaganda my opinion is that there is much room for improvement in the present programme of Government help. Though efforts are being made by Government to instruct people in the methods of co-operation, they have been very feeble and in that direction we should expect more direct work by Government by sending out paid and travelling lecturers and organizers who will not only teach people the methods of co-operation but also its principles and its history. Meeting could be organised in villages for this purpose and pamphlets and literature dealing with these subjects could be distributed broadcast. In other provinces there is much large staff of inspectors, honorary and paid supervisors, and honorary organizers; but after reading the latest Reports of Co-operative Credit Societies in these provinces the impression left upon my mind has been that we in Bombay are less fortunate in the matter of administrative facilities than the people in other Presidencies and provinces. The assistance which our Registrar has been receiving in this direction is very inadequate; besides it is not sustained and systematic. In other provinces there is much large and trained staff engaged by Government to help the Registrar in organizing and supervising the work of the Co-operative Department. I am quite certain, therefore, if our Registrar secures the services of an Assistant and a staff of trained organizers and inspectors or supervisors then will he be better able to show decided improvement in our present position, in respect of the education of the people in co-operative principles, their loyalty to them, soundness of the results, their expanded application and the formation of Unions. Government have already given certificates of merit to some successful co-operators and they may as well think of the usefulness of awarding medals and prizes to successful societies.

(3) Concerning the third aspect of State-aid it is premature to think of our co-operative concerns entering into the field of private competition for securing contracts of public works.

(4) Regarding the fourth form of State-aid, the urgency is not so great though several co-operative experiments in the fields of agriculture and industry are being made in several places. In India, silk industry, sugar industry, brass industry, weaving industry, tanning industry, and others are trying to organize themselves on co-operative basis. Coming to our Presidency, weaving industry in Ahmednager and Dharwar and weavers' and shoe-makers' associations in Poona and Satara are budding into life; if Government would lend them a guiding and helping hand they may show satisfactory results. In the matter of agricultural industry solid work might be shown by bringing the Agricultural Department into closer touch with Co-operative Department as is the case in Burma. By rendering direct assistance and by enlisting private support, Bombay Government can launch into existence

many needful undertakings, such as Manure Societies, Cattle Insurance Societies, Fodder Depôts, Famine Insurance Funds, Seed-stores, and Grain-banks.

(5) The fifth and the most important form of State-aid is the Government loans to small societies intended for the rural population. The organization of rural credit is not an easy task; it is beset with difficulties which are too familiar to need a mention here. In other provinces of India the system of Government loans was not much relied upon and it is a matter of some satisfaction that even without such assistance the agriculturists have been taught by the method of share-capital—a special feature of unlimited liability in the Punjab, Madras, and Burma—to enhance their credit with financing agencies and thus to secure a portion of money they need for their ordinary requirements. But the rural banks in our presidency have not even a rupee of their share-capital—such being the basic idea of popular credit banks—and consequently their credit with central societies is very meagre, though a decent amount has of late been available on account of the establishment of the Central Bank. But this does not and should not go very far. The real question is how to attract local capital and make it flow into the channel of rural societies; that is not possible for some time to come till these credit societies establish a reputation for honesty and business management. The development of confidence must be a matter of slow growth considering the present conditions of our village life and without such confidence or sense of security “the old stockings will not give forth their coin” or the buried hoard will not be unearthed as happened in the Punjab and at Barsi. Thus, without waiting for the long period of tutelage, if the people, taking them as they are, have to be given a go-cart, the Government ought to renew and to revise its policy of making grants on certain conditions to the rural societies. The policy of the Government of India has been in the direction of withdrawing totally these grants, but fortunately for Bombay a sum of Rs. 30,000 is made available for the current year. Though this may be a drop in the ocean, yet Government in the eyes of the people stands for many things; its financial interest in these societies will not only generate confidence in the minds of the local capitalists, but will also create a sense of security. Government loan not only attracts more money and affords greater financial facilities, but also inspires into the minds of the villagers a feeling of safety regarding their transactions. It must be admitted that Government loan has a charm and a potency of its own. Though I would not lay the whole blame of the backwardness of this movement at the door of the recent Government policy of withdrawal of loans still I have no hesitation to say that premature curtailment of State-aid must be responsible to some extent for the slowness of its expansion which cannot be interpreted as a sign of sure growth. Many organizers have felt the inconvenience of it in more ways than one; and this has been the verdict of the Divisional Conferences. Government must buttress specially the agricultural credit co-operation by identifying itself with it in a substantial manner and the best way in which they can do it is to adopt a more liberal and expansive policy of State loans on the recommendations of the Registrar. The large sums of money which Government use as Tagavi loans can be advanced to the cultivators through the co-operative credit societies and there could not be any opposition to this proposal. In fact Government have proposed the adoption of this method, wherever possible. If larger purposes of co-operative credit are ever to be achieved, Government must generously take the lead in this matter.

8. I have thus set forth at great length my scheme of State-aid in co-operation. And till the people are educated and made conscious of the vast possibilities of the moral and material benefits of this movement, it must wheel round the fulcrum of the whole-hearted aid of the State. In conclusion, in the words of Count De Rocquigny, “My belief, then, is, that State-aid, as a means of stimulating co-operation, promoting the formation of co-operative societies, furthering their development, and vivifying private enterprise, is wanted, and is not open to any tenable objection.....However, when all is said, I remain convinced that the uses of State help to co-operation overbalance the danger of abuse and that there is real advantage to be set to its credit.”

G. K. DEVDHAR,  
Member, Servants of India Society.

### APPENDIX III.

#### *Some Practical Difficulties in the growth of Co-operative Credit Societies.*

Co-operative Credit Societies are an institution calculated to achieve results of great economical value to our agricultural classes which are at present living almost from hand to mouth. It is primarily intended to meet the pecuniary wants on a fair and reasonable basis so as to free them, if possible, from the clutches of avaricious money-lenders. The scheme is based on co-operation all round by combining the credit of several for the common advantage and benefit of all members.



The growth of such Societies so far in our Presidency is hopeful enough. At the end of the year 1909-10, the comparative working capital of Societies in round numbers was Rs. 1,94,965 for Centrals, Rs. 2,20,152 for Urbans and Rs. 4,13,693 for Rurals, respectively. This in 1911-12 has improved to Rs. 12,47,886 for Centrals, Rs. 5,13,907 for Urbans, and Rs. 14,47,118 for Rurals. The establishment of a big Central Bank at Bombay for the benefit of Co-operative Credit Societies in the whole Presidency is also a special feature and an improvement on the right lines. At the end of the year 1911-12 we had in our presidency  $9 + 75 + 284 = 368$  Societies of all kinds with  $3,611 + 6,561 + 19,247 = 29,419$  members. These figures will show that though there may be room for satisfaction at the rapid progress of such Societies, there is much uphill work to be accomplished before any tangible economic results can be made visible. The object of this paper mainly to sound a warning note and to take stock of the practical difficulties that will have to be surmounted before achieving any practical good to the vast mass of our agricultural population.

In order that these Societies should achieve the slow economic revolution, it will have to be admitted that they must be entirely of and from the people. Old village community is no longer existing. The spirit of true patriotism which in old times must have inspired its healthy growth, is becoming rare. General illiteracy, comparative poverty, want of village industrial centres and thousand other reasons have combined to degrade the villages to such a degree as to make general disinterested management of such Societies quite beyond their immediate capacity. The middle class educated people are not yet supplying the necessary link and in these circumstances there is no wonder if practical workers in the field feel greatly disappointed and begin to feel uneasy at the possible gloomy prospect.

It is true that however great and difficult the task may be, every well-wisher of his country must try his best to achieve the onward march. If the progress is slow and the march difficult and be set with disappointment the greater the patriotic exertions to accomplish the object in view.

Cheap credit on firm and reasonable terms is what is needed. Difficulties however of finance accounts are being generally felt. Local money-lenders can hardly be expected to come to the aid of such Societies which are now pretty generally understood to work against them and seek release from their avaricious grip. "Others are possibly naturally afraid to lend where Government even dares to tread though armed with summary powers of recovery." As observed by experienced Government officers, "the main trait in the oriental character is the proneness to succumb to difficulties and accept them as inevitable but if given good heart at an early stage the oriental will fight on the side of Government which is his own, for his belief in the power of Government is of a kind which to Western ideas is almost profane."

Applying these tests to our Co-operative Credit Societies what do we find? They are mostly composed of illiterate, poverty-stricken and debt-ridden members. The unseasonable rainfall has added greatly to his financial and other difficulties. With this monetary credit as low as possible, an agriculturist struggles on, somehow, and the existence of these Societies has in some places the effect of his not getting any loans even on exorbitant and unreasonable terms. Not only enough money is not available as soon as he feels the pinch or want of it, but the existence of these Societies has not up to now the effect of mitigating the stringency of credit and securing him its economical advantages.

Looking to the present number of members in Rural Societies, which at the end of March 1911 was only 13,000 scattered over a wide area, the working capital was about Rs. 5,50,000. This works out at about Rs. 40 per head. Now remembering his present straitened circumstances due to a variety of causes, this can hardly be considered either adequate or economically such as to have an effect upon his low credit. On the contrary I am afraid just as "a little learning is said to be a dangerous thing" this membership sometimes has the effect of putting an end to all his hope of getting money anywhere else. However the discussion so far need not deter us from our present efforts but it is as well to take stock of actual difficulties in our way, and instead of trying to achieve the impossible let us be satisfied with only a small number of Societies wherein we will be able to show all-round practical progress. We will then be able to concentrate all our energies and financial resources in such a manner as may conduce to real benefit. My experience so far, therefore, has convinced me that it is absolutely necessary and very desirable to have a central institution in each district with plenty of capital at its back. Our Central Society having its head-quarters at Bombay, though it may command a large amount of capital, is not likely to have that result which District Societies with first-hand knowledge of the wants of its Rural Societies are likely to accomplish. Red tape and the desire of earning more dividends on better securities and general want of knowledge as to the necessities of individual Societies are found to be great obstacles in the onward march of this economical progress.

The real test of usefulness of such Societies is in the times of famine and years of scarcity. Unfortunately last year, many of our Rural Societies in Gujarat and Deccan had very sad experience. It is indeed to be regretted that the moral force of coming to

the help of our Co-operative Societies in distress was entirely lost. Judging from what has happened except in one district, which is my own, I do not find much is done in places where first help would have been very valuable and greatly appreciated. I may be pardoned for pointing out that Nagar alone helped Rural Societies to the extent of about Rs. 33,000 and about 500 individual agriculturists with the loans of Rs. 40,000 from the Central Bank. Its financial resources were, however, soon dried up as it could help only a few single-handed, but the moral effect in their cases was indeed tremendous.

Another difficulty which I shall touch upon is the principle on which Tagai advances are refused by Revenue Officers to members of Co-operative Credit Societies, even indeed to such villages wherein such Co-operative Credit Societies are started. This is sought to be justified on the ground that it is not possible and even advisable to put two swords in one scabbard. But this reasoning is certainly fallacious as the Co-operative Credit Societies can hardly be considered as a fit competitor of Government when it makes its Tagai advances. Indeed, I go further and maintain that if this is the only reason, why not make Tagai loans through Co-operative Credit Societies and get a collateral security? This is also the object of Government Resolutions in this behalf and yet we will find that no large use was made of this kind of Government help though I know that it was sought for.

I shall further observe that it is getting very difficult indeed to get well trained and disinterested men to run the Rural Societies on sound and correct lines. It is no use bemoaning the dearth of such men. The fact is there, and my suggestion is that instead of waiting further any longer it will be better to form small unions of suitable Societies and put them in charge of competent persons so that they may be supervised, more frequently than hitherto and a general advice will be prompt and frequent. The moral strategy of putting heart in the people at the right time is not yet tried and the sooner we do this, the better will it be for the onward march which all of us have much at heart. I am afraid the paper is already too long and I must stop lest I may grow wearisome.

*Nagar, 10th July 1912.*

G. K. CHITALE.

#### APPENDIX IV.

##### *Can we utilise, with profit, for Co-operative Purposes the money made available by the Bombay Central Bank on its present terms?*

The Central Bank opened recently has during the last few months lent about 7 lakhs of rupees. There are applications before it pending inquiry. This is a commendable progress comparing favourably with the initial operations of some of the very successful Central Banks in Europe. An explanation is, therefore, due as to why I should begin with a heading suggesting as if there is something very hard in the conditions of the Bank likely to affect its success.

At the Dharwar Conference held in April last, some of the speakers who represented societies in the other Divisions also complained of the interest at 7 per cent. as too heavy a one for the village and town banks to usefully avail themselves of. It was, however, an ex-parte and therefore an inconclusive debate, as no one representing the Bombay Central Bank was present there to place its views before the Conference.

I, therefore, venture to open by this paper a discussion on the same subject in order that, at a larger Conference like this, a free exchange of views in regard to the whole scheme of the Bank may result in clearing up all misapprehension.

The more important of the conditions of the Bank we are immediately concerned with are:—

- (1) That the Central Bank will ordinarily grant loans at from 7 to 8 per cent. according to the reputation which the society has acquired and the security offered by it.
- (2) That such loan shall be repayable in ten years or less.
- (3) That in the case of societies with unlimited liability, loans will not ordinarily be granted in excess of  $\frac{1}{3}$ rd of the net estimated value of the total property of the members.

The first and the most important point to consider is whether the 7 to 8 per cent. rate of interest is such as the societies can profitably avail themselves of.

It may be stated at the outset, that the maximum of 8 per cent. is put down without any serious intention to enforce it because a large amount has already been loaned at 7 to  $7\frac{1}{2}$  per cent., and if I have understood correctly the promoters of the Bank, 7 per cent. will be the ordinary rate.

Our societies are at present of three kinds—(1) Rural, (2) Urban, and (3) District Centrals dealing with societies only.

On the reasonableness of the Rs. 7 rate, I have consulted the Honorary Organizer for the Northern Division, the Hon'ble Sirdar Motilal, and also Ráo Bahádur Bhangaokar, the Honorary Organizer for the Khandesh District. The former expresses the opinion that the District Societies which lend money to the Rurals at 7 per cent. must borrow it at a lower rate, which should be 5 per cent., but that if the Bombay Central Bank deals with the village societies direct, he has no objection to its charging even  $7\frac{1}{2}$  per cent. He is afraid that the Bank will never be able to find the required capital. He, therefore, suggests that the only alternative is for Government to give the District Urban Banks the same privileges and guarantees enjoyed by the Bombay Central and then money will flow into them.

Ráo Bahádur Bhangaokar says that the fixed deposits which the Dhulia Urban Bank has received bear interest at 6 per cent. and at this rate of interest it can get any amount of money, but that it is unwilling to take more deposits until it gets more experience of good and bad seasons. He expresses the opinion that with larger credit the Bombay Central Bank ought to get any amount of deposits at  $4\frac{1}{2}$  per cent. and it should lend to Rural Co-operative Credit Societies at 6 per cent.

As mentioned above we may safely take it that 7 per cent. is the rate at which loans will be ordinarily available from the Bombay Central Bank and see whether we can reasonably ask it to lower that rate any further.

If one of the objects of the co-operative movement is to release the needy from the necessity of having to go to an usurious money-lender by offering him money at a cheaper rate, some information about the prevailing rates of interest will be useful.

Under the special orders of Government the figures supplied on the subject by the Registrar in his report 1907-08 were:—

|                    |     |     |                   |
|--------------------|-----|-----|-------------------|
| Gujarat            | ... | ... | 5 to 25 per cent. |
| Kanarese Districts | ... | ... | 10 to 50 „        |
| Maratha            | „   | ... | 15 to 100 „       |

At the Simla Conference of 1906, the rate given for this Presidency as a whole was 6 to 15 per cent. The Hon'ble Sirdar Motilal says that in Gujarat money-lenders charge generally 9 per cent. but often 12 and sometimes more. Ráo Bahádur Bhangaokar says that on the security of land, the rate varies from 9 to 12 per cent. and on personal credit from 12 to 24 per cent. In the Southern Division except in the Districts of Ratnagiri and Kanara the rate is generally the same as in Khandesh.

It may be pointed out that the cases of 50 and 100 per cent. interest are not an exaggeration although they occur only in years of scarcity. During the years of famine I often met with cases in the Southern Division in which 30 to 33 per cent. interest was charged on loans covered by landed property. One can easily conceive what the rate will be where only the personal credit of an ordinary cultivator is concerned.

The rates of interest charged by societies on loans to members vary with the conditions of each province. In Madras it is 9 per cent. In Bengal it is  $12\frac{1}{2}$  per cent. In the United Provinces, it is  $12\frac{1}{2}$  to 15 per cent. In this Presidency it is  $9\frac{3}{8}$  to  $12\frac{1}{2}$  per cent.

This rate of  $9\frac{3}{8}$  was fixed at a time when Government loans were available free of interest for a certain period and at 4 per cent. for a further period of some years. It, therefore, left the societies a large margin. Now that the rate at which the loans will have to be obtained is to be 7 per cent. the margin will be cut down to  $2\frac{3}{8}$  per cent. Is this adequate?

I think it is. The cost of management of a Co-operative Society whether it be Rural or Urban is at present very moderate—they aggregate about 6 annas per cent. on the total working capital. I say "at present" because the time is approaching when a contribution for audit and some other items also will have to be borne by the societies themselves. In course of time, therefore, the margin of  $2\frac{3}{8}$  per cent. may prove too small to permit of a perceptible addition to the "Reserve Fund."

