

**THE  
BOMBAY PROVINCIAL CO-OPERATIVE BANK LTD.**

(ESTABLISHED IN 1911)

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**ADMINISTRATIVE REPORT**

**1948-49**

**Including Progress Charts, etc.**

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**SIR VITHALDAS D. THACKERSEY MEMORIAL BUILDING,  
9 BAKEHOUSE LANE, FORT,  
BOMBAY.**

# The Bombay Provincial Co-operative Bank, Ltd.

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## ANNUAL REPORT FOR THE YEAR 1948-49

I. **Board of Directors:** The Board consisted of 15 Directors as in the past, 7 representing individual shareholders and 8 representing co-operative institutions. Of these eight Directors, three Directors represented Central Banks of the Province divided into three divisional groups, viz. (i) Maharashtra, (ii) Karnatak, and (iii) Gujerat; two Directors represented Urban Banks of the Province divided into two groups, viz. (i) Karnatak and Maharashtra (including Khandesh, Konkan and the Bombay Suburban District), and (ii) Gujerat and Bombay City and the remaining three Directors represented agricultural societies directly affiliated to the Bank divided into three groups, viz. (i) Satara, Poona and Sholapur districts, (ii) West Khandesh district and Gujerat, and (iii) Ahmednagar, Nasik and Thana districts. The personnel of the Board was the same as in the previous year.

II. **Area of Operation:** The area of operation remained the same as in the previous year except for the additional districts and talukas that were added on account of the merging of Indian States within the Province of Bombay. There were eight districts added to this Province on account of the merger of States. The two Districts in North Gujerat, viz. Banaskantha and Sabarkantha had no co-operative organisations and immediately the States were merged, there was a keen demand for co-operative organisations especially with a view to undertake the distribution of controlled consumers' goods and for providing agricultural credit. Government, therefore, proposed that the Provincial Bank should open Branches in these two new districts to provide finance to co-operative organisations as started. Accordingly at the close of the year under report two Branches were opened, one at Palanpur and another at Himatnagar, which were the headquarters of these two newly formed districts.

Thus, the Bank was directly financing societies in the districts of Satara, Ahmednagar, West Khandesh, Nasik, Thana (excluding Wada and Mokhada Talukas), Kolaba, Kaira, Banaskantha and Sabarkantha, and societies in the talukas of Viramgam, Dhanduka and Ghogo in Ahmedabad District, Godhra in Panchmahals District and Malshiras in Sholapur District.

There were besides some old outstandings of the Bank's dues with a few working societies in Ratnagiri and Dharwar Districts to which no fresh finance was allowed during the year.

III. **Branches of the Bank:** On account of the curtailment of Mahajani credit it was the policy of the Provincial Government to promote institutional agricultural credit through co-operative organisations, and therefore central financing agencies were called upon to open Branches in new areas or co-operatively undeveloped or under-developed areas and Government agreed to grant subsidies to meet deficits for all uneconomic branches, if the business was not sufficiently remunerative to make them self-supporting, in the initial period, provided the branches were opened on the recommendation of the Registrar.

In order to facilitate the provision of agricultural finance and to reduce the delay in the sanctioning of loans, and to provide closer supervision and to reduce the cost to the societies and the borrowers, the Board accepted the policy to open new branches in the areas served by this Bank so as to ensure one branch at each of the taluka headquarters town. Besides a new Branch at Murbad in Thana District and Vita in Satara District, two other new branches, one at Palanpur and another at Himatnagar in the new districts of Banaskantha and Sabarkantha respectively were opened by the Bank during the year under report. On the formation of a Banking Union for Dohad and Jhalod Talukas of Panchmahals District, the Bank's branch at Dohad was closed. At the beginning of the year there were 41 full branches and 12 sub-branches and at the close of the year there were 45 branches and 11 sub-branches of the Bank. Proposals for opening new branches of the Bank in new areas of merged States in the Province, and in the districts of Ahmednagar and Nasik were also under consideration. Out of the total of 45 branches, 34 branches worked with profit while 11 branches were unremunerative and showed a total net deficit of Rs. 22,264-9-5 for which Government subsidy has been claimed.

IV. **Share Capital:** As advances under the constitution can be made only to members of the Bank, a new society applying for loan from the Bank is required to purchase at least one share for being enrolled as a member. As shares cannot be easily secured in the open market and are being quoted at present at a premium of approximately Rs. 35 per share, the Board of Directors decided to allot new shares, one to each of the societies applying for loans, at a premium of Rs. 10 per share for the purpose of affiliation. None of the new shares have been allotted to any individual. The total number of new shares allotted for application purposes to societies during the year under report was 461 as against 292 in the previous year.

- The paid-up share capital of the Bank at the close of the year was Rs. 20,62,250. The following table indicates the growth in the share capital and the number of shareholders, both individuals and co-operative institutions, during the previous 5 years:—

Year.	Share Capital	Individuals.		Co-op. Institutions.	
		No.	No. of shares.	No.	No. of shares.
1944-45	19,95,550	2209	16,364	2392	23,547
1945-46	20,09,050	2412	16,475	2613	23,706
1946-47	20,24,600	2538	16,456	2924	24,036
1947-48	20,39,200	2674	16,435	3219	24,349
1948-49	20,62,250	2694	16,312	3693	24,933

It may be noted that no new share was allotted for membership to any individual after the year 1945-46 but there was no bar to their purchasing shares of the Bank from the open market at the ruling rates. It can be seen from the above table that individual shareholders increased from 2,209 to 2,694 only, while the membership of co-operative societies increased from 2,392 to 3,693 during these five years. Co-operative institutions formed 57.8% of the total membership of the Bank and they held 60.45% of the total share capital on 30th June 1949, as against 54.6% and 59.7% respectively at the end of the previous year.

V. 'B' Class Membership: Besides the ordinary membership of the Bank which is classed in the constitution as 'A' class membership, the Bank under the approval of the Registrar, C.S., constituted 'B' class membership in the year 1939. In order to enable members of agricultural credit societies to obtain loans against gold and silver ornaments or against agricultural produce, through the Branches, persons who were members of societies were admitted as 'B' class members on payment of only an admission fee. This class of membership was later extended to persons who were parties to proceedings under the Bombay Agricultural Debtors' Relief Act, to enable them to obtain loans directly from the Bank for the purpose of raising crops. This 'B' class of membership carries no right to participate in the management or in the distribution of profits of the Bank. The total number of members of 'B' class in these two categories in the previous three years was as under:—

Year.	Members of Agricultural Societies.	Persons who were parties to proceedings under B.A.D.R. Act.
1946-47	405	278
1947-48	604	301
1948-49	752	304

As far as possible persons who were parties to proceedings under the B.A.D.R. Act were encouraged to join the local co-operative societies or the area of operations of a society was extended to neighbouring villages to enable such persons to enrol as members for the purpose of obtaining crop loans.

VI. Working Capital, Reserve and other Funds: The following table indicates the growth in the working capital of the Bank and its various reserves during the past five years:—

(In lakhs of rupees)

ITEMS.	YEARS.				
	30-6-45	30-6-46	30-6-47	30-6-48	30-6-49
Working Capital ...	568.00	732.00	713.00	897.00	1063.00
<b>FUNDS:</b>					
1. Statutory Reserve ...	4.89	5.64	6.35	7.13	8.16
2. Building Reserve ...	1.40	1.40	1.40	1.40	1.49
3. Sinking Fund for Debentures ...	2.56	2.73	2.97	3.07	3.24
4. Reserve for overdue ...	7.01	6.99	6.29	7.18	7.18
5. Reserve for overdue Interest ...	3.67	3.64	3.64	3.64	3.65
6. Other Reserves ...	2.55	3.45	4.30	4.79	5.75
Total ...	22.08	23.85	25.65	27.21	29.38

As will be perceived the working capital of the Bank increased by Rs. 166 lakhs during the year under report and has almost doubled during the last 5 years.

During the year under report Rs. 1,02,544 were added to the Statutory Reserve making a total of Rs. 8.16 lakhs. The Sinking Fund for Debentures has increased from 2.56 lakhs in the year 1944-45 to Rs. 3.24 lakhs in the year under report. The statutory reserve fund together with the building reserve and sinking fund for debentures and other reserves amounted to Rs. 18.55 lakhs on 30th June 1949 as against 16.39 lakhs at the close of the previous year. In view of the large increase in the working capital of the Bank during recent years, the Board have thought it necessary to increase the paid-up capital in order to maintain a proper ratio between the owned resources and the deposit liabilities of the Bank.

VII. Deposit and Loan Liabilities: The following statement gives comparative figures of such liabilities of the Bank at the end of the last five years:—

(In lakhs of rupees)

Particulars.	1944-45	1945-46	1946-47	1947-48	1948-49
<b>FIXED DEPOSITS:</b>					
(i) Societies ...	81.41	111.13	105.59	141.77	64.60
(ii) Individuals ...	59.44	71.79	63.11	78.09	115.30
<b>CURRENT AND SAVINGS DEPOSITS</b>					
(i) Societies ...	151.32	190.78	160.33	232.86	209.38
(ii) Individuals ...	191.38	260.12	260.87	329.50	330.30
Call Deposits ...	...	3.25	2.00	...	19.00
Staff Provident Fund ...	6.26	6.97	6.69	7.52	8.52
Debentures ...	6.50	6.50	6.50	6.50	6.50
Total ...	496.31	650.54	605.09	796.24	753.60

There was an increase in the amount of deposits of individuals, their fixed, savings and current deposits, showing an increase of Rs. 38 lakhs during the year on 30-6-49. Due to the increasing use of funds by co-operative institutions mainly by the central and urban banks in the finance of controlled commodities, especially the distribution of cloth and yarn, entrusted by Government, deposits held from co-operative institutions decreased during the year by 100 lakhs. The total deposits of all kinds held from individuals and societies, therefore, decreased by Rs. 62 lakhs, during the year under report. This decrease in the deposits of societies and co-operative banks mainly took place in the latter half of the year under report.

The following table indicates the trend of demand liabilities as compared to time liabilities excluding Bank's debentures during the past five years. A pre-war figure for 1935-39 is also given to enable comparison with the ratio of demand and time liabilities in the Bank prior to the last war.

(In lakhs of rupees)

Year.	Time.	Demand.	Total.	Ratio.
Pre-war	82	102	184	1 : 1.24
1944-45	141	343	484	1 : 2.43
1945-46	183	451	634	1 : 2.48
1946-47	176	423	599	1 : 2.50
1947-48	227	562	789	1 : 2.55
1948-49	180	537	717	1 : 2.98

As will be seen the proportion of demand to time liabilities has steadily increased during the past five years. If the pre-war figure, i.e. the figure for the year 1935-39, is taken as the basis, the percentage of increase in time, demand and total liabilities of the Bank was respectively 120, 428 and 290.

In order to enable the Bank to provide funds for the increased demand for finance for co-operative purposes without infringing Rule No. 18(a) of the Co-operative Societies Rules, relating to the maintenance of adequate fluid resource, further concessions in the standard made applicable to the Provincial Bank were given by Government. These concessions provided that so long as 40% of the undrawn portion of cloth and yarn credits sanctioned by the Bank to societies did not exceed the amount of the undrawn portion of cloth credit sanctioned by Government, it was not obligatory for the Bank to provide any liquid cover for these unused credit limits. The Bank was also not required to provide any liquid cover for the undrawn portion of credit limits granted against gilt-edged securities to affiliated societies or for the amount drawn from cloth credit of Rs. 2 crores sanctioned to it by Government, as the latter was not to be treated as a demand liability of the Bank. Rule No. 8 of the Bombay Co-operative Societies Rules which originally pro-

vided that the Bank should not incur liabilities exceeding in total 8 times the total amount of its paid-up share capital, accumulated reserve fund and building fund, sinking fund reserves minus accumulated losses, was also amended during the year under review enabling the Bank to raise outside liabilities upto 12 times, and in computing owned resources the Bank was permitted under this amended Rule 8, to include its "reserves for marketing advances, dividend equalisation reserve and its reserves for bad and doubtful debts and overdue interest less actual bad debts" in addition to its statutory reserve, building reserve and sinking fund reserve as provided in the previous Rule No. 8. The provisions of the amended Rules 8 and 18(a) of the Co-operative Societies Rules were observed during the year and at the close of the year under review, in spite of a very large increase in advances to co-operative institutions, the limit prescribed under amended Rule 8 was maintained. The liquid resources held at the end of the year were in excess of those prescribed by the Registrar under the amended Rule 18(a) of the Co-operative Societies Rules.