But as a matter of fact our societies have been borrowing for some years past at 7 per cent. Even such large societies as those of Dharwar, Ahmednagar and Dhulia, which have been most efficiently administered and enjoy local confidence, have not been able to draw deposits at a lower rate of interest than 6 per cent. and they have been lending to Rural Societies at 7 per cent.

If therefore now or hereafter the margin of  $2\frac{3}{8}$  is found inadequate, the remedy lies in slightly raising the rate of  $9\frac{3}{8}$  now in force. As I have said above, this rate was adopted when the Government money was cheaply given, when we could borrow from the Bombay Urban at 5 per cent. and when deposits could be obtained through friendly influence, though to a very limited extent, at less than 6 per cent. We now find that the market rate for loans on credit is in excess of 7 per cent. and that we cannot depend on having in the market the required amount on demand even at 7 per cent. It follows therefore that 7 per cent. is the rate which the Bombay Central seems justified in adopting.

It is needless to mention that these remarks apply to District Urbans also—Urbans which only occasionally lend to village societies. In rendering this service they afford no substantial relief to the Bombay Central Bank or the village societies either. They do undertake the risk of loss from bad debts but as regards the cost of establishment the Bombay Central cannot dispense with the necessity of having its own agency in the taluka simply because a society here and a society there is going to be financed by the District Urban. I see no reasonable grounds therefore on which to claim on their behalf an abatement in the rate of 7 per cent.

The District Central Banks like those of Surat and Broach which deal with societies only stand on quite a different footing. They perform, though on comparatively a smaller area, exactly the same functions which the bigger Central is intended to do for the whole Presidency. They save the latter completely, not only all anxiety about the full recovery of the loan, but all establishment charges so far as that area is concerned. It is also to be remembered that such taluka centres serve at present as Union Banks, which have proved in the West an indispensable link between the village banks and the Chief Central.

It is true that such District Centrals cannot adequately supply the place of Unions. The transactions will be between a cautious lender on one side and a needy borrower on the other. If the principal object is not so much to make money accessible to the needy on reasonable terms as to encourage among them business habits, business knowledge and businesslike conduct, that educative purpose will be better accomplished through Unions than through the District Centrals.

But in this respect the Chief Central Bank labours under the same disqualifications and one more disadvantage in its case is that of having to deal with village societies from a great distance causing delay such as that complained of by the Hon'ble Sirdar Motilal.

I think, therefore, that there is a strong case for allowing some reduction in the rate applicable to societies of this description. Sirdar Motilal asks for 5 per cent. I feel however convinced that when he suggested this rate he had not had before him the scheme of the Bank. In clause 8 of the agreement, the Bank binds itself to set apart, as Sinking Fund, 1 per cent. on the debenture capital outstanding for the time being. This percentage rises proportionately as the rate of interest varies between 7 per cent. and 8 per cent. and it is put down as two if the rate of interest charged is 8 per cent. This Sinking fund is to be kept in a separate account at a bank to be approved by Government. These conditions apply if the Central Bank chooses to raise money by the issue of debentures. The Government guarantee of 4 per cent. interest also applies to debenture loan only.

If at all, therefore, the Bank issues debentures it has practically to pay interest at 5 per cent. because the sinking fund is to be used for the redemption of debentures and not for any other purpose.

It is consequently out of the question to expect the Central Bank to issue loans to District Central Societies at 5 per cent. As I have stated above, with knowledge of this circumstance Sirdar Motilal himself will not make such a request.

But the question remains as to what should be the rate the Central Society should charge in such cases. The reply to it depends on the percentage of expenses. As already pointed out, with the money loaned all responsibilities for its recovery are transferred to the borrowing District Society. All cost for keeping local agency is also avoided. The only item remaining to be considered is the cost of organization and general charges of the like nature. There are no figures before us from which to find out the percentage. The Bombay Central Bank is only in its experimental stage.

In these circumstances, I presume somewhere about 6 per cent. will be a rate fair to both the parties. Even six per cent. will scarcely leave a workable margin to the District Centrals. In some of the European countries in similar cases the smaller Central societies are content with a margin of 1 per cent. but the conditions of countries like Germany are too far advanced in regard to education, gratuitous help in the management, communication, means of travelling, etc. I would, therefore, conclude by observing that the golden mean will be found somewhere between 5½ and 6. At present the management expenses of the District Centrals of Broach and Surat are about 5 to 6 annas per cent. on the working capital.

I shall now proceed to examine the other two conditions coupled with the rate of interest on which the loans are offered. It is laid down that the loans shall be repayable in 10 years or less.

In regard to this condition, the Central Bank has no choice. By clause 14 of its agreement with Government, the Bank is bound to see that the loan issued is made repayable within a period not exceeding ten years although it has the option to renew the period for another ten years as the maximum.

This condition will cause no inconvenience in cases where money is wanted to meet *current* agricultural or industrial wants, but it seriously cripples the power of the Central

Bank itself and along with it of all the banks depending on it in regard to the redemption of mortgaged estates. In nearly all such cases the debt, even when it is amicably or judicially settled, will take, on an average, a longer time than ten years to be fully liquidated by equal annual payments out of net profits. The option of renewal is scarcely of any value as it can only apply to instances where the loan was in honest belief intended to be repaid within ten years but could not be so repaid. In the Dharwar District some attempt has been made in this direction, the maximum period the societies were told to adopt, being 17 years. I am really unable to comprehend the necessity for limiting the period to ten years and look forward to some light on this point from the promoters of the Bank.

The third condition to be considered is that in the case of societies with unlimited liability, loans will not ordinarily be granted in excess of  $\frac{1}{3}$ rd of the net estimated value of the total property of the members.

Unlike the conditions dealt with above, this one is certainly in the absolute discretion of the Central Bank to regulate. Its agreement with Government has nothing to do with it. Considering, however, that the loans will be spread over so extensive an area as the Presidency proper, considering that the Bank will have to keep its own agency everywhere (1) to verify the credit of the borrower, (2) to watch the application of the loan, and (3) to take prompt steps where death or retirement of members seriously affects the collective liability of the borrowing society, the margin of  $\frac{2}{3}$ rd of the net estimated value is not unreasonable in its experimental stage.

In conclusion I may remark that the scheme of the Bank has been, on the whole, framed in a manner reflecting the highest credit on the parties concerned. Government has taken particular care in safeguarding the interest of the borrowers not only by limiting the interest to 8 per cent. as the maximum, which is lower by  $\frac{1}{2}$  than that adopted by the village societies, but by inserting other terms like those in clause 9 which give the borrowing societies such interest in the net profits in excess of 6 per cent. as automatically to reduce the rate of interest to 6 per cent. It has been liberal enough in guaranteeing 4 per cent. The scheme is however a bold experiment from the Bank's point of view, because it is an undertaking opposed to the views of European writers who tell us that it is absolutely wrong to make a Central Bank rely upon Co-operative business alone. The Bombay Central Bank is a Co-operative Bank registered under the Act and as such bound to deal with Co-operative Societies only. It is perfectly free to dispense with debentures and thereby with all the checks provided in the agreement. It may raise capital by any other method, adopt any rate of interest and fix any period for repayment of the loan. It is only when it thinks of taking advantage of the Government guarantee by the issue of debentures that the checks come in. The only limitation the Bank has imposed upon itself absolutely is, as already mentioned, that of dealing with Co-operative Societies only. We cannot therefore sufficiently thank the Hon'ble Sir Vithaldas and the Hon'ble Mr. Lallubhai for their timely coming on the scene with their financial scheme when Government aid was just withdrawn and thus introducing into the working of the co-operative movement, at its proper stage, an economic force whose potential benefits to agriculturists, traders, artisans and even daily labourers are too obvious to need description.

A. B. DESAI.

#### APPENDIX V.

##### POSITION OF THE BOMBAY CENTRAL CO-OPERATIVE CREDIT BANK, LIMITED.

*Paper read by the Hon'ble Sir Vithaldas D. Thakarsey, Kt., and the Hon'ble Mr. Lallubhai Samaldas.*

It will interest the Conference to know the exact position which this Bank occupies to-day. The Central Bank was registered on the 11th October 1911, and the number of its members to-day stands at 928 and the amount of share capital subscribed comes to seven lacs of rupees, of which two lacs and ten thousand are paid up. The Bank since its commencement has given loans amounting to nearly eleven lacs and a half till 28th August 1912, of which three lacs and a half have been repaid and the balance of loans outstanding is about eight lacs of rupees. No capital up to now has been raised by the issue of debentures, but all the necessary funds required over and above the paid-up capital have been provided by short period deposits received from the public. This amount is advanced to 99 Rural Co-operative Societies at a rate of interest varying from 7 to 8 per cent. according to the credit and position of the societies. The principal field of the Bank's operations has been at Baramati, where 29 Societies have received advances of an aggregate value of nearly nine lacs and a half of rupees. Out of these nearly three lacs and a quarter have been repaid. The assets of 29 Societies have been estimated at  $13\frac{1}{2}$  lacs, excluding the value of the standing crops of sugarcane, which ordinarily amount to double the advances made by this Bank. Besides these the loans

granted to other societies in the three divisions of our Presidency will be shown by the following table:—

| Division. |        | No. of societies. | Amount of loan. |    |    | Value of assets. | Percentage of loans to assets approximate. |
|-----------|--------|-------------------|-----------------|----|----|------------------|--|
|           |        |                   | Rs.             | a. | p. | Rs.              |  |
| Northern  | ... .. | 24                | 31,272          | 2  | 0  | 4,28,865*        | 7 per cent.                                |
| Central   | ... .. | 25                | 55,915          | 0  | 0  | 11,32,867        | 5 "  |
| Southern  | ... .. | 21                | 95,000          | 0  | 0† | 29,32,433        | 3½ "                                       |

\* This figure does not include the assets of nine Societies to which loans were granted for the purchase of fodder during the recent famine.

† Out of this amount Rs. 59,000 were given to 13 Co-operative Credit Societies of Dharwar, mainly for famine purpose.

It will be seen from above that the loans are absolutely safe and that the assets of the members of the Societies are many times the amount advanced.

The great help which this Bank has given to Rural Societies in famine affected areas by recognizing the credit of these small Co-operative Credit Societies and by coming to their help in times of great stress when as a rule the individual credit of the agriculturists sinks very low, by making advances at the rate of 7 per cent. is a feature of special interest.

Having given a summary of the Bank's work, we shall attempt a brief statement of the objects with which the Bank has been started, the policy that has been followed and the scheme that we have in view for its further development. In presenting this statement we have a two-fold purpose in view. First, we should like to acquaint this Conference composed of the representatives of the various districts of our Presidency on whose co-operation will largely depend the true usefulness of the Central Bank in the future, with the aims and objects which guide our present policy and also with the goal which we have in view; and, secondly, we should be glad of any helpful criticism that may be offered regarding the working of this Bank.

It is needless to dwell upon the circumstances that brought about the establishment of this Central Bank which fills a great void in the Co-operative movement of our Presidency. Our experience of the Bombay Urban Co-operative Society while pointedly bringing to our notice the insufficiency of financial facilities for Rural Societies, convinced us of the absolute safety that characterised the transactions with such Societies, and herein lies the origin of this accomplished fact.

In framing the original scheme and in adopting the present policy of the Bank, the following ideas have been prominently kept in view:—

- (1) The promotion of the movement of co-operation in its various aspects.
- (2) The bringing of financial help within the reach of the really needy.
- (3) Without sacrificing in the least any of the above objects, our aim has been to run the Bank on pure business principles not inconsistent with its co-operative character.
- (4) This being an experiment, it has been thought necessary to make ample provision for any unforeseen difficulties, so as to fully safeguard the interests of all concerned and to guarantee the continuance of the work undertaken by the Bank, whose success would stimulate many similar undertakings in the country.

The Conference may be reminded that the rate of interest which has been fixed at between 7 and 8 per cent. represents not only true interest but also provision for Sinking Fund, working expenses, and bad debts. Attention may also be called to the fact that in order to give the borrowing Societies the maximum advantage of the operations of the Bank, it has been expressly provided that half of any surplus profit after payment of 6 per cent. dividend to the shareholders is to be returned to the borrowing Societies by way of bonus, so as to reduce the rate of interest until it comes down to 6 per cent. The effect of this provision virtually is to indicate the present rate of interest as a transitory one till the Bank develops sufficient business to cover the several objects included in it. That it will do so at no distant date, we are entirely confident. Meanwhile we are strongly of opinion that until the Central Bank accumulates a fairly large amount in Reserve Fund to meet all contingencies, the principle of charging the above rate of interest and dividing the surplus when it accrues, is a better policy than the one of charging a lower rate of interest at the commencement and being possibly exposed to risk.

Further, the object of the Bank being to supplement the available local financial facilities within the reach of the poor agriculturists and not to supplant them, sufficient

care is taken to avoid competition with local capitalists by putting the rate of interest at the figure at which the Bank has done and which met with the approval and sanction of Government.

The Bank contemplates the opening of branches at convenient centres. Such a branch has been opened at Baramati, where special facilities are given to Co-operative Societies to receive advances and repay the loans according to their convenience, interest being charged only for the period for which the money has been used; in fact, the loans are made on the system of Cash Credit, which is admitted to be the best system of loans for small Societies, as it saves them interest charges and encourages thrift amongst their members; besides, another advantage, which such branches will secure to the agriculturists, is the saving effected in interest charges for a period of one or two weeks for each transaction, as ordinarily so much time is lost in cashing the remittance transfer receipts through which the remittances from and to Central Bank are usually made. One more substantial advantage which our branch at Baramati has afforded to the Societies, is that the Bank has undertaken to sell the Societies' jaggery and to supply manure at a small commission, thus providing at a lower charge an honest agency to deal with the Societies' requirements.

The Central Bank can afford to open its branches on the Baramati system only at such places where a large number of Societies in a certain area has borrowed sufficient amount to justify the Bank's incurring expenditure on its branches. At the present moment, however, such conditions do not exist in many places, and therefore these special facilities cannot be made available for the Rural Societies borrowing from the Bank. We are at present considering whether these facilities, which are not at present enjoyed by the Rural Societies in general, cannot be secured by enlisting the co-operation of the District and Urban Banks or of local Unions. So far as the Central Bank is concerned, it will be prepared to give all these facilities to the Rural Societies through the agency of these bodies, if they would undertake the work on a small commission. The Central Bank is in a position to supply all the necessary capital that may be required by the Rural Societies for years to come. It has a subscribed share-capital of 7 lakhs of rupees, which can be called up whenever required. It has the power of raising debentures up to twenty lakhs and beyond this the Central Bank enjoys such a good credit in the Bombay Money Market, that large amount of deposits can be collected when the need arises. Even with our small paid-up capital, the Bank has been able to attract a considerable amount of deposits and what is more no further offers of deposits are entertained, as the Bank is not in a position to utilise more funds. Under these circumstances, it is evident that the Bank will be fully prepared to meet all legitimate developments of co-operative movement in this Presidency and indeed it would accord to such development all the encouragement in its power.

In the actual working of our Bank, one or two difficulties have been prominently noticed. First is the insufficiency of a trained and an accredited agency to ascertain the assets of Societies that apply for loans, and it is on this account that sometimes delays have occurred in making the advances. Government have been good enough to appoint three special Mamlatdars on organizing and supervising duties and for ascertaining the assets of Societies; and one has been appointed by the Bank specially for Gujarat. The Central Bank will try in the near future to be independent of Government assistance at any rate where large groups of Societies are concerned.

The short experience which we have had of the working of the Bank does not warrant us in drawing any large inferences as to the developments in the immediate future. But we earnestly trust that we shall not have to wait long to see the growth of a net work of organizing agencies inspired by the true spirit of co-operation, which will serve the purpose of linking up the rural areas, which stand in need of a large capital to meet their industrial needs with the Central Bank which, as we have shown above, is in a position to supply that capital on advantageous terms. The absence of a Central Bank has so long been an obstacle in the way of the establishment of such agencies. That obstacle no longer exists. And we confidently look to the new-born enthusiasm for social service in our towns, large and small, to take up the work of assisting to fertilise the vast rural areas by a free flow of the capital which the Bank is ready to supply.

## APPENDIX VI.

### *Some Notes on Dairies, Egg Collecting Societies, Stores and other forms of Co-operation amongst Agriculturists.*

When we wish to improve our own country we must look to what is being done under similar circumstances elsewhere and it is often that large countries can learn much from the small, where new departures are more readily introduced. Now the agricultural conditions in the little country of Denmark—from the Royal family of which came the beloved mother of our present King-Emperor—are somewhat similar to those prevailing in India. There is practically only one really large town, Copenhagen, and the great

bulk of the people are small land-holders. The Danish cultivator is said to be one of the most successful in Europe and this success is held to be largely due to co-operation, not only in credit but in every branch of his activities.

I have visited Denmark on several occasions and as a student of Economics taken a special interest in the methods in vogue there. Moreover by the courtesy of the Danish Government a number of reports, corresponding to our Blue Books, have been placed at my disposal. But we all know that an ounce of experience is worth a pound of theory: as I have visited and enquired into several of their dairies and other co-operative societies I venture to place a brief summary of their methods before you, in the hopes that they may prove useful in starting like enterprises here.