**VIII. Arrangement for Borrowing:** With the increase in outside liabilities as well as the daily turnover in the business of the Bank, call loan arrangements against gilt-edged securities with the Reserve Bank of India and the Imperial Bank of India were respectively increased to Rs. 1 crore and Rs. 50 lakhs. Arrangements for overdrafts and call loans with other commercial banks remained the same as in the previous year. Arrangements for call loans in case of need, against the re-pledge with the Reserve Bank of India, of gilt-edged securities pledged to the Bank, were also completed during the year, the limit arranged against re-pledge being Rs. 1 crore. Arrangements for the discounting of co-operative paper with the Reserve Bank of India under Sec. 17(4)(c) could not be availed of for the reason that the preliminaries required to be observed could not be satisfied, but the Bank accepted advances to the extent of Rs. 5,00,000 from the Reserve Bank of India for seasonal agricultural operations for affiliated central banks under Sec. 17(2)(b) of the Reserve Bank of India Act.

Due to the pressure of demand for finance required for distribution of cloth and yarn through co-operatives, the Bank had to approach the Provincial Government for accommodation against its general assets and cloth and yarn hypothecated to the Bank. The Government of Bombay accordingly sanctioned a credit limit of Rs. 2 crores at 3½% against the general assets. The entire limit of Rs. 2 crores was fully availed of for a short period of three weeks at the end of the year under review. Except for this limited period the amount utilised out of this credit limit never exceeded Rs. 50 lakhs at any one time.

While the attitude of the Reserve Bank was always helpful the assistance from that institution was restricted by the provisions of the

Reserve Bank of India Act and rules framed thereunder. The question of amendment of the Reserve Bank of India Act, was considered by the Co-operative Sub-Committee appointed by the Government of India on the recommendation of the last Registrars' Conference. It was then urged that the Government of India be moved in the matter to amend the Reserve Bank Act, so as to bring it in line with the present altered conditions both in the Reserve Bank which was now a State Bank, and in Free India in which the movement was called upon to play an ever-increasing part in the financing of agricultural operations, marketing of crops, distribution of controlled commodities and also in the promotion of small-scale and cottage industries.

IX. Fluid Resources and Investment of Surplus Funds: With the Bank undertaking the finance of cloth and yarn distribution, Rule No. 18(a) which prescribed the standard of fluid resource for its liabilities as mentioned in paragraph VII above was relaxed. During the year under report, the standard for maintenance of fluid resource for all co-operative financing agencies was also revised by the Registrar in consultation with the Banks' Association and the Reserve Bank of India. According to this revised standard of fluid resource prescribed by the Registrar under the above Rule, the standard of fluid resource for demand, time and contingent liabilities of the Bank, required to be maintained was 40 per cent, 25 per cent and 25 per cent respectively. This standard was further modified with an additional provision that for fixed deposits maturing after 3 months but within 6 months a standard of only 12½% should be maintained. The total fluid resources required under this amended rule and the revised standard amounted to Rs. 2,83,44,700 while the actual fluid resources held by the Bank on 30th June 1949 were as under:—

	Rs.
(1) Cash on hand	31,58,000
(2) Balance in current account	32,32,800
(3) Demand Bills discounted	23,88,200
(4) 90% of investments in Govt. & Trustee securities	3,47,59,500
Total	4,35,38,500

In addition to this a sum of Rs. 47 lakhs was held in short-term deposits with approved banks.

The average daily cash balance on hand and with the Reserve Bank of India was Rs. 56.41 lakhs against Rs. 47.04 lakhs in the previous year. The market value of the Bank's investments in gilt-edged securities at the close of the year was Rs. 3,91,90,053, their cost Rs. 3,91,56,700 and their face value Rs. 3,88,19,300. The investment figure for the previous year was Rs. 5,04,69,576 and their face value



Rs. 4,99,45,500. In accordance with the policy previously prescribed by the Board, the cost of premium securities was written down by a sum of Rs. 87,526 from the profits of the year before the year's net profits were arrived at and the annual accounts were closed, the object of writing off the cost being that in the respective years of redemption of the securities concerned their book-value be gradually scaled down to their face-value. After scaling down the cost of premium securities as indicated above and after deducting the balance of Rs. 4,48,116 available in security fluctuation account, the net cost of securities held by the Bank at the date of closing of the accounts was Rs. 3,86,21,673 as shown in the Balance Sheet.

**X. Inland Exchange Operations:** The following statement gives an idea of the volume of business transacted at the Head Office as well as the Branches in the number of bills collected in hundreds with the amount in lakhs respectively during the previous five years:—

	1944-45		1945-46		1946-47		1947-48		1948-49	
	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
<b>Head Office :</b>										
1. Drafts issued and Local bills collected. ...	341	799	484	1,159	524	1,172	570	1,490	515	1,465
2. Upcountry bills discounted ..	254	160	364	210	364	292	456	364	470	393
<b>Total</b>	<b>595</b>	<b>959</b>	<b>848</b>	<b>1,369</b>	<b>888</b>	<b>1,464</b>	<b>1,026</b>	<b>1,854</b>	<b>985</b>	<b>1,858</b>
<b>Branches :</b>										
1. Drafts issued and local bills collected	1,099	938	1,150	1,100	1,500	1,644	1,543	1,775	1,628	2,041
2. Upcountry Bills discounted ...	503	806	613	1,029	652	1,134	729	1,227	754	1,435
<b>Total</b>	<b>1,602</b>	<b>1,744</b>	<b>1,763</b>	<b>2,129</b>	<b>2,152</b>	<b>2,778</b>	<b>2,272</b>	<b>3,002</b>	<b>2,392</b>	<b>3,476</b>
<b>Grand Total</b>	<b>2,197</b>	<b>2,703</b>	<b>2,611</b>	<b>3,498</b>	<b>3,040</b>	<b>4,242</b>	<b>3,298</b>	<b>4,856</b>	<b>3,367</b>	<b>5,334</b>

It may be seen that the total volume of this business has steadily increased during the past five years, both at the Branches and at the Head Office. It may be noted that the business at the Head Office slightly decreased during the year as compared to the previous year; but taking into consideration the volume of this business both at the Head Office and at Branches it increased by 9.8% during the year under volume of business as against 61.8% during the previous year.

The facility for free remittance of funds given by the Reserve Bank of India between the branches and the Head Office of the Bank was

similar to that enjoyed by scheduled banks except that in the matter of the Provincial Bank, District Central Co-operative Banks were treated as the branches of this Bank. In accordance with this arrangement, a total sum of Rs. 346.13 lakhs was remitted free of charge during the year by our branches to our Head Office. Some of the District Central Co-operative Banks also availed of this arrangement for remittances free of charge through the Reserve Bank of India for credit to their account with this Bank at Bombay.

The inter-branch remittances during the year, in addition to remittances to Head Office through the Reserve Bank, amounted to about Rs. 10 crores, being surplus funds remitted to neighbouring branches or amounts drawn from branches to meet daily cash requirements. These cash remittances between branches were fully insured and the total insurance premium paid during the year amounted to Rs. 10,876-4-0.

**XI. Bankers' Clearing House:** The Bank is a member of the Bombay Bankers' Clearing House and continued to act as the clearing agent for 14 local Co-operative Banks as its sub-members during the year under review. The following statement gives the details of the number of such clearing members and the volume of business transacted by the Bank through the clearing, during the previous five years:—

Particulars.	Y E A R				
	1944-45	1945-46	1946-47	1947-48	1948-49
No. of Sub-members ... ..	15	15	15	15	14
No. of cheques cleared per day ... ..	893	1,016	1,304	1,042	1,015
No. of cheques cleared by other banks on this Bank, per day ... ..	930	1,045	1,120	1,237	1,286

It can be seen that during the last five years this business has substantially increased. The total number of co-operative institutions for whom the Bank acted as clearing agent was reduced from 15 in the previous year to 14 during the year under review as the Bank of Maharashtra Ltd., a Commercial Bank, was requested to have its clearing arrangement through some commercial bank instead of through this Bank.

**XII. Average Borrowing and Lending Rates:** The following table gives the average borrowing and lending rates of the Bank and the percentage of its management expenses in relation to its total deposit liabilities during the past five years:—

Particulars.	1944-45 %	1945-46 %	1946-47 %	1947-48 %	1948-49 %
1. Average borrowing rate for deposits and loans ...	0.86	0.67	0.80	0.72	1.09
2. Management expenses to deposit liabilities (%) ...	1.41	1.23	1.33	1.41	1.36
3. Net cost of borrowed funds (%) including management expenses ...	2.27	1.90	2.13	2.13	2.45

It will be seen from this table that during the year under report the average borrowing rate of deposits and loans increased from 0.72% to 1.09% mainly because the Bank had to secure funds at a very high rate of interest from Government to finance the cloth and yarn distribution work undertaken by Co-operatives. Though the ratio of cost of management to deposits shows a slight reduction due to increase in deposits and loans borrowed, the actual expenses of management increased much over the previous years as would be seen from the Profit and Loss Account published with the Balance Sheet of the Bank.

### XIII. Advances:

1. **Primary Land Mortgage Banks:** Before the Bombay Provincial Co-operative Land Mortgage Bank was organised in the year 1936, there were three primary land mortgage banks, one in each of the three linguistic divisions of the Province. These institutions were then financed by the Bank direct. The following statement gives the details about the dues of the Bank still outstanding out of their advances including principal and interest in two of these banks, viz. the Dharwar and Pachora Land Mortgage Banks, the Broach Land Mortgage Bank having paid up its dues as early as 1943.

	1944-45		1945-46		1946-47		1947-48		1948-49	
	Pr.	Int.	Pr.	Int.	Pr.	Int.	Pr.	Int.	Pr.	Int.
1. Dharwar ...	21,689	15,842	16,778	15,156	16,778	16,205	14,748	16,880	13,473	17,480
2. Pachora ...	15,335	4,853	13,238	4,522	13,238	5,328	9,529	4,336	9,529	4,622
	<u>37,024</u>	<u>20,695</u>	<u>30,016</u>	<u>19,678</u>	<u>30,016</u>	<u>21,533</u>	<u>24,277</u>	<u>21,246</u>	<u>23,002</u>	<u>22,111</u>

As will be seen from the above table, there was a substantial recovery in the previous year as the total dues from both these banks were reduced from Rs. 30,016 to Rs. 24,277, but during the year under review the reduction was only from Rs. 24,277 to Rs. 23,002 as the Dharwar Bank alone repaid dues to the extent of Rs. 1,275. There were no repayments of interest due, during the year under report. In addition to the above a sum of Rs. 4,770 was also due from the Pachora Bank, which

sum was advanced about 12 years ago for meeting its management expenses in the initial stage.

2. **Land Improvement Loans:** Land Improvement Loans were advanced to co-operative societies by the Bank in the past, out of the funds placed at its disposal by the Bombay Government under Land Improvement Loans Rules, 1922. In the year under review only two societies were indebted to the Bank under this account to the extent of Rs. 4,232 as against Rs. 5,122 in the previous year, Rs. 890 having been repaid during the year by one society in Satara District. The question of the other society which is in Dharwar District is under consideration for compromise at present.

The following statement gives an idea of repayments received under this head during the past five years.

Year.	Balance at the close of the year.		
			Rs.
1944-45	...	...	19,536
1945-46	...	...	14,796
1946-47	...	...	5,122
1947-48	...	...	5,122
1948-49	...	...	4,232

3. **Long-Term Loans:** These advances were made in the past for redemption of old debts and for land improvement to members of Primary Co-operative Societies. With the establishment of the Provincial and the Primary Land Mortgage Banks, the Bank ceased to advance long-term loans of this type, which are now provided by the Land Mortgage Banks. Small intermediate-term loans for productive purposes for a period of not more than three years are occasionally sanctioned by the Bank to members of affiliated societies. This year, however, no such advances were made and the outstanding commitments represented the balances of old advances. The following statement gives an idea of the repayments received under this head during the last five years:—

Year.	Balance at the close of the year.		
			Rs.
1944-45	...	...	80,851
1945-46	...	...	69,504
1946-47	...	...	26,205
1947-48	...	...	19,286
1948-49	...	...	14,760

Liberal concessions in interest and remissions even in principal were allowed by the Bank to the societies and by the societies to their members, which secured substantial repayments in the years 1944-45, 1945-46 and 1946-47.

The present outstandings under this head are due from bad defaulters against whom awards have been obtained and are under execution.