During the last forty years of the 19th century dairy-farming was greatly developed in Denmark and brought to a high degree of perfection by the application of scientific methods and the best machinery, as well as by the establishment of joint dairies. The Danish Government has assisted this development by granting money for experiments and by a rigorous system of inspection for the prevention of adulteration.

Denmark is, as I have said above, a small country, having in 1901 2½ millions of inhabitants. In 1909 there were 1,157 Co-operative Dairies with a membership of 157,000 producing about 200 million pounds of butter annually.

An average butter factory costs from Rs. 30 to 50,000 to start. When it is thought advisable to build a factory in a district, the necessary capital is borrowed, usually from a so-called co-operative credit union and guaranteed by the local farmers, who are to be the members, in proportion to the amount of milk to be supplied by each of them.

Strict rules are drawn up, members undertake to supply as much milk as possible, it is filled into special cans bearing their names and numbers. The rules as to cleanliness and the daily scalding of the cans with *boiling* water are very rigid. If any can arrives at the factory not properly cleansed or even if it has been rinsed with cold water only, this fact is at once detected by the smell. If very bad, the milk is rejected and returned, in any case the so-called yellow label of warning is sent back with the can, and so strong is now the feeling as to the necessity of cleanliness, that the receipt of a yellow label is a social disgrace in the village.

The cans have to be placed out early in the morning by each member on the nearest road to his farm. Sometimes I have noticed that the cans are placed upon rough wooden platforms so as to be the more easily transferred to and from the carts of both the farmer and the dairy, reminding me of the raised resting places for "kilters" or back loads so often seen under chener trees by the roadside in Cashmere. Carts specially constructed to hold many cans and owned by the dairy drive round and collect the cans thus placed and return them with the skim milk later in the day.

About 6 a. m. the carts arrive at the dairy. The cans are received on to a raised verandah saving much labour in lifting. The milk of each member is weighed, usually on an automatic self-registering machine. The cans after being emptied are inverted on a sort of travelling rack and the drippings collected into metal troughs. These drippings are very rich in cream and amount to a good deal in a day and the dairy gets them free.

The milk is now filtered and is warmed by steam pipes in a double-jacketed cylinder to 60° celsins (or 140° Fahrenheit,) which sterilizes it. From the cylinder it runs into steam driven separators revolving at 4,000 revolutions per minute, which removes the cream that goes one way into zinc tanks, while the skim milk goes another into a second cylinder. Here this skim is reheated to 85° C. (or 185° F.) Thence it is weighed out  $\frac{1}{4}$ —sometimes 90 per cent.—of the amount being returned to the co-operators in the exact proportion of the quantity of the whole milk supplied by them, the  $\frac{1}{4}$  being retained by the factory for cheese.

The cream is now heated to boiling point (212° F.) and then cooled immediately and pumped into vats in another room, where it stands for 24 hours to ripen, before being made into butter on the following day. Lactic acid cultures—or less scientifically some of the previous days churning—are used to sour the cream before it is churned. After churning, the butter lies in cement troughs filled with cold water for half an hour to give it texture. It is then washed, salted and moulded by machinery and packed into tubs.

The tubs of butter are often sold through another butter export co-operative society.

The buttermilk and the whey over from cheese making is also taken by the members and the latter, especially, used for feeding pigs. In fact bacon is a by-product of butter making, but as that would be impossible here we must consider other possible uses for the skim milk.

All milk supplied is sampled by experts once a week. If any farmer's milk does not come up to standard he is warned and if not improved his milk is refused.

Cleanliness is a *sine qua non* in the factory. The whole place usually flows with water. The cans are scalded out by being inverted over steam pipes. All the workers wear white overalls.



As to payment, after making a liberal deduction for working expenses—including interest and sinking fund on the borrowed capital—members are paid the full price of the unskimmed milk supplied whilst they take back the skimmed milk and the butter-milk and whey at fixed prices, often a little lower than their real value. The price of the stuff returned is deducted and the accounts settled weekly or fortnightly, but more often monthly. At the end of the year when the accounts are balanced, owing to the liberal deductions for working expenses, the free drippings, etc.—there is usually a large sum over for distribution, as members' dividend, to be divided proportionally to the sweet or unskimmed milk supplied.

The constitution of the society is most democratic. Each associate has one vote and it is governed by an elected council. The dairy is managed by an expert dairyman, who in a large factory commands a good salary. The dairies are united in a series of central federations for different objects. Thus there are societies for trademarks, for collective purchase of machinery, etc., and for exporting butter.

#### *Egg Collecting Societies.*

A very important by-product of agriculture is the production of eggs. During the last 20 years eggs have become an important article of export from Denmark.

This business has been entirely built up by the Egg Export Co-operative Society. In 1909 it numbered 52,000 members belonging to 550 local Societies. Stamps and often special collecting boxes or cases are supplied by the societies. Every egg is stamped with the society and the member's number, so that if necessary it can be traced back to the fowl that laid it. If by chance an individual member of one of these societies should supply a bad egg, he is hunted down and fined the equivalent of Rs. 4, whether the fault be his or that of the fowl. 10 million scores of eggs pass through the hands of this society in the course of the year. When they arrive in Copenhagen, or at one of the other ten packing stations in the country, they are graded by weight, the cracked are sold locally for cooking.

The rest are examined in front of powerful lights. They are then packed in cases with shavings, 960 in a box. Some are put down in strong lime water and can thus be kept for months. The bulk of both fresh and "pickled" eggs go to England.

Here of course the eggs would be sent to Bombay and other large centres of population.

The Danish Society began in 1895 and grows larger and larger. It started with little or no capital, indeed farmers had to wait 4 weeks to be paid for their eggs. Now it has a reserve fund of £15,000 which is used as working capital.

The central society settles the price of the eggs which is fixed at a figure sufficient to clear a profit. In 1909 the profit amounted to £10,000 of which half was distributed to members and half went to the reserve fund. Every six years the reserve fund is distributed, six years' reserve being always kept in hand.

Here seems an institution which might be imitated at once in the Bombay Presidency with great advantage. Thus an important addition might be made to the income of the local cultivators by a proper system of egg collecting in each village and their safe despatch to Bombay and other large towns and their sale there, all on co-operative lines, giving the full benefit to the producer.

There is, however, a phase of these egg collecting societies which might prove still more useful here and render co-operative distributing stores, not only possible, but a great success. Almost every parish in Denmark has its co-operative store—all united under central federations. One of the cardinal principles of such a store is that all payments for goods received must be cash. Now the villagers have not always a ready supply of that necessary article and so the local store acts as a depot for the local egg society and eggs are received and examined by the manager in payment for goods at the rate fixed by the egg society. If more eggs are delivered than goods are required, the balance is paid for in cash.

Such a village co-operative store is managed by a board of the members, they have a paid manager, who usually lives in the store and who is himself a member, and an auditor, who is usually the village school master.

Besides the above there are co-operative societies for purchase and for sale. These societies buy feeding stuffs, and also seeds and chemical manures, etc., importing them where necessary, and sell cattle, eggs, butter, bacon, etc., in the country or by exporting for the farmer or for the societies producing them.

Just consider for a moment what all this co-operation means to a farmer. He has some cattle or sheep or milk or eggs or corn to sell. He sends it to his local co-operative factory and there as far as he is concerned is an end of the matter. Unless the beasts are ill or the produce bad the society receives them and credits him with the best market rate. In due course, as a co-owner of the place, he receives also his proportion of the profit earned by his animals or produce, after due allowance for interest on the debt incurred in

starting and working the co-operative institution, and for other expenses. Here where there are no Co-operative Societies the farmer tries to dispose of his beasts or produce to a butcher or dealer, whose object naturally is to pay him as little for it as he possibly can, in order that he may make a good profit on its resale. The farmer is probably more often than not "done" by the dealer, who is an expert in bargaining. The mutual jealousies and suspicions of country people also prevent him from learning of and profiting by the experience of his neighbours and the prices they have obtained.

Some years ago in a law suit it was discovered that two farmers near Aylesbury in England, who were neighbours, had for years been supplying the same dairy company with milk and one had been getting a great deal more for his milk than the other, but their mutual jealousies had kept them from discovering this interesting fact. Needless to say here was no co-operation.

Now let us pass to the indirect but equally tangible results of co-operation. First of these we may put the development of mind and character among those by whom it is practised. The cultivator, who is a member of one or more of these societies, who helps to build up their success and enjoys their benefits, acquires a new outlook. His moral horizon enlarges itself, the jealousies and suspicions, which are in most countries so common amongst those who live by the land, fall from him. Feeling that he has a voice in the direction of great affairs, he acquires an added value and a healthy importance in his own eyes.

There is no longer any fear that because he is a little man he will be browbeaten or forced to accept a worse price for what he has to sell than does his rich and powerful neighbour. The skilled minds which direct his business work as zealously for him as for that important neighbour. Again being relieved from all the worry and risk of marketing, and sure that whatever he buys from his society is the best obtainable at the lowest rate compatible with good quality, he is free to devote himself altogether to the actual business of life.

Lastly by means of its elimination of expense and by its large dealings, co-operation makes enterprises, which are often enough unprofitable individually, very profitable collectively.

In conclusion I must acknowledge the many deficiencies of this paper. I hope that it may have been instrumental in throwing out some suggestions, which may in time bear fruit.

I hope to go home next year on furlough and will make a point of visiting Denmark again and mastering all the details, by actual experience, of how co-operative dairies, egg collecting societies, and village stores are started and maintained. The results I shall be glad to lay before you in 1914 or to expound them in person in Gujarat or any other agricultural centre.

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August 1912.

## APPENDIX VII.

### *A Note on Co-operation as a Measure of Famine Insurance.*

Now that the famine in Gujarát and Káthiáwár is fortunately ended and has become a matter of past history, its lessons are occupying the minds of some thoughtful and earnest men who have the interests of Indian agriculturists at heart. The recent famine was mainly a fodder famine; and one of its valuable lessons is the condition of preparedness to promptly deal with the situation created by the total failure of crops and the consequent scarcity of fodder supply. This question of readiness to fight out such a famine by affording assistance to agriculturists in the shape of fodder or money to purchase it, from the moment the signs of an approaching famine become imminent, centres round the eternal problem of funds to be utilized for the purpose of either storing large quantities of hay ready for immediate use or for the purpose of helping the agriculturists with money grants to meet their various wants during the period of stress. To achieve this end two or three schemes have been proposed. Broadly speaking, they are based upon the principle of securing some sort of famine insurance. Without, however, entering into any examination of the merits of these recommendations, let us ask ourselves the question whether we co-operators have any scheme to propose, calculated to promote the same object; and this note is written with a view to attempt an answer to this question from the stand-point of a co-operator.

2. Any scheme which has for its immediate object the granting of facilities which the agriculturists as a class so badly need, particularly in India, to tide over the evil effects of a famine must be based upon a foundation that will develop self-reliance, sense of responsibility, thrift, and foresight on the part of the agriculturists and that will organize their credit. Without these the superstructure cannot be permanent and abiding in its results. The history

of agriculture in all countries where it has prospered under modern conditions boldly points out to the fact that co-operation has very largely supplied these needs; and, while giving the agriculturists a comparative immunity from the evil effects of famine, if not from famine itself, it is co-operation alone which has put the agricultural industry on a sound economic basis.

3. There is no industry which is so much exposed to the freaks and frowns of seasons as the industry of agriculture and this great element of uncertainty enters so largely into the prospects of agriculture that its position in a country like India is rendered very precarious owing to this and several other causes. A famine is far-reaching in its effects. It affects most of the industries in a country, in a smaller or greater degree; but the one that suffers most at its hands is agriculture which forms the bed-rock of numerous industries and many industrial and commercial activities. Though the ravages of famine paralyse for a time industrial fabric of a country, it is agriculture that receives the hardest blow on account of its resources which are already very meagre, being exhausted and because of the credit of the agriculturists having sunk very low. It thus takes agriculture very long to recoup its lost strength and vitality. If, therefore, these dangers are to be averted and agriculturists are to be rescued from this element of uncertainty of prospects, we must think of measures of insuring agriculture against famine, and the most effective measure of famine insurance in the interests of agriculture is, in my opinion, the organization of Co-operative Credit Societies.

4. It is possible that at one time or another some portion of this vast Indian continent may find itself in the grip of famine or scarcity of food. But with the advancing tide of modern industrialism it is refreshing to note that the rigour of famine at the present time is considerably mitigated. Moreover, the daily increasing means of transport of fodder and grain to feed the cattle and human beings in the famine-stricken areas, have removed many difficulties in the path of the poor agriculturists whose sole need now is the supply of cheap money for the purchase of grain and fodder, which, as a rule, are available "at a price no longer affected by local scarcity but regulated by the market price of the food in the great distributing centres plus the cost of conveyance to the place where the scarcity exists." It is one of the functions of co-operation to enable the agriculturist to secure cheap money by organizing his credit. Mr. H. Dupernex, I.C.S., in his admirable book "*People's Bank for Northern India*" treats of the relation which Co-operative Credit bears to famine. In this connection he observes as follows:—

"Now that India possesses every facility of transport and conveyance for moving her food stocks from place to place wherever scarcity exists, famine may be said to have entered on a new phase. The organization of transport is complete, the next step is the organization of credit. The more a country engages in commerce, the more its wealth accumulates, the better able it is to withstand the shocks of famine. Industrial development is intimately connected with a properly organized system of credit. If it is conceded that famine is to a great extent the result of the dependence of the great mass of the population on agriculture alone, that some of the worst evils of famine may be removed by the establishment of other industries, then the first requisite for attaining the latter desirable object is by fostering the widespread institution of popular banks."

5. The Indian Famine Commission's Report of 1901 discusses both the curative and protective or preventive measures of famine relief. The third or the last part of this valuable document is devoted to the consideration of protective remedies in the scheme of which a distinct place is assigned to the formation of agricultural banks. The Commissioners say:—

"We attach the highest importance to the establishment of some organization or method whereby cultivators may obtain, without paying usurious rates of interest, and without being given undue facilities for incurring debt, the advances necessary for carrying on their business. Agriculture, like other industries, is supported on credit." The whole of the Section 4th of this Part is devoted to the definition, principles, objects, and the working of these agricultural banks or what we now call Co-operative Credit Societies. In dealing with the comparative merits of State-aid, the Commissioners observe as follows:—

"But even the fuller measure of State-aid in the shape of *takavi* loans, which we shall recommend, will go but a small way towards removing the difficulties of the whole class. Government cannot possibly finance all the cultivators of a district, still less of a province. In the establishment of Mutual Credit Associations lies a large hope for the future of agriculture in India; and from the enquiries we have made there is reason to believe that, if taken up and pressed with patience and energy, such associations may be successfully worked." After dwelling at some length on the details of their working, the Report of the Famine Commission goes on to say:—

"The above is only a brief sketch of the principles, organization and object of village banks founded on the Raiffeisen system. It appears to us that there is in every province, which we have visited, a wide scope for the establishment of such banks; some have been already established in the North-Western Provinces and Oudh. In some provinces the hope of successful working is better than in others, but everywhere there is justification for an effort. No doubt such banks may, in the commencement, meet with opposition from the money-lender who already occupies the field, and they may also meet with suspicion and half-hearted support from those who do not understand their principles.

But Indian native life presents us with instances of co-operation for mutual benefit, and the principle which underlies the Raiffeisen system is not really foreign to the thoughts of the people."

6. It will be clear from the foregoing paragraphs that eminent advocates of co-operation have shown the potency and efficacy of co-operation as a measure of famine insurance. Mr. Dupernex has dealt with the subject at great length and Sir Frederick Nicholson, whose name is very familiar to Indian co-operators by the "Monumental" volumes which embody the results of a most painstaking inquiry and study of the theory and practice of Co-operative Credit in Europe conducted by him, served on the Famine Commission of 1901, and has fully explained how co-operation prepares cultivators to cope with the famine. Mr. Wolff, who is the greatest existing authority on co-operation, while discussing the urgent need of teaching the "debt-burdened" rayats how "certainly to India Co-operative Credit promises to prove a boon" remarks that "in rural districts its need is great, rising from time to time to the *point of famine*." Thus the testimony of these three great authorities in co-operative matters is ample in my opinion to convince us of the power and usefulness of linking co-operation to agriculture so as to gradually free the latter by means of the former from the havocs which a year of famine works upon the agriculture of the land.

7. Granting, therefore, that the organization of Co-operative Credit is an effective remedy to achieve the object we co-operators have in view, the next question is: which is the best time to commence that work? Considering the state of ignorance in which we find the vast majority of our masses at the present moment, and considering also their condition of utter dependence upon the village bunniah, the work is bound to be very slow. The popular adage that "Rome was not built in a single day" will literally prove true in this case. The present, however, is the best time to give our thought to this subject, particularly when the famine-stricken people have emerged out of their troubles with the lessons of famine quite fresh in their minds. Mr. Dupernex has to make the following recommendation in this connection. He says:—

"But system of credit is not to be created in a day: it requires several years' work to organize on a fitting scale and, if reliance is to be placed on an organized system of credit as a means of combating famine in the future, it should be taken in hand during the seasons of comparative plenty that usually intervene between two famines." Moreover, there is no reason to despair. Mr. Wolff, who is so very searching in his examination of the methods and results of co-operation, speaks in very appreciative terms of the achievements of the first four years' working of these Societies in this country (when there were only 2,008 Societies existing) and expresses not only satisfaction, but even surprise at this progress made by the co-operative movement in India. He says "That is a record which has nowhere yet been equalled within the very first stage. The elasticity shown by the Co-operative Credit presents a striking contrast to the stagnancy displayed by the *takavi* business." Looking, however, to the stupendous amount of work that lies before the Indian co-operators we have no reason to feel overjoyed.

8. At this stage it may be asked that the theory sounds well but has it answered well in practice? To this I reply in the affirmative by taking my stand on the results actually secured both in Western countries and as also in India. Co-operation has proved a veritable blessing both during the period prior to the famine and so also during the period of famine in two different directions. It has increased the staying power of the agriculturists who are the first to fall victims to the evils of famine; and secondly it has enhanced their credit by popularising it. The Report of the proceedings of the Eighth Congress of the International Co-operative Alliance held in 1910 states that by the end of 1908 there were over 91,033 Co-operative Societies in 15 leading countries of Europe. Of these 20 per cent. were Distributive Societies and nearly 60 per cent. must be those that benefitted the agricultural classes, in a variety of ways. The figures relating to Germany alone will be found very interesting. Out of a total of 26,852 Co-operative Societies in Germany in 1908 consisting of a membership of 41,05,602, there are 20,310 Co-operative Societies serving the rural population and bearing the proportion of 75 per cent. to the total number. Of these latter, 16,092 are Credit Societies with a membership of 22,02,949. Mr. Wolff says that "In Germany alone, in 1908, 919 banks of the Schulze-Delitzsch type only dealt out in advances of various kinds the huge sum of £1,75,000,000 which has in this way been made to fructify in commerce, industry and agriculture, purchasing raw material and paying wages. The sum lent out in the same year by about 17,900 Co-operative banks registered in Germany reached altogether the huge figure of nearly £2,40,000,000," which in Indian coin means 360 crores of rupees.

Considering the growth of agricultural co-operation in other countries, it can be easily seen what a gigantic stream of wealth is made to flow into the channel of agricultural development. If one wants to know what the condition of the agriculturists without this side of co-operation had been in these countries, let the pages of German and Italian history dealing with the condition of the peasants in these countries in the early fifties and sixties of the last century be perused and a moment's reflection will convince the reader that co-operation has not only been their salvation but it has proved a real resurrection. As regards India we have the following interesting figures. During the year 1910-11, we had in all 5,432 Societies showing an increase of 270 per cent. over those of 1908 consisting

of 3,14,101 members and with a working capital of Rs. 20,676,993. We in Bombay however, are very backward having to-day only 368 Societies consisting of 29,419 members and with a working capital of Rs. 32,08,911. The Rural Societies in India number 4,957 with a membership of 2,38,978 and these have a working capital of Rs. 11,018,863. All this money courses into the veins of agricultural occupations followed by the members of these Societies and supplies their immediate wants by grant of money at much cheaper rates. To that extent their staying power is improved and their credit has been augmented. Thus, to some extent the position of Indian agriculture is strengthened. Having regard to the needs of our vast cultivating population, though, this is very small relief. Still it is a matter for some satisfaction that a sound beginning has been made in that direction.

9. So far an attempt is made at showing how Co-operative Credit can work as a preventive or protective measure of famine insurance. Coming more closely, however, to the time when the cultivators find themselves actually in the midst of a famine it is not difficult to point out how co-operation has stood them in good stead. Mr. Dupernex observes that "The utility of an organized system of popular credit in time of famine is one that has been abundantly demonstrated by the working of the Raiffeisen banks in Germany during a year of scarcity and by that of the popular banks in Italy during times of depression and distress." Here in India, we too have a few telling instances to prove how members of Co-operative Credit Societies have been enabled by means of their systematised and organized credit to procure cheap money for meeting the needs created by the recent famine or scarcity. Mr. R. B. Ewbank, our present Registrar, drew my attention pointedly to the Societies of the Gadag Taluka in the District of Dhárwár. This Taluka suffered severely from the famine of fodder as did several other districts in Gujarát and in the Deccan. Out of the 33 Rural Societies in the Dhárwár District, 21 Gadag Societies have raised altogether Rs. 30,390 from members, Rs. 22,933 from non-members, and Rs. 5,000 from other Societies up to March 31st, 1912. Besides these loans 13 of these Societies were granted a total loan of Rs. 59,500 by the Bombay Central Co-operative Society. This brings the total of their loans of Rs. 1,17,823. Now I ask would these agriculturists have, during the time of the famine when their credit in the market is very feeble, got such a large and cheap supply of money in such a self-respecting and self-reliant manner if they had not come together and grouped themselves as co-operators? I for one do not think so. Again, in Gujarát some of the Rural Societies in the three famine-affected districts of Ahmedabad, Kaira, and the Panch Mahals on the strength of their co-operative character could get some assistance from the charitable Famine Relief Agencies like the Central Famine Relief Committee and the Wadia Charities in Bombay. Besides the Bombay Central Co-operative Bank granted them loans at 7 per cent. for the purchase of hay for their members. The Wadia Charities in recognition of their co-operative basis sold nearly to half a dozen Societies grass worth about Rs. 1,000 at Rs. 8 per 1,000 lbs. and made a free grant of Rs. 1,200 to enable small Societies, with a portion of this grant as a nucleus to build up a famine fund, and the Central Famine Relief Fund paid them a sum of Rs. 1,000 to enable them to purchase grass for their members at cheaper rates. Two things stand out boldly. First, the principle of self-reliance is gaining a stronger hold on these Societies, and secondly, their credit with outside financing agencies is assuredly growing.

10. A stage has now been reached in the development of Indian co-operation, when agriculturists can be asked to concert measures of direct utility by providing a separate famine fund with their Societies as a means of insuring their agriculture against famine. If co-operation is to be true it must teach its votaries the lesson of foresight. In Burma, Cattle Insurance Societies have been a success and there is no reason, therefore, why famine insurance funds to be built by Societies or Unions of Societies should not be successfully started. If each Society, instead of keeping a store of hay in readiness from year to year, makes it a condition that every member will contribute one rupee to form a separate famine fund and if to this fund the Society will add 1/10 of its annual profits and invests the same at 5 per cent. with the Central Bank to be utilized only during the time of famine, a sufficient amount will be easily available for famine purposes in this way. An average Society with a membership of 50 and making an annual profit of Rs. 200 will easily have, by this method, in the course of ten years, which is generally considered to be the intervening period between two famines, a sum of Rs. 750 as a result of co-operation coupled with thrift. Again this readiness and foresight on the part of the members of these Societies will enable them to procure sufficient and cheap loans without depending upon the sweet mercies of the village sawcar with whom their individual credit is generally shaken. This, in my opinion, is the real solution of the question of famine insurance in favour of agriculture, and co-operation alone will afford the agriculturists the help and the relief which they so sadly need both before and during the period of famine. "To sum up," in the word of Mr. Dupernex, "the relations of credit to famine, we claim first, that with an organized system of credit, the village co-sharer, the better class cultivator, the struggling clerk would all be better able to stand the strain if familiarity with credit institutions had previously taught them the lesson of thrift, and if, when the real pinch came, the doors of such an institution were ready to open for them and provide means for enabling them to tide over the worst till the advent of better days."

*Servants of India Society,*  
Poona.

G. K. DEODHAR.

*The proper use of Reserve Fund.*

PRESIDENT AND GENTLEMEN,

I think I may be able to offer some suggestions to the Societies as to the "proper use of the Reserve Funds" which would be of practical use to them.

This subject has been frequently discussed in the Conferences of the Registrars of Co-operative Societies as well as in Provincial Conferences. The subject is too difficult to solve as local conditions vary and in a country like India where the people are backward the subject becomes still more difficult. The subject which I have taken is comprehensive. It includes, in my opinion, the purposes for which the Reserve Fund may be used and its investment so long as it is not necessary to use for its intended purposes.

THE PURPOSES FOR WHICH THE RESERVE FUND MAY BE USED.

The purposes for which the Reserve Fund is created in Co-operative Banks or Societies is, as Mr. Henry Wolff puts it, to meet deficiencies or losses for which only with hardship could individual members be made responsible. Its next object of course is to supply the place of borrowed capital, and so make borrowing cheaper to members. These are the main purposes for which the reserves are intended to be used. No sharing out is allowed out of these reserves. In Raiffeisen Village Banks, as stated by the same author in his *People's Banks*, "all through, it is one of the essential features of the organization that individuals are not to derive any benefit from the banks except the privilege of borrowing and that every farthing which is left over out of transactions is rigorously carried to one or other of the two Reserve Funds instituted. One of these is an ordinary Reserve Fund to meet occasional deficiencies. The other called "Stiftungs-fonds" to which without fail two-thirds of the annual profits must go, is an entirely peculiar feature. It belongs wholly to the bank and must not be shared out on any account or pretence whatever. This second Reserve is really the backbone of the whole system. Little by little it keeps increasing, till it grows up in course of time to an impregnable rock of financial solvency." Here in India, and so far as I know in our Presidency, we have no such two funds among our Societies. We carry all the net profits to the Reserve Fund in Rural Societies and usually 25 per cent. of them in Urban Societies and this Reserve is never allowed to be shared out by its members. The Reserves should be the property of no one lest a rich association be tempted to dissolve for the sake of spoils.

The detailed purposes for which the reserves may be used were discussed at the Simla Conference of Registrars of Co-operative Societies held in September 1906 and it was unanimously agreed that the purposes for which the reserve fund may be used should be—

1. Meeting bad debts for which provision cannot be made out of profits.
2. Repayment of loan instalments which cannot be met from other sources.
3. As an asset of security for loans raised from outsiders.

In appendix 2 in the report of the Simla Conference of 1907, we find it stated that, unless a reserve is ear-marked for any particular purpose, it may be applied to meet any current liability of the Society which the gross interest receipts of the year are unequal to meeting, *e.g.*—

- (a) Working expenses.
- (b) Interest due on borrowed capital.
- (c) Instalments of loan repayments which are due; and,
- (d) Bad debts which are not covered by the writing down of capital.

The Registrars perhaps thought not necessary to add here that the fund may be applied in the last instance as an asset of security for loans raised from outsiders, as it was well-known. The loans of course here must include deposits with the Society.

These are then, gentlemen, the purposes for which the reserves should be used. The highest experts in Co-operative Science have laid down these. I think I cannot suggest anything more than has been thus laid down by men by years of experience in Co-operative business.

Our Societies in India have not yet outgrown their required capital. Much less have the reserves outgrown the measure of their employment. If fortunately for us the reserves outgrow the measure of their employment they may, as Mr. Henry Wolff points out, at the discretion of the Society be applied to some public work of common utility benefitting the village or town in which the Society is situate. In the case of a dissolution, which I think would be very rare, as stated by the same author, the money must be handed over to some public Institution to be kept on trust until required for the endowment of a new association formed in the same village or town and under the same rules or that failing within a reasonable time the reserve may be employed for some useful local public work. This point was also discussed recently at the Simla Conference of Registrars in 1911 and the

Registrars were unanimously of opinion that in Societies with unlimited liability the reserve fund should remain indivisible and should be used only for some public benefit, but in Societies with limited liability circumstances might arise in which it was desirable to divide the reserve amongst the shareholders. There could be no objection to such a course where the majority of shareholders were Societies.

**THE USE OF THE RESERVE FUND SO LONG AS IT IS NOT USED FOR ITS INTENDED PURPOSE.**

In considering this question we shall have always to keep before our minds the object with which the reserves are created and insisted on in the case of Societies. The higher and the nobler the object of it the more cautious we ought to be in the application of it. We are yet spreading the knowledge and benefits of Co-operative system among the masses of India. The movement is yet unknown in many parts of India and wherever it has taken root, its benefits are yet to be brought home to the people by years of incessant and careful work. In order to ensure this and the stability and solvency of the Societies much prudence and care is required to utilize and preserve the reserves to carry out the object for which they were founded. Money should not remain idle. It should never be unproductive. Use it must be made of. But it is human nature to be sometimes careless. It is common experience that there is sometimes mismanagement. There are accidents which we cannot prevent. Human nature is prone to fraud. The biggest banks in the world have sometimes failed owing to some one or the other of the causes just named. It is therefore to prevent the institution suffering a permanent loss and to keep of its strength and ensure its stability that the use of these reserves is to be properly and carefully regulated. The subject being thus intricate, has been troubling the brains of many experts in Co-operative business for many years. An ordinary mind would always think of the investment and utilization of the reserves in one of the following ways:—

1. In its own authorized business.
2. In any other business otherwise authorized than its ordinary business by the Society itself.
3. By investing it elsewhere entirely outside the control of the Society.

Out of these three investments, the first, namely of investing the Reserves in the Society's own business by adding it to the working capital of the Society, would be the first to suggest itself to an ordinary thinker, and in my opinion he would be justified especially when the Societies in India are still in their infant stages and are not able to lay by a strong Reserve owing to want of capital. In the initial stages of the Societies the Reserve created is appreciably small. Therefore the use of the Reserve Fund in the infant stages of the Societies is of very little importance. But as the idea of benefits of Co-operative system goes on gradually spreading in every nook and corner in the land and as the Societies now existing and to be formed hereafter go on doing large business with those classes of the people for whom they are intended, the Societies are sure to show a marked and successful progress by gradual rise in their capital and Reserve Fund. It is only at some of the progressive stages of the Societies that much care is required to be bestowed to lay by a strong Reserve and regulate its application. Till then there appears to be no objection to invest the Reserves in the Societies' own affairs as there is no appreciable gain to the Society by investing it elsewhere. But this kind of investment is not free from objection. It is often contended that Reserves being created to meet probable loss to the Society the Reserves also might go with the losses if invested in Society's current business and that the Society shall have nothing to fall back upon in case of need. But there is a counter-objection which is also true, that most of the Societies now existing required more capital and without a considerable supply of capital, the movement was in danger of coming to a premature end. The Societies are managed by a responsible committee consisting of persons chosen from the members and the capital being small there are very few chances for fraud and mismanagement. The Societies in my District though they are working well with the capital now at their hands required many times the capital now at their disposal. This applies to Rural as well as to Urban Societies. We have still to spread the knowledge and benefits of Co-operation among the masses. It is then only that we shall be able to bring up the capital of the Societies to a required amount. Till then also with a short capital at our disposal we shall not be able to meet the demands of the people and thus spread the benefits of Co-operation. There it will not be unbusinesslike if I suggest that the Reserves may be applied in the current business of the Societies till the capital of the Society comes to an appreciable amount and the Reserves reach an appreciable ratio to the working capital. In this I am also supported by the opinion expressed by Sir Vithaldas Thakarsey at the Poona Conference of 1910 and the opinion arrived at the Simla Conference of Registrars in 1908 in which "the Conference agreed to endorse the opinion expressed by the majority of the Registrars at the previous Conference, that so long as the Reserve Fund was small, it should preferably be employed in the business of the bank in order that capital might be accumulated more quickly, but that when it bore an appreciable ratio to the capital it was advisable to invest it apart from the Society in order to provide security for borrowed capital."

As was said at the Conference of Registrars at Simla in September 1906, the practice of investing the reserves varies in different provinces. In Bombay and Bengal the reserve fund is added to the working capital and issued in loans to members. In the Central Provinces, it is as a rule deposited with the local Banker at 4 per cent. In Punjab, the by-laws provide that the reserve fund may be used for general purposes. In Madras and Eastern Bengal and Assam the whole of the profits are carried to the reserve and deposited in the Post Office Savings Banks. In the United Provinces 40 per cent. of the gross earnings are credited as profits to the reserve fund and deposited in the Post Office Savings Banks or in fixed deposits with a joint stock bank, 60 per cent. being applied to a sinking fund for repayment of borrowed capital and being applied in loans to members until needed for that purpose. Thus these several practices show that the amount is invested either as working capital or invested in the Postal Savings Banks or with the village banker or in some joint stock bank. Sometimes it is also suggested that the reserves may be invested in Government Promissory Notes. But again, as was rightly said by Sir Vithaldas Thakarsey, the highest authority on banking business in our Presidency, it would not be businesslike to invest the reserve fund in promissory notes at 3½ per cent. and to borrow money at the same time from elsewhere at 7 per cent. Even big banks did not invest their reserve funds in Government paper. On the same businesslike principles it would not be businesslike to invest the same in Postal Savings Banks. The village banker here in India is often an uneducated man. He is often an usurer. The Societies are mainly directed against his interests. He is the village Shylock. He will be often unwilling to receive deposits from the Societies and pay a reasonable rate of interest. He is sometimes litigious, there is no knowing when he will suffer financially in his own business. I am therefore against investing the reserves with the village banker.