Hence the same progress in repayments has not been maintained as in the previous years though attempts are not spared to accelerate repayments.

4. **Societies in Liquidation:** The following statement gives the progress of recoveries from societies in liquidation during the past five years:—

Years.	No. of societies in liquidation and loans outstanding at the beginning of the year.		No. and amount due from societies cancelled during the year.		Repayments received during the year.		Balance at the close of the year.	
	No.	Amount.	No.	Amount.	No.	Amount.	No.	Amount.
1944-45	169	10,23,029	1	2,351	32	*4,25,230	135	6,00,510
1945-46	138	6,00,150	7	30,974	7	82,584	138	5,48,540
1946-47	138	5,48,540	4	51,711	7	46,105	135	5,54,146
1947-48	135	5,54,146	1	6,353	16	36,711	120	5,23,788
1948-49	120	5,23,788	4	10,875	10	51,448	114	4,83,215

\* This includes 19 societies in liquidation with total outstandings of Rs. 1,95,582 transferred to the Poona District Central Bank consequent on the transfer of the Baramati area from our charge to that Bank.

At the commencement of the year, Rs. 5,23,788 were due with 120 liquidated societies which included the Nasik and Kaira District Central Co-operative Banks. During the year under report 4 societies with total outstandings of Rs. 10,875 were added and recoveries to the extent of Rs. 51,448 from 10 societies were effected. Thus at the close of the year Rs. 4,83,215 were due from 114 liquidated societies. It may be noted that substantial recoveries were effected from liquidated societies during the year under report as compared with the previous year and ten societies cleared their dues during the year.

Interest after the date of liquidation of Rs. 900 only was recovered from two societies. In the previous year Rs. 1,945 were recovered in interest from seven societies.

As will be seen from the above table the progress of recoveries from liquidated societies is not satisfactory. The main reason is that the present outstandings in most of the societies are due from members having practically no assets or are from defaulters against whom legal proceedings are in progress. The lands taken over in the process of execution of awards and liquidation orders could not in some cases be sold or reconveyed to the original owners, due mainly to their inability to settle their accounts. The alternative left to stimulate recoveries is by granting remissions in interest due and in principal where necessary in order to compromise and settle long-standing dues or protracted cases of default. The lands taken in possession in execution proceedings are as a rule

reconveyed to the original owners if payment is available in cash in lump or by instalments.

Another important reason for the poor recoveries from liquidated societies is that out of 114 societies in liquidation at present, 89 societies with total outstandings of Rs. 3,15,569, representing 65.3% of the total dues from liquidated societies, are in liquidation prior to the year 1941. As the agricultural depression had adversely affected agricultural economy prior to the Second World War there was an abnormal prolongation in liquidation proceedings. Special steps are now necessary to accelerate recoveries from these members by directing the recovery staff to devote special attention to all such old cases where coercive measures have failed and proceedings unduly prolonged and where very large amounts are involved, to transfer the lands under Section 59(A) of the Bombay Co-operative Societies Act. Otherwise most of these dues are likely to prove irrecoverable when the agricultural prices again fall. The societies responsible for these heavy accumulation of dues are concentrated mostly in the districts of Dharwar, Ahmednagar, West Khandesh, Thana and Kaira.

In addition to the inspectorial staff of the Bank acting as official liquidators of such societies there were two full-time Government officers and about 20 part-time Government officers to whom these liquidation proceedings were entrusted. The number of societies for which the Bank's Inspectorial staff acted as liquidators was 154 out of the total number of 191 societies in liquidation. Out of these, 71 societies were in debt to the Bank on account of accumulated interest only, after the date of their liquidation. This amounted to Rs. 3,15,010.

5. **Ordinary Short-Term Agricultural Loans:** A statement is given below showing the details of the total number of Co-operative Credit and Multi-purpose Societies financed by the Bank in the past five years:—

Year.	Stys. at the beginning of the year.			New Stys. organised during the year.			Stye. cancelled during the year.			Total Stys. at the close of the year.		
	Cr.	M. P.	Total.	Cr.	M. P.	Total.	Cr.	M. P.	Total.	Cr.	M. P.	Total.
1944-45	983	18	1,001	67	19	86	1	...	1	1,049	37	1,086
1945-46	1,049	37	1,086	87	20	107	7	...	7	1,129	57	1,186
1946-47	1,129	57	1,186	134	53	187	3	...	3	1,260	110	1,370
1947-48	1,260	110	1,370	48	19	67	1	...	1	1,295	141	1,436
1948-49	1,295	141	1,436	43	73	116	3	...	3	1,264	285	1,549

As will be seen from the above, during the period of the past five years Co-operative Societies to whom short-term finance was provided by the Bank directly, increased by nearly 50%. Until the outbreak of the last war, co-operative movement in the Province was mainly a credit

movement. The situation created by the war glaringly brought to the surface the fact that the supply of credit touched only one aspect of the life of the cultivator and distribution and supply to them of essential commodities and consumer goods was, equally if not more important, for the stability of the rural economy. Multi-purpose societies were therefore organised in large numbers for undertaking all activities affecting the daily life and business of the agriculturist. During the course of the past five years the number of Multi-purpose societies to which the Bank provided finance directly increased from 37 to 285.

It may be noted that not only the total number of credit and multi-purpose societies increased during the period but their turn-over also substantially increased. The following statement gives the details of the turn-over and the amount due at the end of each of the past five years:—

(In lakhs of rupees)

Year.	Opening balance.	Advances made during the year.	Repayments made during the year.	Closing balance.
1944-45 ...	26.55	36.95	33.54	29.96
1945-46 ...	29.96	38.64	38.60	30.00
1946-47 ...	30.00	50.39	42.65	37.74
1947-48 ...	37.74	50.05	50.69	37.10
1948-49 ...	37.10	68.98	54.19	51.89

Thus it can be seen that the total outstandings of the Bank with societies have increased by nearly 70% during the past five years.

With the increase in the number of societies, the turn-over and the total finance provided, the amount remaining in arrears from societies increased at the end of each year under report. A table is given below showing the number of societies together with the amount in arrears from them at the end of each of the past five years.

Year.	Authorised arrears.		Unauthorised arrears.		Overdue interest.	
	No. of Stys.	Amount.	No. of Stys.	Amount.	No. of Stys.	Amount.
1944-45 ...	71	1,00,382	167	2,66,736	10	9,174
1945-46 ...	75	49,056	185	2,73,462	34	7,666
1946-47 ...	97	82,256	267	3,31,356	33	8,161
1947-48 ...	15	9,303	231	3,59,058	45	9,951
1948-49 ...	43	1,20,084	249	5,36,674	37	7,004

Thus, it can be seen that the total authorised arrears were only 9,303 with 15 societies at the end of the previous year while at the end of the year under review these increased to Rs. 1,20,084 with 43 societies. This increase was mainly due to the famine conditions in Gujarat as the total arrears in Gujarat alone in the year under report were

Rs. 1,19,703. Unauthorised arrears also increased from Rs. 3,59,038 to Rs. 5,36,674 in the year under report for the same reason. In Gujarat alone, there were unauthorised arrears of Rs. 1,52,636 some of which were subsequently granted extension till the next harvesting season, due to the complete failure of crops in certain areas like Viramgam and Dhandhuka and a partial failure of crops in parts of Nasik and Nagar Districts. However, it may be noted that overdue interest decreased during the year under report from 9,951 with 45 societies to 7,004 with 37 societies.

It may be observed from the following statement that there has been a marked improvement in the audit classification of societies financed by the Bank in the past five years.

Year.	A		B		C		D		All	
	No. of stys.	% of dues.	% of stys.	% of dues.	% of stys.	% of dues.	% of stys.	% of dues.	%	%
1944-45	18	18	40	61	21	12	14	9	100	100
1945-46	17	36	55	50	17	10	11	4	100	100
1946-47	17	37	55	49	19	8	9	6	100	100
1947-48	20	23	55	54	18	7	7	6	100	100
1948-49	19	48	64	47	12	3	5	2	100	100

It can be seen that the percentage of C and D class societies has been reduced from 21 per cent to 12 per cent and 14 per cent to 5 per cent during the course of the past five years. This improvement is mainly due to the effects of the last war as the financial position of the societies improved owing to the ruling high prices of agricultural produce and the increased employment during the war period. The position with regard to overdues, which was a disquieting feature of the movement previous to the war, showed a substantial improvement after the war. The progress of recoveries improved during the period under review due to the conditions created by the war with the consequent increase in the income of the agriculturist and his repaying capacity. As a consequence co-operative advances were less frozen in this period than before.

XIV. Rate of Interest: At the beginning of the year the usual rate of interest on advances charged to societies with no arrears was  $4\frac{1}{2}\%$ ; to societies with authorised arrears the rate was  $5\%$ , and to societies with unauthorised arrears the rate was  $5\frac{1}{2}\%$ . The Nanavati Committee recommended that with a view to enable the primary co-operative society to advance funds to its members at  $6\frac{1}{4}\%$ , the central financing agency should make funds available to primaries for agricultural operations and raising of crops of members, at interest not exceeding  $4\%$ . Accordingly the Board of Directors reduced the rate of



interest on short-term loans (for agricultural purposes) including crop loans to 4% per annum with effect from 1st January 1949, provided the society concerned was not in arrears to the Bank. A society having unauthorised arrears was charged 4½% from this date on total outstandings from the date of default till its arrears were cleared.

XV. **Famine Finance:** The following statement gives the position of this type of finance, provided by the Bank during the past five years:—

Year.	Opening Balance.	Advances.	Repayments.	Balance at the close of the year.	
				No. of Societies	—
1944-45	25,607	....	16,827	24	8,780
1945-46	8,780	....	3,085	7	5,695
1946-47	5,695	22,650	11,767	15	16,578
1947-48	16,578	....	9,065	14	7,513
1948-49	7,513	6,921	8,053	5	6,381

During the past five years there were two years in which advances of loans of this type were necessary, one in the year 1946-47 and the other during the year under report. In the year 1946-47 there was famine in Satara and Ahmednagar Districts and Rs. 22,650 were advanced for this purpose to societies affected.

XVI. **Crop Finance:** The Bombay Agricultural Debtors' Relief Act was made applicable in 1942 to a few Talukas in the Province, and gradually extended till in 1946-47 it was made applicable to the whole of the Province. Such finance was made available by the Bank to members of agricultural credit societies in its jurisdiction who were parties to proceedings under the Bombay Agricultural Debtors' Relief Act. The rate of interest on this type of finance to co-operative societies was 4½% till 31-12-1948, it having been reduced to 4% from that date. Government guarantee losses in such finance to the extent of 5% of the total crop finance provided by Co-operative Banks to societies and to individual 'B' class members. As there was no clear indication in the two Government Resolutions Nos. 10670/39 of 8-9-44 and 4th November 1944 of the period for which this guarantee of 5% continued, a reference was made by the Banks' Association through the Registrar of Co-operative Societies. In reply, Government have informed that although no time-limit was originally fixed for the guarantee, it was the desire of the present Government to have the position reviewed at short intervals and directed that orders contained in the above two Government Resolutions should remain in force only till 31-3-1951. Government also directed that a reference for reviewing the position should be again made in January 1951.

The following statement gives the position of advances, repayments and outstanding of crop loans advanced to ~~adjusted debtors~~ <sup>applicants under the</sup> during the past 5 years:—

Year.	Opening Balance.		Advanced during the year.	Repayments during the year.	Closing Balance.	
	No. of stys.	Amount.	Amount.	Amount.	No. of stys.	Amount
1944-45	.....	.....	.....	.....	.....	.....
1945-46	64	42,844	42,844	.....	64	42,844
1946-47	64	42,844	7,26,522	3,31,706	387	4,37,660
1947-48	387	4,37,660	17,34,318	7,80,138	896	13,91,840
1948-49	896	13,91,840	28,93,328	21,42,554	1137	21,42,614

It can be seen that the total crop loans advanced to ~~adjusted debtors~~ <sup>applicants under the</sup> increased from Rs. 42,844 in 64 societies in 1945-46, to Rs. 21,42,614 in 1,137 societies in 1948-49. Out of these crop loan advances Rs. 2,48,600 were overdue. Attempts were made to secure prompt repayments of crop loans on the harvesting of crops. In a few cases under report, however, the defaulters evaded payment and there was delay either in obtaining certificates under Sec. 54-A, certifying the dues as arrears of Land Revenue, or to get these certificates executed through the special recovery staff. It is urged that the Asst. Registrars and the special recovery staff should deal with defaults of crop loans more expeditiously than in the case of defaults of ordinary loans by members of societies, in order to avoid future defaults and to secure prompt repayment. The charge on the crops under Sec. 77 of the Bombay Agricultural Debtors' Relief Act and the Co-operative Societies Act in the case of a wilful default by a member, must remain ineffective.

XVII. **Central Financing Agencies:** Advances to Central Banks are usually made by the Bank either as overdraft against their Government and other Trustee Securities or as credit limits secured against co-operative paper or other authorised securities, or on hypothecation of goods, if any, or pledge of fixed deposits in the Bank. During the year under report 18 co-operative central financing institutions were provided finance by the Bank including 2 apex co-operative financing institutions of other provinces. To financing institutions of other provinces which were members of the Bank accommodation was granted only against gilt-edged securities with adequate margin. Overdrafts against gilt-edged securities sanctioned to Central Financing Agencies aggregated to Rs. 144 lakhs and the amount utilised by them at the close of the year from this was Rs. 41.21 lakhs. The amount due against gilt-edged securities increased by over Rs. 47 lakhs, during the year under report mainly due to the fact that the Central Financing Agencies of the province availed of this facility for financing the distribution of cloth and yarn undertaken by them or by their affiliated societies.

Loans against fixed deposits were granted to two central banks to the extent of Rs. 2.95 lakhs which were fully repaid before the close of the year under report.

XVIII. Accommodation from the Reserve Bank of India: During the year under review the Reserve Bank further extended facilities for accommodation to co-operative institutions by simplifying its procedure and arrangements for providing such loans and credits. Under its revised procedure Central Financing Agencies can now obtain finance against Pro-Notes maturing within 3 months or 9 months to the extent of advances made by them for agricultural operations and marketing of crops upto the limit of their credit assessed by the Reserve Bank once in September each year; through the Provincial Bank @ 2% per annum. The four main conditions required to be satisfied are that the Central Bank claiming accommodation should either be in A or B class, the Provincial Bank through which the application is received should be on the approved list of the Reserve Bank of India, the funds obtained should represent or be utilised only for current agricultural finance or the Marketing of crops of members of societies and the advantage of the cheap rate at which funds are made available should be passed on to the ultimate borrowers irrespective of their arrears or default. In pursuance of the discussions with the authorities of the Reserve Bank of India, Central Financing Agencies were advised during the year to apply to the Reserve Bank of India, for financial accommodation in terms of these arrangements, in order to reduce the pressure on the resources of the Provincial Bank. Accordingly 9 Central Banks and Banking Unions applied for limits aggregating to Rs. 73 lakhs but only the Broach Central Co-operative Bank actually availed of this facility to the extent of Rs. 5 lakhs before the close of the year under review.

XIX. Urban Co-operative Banks: Financial accommodation is generally made available to Urban Banks of the province against two types of securities, viz. (1) against gilt-edged or other approved securities or against the hypothecation of goods if any available. The following statement gives the details of the advances made to Urban Banks during the past five years:—

(In lakhs of rupees)

Year.	Against authorised securities.			Against hypothecation of goods.		
	No. of Banks	Credit sanctioned.	Outstanding at the end of the year.	No. of Banks.	Credit sanctioned.	Outstanding at the end of the year.
1944-45	38	47.35	2.56	16	3.26	1.46
1945-46	61	89.63	5.19	17	9.35	6.70
1946-47	71	101.70	18.72	19	6.36	3.06
1947-48	93	82.09	19.47	17	6.17	3.54
1948-49	107	101.05	30.53	16	11.79	7.27

It may be noted that advances to Urban Banks increased during the year from Rs. 23.01 lakhs due from 93 institutions to Rs. 37.8 lakhs due from 107 institutions. This increase was mainly due to several Urban Banks having undertaken the work of distribution of cloth or yarn in their respective areas.

In addition to the advances against gilt-edged and other approved securities and hypothecation of goods, clean cash credits secured against general assets were also sanctioned to Urban Co-operative Banks, to facilitate exchange business. No such advances were however sanctioned to serve purely as fluid resources. The following table gives details of the credit limits and loans sanctioned for this purpose and the outstanding balance during the past five years:—

Year.	Fixed loans against trustee securities.			Fixed loans against fixed deposits.			Clean credits against General Assets.		
	No. of Stys.	Limits.	Out-stand-ings.	No. of Stys.	Limits.	Out-stand-ings.	No. of Stys.	Limits.	Out-stand-ings.
1944-45 ...	12	8.92	1.12	2	0.83	0.25	24	3.78	1.61
1945-46 ...	6	15.00	6.80	2	0.85	.....	37	10.15	1.74
1946-47 ...	6	21.00	2.02	8	4.11	1.01	40	15.90	2.92
1947-48 ...	3	1.53	0.25	8	5.46	3.35	49	15.67	4.19
1948-49 ...	...	.....	.....	19	6.28	4.17	39	15.09	10.84

XX. Industrial Associations: In mofussil towns and villages small-scale industries play a vital part in our rural economy, accounting for a substantial part of employment, both whole-time for artisans and subsidiary employment for agriculturists. The need to protect and develop the cottage or small-scale industries, in order to ensure subsidiary occupation for agriculturists and employment in mofussil towns, against competition from large-scale industries in cities has long been recognised by co-operative financing institutions. Formation of new industrial co-operative societies had often therefore been advocated as one of the most suitable methods to achieve this object. Early attempts made in this direction, however, were not very successful due partly to the fact that co-operative societies for artisans were then little more than credit societies the most important of these industries, viz. Handloom Weaving, being in a languishing condition before the last war. The general condition of the weaving industry was far from satisfactory even during the early years of the last war, but later due to the stoppage of imports as a consequence of war conditions and increased requirements of textile products, necessitated the fullest exploitation of all avenues of production with the result that large war orders were placed for execution with small-scale industries and a great impetus given not only to the cottage handloom industry but to the other small-scale rural industries in general.

The Government of Bombay evinced a keen interest in the revival of small-scale and cottage industries and set up a separate department

under a Joint Registrar for the development of Industrial Co-operatives and Village Industries giving substantial financial assistance by way of loans and subsidies for the establishment or development of various types of industrial co-operatives specially oilmen's societies and tanners' societies. Government directly encouraged their organisation and placed at the disposal of the Provincial Co-operative Industrial Association, substantial grants for promotional activities. District Industrial Associations were also formed to assist and direct the various types of primary industrial co-operatives under the direction of the Provincial Association. It was in conformity with the Government's general policy that when controls were imposed on cloth and yarn, the work of retail and wholesale distribution of yarn was entrusted mostly to the Provincial and District Industrial Co-operative Associations. Where these Associations were found unable to provide adequate margin for securing advances from the Provincial or District Banks for distribution of yarn to weavers, Government provided the required guarantee of margin. Besides the weaving industry, various other types of industrial societies were organised on co-operative basis specially, the leather tanning and manufacturing industry and ghani oil industry, rope-making industry, etc. The Harijan community engaged in many of these rural small-scale or cottage industries are as is well known, generally illiterate, ill-organised and heavily in debt. Government also issued a directive to organise the adivasis and the backward peoples for industrial co-operatives and extended special concessions to such organisations. The ghani oil industry also received particular attention in this province. Preliminary surveys carried out indicated that this industry required to be reorganised and supported if it was to be saved from total extinction due to the competition of large-scale oil mills of towns and cities. With this object, Government on one hand, discouraged the establishment of new oil mills in the province and on the other granted financial and other assistance for the formation of co-operative societies for oilmen.

During the year under review the Bank sanctioned cash credits to 90 industrial co-operative institutions of different types. Out of these co-operative industrial associations, 49 were weavers' societies, 14 were leather tanning and manufacturing societies, 6 were oil ghani co-operative societies and the remaining 21 were various other types of industrial societies. The following table gives an idea of the total volume of finance required by them during the year under report in comparison with the advances made in the previous four years.

(In lakhs of rupees)

Year.	No. of co-op. institutions financed.	Total limits sanctioned.	Drawings at the close of the year.
1944-45	21	4.34	1.99
1945-46	35	9.07	1.09
1946-47	50	10.97	3.53
1947-48	66	18.71	7.11
1948-49	90	24.50	11.64

It will be observed that during the year under report advances to industrial co-operatives increased by 60%. The reason was that Government endorsed and acted on the recommendation of the Economic Programme Committee that industries producing articles of food and clothing and other consumer goods should as far as possible be developed and run on co-operative lines. Out of these advances, Government guaranteed margins of 25% for 2 oilmen's societies to the extent of Rs. 47,580 and of 40% to the extent of Rs. 86,000 in the case of nine Forest Labour Societies.

XXI. **Forest Labour Societies:** The Provincial Government having recognised the necessity to encourage the organisation of labour and development of small-scale industries on co-operative basis, with a view to put a stop to the exploitation of labour, had decided in the previous year to organise co-operative societies for the adivasi forest labourers in the Konkan forest regions. Most of these newly formed societies conducted their operations under the supervision of some recognised social worker or some social service institution working for the uplift of the adivasis and other equally backward communities. The Forest Department entrusted a certain number of forest coupes to these societies at a Government fixed upset price instead of putting the coupes to auction to realise the highest price. As these societies consisted of poor and backward communities, they were unable to collect sufficient share capital to work up the coupes and pay the upset price. In order to enable the forest labourers' co-operative societies to secure the required funds for the purpose of working the forest coupes allotted to them, Government agreed to guarantee a margin of 40% on the total loans advanced by the financing agency for the year ending 30th June 1949. Government have since (through the Joint Registrar for Industrial Co-operatives and Village Industries) adopted a policy of expansion of such societies in the Province. In the previous year, only one society was financed to the extent of Rs. 10,000; but, during the year under report, 14 societies were sanctioned cash credits to the extent of Rs. 2,91,800. The total amount drawn as on 30th June 1949 from the credits was Rs. 1,95,700. The main object of these societies is to conserve their profits earned in the forest contracts to build up their reserves, to utilise a portion of the income for common good of the community and to ensure a fair wage to the labourers. It is expected that such organisations, if properly and efficiently managed, will educate the forest labourers in the proper exploitation of forest products and make them conscious of the need for a scientific development of this important natural asset of the province, which fact has so far been overlooked both by the individual forest contractor and the forest labourer.

XXII. As has been stated above, besides the co-operative industrial societies for weavers, tanners and oil-crushers, there were 21 societies

for other types of industries which were also financed by the Bank. These societies covered almost all the indigenous village industries such as carpentry, hardware industry, fishery, dairy and others. There was one society organised in the City of Bombay which cannot be classified in the above categories and which is unique by itself and it is the Light Industrial Co-operative Society. This is a society of about 20 enthusiastic technicians in different industries with a share capital of Rs. 18,230. Government have sanctioned a loan of Rs. 17,000 for the purchase of machinery. The Bank has also sanctioned a cash credit of Rs. 20,000 for the purchase of raw materials required for the society. The Society manufactures machinery spare parts and other mechanical goods such as brass and iron goods like emery and buff machines, electric laundry iron, couplings, nozzles, etc., and rubber goods such as morris rings, cover rings, bushings, valves, washers, etc., ebonite and fibre goods such as basin washers, rings, etc., and leather goods such as ram rings, water pump hand gloves, etc. The main object of the society is to substitute co-operation in place of competition and transform a warring field between capital and the consuming public on the one hand and between employers and employees on the other, into a sphere of public activity in which technical labour could combine to render common service to the community as a whole at a fair price.

**XXIII. Co-operative Marketing and Supply Organisations:** Since 1939, marketing societies have come to play an increasingly important part in the rural economy of the Province. In view of the application of the Bombay Agricultural Debtors' Relief Act to the whole of the Province, the marketing societies have to play their part in the disposal of the produce of those to whom crop loans are allowed by co-operative societies. A greater and more effective effort to link up credit with marketing has yet to be attempted to have the desired effect and facilitate provisions of prompt and adequate agricultural finance to creditworthy borrowers. The Bombay Provincial Co-operative Marketing Society was formed in 1941 to provide a central agency for marketing products consigned from mofussil centres and with a view to co-ordinate the activities of industrial societies. Due to war-time difficulties, restrictions and procurement of foodgrains by Government, the Society could not do very much in fulfilling its objects beyond establishing contacts with the co-operative organisations in the districts. It, however, acted successfully as a central agency for the distribution of rationed articles to consumers' stores for retail distribution in the mofussil.