Now considering the question of depositing the reserves in joint stock banks, we shall always have to take into consideration in the present state of the Societies where capital is less than is required, the loss in interest which the Societies shall have to suffer by depositing their reserves in the banks instead of in their own business or in some other form of investment in their own place. No bank doing business on sound financial basis pays more than 6 per cent. on deposits received. Societies here invariably pay more than 6 per cent. on borrowed capital. The experience in other parts of India is also the same. Though I believe in the well established principle, that the reserves should be invested outside the Society's control, still I think, under the present state of Societies in India, that until the Societies attain that financial position which would afford to invest their Reserve Funds in other Societies, they should not suffer the above loss in interest. The funds should be allowed to be utilized till then in the Society's own business; or if this cannot be accepted, I suggest that these Reserves may be employed in advancing loans to Society's own members on the security of gold and silver ornaments. We know the village Sawkar does money-lending business on a large scale, part of which consists in the advance of petty loans on the security of gold and silver ornaments. The poor people always take very small loans from the Sawkar and small ornaments of gold and silver are pawned with him as security. The interest in such case is always from one pice per rupee to one anna. This means more or less a rate of interest from 18 per cent. to 72 per cent. The Sawkar usually does not advance money on the articles more than half their usual price. The interest being high and the poor man not finding money to redeem the articles often loses the ornaments itself which becomes the Sawkar's own. When it becomes irredeemable when the principal and interest accumulates to more than the actual price of the ornament. In order to prevent such evils and thus to help the poorer classes, that our Societies are mainly intended. Under the by-laws of our Societies a member cannot get more than a certain amount of loan fixed by the by-laws in a year and in many Societies the demand of the members cannot be satisfied owing to lack of capital. Necessarily the members have to approach the ordinary money-lender. If we allow the reserves to be utilized in advancing loans to members on security of ornaments at the ordinary rate of interest till they rise to an appreciable ratio to the working capital as I have already indicated, I think we will save a good deal of the only valuable assets of the poor people earned after years of hard work. We have this kind of business in every village or town.

It is true that the Rural Societies are sometimes managed by less educated people who are sometimes not businesslike. But their capital also is not very large. The people though less educated are shrewd enough to know the approximate value of each ornament brought to them. The Committee will decide who has to keep the ornaments with him so long as they are pledged and thus ensure their safety.

In Urban Societies the management is often in better hands. The reserves here also may be employed in advancing loans to members on security of ornaments till they come up to an appreciable ratio to the working capital. These Societies often exist in places more or less commercial and it is in these places that money is in considerable demand at certain commercial seasons. But the rate of interest charged by money-lenders is not so high as in villages. So far as my own experience goes, it varies from 6 per cent. to 15 per cent. in times of great commercial activity. Ordinarily it is 9 per cent. This is certainly more than the banking rate on deposits. The Urban Societies also need encouragement for want of capital. But the recommendation to invest the reserves in the current business of the



Societies in the case of the Urbans is somewhat hazardous. So far as I know the value of the shares in these Societies is very small. The liability of the members is limited to the amount of the shares.

The share capital of these Societies also is comparatively small. The Societies mainly conduct their business on deposits and loans from outsiders. In case of any loss the reserves are also at stake. So I think in the case of these Societies the Registrar should have the option of directing the reserves to be employed either in the current business of the Societies or in advancing loans on security of gold and silver at a cheaper rate of interest than the Bazar rate, until the Societies attain that financial position which would afford to invest their reserve funds in other investments outside the control of the Societies. When the Societies attain the above financial position I would then recommend that the reserves should be separated from the Societies' control and be deposited in some joint stock banks. The Central Bank founded by Sir Vithaldas and the Honourable Mr. Lallubhai Samladas solely with the object of financing Co-operative Societies in our Presidency and other District Banks if there be any which finance the Societies in their District should be preferred in depositing these reserves. These are sister institutions and there should always be a feeling of closer affinity between the two.

Gentlemen, I have been sufficiently long in reading this paper to you. The subject itself is so. I pray I may be excused, if there be any shortcomings in it. My experience in this branch is very short.

R. G. NAIK.

#### APPENDIX IX.

##### *Note on District Unions with reference to Co-operative Societies generally and in particular Agricultural Societies.*

Being called upon to give evidence before the Commission on the working of the Deccan Agriculturists' Relief Act I had occasion to study the question of the present state of the agricultural classes in the Deccan and I made the following observations.

"The effect of the provisions of chapter III of the Deccan Agriculturists' Relief Act has been reduced to some extent though their improvident habits have not been able to secure for them the benefits intended by the Legislature. The improvement of the condition of the agriculturist must depend upon various other factors, economic, social and educational. However, so far as the effect of the Act goes, it has to some extent benefited that class. The credit of the agriculturist has, however, suffered to a large extent by reason of his indiscriminate treatment of the creditor whose debt he (the agriculturist) has come to regard as an obligation from which he can escape by denying receipt of consideration. The money-lender as a rule is now very unwilling to advance money to an agriculturist-debtor and he will often insist on a sale-deed when the transaction is really a mortgage. Unscrupulous creditors are driven to resort to various devices to evade the provisions of law, e.g., to show cash payments when the debts are old, take sale-deeds when they are mortgages and so on. The debtors, too, being under the impression that they will get relief, neither pay the interest or principal but are often found to make false defences when the matter is brought into Court. On the whole I am constrained to observe that there has been a demoralization among the people and the honest creditor is ruined and sometimes driven to dishonesty while the debtor is in no better position."

2. The agriculturist must borrow money for buying his bullock, for paying his assessment before he can sell his grain with profit, for improving his land and so forth. Agriculture is the staple industry of this country and is the first claimant for our assistance and it is our duty to find out an appropriate agency which will take the place of the Sawkar. In countries where Co-operative banking has been established, it has proved to be a great moralizing and educating agent. Mr. Wolff has described in his books on "People's Banks" and other cognate subjects, the marvellous result and miraculous work of Co-operative Credit, and there is no reason why Co-operative banks will not go a long way in this country in making the improvident thrifty, the reckless careful and even the drunkard sober. These money-lending Societies will, moreover, be free from any taint of fraud or false accounting.

3. This brings me to the subject of "District Unions." The need of establishing such Unions is obvious in a country where the people are ignorant and illiterate and know not what benefits Co-operative Credit will bring them, where it is not possible to find in villages local men who may be competent to start and manage Co-operative Societies. The Unions are necessary to teach people how to form and how to work Co-operative Societies. Even in cities few possess a sufficient knowledge of Co-operative banking, and hence to spread this knowledge to villages the few competent persons who will be members of the Union will be very useful. Government has no doubt been pleased to appoint Registrars and establish a

department of its own for this purpose but their efforts must be supplemented by private enterprise which is surely needed in a country where the people are so conservative, and loath to imbibe any new ideas.

4. It will be said that Co-operative Societies are in their infancy yet and any talk of Unions is therefore premature. There have been here and there a few Societies among the artizan classes but the movement has not yet reached the agricultural class which most stands in need of Co-operative Credit. But the work of Unions to be formed here is not to be limited merely to focussing business and securing uniform audit and inspection. They must undertake the work of popularizing Co-operative Societies, organizing them and placing them on a sound basis. They must carry information to the village folk, send agents to start new Societies after proper and necessary inquiries, finance them whenever necessary and exercise an effective control over their affairs. This last means expert knowledge which can seldom be had even in towns, much less among the illiterate population of a village.

5. The first thing then which the Union will be called upon to do is the initiation and gradual training up of the village people, and when this is done there is yet another and a more weighty function which it has to perform, *vis.*, to raise the quality of Co-operative Credit institutions. It is no use merely creating a large number of Societies, for, though at first sight they may indicate that the movement is prospering, yet, if not properly looked after, they will surely go to ruin and this will bring discredit on the whole movement. The Societies must all work on sound lines, and it is the business of the Union to see that they are so working. Borrowing must be effectually controlled and careless lending prevented. Members of a Society are in a way interested and liable to various influences which may bring on over-trustfulness, no member having the courage to say "no" to another and thus offend him. Over-borrowing may be rendered easy. All this can be safeguarded under the supervision and control of a superior and independent body like the Union. Sound administration is the key to success and whether business is conducted on proper lines can best be seen and tested by outside agency. The Union will send round its manager to look into everything and see that nothing is going amiss. The Office-bearers and managing Committees of village Societies require a constant looking after and gradual training. They are to be told where they are going wrong and the essentials of Co-operative Credit have to be explained to them. Lastly the Union will send out its members or managers to give to the village Societies advice and enlightenment on any points that may arise in the course of their business.

6. Such an Union has been recently started in the Central Provinces and my friend R. B. Kelkar, the Honorary Secretary, has sent me a copy of the first report of the Balaghat District Bank for the year ending March 1912. It gives an encouraging account and reflects great credit on the managers and there is no reason why similar institutions should not succeed elsewhere. Their share-capital and deposits amount to nearly a lakh of rupees. But theirs is not merely a money-lending body anxious only to see that a large amount is safely and securely invested. It is actually doing the two kinds of work mentioned above, *vis.*, organization and sympathetic control—by means of a voluntary agency.

7. Here is an opportunity for the money-lender, I mean the philanthropically disposed money-lender, and not the greedy one. He can profit himself and profit his less fortunate brother. The Central Bank lately started in our Presidency will do well to secure a certain amount of its share capital from the middle class money-lenders in the Mofussil so that you will get what you want, *vis.*, men with a sense of responsibility and a direct interest in the institution to work among the people. I am told there are people in the Mofussil desirous of investing their capital by way of shares or deposits in the Central Bank. The capital of the Central Bank ought to be spread over as large an area as is possible instead of being confined to a few persons who are not expected to be directly in touch with the village Societies. These shareholders and depositors of the Central Bank will form District Unions with others and be able to carry real Co-operative work to the nooks and corners of the district. You must know the people and the people must know you and this can only be done if you work among the people and with the people—with a spirit of sympathy and concern for their affairs. In this way alone can you succeed in working on true lines of Co-operative principles. If you remain aloof far away from the people and do not carry to their homes your knowledge and experience of the essential points of Co-operative Credit, if you do not constantly mix with the people and explain to them the objects and organization of the Central Bank, if you do not correct current misrepresentations regarding it, in short, if you do not educate them in Co-operative banking, there can be no real progress of the Co-operative movement. All this can be accomplished when you have men in the district with a direct interest in the institution (Central Bank). The Central Bank will be the body superior to the District Union and the District Union will be the body superior to the village Society, each approaching the other saturated, as it were, with knowledge which wants filtering into the minds of the several members.

Satara, 18th July 1912.

R. R. KALE,  
Pleader.

## APPENDIX X.

*A Note on Supervising Agencies or Unions.*

Last year when I read a note before the Conference on the subject of "Boards of Supervisors" it was resolved that I should bring the same subject before this year's Conference making definite proposals. In pursuance of this resolution I have selected this subject and beg to suggest to the Conference the formation of Unions in suitable areas mainly for the purpose of supervising the working of the existing Co-operative Credit Societies.

2. In Co-operative circles, the subject of Unions, along with the question of finance, is assuming a position of extreme importance. The Registrars' Conference has discussed their bearings upon the successful growth of the Co-operative movement. Their need is being felt every day owing to various causes, the principal among which, are the following:— (1) the steadily rising number of Societies is increasing the difficulties of the Registrars and their staff who have to inspect and supervise their working and audit their accounts and who thus are unable to cope with the work; (2) they can hardly spare any time, even when they so desire, to do any propagandist work and rouse popular enthusiasm in favour of Co-operation; (3) there is a growing need felt for an effective control over such Societies as are being daily launched into existence without thwarting their independence and sense of responsibility; (4) the necessity of a medium or a link between the financing agencies and the distributing Societies is being increasingly recognized; (5) there is a demand for a central institution which, while consolidating the credit of these small Societies that lie scattered, will, by winning local confidence, command local capital for their use. If the co-operative movement is to avoid pitfalls and run a smooth race, this deficiency is required to be supplied and even we in Bombay have come to a stage in its growth when the consideration of this important problem can no longer be put off.

3. In other provinces its solution is being attempted and a great measure of success has been achieved in the formation of Unions mostly as supervising agencies, and in some places as financing agencies also. In Burma, there are about 24 Unions comprising of over 280 Societies and working as propagandist, supervising, and mutual guarantee associations. They charge  $\frac{1}{2}$  per cent. cess on the transactions of loans effected. In Bengal nearly 240 Societies have been grouped into 8 Unions, 6 of which are made up of Societies only, all discharging also the function of financing the affiliated Societies. There are also District Co-operative Committees mainly intended to spread the knowledge of co-operative principles. In Central Provinces, in the District of Balaghat, there are 4 Unions which finance the affiliated Societies. In Madras there are 2 Unions in one District which work as a connecting link between the Societies and the Central Banks or the Registrar; the former grant them a commission of  $\frac{1}{30}$  of the interest paid every year to Banks by the affiliated Societies, while the latter gives them a special contribution from the funds of the affiliated Societies served by the Unions. In the Punjab there is only 1 Union financing the Societies. In Bombay one is recently formed at Sátára. In the U. P. the District Banks serve, in an indifferent manner, the purpose of a Union and some work in the direction of propagandism is done by Co-operative Organization Funds, started in a few districts, that employ a paid supervisor to organize Societies and supervise their working. Now that the difficulties in the path of the registration of these Unions under the old Act are removed by the present Act, their number, which is slightly above 40 to-day, is sure to grow very soon.

4. There is no clear definition of the functions of a Union. But its chief object is to unite the Societies into a group or central association just in the same way in which a single Society brings the individual members together to form a corporate body for mutual benefit. Its functions are threefold. It works as a missionary agency; it acts as a controlling and supervising authority and it tries to balance the excess and deficiency of funds of affiliated Societies and in short, becomes a "common cash box equalising excess and want." Its uses are manifold. By its constitution it clothes the Societies, under its protection, with a recognized status and stability; it provides the Registrar with the necessary and responsible agency for gauging the assets of the Societies and examining their financial solvency; to the small capitalists it secures a field for safe investment and thus finds an outlet for a pent up treasure; it brings a needful relief to the Central Banks either as a "Central Banking Union" or as an inspecting machinery, by scrutinizing demands for loans made by Societies under its care; it gives an impetus to agricultural advancement by enabling Co-operative Credit Societies to secure more funds for improvement; it rouses public confidence in Co-operative Credit by its careful selection; and lastly, it conducts not merely the arithmetical audit of books and balance sheets of Societies but trains them into the working of co-operative principles and enforces their strict adherence to these. Thus, in the process of centralization the Union supplies a great want. The Provincial Central Bank at the top, and the small Co-operative Societies at the base, need these Unions to stand at the centre as an integral part of the co-operative structure.

5. The foregoing sketch will make it clear how necessary and useful is the institution of a Union of Co-operative Credit Societies. By its constitution it can affiliate as many Societies as lie within a convenient area. It is registered under the Act as a Co-operative Society with limited and unlimited liability. The Union should be managed by a general

body of representatives appointed by Societies and should have an executive committee consisting of a few members elected by the delegates. It should employ a trained staff of inspectors to inspect the work of Societies and to preach co-operative truths; and the expenses are to be paid by the Societies forming the membership of the Union by the levy of a small commission. The Union, by means of a close and searching examination of the assets and liabilities of the various Societies and by the inspection of its dealings is better able to negotiate for loans to the Societies within certain limits and stand guarantee for the security of their transactions.

6. Even if the Union be not required to serve the purposes of a Bank, there being other financing agencies readily available for immediate use, its need as a means of effective preaching, efficient control, and strict supervision is very great in our midst. In our Presidency, there are 8 or 9 Central Banks which are ready to give the financial accommodation to Rural Societies but they have neither the means nor the facilities to appoint a paid staff of supervisors to make sure that their transactions with such Societies situated at considerable distances are secure, except the insufficient agency of the Registrar on whose inspection reports they have to depend for their action. The Registrar complains that he can hardly be expected to visit all the Societies much less to keep in close touch with them. If, therefore, Unions or supervising agencies are created the Central Banks with their guidance can easily supply a portion of the capital which the Societies need and the Registrar and his staff may devote a part of their time to the expansion of this movement. If the Registrar forms half a dozen Unions in selected areas, by holding conferences of the representatives of Societies in some districts, an impetus will be given to the formation of such Unions. In this, he will of course be cordially helped by people of local influence interested in co-operation and such a beginning could be made in the districts of Ahmedabad, Surat, Broach, Poona, Ahmednagar, Dhárwár and Bijápur; on the Madras system, if Taluka Unions could be formed, they would be more workable to-day and more useful in the future for further organization. Such a Union will facilitate "the taking of common counsel", the discussion of questions affecting common interest, the quicker spread of co-operative knowledge and will keep the Societies free from the contamination of base motives. Such a Union, in the opinion of the Registrars of Burma and Central Provinces, will be a great economic factor of our social life. In conclusion, these supervising agencies will prove that a *Union of Co-operative Credit Societies is a source of great strength particularly to them and generally to the movement.*

G. K. DEODHAR,

*Member, Servants of India Society.*

## APPENDIX XI.

### *A Note on District Unions.*

There are nearly 50 Rural Societies in the Dhárwár District and most of them are in the Gadag Taluka. There are about 4 or 5 Urban Societies. The Southern Maratha Society has advanced a pretty large amount to some of the Rural Societies in this District. It is desirable that a lending Society should have facilities of knowing from time to time how its borrowers are fairing. To secure this and to secure uniformity of management in the Rural Societies which are now pretty many I think it is high time to think whether an idea of forming a District Union of the Societies is feasible or not. As the number of these Societies goes on increasing Government inspection of the same through its auditors must necessarily be slack. A check from outside is I am convinced absolutely necessary to keep the working of the Societies straight. If by such Unions we can succeed in introducing a uniform system of keeping accounts it shall not be a small gain. I am fully aware that such a Union will not have sufficient amount of work in the beginning but in course of time inspection of the Societies by its auditors will be a thing which all its members will in their own interest ask for. After this inspection smoothly goes on for some years then this Union will very usefully serve as a balancing Centre. It will be in a position to know which Society has funds lying idle on its hands and which Society is in need of the same. After such a Union is formed co-operative purchase of agricultural implements can be undertaken on a large scale and in course of time co-operative sale of cotton and other agricultural products can be taken in hand very easily. If cotton comes to be sold on a Co-operative basis under the supervision of the Union there will be no room for fraud in the quality of the article. The individual agriculturists will be saved from the tricks of petty Dalals such as false weight, false accounts and many other things. All the Rural Societies shall gradually begin to work together. The state of each individual Society shall be known to the public and it will be easy to attract cheap capital from outside. Now the Central Bank of Bombay must be experiencing an amount of difficulty in ascertaining the position of an individual Society before it offers to advance any amount to the same. If such a Society is a member of such a Union the Union can very easily vouchsafe for the Society's solvency and good management. On the whole the wheel of credit shall turn more smoothly than now. This movement has in Germany reached this stage and Societies there are immensely benefited by such Unions. And if a beginning be made here in suitable places time shall strengthen these Unions and the movement as a whole will be put on a safer basis.