The main objects in organising marketing societies in this province were (i) to strengthen the farmers' position as sellers; (ii) to assure them a regular market for their produce; and (iii) to enable them to obtain better price. Due to war-time difficulties as enumerated elsewhere and due to Government policy to entrust the work of distribution and supply of rationed and controlled commodities to co-operative organisations, co-

operative marketing institutions, in addition to their normal work of sale of agricultural produce, acted as wholesale and retail distributors for various controlled commodities and finance was provided by the Bank to the purchase and sale societies and other co-operative marketing institutions mainly for these purposes. The following table gives an idea of the different types of co-operative institutions carrying out marketing operations and the finance provided by the Bank for this purpose during the previous five years:—

Year.	Purchase & Sale Stys.			Credit & Multi-purpose Stys			Consumers' Stores.		
	No.	Credit limits.	Closing Balance.	No.	Credit limits.	Closing Balance.	No.	Credit limits.	Closing Balance.
1944-45	77	42.82	28.24	132	7.00	2.84	32	6.76	12.65
1945-46	106	59.04	21.98	316	11.00	4.73	70	12.43	5.25
1946-47	113	65.14	31.45	360	20.79	9.90	81	17.76	5.74
1947-48	153	83.04	21.95	239	19.29	5.99	103	34.08	8.30
1948-49	113	46.31	19.25	213	16.79	6.59	112	26.84	6.92

As compared with the previous year's figures, the number of co-operative societies handling distribution work was reduced during the year. In the previous year, 495 institutions were allowed cash credits to the extent of Rs. 136.41 lakhs. During the year under report, 438 societies were sanctioned cash credits for this purpose to the extent of Rs. 89.94 lakhs. The main reason for this reduction in the number of borrowing societies for this purpose was that a substantial number of purchase and sale unions did not avail of any cash credit facilities from the Bank. The number of multi-purpose societies handling this type of business was also reduced. This was mainly because a number of ration and cheap grain shops managed by co-operative societies in the districts were closed due to the want of adequate and sufficient business. It is expected that after the present controls are removed these co-operative marketing institutions, with the experience they have gathered, will help agriculturists, who lack education and marketing knowledge, to free themselves from the middlemen in future.

XXIV. Cloth Distribution Work: One important feature during the year under report was that the Government imposed control on the distribution of cloth and yarn and appointed co-operative societies as agents for the distribution of both these controlled commodities to consumers in wholesale as well as retail distribution. Some district central co-operative banks and district co-operative purchase and sale unions were appointed wholesale and zonal distribution agents for cloth or yarn. In the meeting of district wholesalers of cloth held at Poona in October 1948, which was attended by the Provincial Textile Controller and the Registrar of Co-operative Societies, it was finally decided that co-operative



wholesale distributors of cloth and yarn will be required to lift only one month's quota. The estimated financial requirements for lifting one month's quota of these two commodities by co-operative wholesale distributors of cloth and yarn was calculated to approximately amount to Rs. 2 crores. As the retail distribution of cloth was also entrusted to local co-operative institutions, the total financial requirements were estimated to amount to an additional sum of Rs. 2 crores. Providing for the maximum period of 15 days for transit of cloth and yarn for both the wholesale as well as the retail distributors, it was estimated that the total financial requirements of the movement for this new business would approximately amount to Rs. 5 crores. The surplus then possessed by co-operative financing institutions which they could utilise for this purpose was estimated to approximately amount to Rs. 2½ crores. The Bombay Government were therefore approached to provide an accommodation of Rs. 2 crores to the Provincial Co-operative Bank so that cloth and yarn distribution work could be conveniently undertaken by co-operative institutions without interfering with their normal activities and banking functions. The Bombay Government were pleased to sanction the loan of Rs. 2 crores to the Bank and they also consented to guarantee a margin of 20% in case any co-operative institution appointed as wholesale distributor was unable to provide the required margin out of its own funds. There were 26 district wholesalers and 461 retailers doing the distribution work of cloth and yarn which were financed by the Bank. The total credit limits sanctioned to the wholesalers were Rs. 301.30 lakhs and to retailers the limits sanctioned aggregated to Rs. 78.16 lakhs. The balance due at the close of the year was respectively Rs. 172.90 lakhs and Rs. 41.98 lakhs from the Wholesalers and the Retailers, as will be seen from the following table:—

Particulars.	No. of Stys.	Limits Sanctioned (in lakhs).	Withdrawals made during the year (in lakhs).	Repayments during the year (in lakhs).	No.	Balance at the close of the year (in lakhs).
<b>Wholesalers:</b>						
(a) Cloth ...	13	207.00	550.45	425.88	11	124.56
(b) Yarn ...	13	94.50	578.30	529.97	12	48.34
<b>Retailers:</b>						
(a) Cloth ...	417	69.19	248.05	209.12	372	38.93
(b) Yarn ...	44	8.97	26.81	23.76	41	3.05
<b>Total ...</b>	<b>487</b>	<b>379.66</b>	<b>1403.61</b>	<b>1188.73</b>	<b>436</b>	<b>214.88</b>

XXV. **Advances to Individuals:** There were three types of individual members to whom advances were made by the Bank directly during the year. They were (i) 'A' class members holding ordinary shares; (ii) 'B' class members who were members of existing co-operative societies affiliated to the Bank but who had paid admission fee for direct enrolment as 'B' class members for special accommodation; and (iii) 'B' class members who were parties to proceedings under the Bombay Agricultural Debtors' Relief Act in areas directly served by the Bank and had applied and paid admission fee to be enrolled as 'B' class members for crop finance under that Act.

Advances to 'A' class members were as before only made against the pledge of Government and other Trustee securities, against fixed deposits in the Bank, gold and silver ornaments, or agricultural produce. Advances against pledge of agricultural produce and gold and silver were also made to 'B' class members who were members of co-operative societies affiliated to the Bank. Loans for the raising of crops as defined in Sec. 2(7) of the B.A.D.R. Act were advanced in the areas served by the Bank to those who were parties to proceedings under that Act, after directly admitting them as 'B' class members. The following statement gives details of the advances made to various classes of individual members by the Bank at the close of the year under review as compared with similar advances in the previous four years:—

(In lakhs of rupees)

Particulars.	1944-45		1945-46		1946-47		1947-48		1948-49	
	No.	Amt. out-standing.	No.	Amt. out-standing.	No.	Amt. out-standing.	No.	Amt. out-standing.	No.	Amt. out-standing.
<b>Against</b>										
Agri. Produce ...	285	79.37	291	65.54	288	65.09	306	96.05	121	53.22
Trustee Securities ...	18	23.05	15	22.75	8	1.25	3	.10	4	1.40
Fixed Deposits ...	4	.06	6	.41	1	...	3	.02	3	0.12
Gold & Silver ...	101	.76	111	.68	222	1.68	313	1.90	348	1.82
Crop loan ...	...	...	...	...	120	.18	116	.17	99	.15
<b>Total ...</b>	<b>408</b>	<b>103.24</b>	<b>423</b>	<b>89.38</b>	<b>639</b>	<b>68.20</b>	<b>741</b>	<b>98.24</b>	<b>575</b>	<b>56.71</b>

From the above statement, it will be noted that advances against agricultural produce have been considerably reduced during the year under report. In view of the increasing employment of funds in co-operative institutions, the Board had in the previous year decided to gradually reduce the advances to individuals against agricultural produce. To implement this decision, not only the number of approved centres at which such advances could be made but the amount of limits sanctioned to individuals were reduced during the year under review. No new applications from 'A' class individual members were entertained for this type of advance and the business was continued only at a restricted number of branches where such parties had long-standing business connections with

the Bank and who were reluctant to sever their connections. It may also be noted that as a general policy laid down by the Board of Directors, advances to individual 'A' class members even against gilt-edged securities continued to be discouraged during the year under report. As regards advances against gold and silver, these were made mainly to members of agricultural societies in rural areas. Due to the curtailment of credit facilities by the local moneylenders, owing to restrictions imposed by the Bombay Moneylenders' Act, the demand for advances against gold and silver from rural classes steadily increased. As the bank had no arrangements for the safe custody of ornaments pledged except at a few branches and as the accommodation in Government Sub-Treasuries at branches where such advances were permitted was limited, the bank was unable to meet the entire demand for such accommodation which is steadily growing from members of co-operative societies.

XXVI. Crop finance was advanced to individual 'B' class members who were parties to proceedings under the B.A.D.R. Act but who were not members of co-operative societies in areas served by the Bank. It may be mentioned here that a large number of such adjusted debtors are scattered over a number of villages in various districts, served by the Bank. The cost of supervision, with a view to ensure proper inquiry and to secure prompt repayment, from such scattered adjusted debtors was out of proportion to the total amount of advances made to them. Crop advances had therefore to be restricted to a radius of ten miles from a branch office of the Bank, approved by the Directors for the purpose. Due to this difficulty during the year under report such advances were reduced from Rs. 16,919 due from 116 members to Rs. 15,325 with 99 members.

XXVII. **Bank's Total Loan Operations:** Total advances of all kinds to societies as well as to individuals including bills discounted and loans granted against provident funds to members of staff amounted to Rs. 518.24 lakhs. The following table gives the details of the various types of advances outstanding at the close of the year as compared with those of the previous four years:—

*(For Table see next page)*

It may be noted that total advances of all kinds made by the Bank increased from Rs. 253.91 lakhs in the previous year, to Rs. 518.24 lakhs in the year under review, due mainly to advances for cloth and yarn distribution made to co-operative district wholesalers and retailers.

It will be interesting to study the correlation between total advances respectively with deposit liabilities, and with working capital of the Bank. The following table gives the figures as well as the percentage of total

(See para XXVII)

(In lakhs of rupees)

Particulars.	1944-45	1945-46	1946-47	1947-48	1948-49
1. Long-term Loans ...	1.37	1.14	0.63	0.49	0.42
2. Short-term Loans ...	30.15	30.61	42.27	52.09	78.38
3. Cash credits (against Genl. assets.)	8.15	10.33	15.11	20.47	30.50
4. Overdrafts (against Trustee securities.) ...	5.19	5.64	43.24	24.47	72.17
5. Fixed advances ...	41.50	38.65	52.94	35.06	35.77
6. Cloth & Yarn advances ..	.....	.....	.....	.....	214.88
7. Dues from Liquidated societies ...	6.00	5.48	5.54	5.24	4.83
8. Individual advances ...	103.23	89.38	68.19	98.24	56.71
9. Bills discounted ...	12.35	14.45	18.00	17.27	23.88
10. Loans against Staff Provident Fund ...	0.39	0.45	0.53	0.58	0.70
Total ...	208.33	196.13	246.45	253.91	518.24

advances to deposits and working capital of the Bank during the past five years:—

(In lakhs of rupees)

Particulars.	1944-45	1945-46	1946-47	1947-48	1948-49
Working Capital ...	568.15	731.92	712.53	897.37	1063.11
Deposit liabilities and loans ...	496.33	650.55	605.09	796.24	958.59
Total advances ...	208.33	196.13	246.46	253.91	518.24
% of advances to Working Capital ...	36.9%	26.7%	34.5%	28.13%	48.74%
% of advances to Deposit liabilities ...	42.0%	30.14%	40.72%	31.89%	54.06%

As will be seen from this table, the working capital, deposit liabilities and total advances have all practically doubled during the past five years. Compared with the previous year's figures the working capital and deposit liabilities of the Bank increased during the year under report by 30% and 26% respectively while total advances of all kinds increased by over 100% primarily due to cloth and yarn distribution finance provided by the Bank.

XXVIII. Recovery Season: The rainfall during the year was uneven and insufficient in some areas. In the whole of the Ahmedabad District and a major part of the Kaira District there was complete failure of crops due to the want of rains. Government had to declare famine conditions in this area and no repayments could therefore be received from the agriculturists. On the other hand, in addition to previous outstandings, the members had to be financed by additional loans. Government also had to make large tagavi advances and to undertake famine works.

Transport facilities had to be provided and top priority was given by Government for rushing foodgrains and fodder to these famine-stricken areas. Co-operative societies in these affected areas extended financial assistance to a limited extent by grant of famine loans for maintenance, and further finance for agricultural operations, to members of societies. In other parts of the Province directly served by the Bank, due to deficient rainfall, partial scarcity conditions prevailed in Ahmednagar district as well as parts of Nasik District. Although there was no perceptible scarcity of plough cattle, manure (except oilcake and fertilisers in the irrigated tracts in the Deccan) and implements, their ruling prices continued to be high as in the previous year. The cost of both skilled and unskilled labour continued to be high. At the end of the monsoon during the year under report a typhoon from the Bay of Bengal crossed to districts to the North-East of Bombay and did incalculable harm to fruit and other trees and damaged ripening crops in the fields of agriculturists in the districts of Kolaba, Thana and Surat. Our advances in these districts so affected by the typhoon were limited. Though agricultural prices ruled fairly high, the price of jaggery in the Deccan canal areas slumped considerably, by nearly 50% as compared to previous year's rates. Taking these factors into consideration, the repayment of dues by societies may be considered to be fairly satisfactory during the year. Total recoveries of the principal amount of advances for agricultural operations including crop finance from societies amounted to Rs. 73.77 lakhs as against Rs. 51.57 lakhs of the previous year.

Due to unfavourable monsoon as mentioned above, unauthorised arrears from societies at the end of the year increased in comparison with unauthorised arrears at the end of the previous year.

XXIX. Unauthorised Arrears: Out of total loans due from societies and individuals of Rs. 518.24 lakhs, unauthorised arrears amounted to Rs. 14.35 lakhs. The following statement gives an idea of the arrears both authorised and unauthorised and the estimated doubtful debts and overdue interest, during the past five years:—

(In lakhs of rupees)

Particulars.	1944-45	1945-46	1946-47	1947-48	1948-49
Unauthorised arrears	10.95	9.65	10.84	9.50	14.35
Authorised arrears	1.09	1.10	1.99	0.09	1.66
Estimated doubtful debts	3.08	3.03	2.86	2.94	2.87
Overdue interest.	1.09	1.10	1.03	1.06	1.09

The authorised arrears have increased from Rs. 9.50 lakhs to Rs. 14.35 lakhs mainly owing to scarcity conditions in Gujarat and some parts of Ahmednagar district and a precipitous fall in the price of jaggery in the Deccan canal areas. Applications for extensions were received

from societies in Viramgam and Dhanduka Talukas, where there was complete famine, after the close of the year, and hence the unauthorised overdues show a higher ratio. Owing to these conditions, the authorised arrears have also increased to Rs. 1.66 lakhs. There is practically no change in the estimated doubtful debts and overdue interest. During the year under report a sum of Rs. 1,288 was written off as bad debt, from the reserve for overdue interest. The expected doubtful debts and overdue interest have been fully provided for.

The policy of granting concessions to recover arrears from individual members of societies has been discontinued for nearly three years in view of the general improvement in the economic condition of the agriculturists and the working of societies, though in a few cases in which there were very old outstandings, concessions in interest were given to secure cash recoveries and give relief to defaulters.

During the year under report managing committees of four societies financed by the Bank were suspended. The total number of committees of societies under suspension at the close of the year were 6. Enquiry under Sec. 43 was held in 5 societies, during the year under report.

It has not been possible to get accurate information about the coercive action taken against defaulters of societies financed by the Bank. However, the following table will indicate the number of awards and liquidation orders under execution through the Revenue authorities and Civil Courts, in the areas served by the Bank:—

Particulars.	1944-45		1945-46		1946-47		1947-48		1948-49	
	No.	Amt. in lakhs.	No.	Amt. in lakhs.	No.	Amt. in lakhs.	No.	Amt. in lakhs.	No.	Amt. in lakhs.
At the beginning of the year ...	6547	11.09	5626	8.49	4706	7.10	4069	6.43	3531	5.92
Additions during the year ...	408	.90	130	.21	93	.29	64	.16	75	.31
Recoveries during the year ...	1329	3.50	1050	1.60	730	.96	602	.67	466	.76
Balance at the close of the year ...	5626	8.49	4706	7.10	4069	6.43	3531	5.92	3140	5.47

It can be seen from the table that arbitration awards and liquidation orders have been considerably reduced from 5,626 to 3,140 during the past five years. The amount involved in these proceedings was Rs. 5.47 lakhs at the close of the year. It should be noted that the major portion of the recoveries could be effected only by enforcing effective measures against long-standing defaulters. Though there is a reduction in the number of cases and the amount involved, recoveries by enforcement of coercive measures was not satisfactory as compared with the usual normal recoveries, if it is taken into consideration that special recovery staff was maintained for this purpose in almost all the districts.

For the areas served by the Bank there were 14 special recovery officers, appointed by the Revenue Department on the recommendations of the Registrar. Some of the Inspectors of the Bank and Supervisors of the Union were invested with powers to execute distraint warrants issued by the Special Recovery Officers. The number of the Inspectors of the Bank to whom this power was delegated was 7. 92 distraint warrants were received by them and 23 were executed during the year under report, voluntary recoveries having been secured in the remaining cases where warrants for attachment of movables were obtained by them.

Co-operative finance, in order to achieve its purpose has not only to be adequate and prompt but repayments of dues should also be punctual. The special facility for recovery of overdues of co-operative institutions as arrears of land revenue with the assistance of Special Recovery Officers has not yielded the expected result due to the unusual delay in obtaining awards against defaulters and getting them executed through Revenue authorities when received. In areas where there was no recovery staff, no attention was paid to awards or liquidation orders sent to the Revenue authorities for execution by the local Revenue staff. Besides, the control exercised by the Assistant Registrars over the Special Recovery Officers was not effective, while the control of the Collector over them was nominal. The Bank was required to make good the deficit in the cost of establishment of these Special Recovery Officers. The Agricultural Credit Reorganisation Committee presided over by Sir Manilal Nanavati had recommended that the cost of the Special Recovery Staff should be borne by Government and should be placed under the control of the Registrar. Government it is hoped will take early decision to implement this recommendation.

During the course of execution proceedings against defaulters, their lands were transferred to societies under Sec. 59(B) of the B.C.S. Act. Lands in the possession of societies indebted to the Bank at the close of the year were approximately 2,594 acres valued at Rs. 1,28,591. Lands to the extent of 1,238 acres were disposed off, during the year for Rs. 45,367. It has been the general policy of the Bank for some years to induce defaulters to repay their dues giving them liberal remissions to reconvey the lands to the original owners and only in a very few or exceptional cases where the original defaulters did not come forward to compromise their dues were their lands sold to outsiders.

XXX. Agencies for Supervision: There were about 44 Supervising Unions working in the areas served by the Bank. There were no Supervising Unions in the districts of Ratnagiri, Panchmahals, Kaira, the Bhil tracts of West Khandesh and the area served by the Nasik District Central Co-operative Bank now in liquidation. Except in Ratnagiri District, special arrangements were made by Government for supervision work. Government have now undertaken the responsibility of meeting the entire cost of supervision over agricultural societies. The Bank pre-

viously used to contribute towards this supervision cost before this arrangement came into force during the year under review. The Bank has now to contribute only towards the supervision of non-agricultural credit societies financed by the Bank, @  $\frac{1}{4}\%$  on the loans outstanding. A total supervision grant of Rs. 7,657 was paid by the Bank for the latter purpose during the year on the recommendation of the Provincial Supervision Board.

The efficiency of management, maintenance of accounts and punctual recovery mainly depend on the efficiency of the secretaries of rural credit societies and arrangements for supervision over them. The effectiveness and efficiency of the arrangement made for provision of agricultural credit has therefore largely to depend on the arrangement for the appointment of efficient and honest secretaries. The arrangement for supervision has come in for a considerable amount of criticism in recent years and the quality and effectiveness of supervision has considerably deteriorated. It is essential that there should be a proper integrated system of supervision over the whole of the agricultural credit structure, right from the provincial to the primary unit. The new arrangement vesting control over supervision to local *ad hoc* committees consisting of the representatives of primary units, the financing agency and the Department has yet to be watched to see if it is more effective in future.

**XXXI. Yield on various Investments of the Bank:** It would be interesting to compare the average yield on different investments of the Bank. A statement is given below showing in percentage the average yield earned on various investments as they stood at the end of the year during the past five years. The percentage yield being worked out on the amount actually outstanding at the end of the year has no relation to the rate actually charged on various advances or the interest available on various investments.

Particulars.	1944-45	1945-46	1946-47	1947-48	1948-49
1. Government and other Securities	2.12	1.65	1.39	1.32	1.95
2. Advances to Co-operative institutions. ...	3.60	3.28	3.42	5.03	2.82
3. Advances to individuals ...	3.40	4.25	5.04	4.38	6.48

It may be noted that the yield on advances as it stood at the end of the year to co-operative institutions decreased from 5.03% to 2.82%. The reason for the decrease was, that the amount of such advances to societies as on 30-6-49 was more than double the amount outstanding at the end of the previous year on 30-6-48. The yield on advances to individuals showed an increase of 2.10% mainly because the total of such advances was very much reduced at the end of the year on 30-6-49, although the rate actually charged was the same as in the previous year.



The average income on all advances and investments as outstanding on 30-6-49, including commission on bills discounted and collected and interest earned on cash balances with approved banks was approximately 2.84% as compared with 2.26% of the previous year.

XXXII. Profit and Loss Account: The following table shows the various management expenses and the net profits made by the Bank during the past 5 years:—

(In lakhs of rupees)

Particulars	1944-45	1945-46	1946-47	1947-48	1948-49
1. Salaries ...	3.43	4.29	5.03	6.12	7.21
2. Inspection charges ...	.95	1.09	1.45	1.49	1.61
3. Office Rent ...	.20	.23	.26	.30	.33
4. Printing and Stationery ...	.46	.60	.96	.84	1.03
5. Postage and Telegrams ...	.21	.22	.24	.26	.29
6. General Charges ...	.78	.53	.63	.85	1.06
7. Co-operative Propaganda ...	.13	.11	.12	.20	.25
8. Rent, Taxes and Bldg. Expenses ...	.29	.30	.37	.40	.38
9. Directors' and Auditors' fees ...	.18	.20	.23	.25	.28
10. Depreciation of furniture ...	.04	.05	.06	.07	.09
11. Depreciation of Buildings ...	.03	.03	.03	.03	.03
12. Contribution to Sinking Fund for debentures ...	.07	.07	.07	.07	.07
13. Staff Provident Fund contribution ...	.23	.29	.34	.37	.42
14. Net Profit ...	2.89	3.24	2.98	3.89	4.28
Total	9.89	11.25	12.77	15.14	17.33

It may be noted that the cost of establishment including inspection charges increased by nearly 100% during the past five years. As compared with previous year's figures there was an increase of Rs. 1.21 lakhs. This was due to the increase in the number of employees with the increased volume of work and the opening of new branches as also to increments and increased dearness allowance paid to the staff. It may be observed here that the average ratio of expenses to gross profits in commercial banks in India approximately amounts to 68% against the ratio of 60% of gross profits in commercial banks in the U.S.A. The average ratio of expenses to gross profits in the Bank in the year 1947-48 and 1948-49 was 74% and 75% respectively. As will be seen from this, the comparative cost of establishment to deposit liabilities in scheduled banks of the same standing as of this Bank in India is lesser and the ratio of net profit to deposits is greater than that of this Bank, though the scale of salaries paid to both the superior officers and other staff is lower than the scale of salaries paid by commercial banks. The total cost of establishment of the Bank is relatively higher as the Bank is required to maintain a qualified and trained field staff for supervision and guidance of co-operative institutions of various types in different districts where this Bank functions as a central financing agency. Besides, the Bank has to handle small and scattered business with less yield and at greater cost

and therefore as compared with resources its ratio of net profit is lower than that of a commercial bank of similar standing.

**XXXIII. Bank's Staff:** The total strength of the staff of the Bank excluding peons was 418 as against 375 of the previous year. Out of these 73 were graduates or otherwise qualified, having passed the Institute of Bankers' Examination or an examination of an approved Commercial Institute. The Bank deputed during the year four of its employees to the Co-operative Training College all of whom came out successful. One of them passed in First Class and stood first while two passed in Second Class.

For inspection work there were seven Senior Inspectors (including a Special Inspector at Ahmednagar), 23 full-time Inspectors and 24 Agent-cum-Inspectors. The Inspectors and Agent-cum-Inspectors worked under the supervision and guidance of Senior Inspectors. Besides this inspection staff, the Bank had a staff of three Branch auditors who had been entrusted with the work of internal checking and audit of the Bank Accounts.

The average touring of the Senior Inspectors, Inspectors and Agent-cum-Inspectors was respectively 15.5, 16.0 and 13.5 days per month. There were 1,549 credit societies indebted to the Bank at the end of the year as against 1,436 at the end of the the previous year. Detailed inspection of societies classed 'A' or 'B' has been done in the past every alternate year by the Inspecting Staff and this practice was continued during the year; others were visited and inspected frequently. The number of societies not inspected during the year under report was 657 as against 545 in the previous year. Most of these societies were 'A' or 'B' class societies or those which were not borrowing from the Bank.