When the inhabitants of a village intend to start a Society the initial difficulty is of finding a man competent to keep accounts, I think such a Union having many Societies under its supervision can very easily devise means to overcome this difficulty. It can have a few apprentices in its service who can be placed to do the accounting business of such infant Societies and train one or two people there to do the work.

The Government of Bengal has framed rules for the formation of such Unions. Their rules with necessary modifications can be adopted with advantage.

The objects of such a Union as given in those Rules are :—

- (1) To develop Co-operative Societies to the utmost of its power.
- (2) To carry on a banking business with such Societies particularly with the object of balancing the temporary deficiency of money in one Society and superfluity in another; to receive deposits at interest, to borrow if necessary from outside, and to grant loans to Societies up to the limit of their credit.
- (3) To control its affiliated Societies by careful and regular inspection.

When the Unions will get in proper working order these objects can be accomplished gradually.

If this idea of a Union meets with general approval a Committee may be appointed to frame Model Rules for the formation of such Unions. The Bengal Rules require modifications in some places.

13th July 1912.

V. M. HERLEKAR.

## APPENDIX XII.

### *Co-operation between Societies, Unions and Central Banks.*

The dominant idea in the minds of most of those assembled here in this Conference seems to point to the devising of means for united action between the different Societies in the Presidency. Most of the papers read or to be read refer directly or indirectly to the subject. It must have been the experience of most of those assembled here that Societies cannot individually reap the full advantages of the co-operative movement, unless they in their turn combine for common purposes. This is quite natural: just as individuals have discovered that their strength lies in associating with their fellows for purposes of credit, so Societies also have begun to realise that most of their present difficulties can be overcome only by combination.

Such a desirable end can be brought about by two means: by forming unions and by starting Central Banks. The objects of the former are common control, common counsel, and facilities for common business. Of these three main objects the Registrar and his staff answer at present the first, and Conferences like the present answer the second to a certain extent; while the third can only be achieved by Unions of Societies formed in smaller areas or districts as well as by a collective or common Union of such sectional Unions into a central body. The advantages of such organisations will be numerous. They will be able to bring about meetings of co-operators oftener than at present for the purpose of comparison of notes, and exchange of views and the devising of means for removal of common difficulties. They will be able to promote propaganda and teach people how to form and work Co-operative Societies, as pointed out by Mr. Kalé in his able paper. As they grow in strength they will be able to appoint their own officers for the purpose of audit and inspection, who might at first assist with advantage the Registrar's staff and in course of time be even in a position to supplant it altogether, so as to enable it to direct its energies in new fields and unbroken ground, and thus to minimise one of the difficulties indicated by the Registrar in his Annual Report in connection with this work. And what is of greater moment is that such Unions will be able to form common business centres to serve as a link with the great money market. The delay and difficulty at present experienced by most of the Societies in obtaining loans from the Bombay Central are due, at least partly, if not mainly, to the absence of Unions which could speedily assess the demand and credit of individual Societies and advise the Bank regarding such points. Such Unions will further tend to add to the confidence of the public in the Societies, to raise their tone and credit, to give a stimulus to deposits, and generally to add strength and solidarity to the whole movement.

The next step will be the formation of Central Banks. These again must be formed for the different districts or divisions with a common Central Bank at their head. In fact, each Union must have its own Bank. Such Banks will not only solve the present monetary difficulties of the Societies by enabling them to tap the great money market, but also to multiply various banking services, to facilitate common business and above all to create balancing centres for equalising excess and want.

It must have been the experience of some of us at least that while many Societies are in want of funds, there are others who have begun to feel the burden of an excess. My own Society, for instance, I mean the Shamrao Vithal Society, has had frequent occasions of refusing offers of deposits because we could not find a safe medium to pass on our surpluses to Societies that may be in want. While on the one hand we ourselves are not in a position accurately to judge the status of individual Societies, being removed far away from them, there is not on the other a single Union in the Presidency which could take the responsibility of making the necessary enquiry and of advising us on matters which we consider as essential. At present we have advanced to the tune of twenty thousand rupees to our sister Societies, but we are in a position to raise this amount to half a lakh immediately if we can only have recourse to expert advice. On the other hand, the Central Society of Bombay is not in a position to help us in balancing our surpluses, because the rate of interest which it offers is lower than that we allow to our depositors. Our rate is from  $3\frac{1}{2}$  to 5 per cent. varying with the term of deposit, and we would naturally expect not less than  $6\frac{1}{4}$  per cent. on our investments. But the Bombay Central does not offer us more than 3 to 4 per cent. The experience of my Society must have been the experience of many others, and the need of having our own Unions and Centrals is therefore now greater than ever.

I may not be understood to lay any blame at the doors of the Bombay Central. That Bank is not perhaps in a position to do more than what it has been doing at present. If we require greater facilities it is our duty to bring them about through the medium of Unions and Banks of our own by a combination of Societies. For an effective action, however, the counsel of each such Union, if sectional or divisional, must have on its board representatives of the various Societies covered by the section or division, and if Central, those of the sectional or divisional Unions falling within its range. In the case of Banks also, there must be similar representation both on the share list and the board of administration. At present I am not aware of any District Central Bank having been started on this principle on which, so far as I can understand, Mr. Wolff lays so much stress.

A further advantage derivable from these co-operative centres cannot be ignored. They will not stop at mere credit, but will prove to be centres of many other co-operative activities such as collective purchase, supply and distribution, and might even be in a position to bring about facilities of various kinds such as insurance of life and live-stock and against fire, famine, accidents and even unemployment as has been the case in Germany and some other countries. To put the matter in a nutshell, co-operation to be effective in its action requires to be decentralised at the base and centralised at the apex. As Mr. Deodhar's resolution will not carry us much further than where we are at present, I beg to suggest a rider to it to the effect that the Registrar be requested to frame a set of by-laws for the organization of Co-operative Unions and that steps be taken to settle the preliminaries for the establishment of such institutions at an early date.

S. TALMAKI.

30th August 1912.

### APPENDIX XIII.

#### *Organization of Rural Societies.*

The object of this paper is to develop and cement the position of Rural Societies. Ever since the start of the Rural Co-operative Credit Societies, the tendency of the district and taluka officers is to withhold takavi advances from the villages where such Societies exist. Some of these villages where Societies are established are again bhagdari or narvadari villages wherein no portion of a bhag is alienable outside the bhagdars of the said bhag. There are other Societies wherein talukdars are enrolled as members presumably without the knowledge of responsible officers of the department. In still others the first donations or deposits of members are more or less found to be transfer entries only. In view of these circumstances even though the liability in Rural Societies is joint and several the same is more or less unenforceable, regard being had to the inalienable character of the property. The sowcars in villages have mostly discontinued money-lending and our Societies have taken their place.

2. In the commencement, if through oversight or inexperience some errors were committed in starting the Societies without sufficient inquiry it is now high time the same should be rectified and care should be taken to see that they are not repeated. Before registration the Registrar may ascertain the nature of the tenures obtaining in the village and may insist on the enrolment of at least two well-to-do men, and production of a certificate from the Collector on both these points may be made compulsory. Our Societies are in their infancy and it behoves us to help them both from within and without. The members should first be taught the lesson of self-help and this lesson if practised would inspire great confidence of the people outside. These need only be assured of the stability of the Society as a whole.

3. The first thing therefore to be borne in mind in starting a Rural Society is that some persons owning good fortune should be enrolled as members. These persons will be an acquisition to the Society and their sympathies with the Society's cause will be a guarantee of its life. They on their side will also be rendering a great service to the country as it is on account of their enrolment that the credit of the Society will be enhanced.

4. No new Society should now be started at a jump. The ground should first be prepared for this by an interchange of views with the village population who should be made to understand that the establishment of a Society is an asset of the village and that it should be acquired and preserved as such. The rules and bye-laws need not be either long or confusing. The short model by-laws appear to be quite sufficient for the purpose. The members should feel—in fact they should be made to feel—that morals have much to do with the upkeep and management of the Society. The purity in the dealings of the Society will be a complete index of its ability to manage the institution and also of its stability in obtaining or repayment of loans. The honesty of purpose should be the central point to be always remembered in the development of the Society.

5. The next step that requires attention is a complete register of members, a copy of which I suggest should, once every year, be filed in the Registrar's office. This is much more necessary in the case of unlimited Rural Societies. In case of a destruction of this register in consequence of any accident or unforeseen circumstances if this list is not filed as above and therefore no duplicate copy obtains it would be very difficult to show who composed the Society or whether a particular member was on the roll. This might result in frustrating the very object of unlimited liability. It should also be carefully examined that the members have paid their fees to qualify for the Society's privileges.

6. These Societies are generally commenced with small or no asset or where they commence work with some donations or fees the same is mixed into the Society's funds and there is nothing wrong in law to do so. This practice obtains even in big joint stock concerns. Exigencies, however, require that this should not be so. It is better to invest the same either in shares of, or deposit with, the Urban or Central Banks.

7. In the fitness of things the Central and Urban Societies should work as feeders of Urban and Rural Societies and if the former hold deposits or shares from the latter they do not run any great risk in providing loans to their dependent Societies and the system is likely to inspire more confidence in the Rural Societies who can also thus morally claim the loans from the Urban Societies so connected in their dealings. This was a sort of business done by the village sowcar who was so indispensable to the village community from time immemorial. In fact without a sowcar no village could exist and the same should also prove true in the case of Societies.

8. The existence and establishment of such Societies has to be welcomed on other grounds which are equally solid and well founded. The co-operation of members shall promote brotherhood, remove quarrels, save litigation, advance thrift and teach self-government. These are the benefits of the Society and I am emphatically of opinion that in a Society so well managed many if not all these benefits are sure to be reaped and they shall lead to the prosperity of the country both morally and economically.

9. I should not conclude this paper without mentioning that in the co-operative movement are centred the many-sided activities of our growing community and that therefore the country is under a deep debt of gratitude to the British Government for having given them great facilities in this matter. Organization of such deep-rooted character is no small task and the country owes much to the several Organizers but for whom the Department could not have achieved the present situation.

*Broach, 23rd July 1912.*

A. U. MALJI.

#### APPENDIX XIV.

##### *Note on Conditions precedent to the Registration of a Rural Co-operative Society.*

1. The rapid growth of Co-operative Credit Societies in different parts of the country is naturally looked upon as a satisfactory feature of the new movement inaugurated only a few years back, but it is time we should take stock of the progress and shape our future path within safe bounds. The mushroom growth of Societies and their precocious developments are alluring to the sight, but we cannot afford to lose sight of the feature of the permanency of these institutions. Theoretically speaking these institutions must proceed from within, and so long as people are not prepared, all the beneficent efforts from without would not be of much avail. This proposition does not mean that outside help is not needed in the beginning of these efforts, but we should not lose sight of the fact that to ensure real vitality, interest from the people and by the people should be a necessary factor in the formation of these institutions.

2. It would be perhaps ungenerous to criticise what has been done so far in spreading the co-operative movement. Nor is it intended in this brief analysis to ignore the good work done in the direction of popularising co-operation. If, therefore, the present analysis

points out the faults of the present system of organization of Rural Societies let it not be understood that it is entirely faulty. It has done good in various places. And faults are here pointed out only for the sake of improving those means.

3. First and foremost we have the Registrar of Co-operative Credit Societies—at the head of a Department consisting of officers more or less enthusiastic and well informed. Himself and his Department constitute one side of organisation which for convenience may be styled as the official agency. This agency has, no doubt, done its best at great sacrifice of money and labour. It has spread broadcast a number of leaflets and circulars and has spared no pains to instil the principles and engender the spirit of a co-operative association.

4. A number of unofficial or semi-official workers called the Honorary Organisers forms the next phalanx in the co-operative campaign, pushing far and wide the banner of the Co-operative faith throughout the Presidency.

5. To supplement these more or less official efforts there is so to speak no body of auxiliaries yet volunteering from the public. The services of some people here and there and those of the Servants of India Society have doubtless been of some use. But truly speaking services of these private gentlemen are so infinitesimally small that they may be described as but a drop in the ocean. The gentlemen from the Servants of India Society have various other activities and naturally their efforts in this cause are spasmodic and unsustained. The other private workers are more or less holiday-workers and their efforts also are not continuons.

6. Omitting these services there remains practically only one agency for fostering the spirit of co-operation. But without any disparagement of the services rendered by it it may be said that only one phase of co-operation, *viz.*, what may be called the officially recognised form, is tried to be fastened on the people with results more or less indifferent. Let us take for instance the principle of unlimited liability. This is made obligatory for all Rural Societies and no compromise is left which could safely legalise voluntary associations in villages with limited or proportionate liability. The object of imposing unlimited liability doubtless springs from good motives: but it defeats the chances of voluntary associations where capital may be in abundance, or where capitalists in a village may be desirous of forming an association to co-operate with another in the same village formed on the basis of unlimited liability. The restriction is unnatural and prevents the flow of capital from within while the measures of supplying capital from without are fraught with various technical difficulties and aim rather at making it dearer than cheaper.

7. Another fault of the official organisation seems to be the promiscuous mixing of people of various social levels in one Society. It proceeds from the notion that one Society for a village ought to answer all requirements and that people in a village are homogeneously associated and do not care to combine in unlimited liability with any or all persons in the village occupying different stations in social life. It may be said that the right of selection ensures people of equal status being co-operatively associated. But this right either excludes a great number who have no means of co-operating or exposes the judicious selection of persons to the suspicion of exclusive selfishness.

8. The condition of equal deposits where Government loans are given has similarly resulted in more mischief than good. It is unnecessary to recapitulate all the controversy that this somewhat irrational and unnatural restriction created in the early stages and how it resulted in mischief by inducing paper deposits in fulfilling the technicalities of the rules made by Government which in spite of protestations were declared inflexible. It has been now declared that state aid should not be given to Societies, the question of initial capital needs consideration. When a Rural Society has satisfied the Registrar regarding its capability, honesty and business capacity and soundness otherwise than in the shape of fluid capital, there should be no bar for registration.

9. Rules and by-laws framed as models and intended to answer rural requirements have more or less also failed to be of much use; and a shorter code of by-laws judiciously introduced by the Registrar had an equal fate so far as can be seen.

10. The difficulty of keeping up a variety of books and accounts in set forms more or less puzzling and somewhat complicated in their nature has added another and, perhaps, a deterring factor in the establishment of Societies otherwise quite eligible for registration. The state of books of many Societies has naturally resulted in inducing the Registrar to ascertain before registering that there would be no difficulty in conforming to the rules under the Act as regards the keeping of books.

11. The expedients hitherto used mostly result in either the kulkarni or the school master being chosen for the Secretary's office. The former has been justly in little favour with the official agency on account of the notoriety of his corrupt and underhand dealings while the latter is often an unreliable choice owing to the contingency of his being transferred from the place with the chance of his successor being either unwilling to take up the work or his incapability to do it.

12. To meet these various objections and difficulties it seems that after due provision for spreading the co-operative propaganda through unofficial or official agencies the applications should be subjected to a great deal of sifting and investigation both through unofficial and official agencies.



13. Of the unofficial agencies District or Táluka Unions may be selected to be the proper exponents who should be made to promise supervision, control, and supply of funds to Societies organised by or through them. Those Societies which may be organised by officials should first be recommended for affiliation by District or Táluka Unions in order to ensure proper management.

14. Societies of both classes, *viz.*, those organised by Unions and those formed by officials, should be thoroughly investigated as regards their character, means, and education and the extent of their resource.

15. All proposed by-laws should before registration be investigated by Honorary organisers and the Registrar; and no Society unless it can establish a claim for good character, business habits, pure objects, homogeneous association, and the means of raising capital and maintaining the formalities of law, may be registered. The principle of having a few good societies in preference to many bad ones should now be rigidly followed and the surplus energy saved in vetoing bad societies may well be applied in improving the bad ones already on hand.

16. In the case of Societies affiliated to Unions the conditions of accounts and internal government may be somewhat slackened. In addition to the usual Committee of 5, the Union should have the power of veto as an absolute condition and such Societies as are undertaken by the Union to be run entirely under their supervision should be exempt from keeping elaborate records at their village offices. Simple lists of members, depositors, and borrowers should be sufficient in their case, and a summarised form of resolution printed on each list indicating the date on which transactions in each list happened should temporarily serve for the minute books.