**XXXIV. Organisation of Agricultural Credit:** The enactment and application of the Bombay Agricultural Debtors' Relief Act, 1939, and the Moneylenders' Act, 1947, has resulted in the curtailment of credit available to agricultural debtors all over the Province. The denial of this credit may be healthy, but it must be acknowledged that this curtailment has clearly established the necessity of providing the farmer with another source of credit other than that of the moneylender. Control of moneylending by legislation would not be of much assistance to the farmer to improve his economic condition, unless it was replaced by the provision of institutional credit for promptly meeting his reasonable needs and on reasonable terms. The Government have accepted the principle that institutional credit should be provided to all creditworthy agriculturists by co-operative central financing agencies in the Province in accordance with the recommendations of the Nanavati Committee and accordingly with a view to enable them to undertake this new responsibility, the bye-laws of all the District Central Co-operative Banks and the Provincial Co-operative Bank have been

amended so as to admit all agriculturists who are not members of societies in a special class of direct membership of the central financing institution to enable them to obtain agricultural finance from such institutions.

In addition to the incidental amendments necessary in constitution to fulfil the above object, the Board of the Bank was reconstituted so as to have it remodelled on a federal basis. This reconstituted Board provided for one representative from each of the District Central Banks, one representative of primary societies from each of the seven districts where the Bank functioned as a Central Bank, two representatives of Banking Unions, one representative of the Bombay Provincial Co-operative Marketing Society, four representatives of Urban Banks of the Province, and five representatives of individual shareholders to be elected by the General Meeting. The constitution further provided for the representation of the Provincial Government including one Banking and financial expert to be nominated by Government in consultation with the Chairman of the Board. The Managing Director to be selected by the Board was to be an *ex officio* Director on the Board.

The Provincial Co-operative Bank as the apex institution of the Co-operative Movement assumed the responsibility to provide agricultural and marketing credit to all creditworthy agriculturists in this Province. It will therefore need the active assistance of Government and the goodwill and close co-operation of all central financing institutions and co-operative societies, in the discharge of these new responsibilities. Further, measures for the improvement of the terms of credit available to agriculturists will not be sufficient by themselves to serve any useful purpose. These must form part of the reorganisation of agriculture as a whole and include the reform of land tenure, elimination of wasteful small holdings, adoption of better methods of cultivation and improved facilities for water supply, irrigation, marketing, etc. In short, the reorganisation of agricultural credit shall have to be linked up with the schemes for improvement of agriculture on scientific methods and increased production. It will be necessary to take into consideration all the problems both social and economic that govern the rural life. Only a co-ordinated and properly integrated system of agricultural finance harnessed to the improvements in agricultural methods and increased production can be expected to secure improvement of the economic conditions of the peasantry, better if it is placed on the co-operative basis. The spirit of co-operation is vital for reconstruction and progress in rural areas. Co-operative societies are the best if not the only agency, for the expansion and enforcement of permanent measures of rural reconstruction.

XXXV. In conclusion, we beg to acknowledge the keen interest taken in the affairs of the Bank and the ready assistance and advice made available, whenever needed, by both the Hon'ble Minister in charge of Co-operation, Sri M. Naik-Nimbalkar, and the Hon'ble Minister in charge of

Finance Sri Vaikunth L. Mehta. The long association of Sri V. L. Mehta with this Bank as Managing Director is still remembered with affection by all the members of the staff including the undersigned and the high ideal of service he inculcated in the members of the staff has enabled the Institution to successfully undertake and discharge the heavy responsibilities and duties imposed in recent years by the increase in its activities and working. In addition, we are indebted to the Chairman of the Board, Sri R. G. Saraiya, for his able guidance and careful and sympathetic study of all the problems connected with the administration of the Bank, and to Sri V. P. Varde for his daily devoting a large portion of his valuable time in the administration of the Bank as Managing Director in an honorary capacity. The sacrifice of Mr. V. P. Varde in his devotion to the cause and his service to the Bank has placed this Institution as well as the undersigned under a deep debt of gratitude to him. The guidance given by the Board of Directors in all important problems placed before them has enabled the Bank to successfully complete another year of service to the agricultural community and to undertake and successfully discharge heavy additional responsibilities. We have also to thank the Registrar of Co-operative Societies and the Officers of the Co-operative Department for the constructive and helpful suggestions uniformly given by them in the working of the Bank. Throughout the year, the staff of the Bank had to work under considerable pressure due to increase in work and discharged their duties efficiently and well.

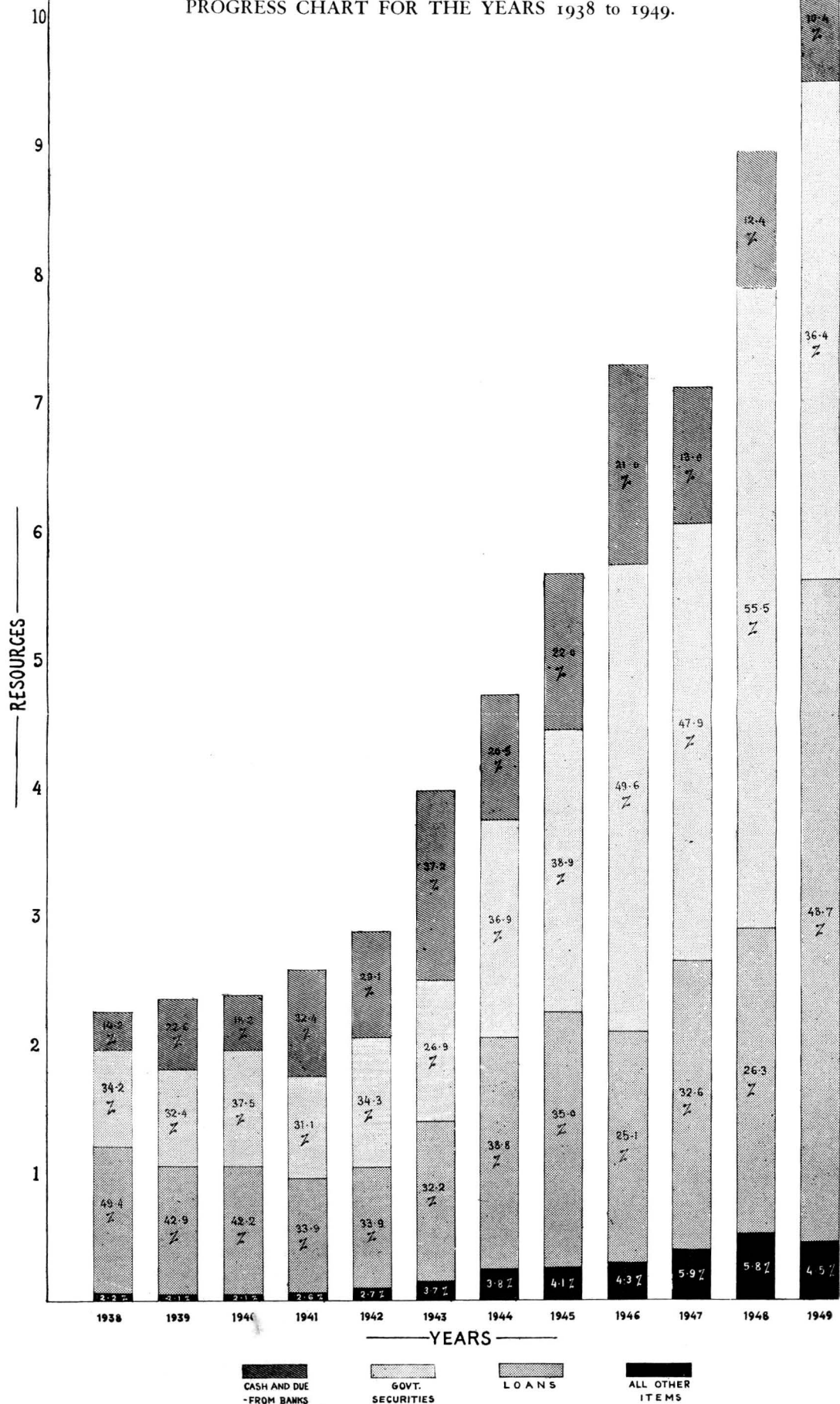
Bombay, 20th March 1950.

(Sd.) V. M. THAKORE,  
*Manager.*

(Sd.) Y. B. GAITONDE,  
*Joint Manager.*

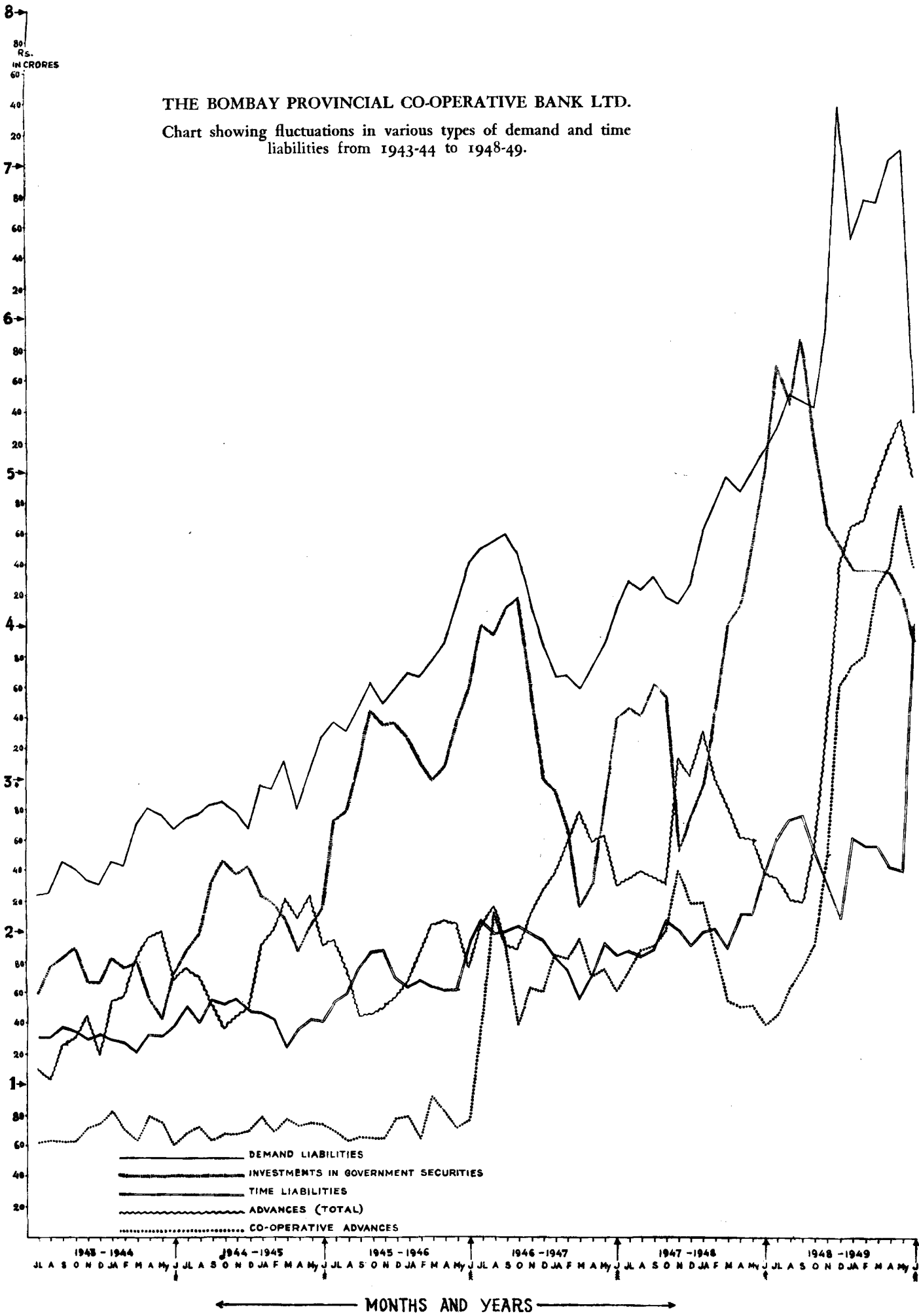
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THE BOMBAY PROVINCIAL CO-OPERATIVE BANK LTD.  
PROGRESS CHART FOR THE YEARS 1938 to 1949.

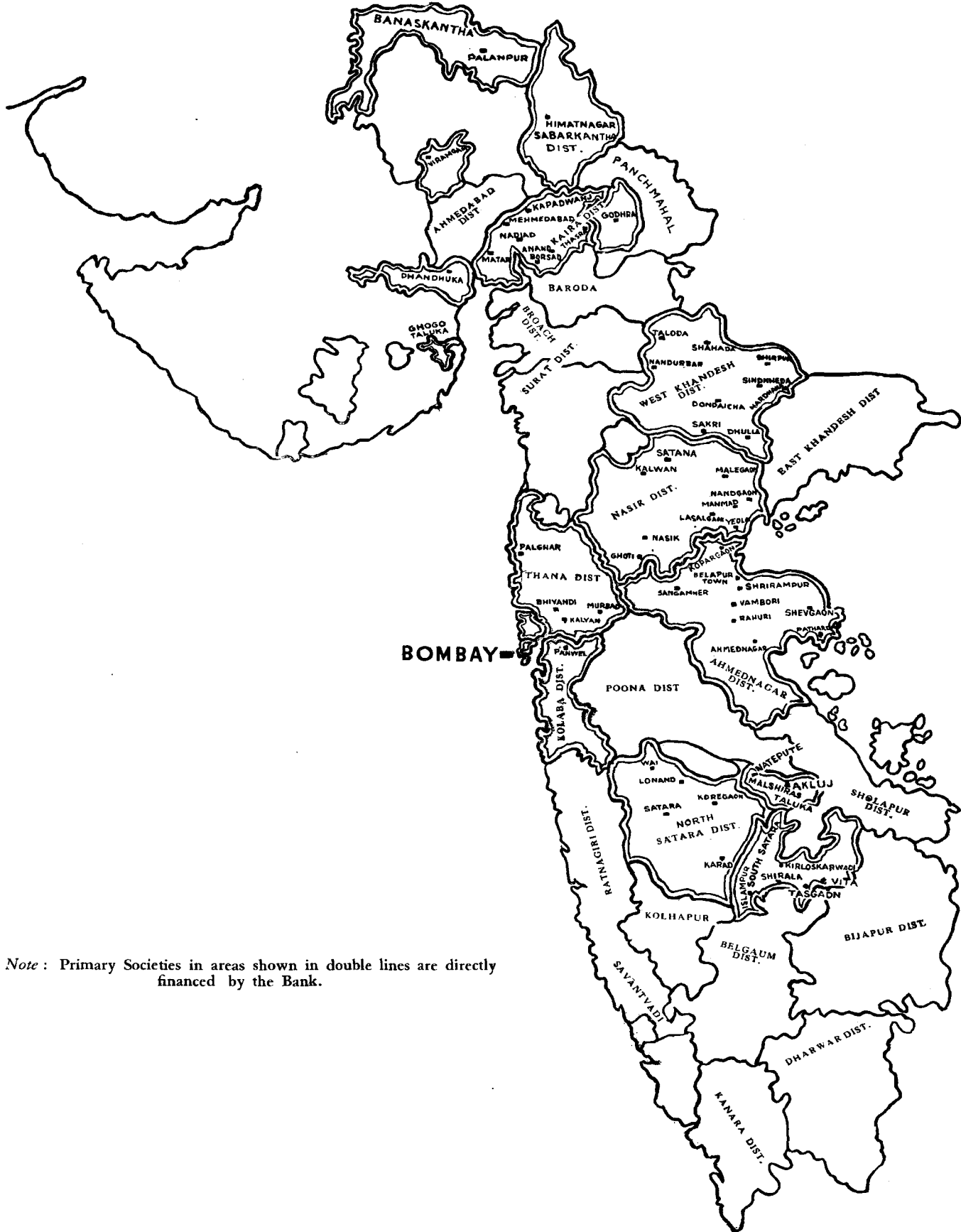


**THE BOMBAY PROVINCIAL CO-OPERATIVE BANK LTD.**

Chart showing fluctuations in various types of demand and time liabilities from 1943-44 to 1948-49.



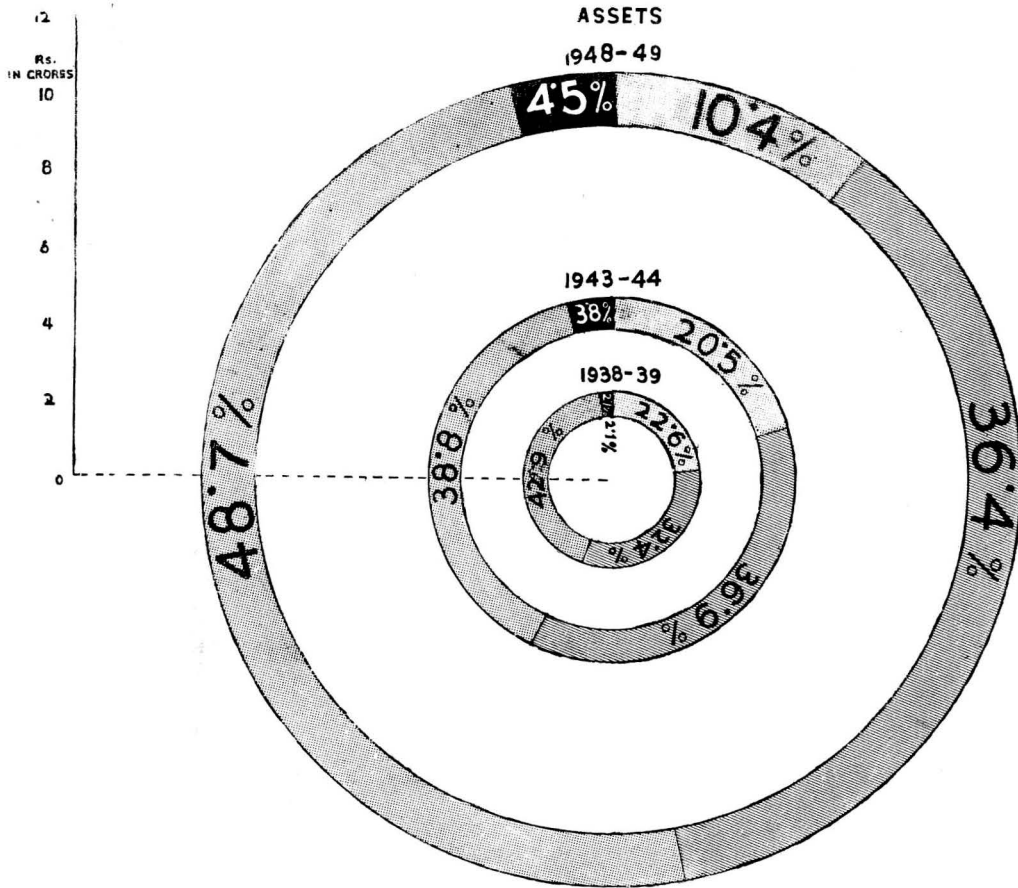
MAP SHOWING BRANCHES AND SUB-BRANCHES OF THE BOMBAY PROVINCIAL CO-OPERATIVE BANK LTD. IN BOMBAY STATE.



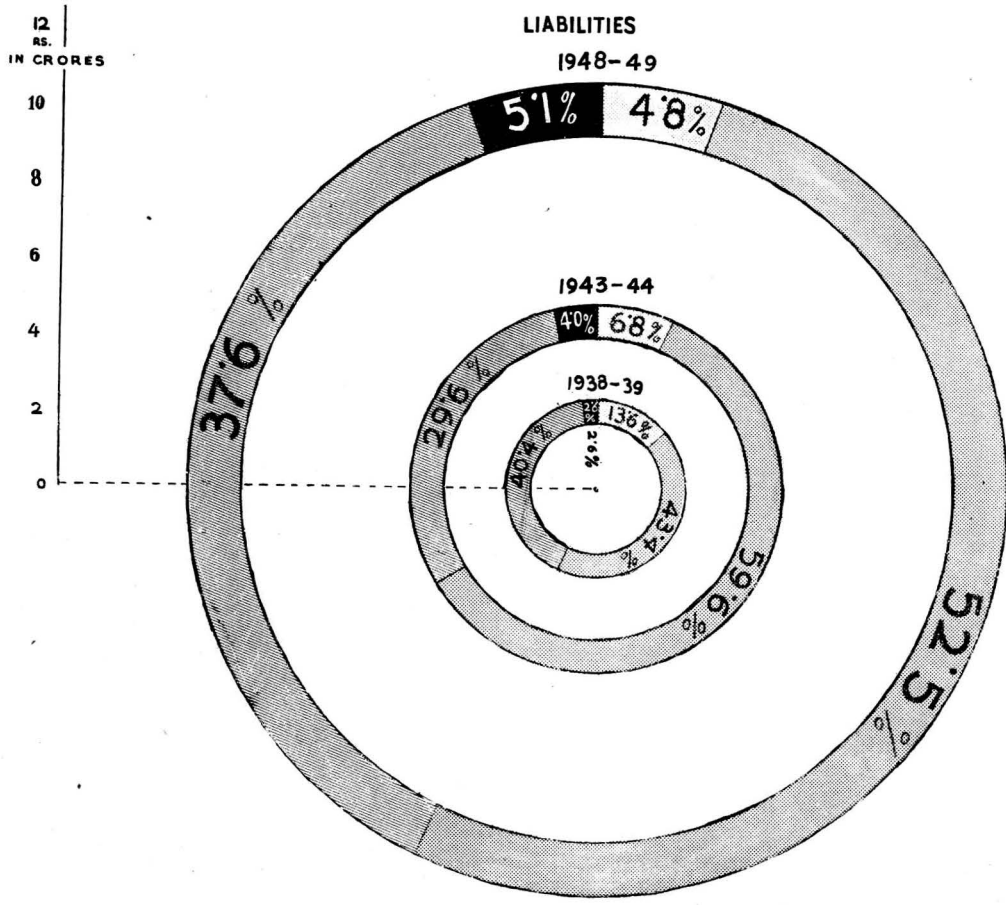
Note : Primary Societies in areas shown in double lines are directly financed by the Bank.

**BOMBAY PROVINCIAL CO-OPERATIVE BANK LTD.**

Chart showing comparative development in its various assets and liabilities at the interval of 5 years since 1938-39



CASH ON HAND AND IN BANKS  
 INVESTMENT IN GOVT. SECURITIES  
 TOTAL LOANS  
 OTHER ITEMS



OWNED FUNDS  
 DEMAND LIABILITIES  
 TIME LIABILITIES  
 OTHER ITEMS



# THE BOMBAY PROVINCIAL CO-OPERATIVE BANK, LTD.

## BRANCHES AND SUB-BRANCHES :

### District Satara :

SATARA.  
KARAD.  
KIRLOSKARWADI.  
KOREGAON.  
ISLAMPUR.  
SHIRALA.  
TASGAON.  
WAI.  
\* LONAND.  
VITA.

### District Nasik :

NASIK.  
LASALGAON.  
MALEGAON.  
NANDGAON.  
YEOLA.  
\* GHOTI.  
\* MANMAD.  
SATANA.  
\* KALWAN.

### District Kolaba :

PANWEL.

### District Ahmednagar :

AHMEDNAGAR.  
SHRIRAMPUR.  
\* BELAPUR TOWN.  
KOPARGAON.  
\* PATHARDI.  
RAHURI.  
SANGAMNER.  
SHEVGAON.  
\* VAMBORI.

### District Ahmedabad :

VIRAMGAM.  
DHANDHUKA.

### District Thana :

BHIWANDI.  
KALYAN.  
PALGHAR.  
MURBAD.

### District Sholapur :

AKLUJ.  
\* NATEPUTE.

### District West-Khandesh :

DHULIA.  
DONDAICHA.  
NANDURBAR.  
SAKRI.  
SHAHADA.  
\* NARDHANA.  
SHIRPUR.  
SINDKHEDA.  
TALODA.

### District Kaira :

NADIAD.  
ANAND.  
BORSAD.  
\* KAPADWANJ.  
\* MEHMEDABAD.  
MATAR.  
THASRA.

### District Panchmahals :

GODHRA.

### District Banaskantha :

PALANPUR.

### District Sabarkantha :

HIMATNAGAR.

### District Kolhapur :

KOLHAPUR. } opened after  
GADINGLAJ. } 1-7-49.

NOTE.—\* Indicates sub-branches.

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INDIA PRINTING WORKS, FORT, BOMBAY