17. It would be possible in each village to form more than one Society for different objects and people of different status, creed, or faction under the guidance and patronage of Unions or independently if sufficiently promising, so that instead of conflicting elements fighting with each other in one and the same Society they may be able to establish different co-operative units dealing with each other as corporate bodies and thus smoothing their mutual relations and bringing the benefits of association within the reach of all persons desirous of availing themselves of those benefits.

18. To summarise, then, let us put down the conditions precedent to registration somewhat as follows :—

- (1) That the association proposed is voluntary.
- (2) That the people associating with each other are harmoniously brought together.
- (3) That they are approximately of the same social level.
- (4) That their objects are unselfish and truly co-operative.
- (5) That if they are themselves poor, they can command capital from outside.
- (6) That they possess good character and business-like habits.
- (7) That either they can conduct the government of the Society on their own account or are ready to be governed by other agency such as a union.
- (8) That to make up for the initial deficit of capital they are willing to lay by something from their earnings to an extent not less than 1 per cent. and can be trusted to redeem their pledge.
- (9) That they have understood what is unlimited liability and are willing to accept it.
- (10) That there is no unnecessary domination of the capitalistic class in the Society.
- (11) That they shall restrict the number of members according to their resources.
- (12) That they have understood the provisions of the law, the rules framed by Government, and are willing to abide by them.
- (13) That they understand the difference between individual rights of membership and those of the corporate Society.
- (14) That they recognize that a Committee appointed by themselves or a mixed Committee where necessary must be respected and obeyed so long as it is in power.
- (15) That after joining a Society they shall not privately incur liabilities that may injure the credit of their Society.

19. If these conditions are satisfactorily ensured and their observance vouched for either from local knowledge by an Honorary Organiser or by a Union, the Registrar should apparently be right in registering a Society and if the Conference can endorse these conditions and the means suggested in this note for their fulfilment with such additions and amendments as may be deemed proper, they may be embodied in a leaflet and circulated broadcast to prevent the waste of energy and encroachment on the time of the

Registrar and his staff and to arrest the germination of unhealthy and unspontaneous associations which only serve to swell the number and vitiate the returns annually published for the information of the public.

R. M. SANE.

*Barsi, dated 30th July 1912.*

## APPENDIX XV.

### *A Note on Weavers' Societies.*

In this note I speak with regard to a weaver in Dhárwár Town, but I think that the remarks made herein will apply to weavers of other places also.

A weaver is often a man without any capital of his own and has mainly to depend on the local Marwadi or big sowcar for his raw material as silk and yarn. He is extremely conservative and in many cases extravagant, idle and vicious. The man who supplies him with silk and yarn charges heavily for his goods and presses for his dues especially when the season is dull. In that case the weaver has to part with his finished goods for something much below the cost price. So the weaver being eaten at both ends hardly gets sufficient to maintain himself. He thus works at a great disadvantage though his skill in his profession is a considerable quantity. All the cream goes to the Marwadi and the weaver has to go contented with bare maintenance.

I first read about some arrangement made at Sholápur for the weaving classes in the matter of supplying them with raw material and buying their finished products during times of famine. I also read in the reports that the arrangement had proved eminently successful. I also read of some sort of Weavers' Union established in Conjeevceram and Benares.

On a perusal of their rules I thought of starting a Weavers' Union in Dhárwár on similar lines. And I began my work by broaching the idea to the weavers who used to come for loans to the S.M.U.C.C. Society.

The weavers first raised all sorts of objections, many of which were purely imaginary. I tried to meet their objections but I found it very difficult to get 10 weavers together to sign the application for registration. So I had to make up the number by myself being a member and inducing two or three friends of mine who had absolutely nothing to do with weaving to join.

One of their objections was that many of the weavers were on the books of the Marwadi and if the Marwadi sees that they are purchasing their raw material from the Union he will unduly press for his dues which they will not be able to meet immediately. I said that the difficulty could be easily solved by granting them loans from the S.M. Society. In spite of this promise of mine many weavers held back.

In the end I had to make a beginning with a few weavers and it must be noted that a rich weaver who dealt in these materials generously came forward with a deposit of nearly Rs. 600. The remaining weavers made up about Rs. 2,200 in the course of two months. I told them that in case they made up Rs. 2,000 in a short time they would get a subvention from Government of equal amount free of interest for three years from the establishment of the Society. That put a spur to their efforts and they made up Rs. 2,200 in a short time. The Society being unlimited the S.M. Society lent them Rs. 2,500 first at 9 per cent. and in a short time the rate of interest was reduced to 7 per cent. In about eight months from the formation of the Society Government was pleased to lend them Rs. 2,000 at 6½ per cent. repayable in ten years. So the question of capital was solved.

One Mr. Devendrappa, who was serving in the Railway offices, offered his services as an accountant and secretary. The Society could not give him any monthly pay as the whole thing was an experiment and the Society could not venture to engage a paid-man in the beginning. So another and a very great difficulty was solved. I may remark here this difficulty of finding a suitable man to keep accounts comes in the way of the formation of many Societies and if Government sees its way to undertake this preliminary expense it can conveniently curtail the amount of its grant.

Though the Union was thus established after my continued persuasions and I could enlist about 40 weavers many of them could not venture to come to the Society for raw materials as they were heavily in debt.

But after some time they gradually got themselves loosened from the clutches of the Marwadi and after about four years I was glad to note that the Marwadi had to give up his trade.

Many weavers from the surrounding villages came to this Society for cash purchases and that proved an important source of profit to the Society.

After two or three years the Society thought of doing the indigo-dyeing by a separate man employed by the Society. Till then the weavers used to get their yarn dyed by a dyer who was very irregular, whimsical and a drunkard to boot. They tried one or two dyers but none gave them satisfaction. One of them actually put the Society to a loss of over Rs. 50 and ran away.

Rs. 100 or 125 are necessary to be invested in purchasing pots and sheep manure as preliminary expenditure. The Society could easily do it. No individual could ever think of doing it before. After this dyeing establishment was set agoing some of the former dyers offered to dye the yarns at a charge four annas less than the rates charged by the Society. But the Society had by this time become shrewd enough to see through the dodge and held fast to their establishment in spite of some temporary loss which was really only apparent. Now the dyeing is more regularly and satisfactorily done. An amount of saving is effected in the earnings of a member of this Society by this dyeing establishment.

When this Society was formed it was my idea that the members thereof should bring their finished products to the Society. The Society should purchase them at reasonable market prices of course leaving a margin to cover loss likely to occur from occasional fluctuation in prices. But the weavers, majority of them could not comprehend the advantages of this proposal. I intended thereby to secure honesty of production, uniformity of prices, genuineness of quality and above all intended to save a good deal of time to the weaver who has to spend a day or two in the week to get the finished product off his hands. I also hoped that if the Society gets a pretty large store of finished products the Society could take advantage of other markets a few miles distant from Dhárwár. A weaver with a *sáris* in his armpit cannot afford to go beyond Dhárwár. So he has to suffer a good deal when the season is dull in Dhárwár. But as the proposal which in my opinion was so advantageous was not liked by many weavers, I did not like to compel them to it against their will. It is my firm conviction that it is no use forcing upon a man a good thing when he is not prepared for it. Though I did not compel them, I had made it a point to repeat the idea to them whenever a proper occasion came.

Last year there was though no famine, at least scarcity and the weaving class was I believe the first to suffer the bad effects of the bad year. When food is scarce raiment new is a luxury which a poor man cannot afford to indulge in. The *sáris* which a Dhárwár weaver weaves are fit for consumption by poor cultivators. Their highest prices never exceed Rs. 5. Only 20s yarn is used and only robust cultivating women can go in for such coarse articles. Last year the season was particularly dull for some months and the members took up my idea of their own free will. They often took those finished articles as pledges for an advance of  $\frac{1}{3}$  of its usual price. The dull season continued for nearly three months. The Society got nearly 6 annas by way of interest on the advances it thus made to its members and the members could save nearly Rs. 1-8-0 by this arrangement. Formerly when there was no Society the weaver had to part with his products for prices far below the cost price. The weaver could not maintain himself nor get raw material for his loom unless he parted with his goods. There he found in the Society a saviour who had strength enough to wait until the dull season was tided over. In this way over 400 *sáris* were taken on pledge last year. As the original capital of the Society was not sufficient for this new line of work the weavers collected a deposit of nearly Rs. 1,100 for this branch.

The profits that accrue to the Society are distributed as follows:—9 per cent. is given on share money or deposit. The rate of dividend is never to exceed that. So I could prevent dividend hunting in this Society by this timely limitation. The limitation was consented to even by those who had invested money in this Society for investment sake. The remainder after deducting the annual expenditure for the Secretary, peon and contingencies is given away as bonus in proportion to the quantity of raw material which a member consumes and actually pays for. So according to the principles on which the Societies of the type of Rochdale Pioneers are working one who consumes more and honestly pays for it earns more. By this arrangement some who have got a large number of looms get their raw material at prices far below the cost prices. This arrangement is very much liked by the members and it is in my opinion a direct encouragement to a weaver to increase his outturn.

I further think that there are many other things which the Society can advantageously undertake. Sizing is now done by the weaver at home so also making the warping. Only yesterday I saw in Belgaum a simple machine constructed by Messrs. Khatav and Nilazkar for the purpose of making warping which is about 30 feet in length. I am going to take a weaver or two of this place to see it with their own eyes and introduce it in the Society if found suitable. I personally am absolutely ignorant of technique of weaving. I think a weaver with some intelligence in his head can adopt many new things.

During the last year the weavers of the Society have ordered four looms of Mr. Pompfret's pattern. They as was expected were extremely shy of the innovation in the beginning but the Government was kind enough to send down a Mahomedan weaver from Sholápur for the working of this new pattern. He worked all sorts of local patterns on the improved loom and when the weavers saw it work better they readily adopted it. The other day the Registrar with the Collector actually saw a loom of the improved pattern worked by a local weaver. I am also told by the weaver who uses this improved loom that he can turn out double the quantity of work and it is a satisfactory thing to note that he has begun using 40s yarn.

Of course these things are to be done gradually and where the silk supplying agency is financially very strong as in Hubli and Gadag the poor weaver has to make a very hard struggle before he can afford to stand on his own legs.

But it is my firm conviction that unless such Unions are formed the miserable lot of the poor weaver can never be improved and left alone he shall have to work as a mere cooly, all the profit going to the sowcar. Such Unions are absolutely necessary.

At present the Dhárwár Weavers' Union purchases its silk from a commission agent in Bombay. But the members thereof think and I believe rightly that the arrangement is not as satisfactory as it ought to be. With their small orders the Union cannot afford to reach the wholesale dealers. So if the proposal of establishing a Government Central Depot for supplying silk and yarn to such Societies be established that shall be a great gain to these Unions. But before Government can undertake this work it must be sure of a sufficient demand and I believe we shall have to wait for some time before a sufficient number of such Unions are established. So it is the bounden duty of the well-wishers of this community to try to establish such Unions in suitable places and place them on solid footing by due provision of initial capital. We can rest assured that once the weavers perceive the advantages of such Unions they will honestly stick to them and manage the affairs in a true business like way.

Good example soon spreads far and wide. The weavers here have helped the formation of a similar Union in Hubli, and I here note with satisfaction that they are strenuously trying to establish one in Gadag-Betigiri, an important weaving centre in this district.

Some of the local sowcars there have already indicated apprehensions in that direction but in the long run the individual weaver if properly helped will get sufficient strength to stand on his own legs.

As a weaver, so an agriculturist stands in need of much help in various shapes. A petty dalál is as cruel, unjust and dishonest to him as the Marwadi and when in course of time the Agricultural Society shall begin to act as the dalál of the members the lot of the poor agriculturists will be materially improved. Disinterested workers are required for this herculean task and I am glad to say that this commodity is not as rare in this part of the Presidency as it used to be some years back.

I have personally given the history of an individual Society. General propositions are not equally applicable in all cases. Different localities have different difficulties, but if one taking up this work tries to follow the line that I have tried to describe in this brief note his efforts shall not go in vain.

V. M. HERLEKAR.

22nd June 1912.

## APPENDIX XVI.

### *Note on Nagar Weavers' Union and Weavers' Societies in Nagar District.*

The object of such Unions or Weavers' Societies must obviously be the amelioration of the weaving population which is large and living from hand to mouth. Owing to the power looms and other causes this industry, which was once flourishing, is now reduced to such a state as must engage the attention of any well-wisher, of an industrious weaving population.

There has been a thorough enquiry on this subject and Mr. Mehta has exhaustively dealt with the several issues which arise for theoretical consideration. Theoretically speaking, if the weavers were to adopt up-to-date methods all at once, either in improving their implements or by organizing Unions or financial corporations, the task would be very easy indeed. But for practical purposes it appears to be an up-hill work in a conservative class like that of weavers, and I am afraid it must take considerable number of years before any material improvement is effected, in the hard lot of the industrious weaving class.

It is not easy to persuade a conservative class of this kind either to adopt improved implements or to organise Unions on joint and several bases so that weavers may obtain all the advantages of getting their materials cheaply, or selling their finished goods at the highest possible prices, so as to pocket the profits which now go to a middleman. The object, therefore, of this note will be to examine how far an improvement is practically possible and what are the practical difficulties in the organization or carrying on the work of such Unions, so as to achieve the object in view.

Unfortunately it has to be admitted that the improved patterns of looms, now on the market or those exhibited at demonstrations, have not caught on. The weavers themselves feel suspicious, lest the hand loom industry may slip out of their hands; and secondly the type of such looms is not so cheap as to be obtainable to every weaver or adapted to the needs of weaving any kind of cloth.

It is no use persuading such a conservative class, by any lectures that their suspicions are groundless and that they are likely to produce a larger quantity of finished goods, if they take to improved looms. It is also true that the looms so far designed do not fulfil the needs of every kind of handweaving nor does it answer for manufacturing cloth, where at present several kinds of threads are alternately used. Moreover in small towns there is always a limit to the output of manufactured goods, as the demand cannot expand with the enlarged production, induced by swifter manipulations and improved machinery.

The inability of an average weaver to possess the means, to buy such looms or to substitute better ones, for their old patterns naturally inclines him to stick to his own looms, which cost little and to which he is accustomed from his childhood: It is only, by object lessons and constant up-hill work at considerable sacrifice that will, in the end, break down their prejudices, and the improvements must not be so radical as to induce any kind of suspicion, but must be such as to induce gradual transition from their old looms to the improved looms.

Further, there are the difficulties peculiar to the buying and distribution of yarn. There are likes and dislikes everywhere and in every weaving centre, a particular brand of yarn and silk is particularly patronised, no matter what its intrinsic value may be. There is, therefore, a good deal of difficulty felt in the starting and popularising any new variety of yarn, irrespective of the paper trade marks, in which they are wrapped up; and assuming these difficulties are gradually overcome, the difficulty arising in the choice of an agency which will supply profitably anything and everything, in time, that is wanted by the weaving class is at present unsurmountable. In every store of either yarn or silk, every variety will have to be stored in ample quantities, so as to stimulate the taste of testing real value of the quality of the yarn or silk. The weaver must not have to go to any other place, for buying anything that he may want, because this naturally gives an advantage to other traders, who then naturally dictate in such cases exorbitant terms. The weaver is naturally reluctant to risk this, for the sake of an experiment. It is therefore absolutely necessary and very desirable, to start central stores in suitable places where yarn and silk in enough quantities will be stocked, so that small Weavers' Unions or Weaving Societies may be able to get at fixed prices. If this is done, the Weaving Societies will be in a position to fight the market with success. But the provisions of yarn and silk cannot alone achieve the object in view. After making the good and cheap raw materials available, to the weaving population, it is necessary to devise ways and means to keep the finished products when the market is low. It is here, where the middleman makes the most of his profits and therefore if this can be successfully done, the weaving population will be very thankful for this, so that their finished products may be kept in stock and in the meanwhile after stocking the finished products, the weavers will have to be given cash advances to maintain themselves and their families for about six months. He will then be able to profit to some extent but the probable margin of bad debts will have to be provided for, at least for the first few years.

Further it is to be observed that the competition between the Co-operative Weavers' Societies and the general trade cannot afford to be on equal terms. All the questionable practices in the trade have to be eliminated in such Societies and what with fluctuating prices in the market and other causes, the competition is bound to be on unequal terms, and the margin of profits is considerably diminished. For reasons above set forth, it is practically certain that no such Union or Society can possibly succeed, unless it is backed up by a large capital and has looms of its own whereon the yarn or other raw materials that may be lying idle on the hand, can be profitably turned on the power looms or hand looms and turned into finished products whenever necessary. All this must involve a large investment and an expert administration which the weavers themselves cannot be expected to supply, nor is it possible and easy to find, competent disinterested individuals who can command all the resources needful for the successful organization of such a project. This enquires undoubtedly wider co-operation and broader sympathies which are not quite easy to find.

This is however no reason why an attempt should not be made on the proper lines. There must therefore be a central organization where sufficient funds can be collected, and having its branches in suitable weaving centres. This appears to me to be the proper way to begin, otherwise it is hopeless to expect smaller Societies with a small capital to make any headway.

Having regard to the views above set forth, Nagar Weavers' Union has been started since February last and has commenced work on a moderate scale. Valuable experience is being gained. Nagar District has got about three weaving centres. One at Nagar, another at Bhingar only 2 miles distant, then at Pathardi about 32 miles away and one at Sangamnar about 70 miles from here. All these roughly maintain about 8,000 looms. We have begun to import yarn through the good offices of Mr. Pomfret and we have been trying to popularise new brands of yarn, of good quality. Some of our yarn has cost us more than the market price of other equal brands and is practically lying idle on our hands. It is proposed to use about 12 power looms and an equal number of hand looms with Mr. Pomfret's shuttle attachment to the usual pit looms, with which the weavers are accustomed. Mr. Pomfret has been kind enough to supply a workable unit of these with an oil engine and has sent us the necessary estimates which work up to about Rs. 8,000. Necessary capital is being raised for this purpose. So far there has been a loss, as the yarn is not sold in large quantities and the whole arrangement is not yet in full working order. The progress however is bound to be slow, as it must be on cautious lines.

Speaking of Bhingar, it seems a little strange, that in spite of the Co-operative Credit Society being chiefly for weavers, any material improvement in the state of weavers should not be yet perceptible. The interest charged is 12 per cent. and the loans are limited to small sums, averaging about Rs. 24, repayable usually in six monthly instalments. The experiment there, is also on a small scale and the Society does not deal in yarn or other raw material but only makes cash advances.

At Dharangaon in Khandesh District and Malegaon in Nasik District an attempt is made to start a store and deal both in cash and raw materials for the benefit of the weavers. Here also the uncertainty of obtaining prompt and cheap supplies at the ruling market rates, is hampering a good deal of spade work, and the disposal of yarn so stocked is not found to be always easy. A few bales sold, more often through persuasion or influence, is not the surest way to practical success. Business must be business and must be judged by practical and businesslike results.

G. K. CHITALE.

*Ahmednagar.*

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## APPENDIX XVII.

### *A Plea for an Independent Co-operative Organ.*

An organ for the study and promotion of a special subject is a recognised institution; and, in modern times, it is so much the fashion that any movement without it is lifeless. Did the co-operative movement need an apology for having wished for one? but strangely enough, in this country, things which should come first, come last!

2. Among the usual difficulties anticipated in an undertaking mostly of a literary nature are:—

- (1) That the publication may not arouse and keep up public curiosity.
- (2) That the taste for reading having scarcely enough been cultivated there will be poor chance of circulation.
- (3) That it would be difficult to secure cheap and efficient editing.

3. To the first objection, one may reply in general terms that, if the movement which claims to interpret and shape all the phenomena of life in the ends of justice and equity cannot interest its readers and attract votaries it is hardly worth the ideal it sets to itself. There is however enough of material in the hands of the Registrar and in the Government reports and blue-books to supply a variety of information likely to be of use to the general public and to particular communities and sections in their various pursuits.

4. The second objection is answered by the number of special magazines now in circulation more or less successful.

5. Having for its partisans a number of enlightened people animated by the righteousness of the cause, the co-operative movement should be at no loss to arrange for the editing of the journal. The Registrar may also come to its aid and undertake to edit the journal, inviting and availing himself of occasional contributions from honorary organisers and others interested in co-operation.

6. An idea is dominant in some influential quarters that the Co-operative movement is more or less a means to promote agricultural credit, and it has consequently little else to achieve. This view chiefly comes in the way of any independent effort being made by the movement to establish itself as a separate and distinct science. The New Act, it is true, acknowledges its sphere to be wider than that of Agriculture; but the traditional right of Agriculture to act as its foster-parent often restricts the legitimate ambition of co-operation to fly with its own wings.

7. Dame Agriculture is, no doubt, a kind parent and wishes well. But her over-kindness and too much solicitude restrain the child's freedom and deprive it of a healthy growth.

8. With true filial regard the co-operative movement must here acknowledge its indebtedness for the room generously offered to it in the Agricultural magazine—the *Shetki and Shetkari*—but at the same time it must be confessed that the arrangement is fraught with disadvantages like the following:—

- (1) The space is necessarily limited.
- (2) The entire world of co-operators is not approached.
- (3) That co-operative matter is subordinated to the main theme of the magazine.
- (4) That the gain is incommensurate with the share of costs to be paid.

9. It is understood that the Agricultural magazine expects the Registrar, Co-operative Societies, to buy 250 copies, to undertake the editing of 8 pages added for co-operative matter and also to push its circulation among societies.

10. The question, then, naturally turns upon the financial aspect of an independent publication. It is that which has chiefly deterred the attempt and suggested an inconvenient amalgamation of interests with unequal advantages.

11. The following is an estimate of the cost of publication of 500 copies annually of a monthly journal of 24 pages of the demy octavo size:—

|  | Monthly. |    |    | Yearly. |    |    |
|--|----------|----|----|---------|----|----|
|  | Rs.      | a. | p. | Rs.     | a. | p. |
| 1. Composing and printing @ Rs. 6 per form—<br>[3 forms of 8 pages].         | 18       | 0  | 0  | 216     | 0  | 0  |
| 2. Cost of paper ... ..  | 6        | 0  | 0  | 72      | 0  | 0  |
| 3. Title page and printing, including paper ...                              | 4        | 0  | 0  | 48      | 0  | 0  |
| 4. Binding and stitching ... ..  | 2        | 0  | 0  | 24      | 0  | 0  |
|  | <hr/>    |    |    | <hr/>   |    |    |
|  | 30       | 0  | 0  | 360     | 0  | 0  |
|  | <hr/>    |    |    | <hr/>   |    |    |
| 5. Printing addresses including paper—Com-<br>posing and printing, &c ... .. | .....    |    |    | 25      | 0  | 0  |
| 6. Postage charges @ 3 pies per copy per<br>month ... ..                     |          |    |    | 93      | 12 | 0  |
| 7. Establishment and contingent charges ...                                  |          |    |    | 150     | 0  | 0  |
|  | <hr/>    |    |    | <hr/>   |    |    |
| Roundly say Rs. 630 per year.  |          |    |    | 628     | 12 | 0  |
|  | <hr/>    |    |    | <hr/>   |    |    |

12. Against this estimate may be set down an estimate of probable receipts leaving a small deficit as follows:—

|  |       |
|--|-------|
|  | Rs.   |
| Public subscription for 200 copies at Re. 1 per year post free ... | 200   |
| Advertising fees ... ..  | 75    |
|  | <hr/> |
|  | 275   |
| <i>Add:</i>  |       |
| 250 copies subscribed for by the Registrar, C.C. Societies ...     | 250   |
|  | <hr/> |
|  | 525   |
| Probable cost of publication ... ..                                | 630   |
| Deduct probable receipts ... ..                                    | 525   |
|  | <hr/> |
| Probable deficit ...   | 105   |
|  | <hr/> |

13. The question of printing the journal in the three principal vernaculars is next to be considered. Assuming that the cost of publication and the revenue from circulation is equal, the total deficit is Rs. 105 × 3 = Rs. 315 or say Rs. 400. It is trifling enough for, say, nearly 100 sympathisers and 400 co-operative societies.

14. As circulation increases the cost of publication is relatively small. It will be Rs. 40 per month for 1,000 copies, and proportionately less for 2, 3 or 4 thousand copies as the costs involved are the price of paper and the wages for printing which are not very heavy.

#### WAYS AND MEANS.

15. Assuming, for the sake of argument, that there is a deficit of nearly Rs. 400 a year it would be true co-operation for societies and the body of sympathisers equally to share it. Government has been set down for nearly half the costs and in consideration for other helps usually demanded and cheerfully accorded, viz., the free supply of all government publications, press notes, and blue books, it need not be looked to again for participation in losses.

16. The new Act provides a percentage of profits to be applied by C. C. Societies to the promotion of education and other acts of public utility. Societies could easily be induced to devote a fraction of their educational fund drawn from profits to partly assist this undertaking which is as much in their interests as in those of the public. Unless it is considered too high, it is proposed to set down 1 per cent. on the yearly Reserve fund carried by societies having limited liability; and  $\frac{1}{2}$  per cent. on similar funds carried by unlimited societies as a contribution to what may, for the time being, be called a loss-equalising fund. The balance of the deficit might be made good by voluntary contributions from sympathisers to be drawn upon only to meet losses.

17. The Presidency Conference might temporarily form the co-operative publishing and literary syndicate and as it is thoroughly representative of all the interests concerned in the undertaking, viz., Government, Co-operative Societies, and the public; it may safely be recognised as competent to watch and promote the interests of the three bodies of co-operators and proceed to take steps for extending to co-operation an independent field for pushing its activities far and wide.

18. The idea of a Co-operative Publishing Society is also worth considering. It can develop into a truly business concern having its own resources of capital and revenue from circulation. An outline of such a society is purposely avoided as it is impossible to gauge how far the idea of an independent organ, now pressed somewhat directly, is likely to be received.

K. S. GORE,  
Auditor, C. C. Societies, C. D.

## APPENDIX XVIII.

### *A note on Dharma Nidhis or Co-operative Grain Banks.*

Co-operative credit societies, apart from the numerous benefits conferred upon the people, are inadequate to relieve them in famine years, especially when famines are of frequent occurrence as in the last 15 years. When people contract debt on account of feeding themselves in bad years, it is difficult, sometimes impossible, for them to repay the money thus spent.

A farmer may be able to pay back a loan of Rs. 200 in certain number of years, but he will not be able to save even half the amount during the same period. It is the savkar's demand or the court's decree that forces him to save money which is compulsory economy. To my mind the general practice is "First spend and then save"—not "First save and then spend."

Of late the practice of storing grain is fast disappearing. The cotton-growing area is expanding every year. The farmer reserves his best fields or the best portion of his field for cotton and oil seeds that pay him most; and food grains are exported even in famine years. The result is that he shall have to go to the door of the savkar to borrow grain at an exorbitant rate of interest payable in kind and sometimes in cash. By the combination of all these factors, he brings himself into trouble during famine years.

Co-operative grain bank is one of the remedies to remove or minimise the dangers of famine. At one time, there were public grainaries stored by Government, and the story of Damajipant, a subhedar of Bedar King, is well known among our people, who saved the lives of thousands by distributing grain among them.

The system of grain bank adopted by me in the Almel and Ghutargi Dharma Nidhis is identical with that of Dharma Gola, started by Rai Parvati Shankar Chaudhary, a zamindar in Bengal. The funds consist of donations. The members, *i.e.*, donation givers, retain the right of borrowing grain from the store. On loans 25 per cent. of interest is charged in kind, while the local rates vary from 36 to 100 per cent. The interest returned on loans and the future donations collected in any or every good year are all to swell the quantity of grain in hand. When the maximum limit of quantity of grain required to support the whole village for one year is reached, the committee may convert the excess quantity into money and lend out the same; for land improvement and other necessary requirements useful for the village, such as water-supply, improvement of country roads, village sanitation, etc.

The future good or bad of a crop depends entirely upon the seeds we select. We also intend to select good seeds, store them and lend out the same to the farmers, receiving in return with interest good and selected seeds.

In the Almel Dharma Nidhi, a provision has been made to allot a certain portion of the nett profits towards supplying the members with medicines free of charge.

The business is conducted by its managing committee consisting of five or more members. The banks are not registered as they are in an experimental stage, but every care is taken to keep the accounts regularly. This system is worked partly on co-operative and partly on philanthropic lines. These banks may well be called "The famine insurance grain banks."

There is another system of grain banks known as Thana system. The Thana system is described by Mr. G. G. Desai, M.A., District Deputy Collector, Bijapur, as follows:—

"The subscriptions are collected only once. Savai is of course recovered. The amount of profit earned goes first towards the payment of interest to the subscribers, and the portion remaining after payment of interest serves towards paying back the debt (capital) also to the subscribers. The rate of interest paid to the subscribers is 6½ to 12½ per cent. per annum. In this way the capital debt could be paid off in, say, ten to twelve years at the most. The business may be extended any or every year by inviting fresh subscriptions or rather loans. The grain is sold away when the prices go up during the busy season and bought again when the same are favourable, *i.e.*, low, but it is always stored, during monsoon, and advanced either just before for sowing or during rains for maintenance. The advance is thus made and recovered in kind, and the grain is converted into money and *vice versa* at suitable seasons, in order that each may be readily available when required sometimes owing to sudden and serious fluctuations in prices, the scale of profit goes down considerably or even vanishes altogether, but generally and on the whole the banks work at fair profit and are very useful to the poor, backward and



unthrifty rayats of the Konkon. Up to 1908-09 these banks were managed wholly by official agency in Thana and their success was certainly due mostly to this reason. They cannot be said to be co-operative concerns in any sense, but could very probably be turned into such without any very great difficulty."

I prefer the Dharma Gola system since it is more simple though small in the beginning; nevertheless it is the beginning of a great end.

A dim of idea of such an institution came to my mind long before I knew the Dharma Gola system; but I did not know how to begin the work, until I came across the book Dharma Gola written by the originator of the system of that name. I observed with pain the liberality and carelessness exercised by the farmers in giving basketful of grain to the beggar drones when the grain was made ready in the field for taking home, and thought to myself, that if the improper portion of this kind of leakage is stopped or is made to flow in proper channels, the lot of the producers of grain would be made easier.

The fatalistic and illiterate farmer understands charity better than co-operation. Those who criticise the donation system of collecting grain fail to recognize the mind of the Deccani farmer and forget that he is ever ready to do something more for the next world as he understands it than for this world. For this reason I have chosen to call this kind of grain banks "Dharma Nidhi." This does not mean that it is very easy to start co-operative grain banks of this kind, that contributions flow in very easily. I would have started many such grain banks by this time, had it not been for the ignorance of the masses and the indifference and sometimes antagonism of the upper stratum people, who naturally look askance at such an institution and sigh at the co-operative movement in rural districts.

During famine years the purchasing value of money becomes less and the farmer naturally wishes to borrow grain. If agriculturists are encouraged to start co-operative grain banks, hunger will not dare to enter their houses during the times of scarcity and famine.

I shall be very thankful to the agriculture department, if they let me know the modern methods of storing food grain and also about selection and preservation of seeds.

If we take into consideration the cost of relief work, of gratuitous relief, advances and loans, suspension and remission of land revenue and other consequential difficulties arising out of famine, it is more of necessity than of advantage to start grain banks on the part of Government and people. We have opportunities, but we want men, who, in the truest sense of the word, consider the weal and woe of the people their own.

S. J. DESHMUKH of Almel.

#### APPENDIX XIX.

*Resolutions and decisions of the Provincial Co-operative Conference held in Poona on 29th and 30th August 1912.*

| Subject.   | Resolutions and decisions.   |
|------------|--|
| I ... ..   | Registrar's remarks on subject No. 1 accepted without discussion.  |
| II ... ..  | "The Conference, while approving of the principle that Government loans should not, as a rule, be granted to all Societies that may be started hereafter, is of opinion that in cases where Registrar finds that owing to exceptional circumstances state aid is necessary for a new Society, Government loans should be granted whether the Society be an agricultural or any other class of Society."      |
| III ... .. | Mr. Chitale's paper was recorded.  |
| IV ... ..  | Notes of Sir Vithaldas and of Rao Bahádur A. V. Desai were recorded.   |
| V ... ..   | "The Conference is of opinion that the time has come when efforts should be directed towards the organization of co-operative dairies and other similar enterprises and the Director of Agriculture and the Registrar should grant the necessary facilities."  |
| VI ... ..  | "In the opinion of the Conference, the extended application of co-operative credit to agriculture is calculated to serve efficiently as one of the preventive measures of famine relief; it further recommends that Rural Societies be advised to build up a small Famine Insurance Fund to be invested separately and not to be utilised except in the event of famine or other extraordinary contingency." |

| Subject. | Resolutions and decisions.   |
|----------|--|
| VII ...  | "The Conference is of opinion that the time has not yet come to decide finally how the Reserve Fund should be utilised; and in view of the great divergence of view on this point the question may be postponed."  |
| VIII ... | "The Conference is of opinion that the time has now come in this Presidency when in view of the increase in the number of Societies started the formation of Unions as supervising agencies, in the first instance, should be undertaken by those who are interested in the co-operative organization, specially with the object of promoting knowledge of co-operation, starting new Societies and inspecting and controlling the transactions of affiliated Societies.<br>The Registrar should be requested to frame a set of by-laws for the organization of such Co-operative Unions." |
| IX ...   | Mr. Malji's and Mr. Sane's notes on this subject were recorded.  |
| X ...    | Mr. Herleker's and Mr. Chitale's notes on the subject were recorded without any resolution.  |
| XI ...   | "The subject was referred to a Committee consisting of: -<br>The Hon'ble Sir Vithaldas Thakersey,<br>Mr. R. B. Ewbank,<br>Professor O. V. Muller,<br>The Hon'ble the Chief of Ichalkaranji,<br>Mr. G. K. Deodhar,<br>Mr. K. S. Goré,<br>who should consider the advisability of starting an organ of co-operative subjects and report to the Conference next year."  |
| XII ...  | Ráo Sáhib S. J. Deshmukh's note on the subject was recorded without any resolution.  |
| XIII ... | "In the opinion of the Conference rule 7 of Government Servants' Conduct Rules of 1904 should not be made applicable to Co-operative Societies."   |