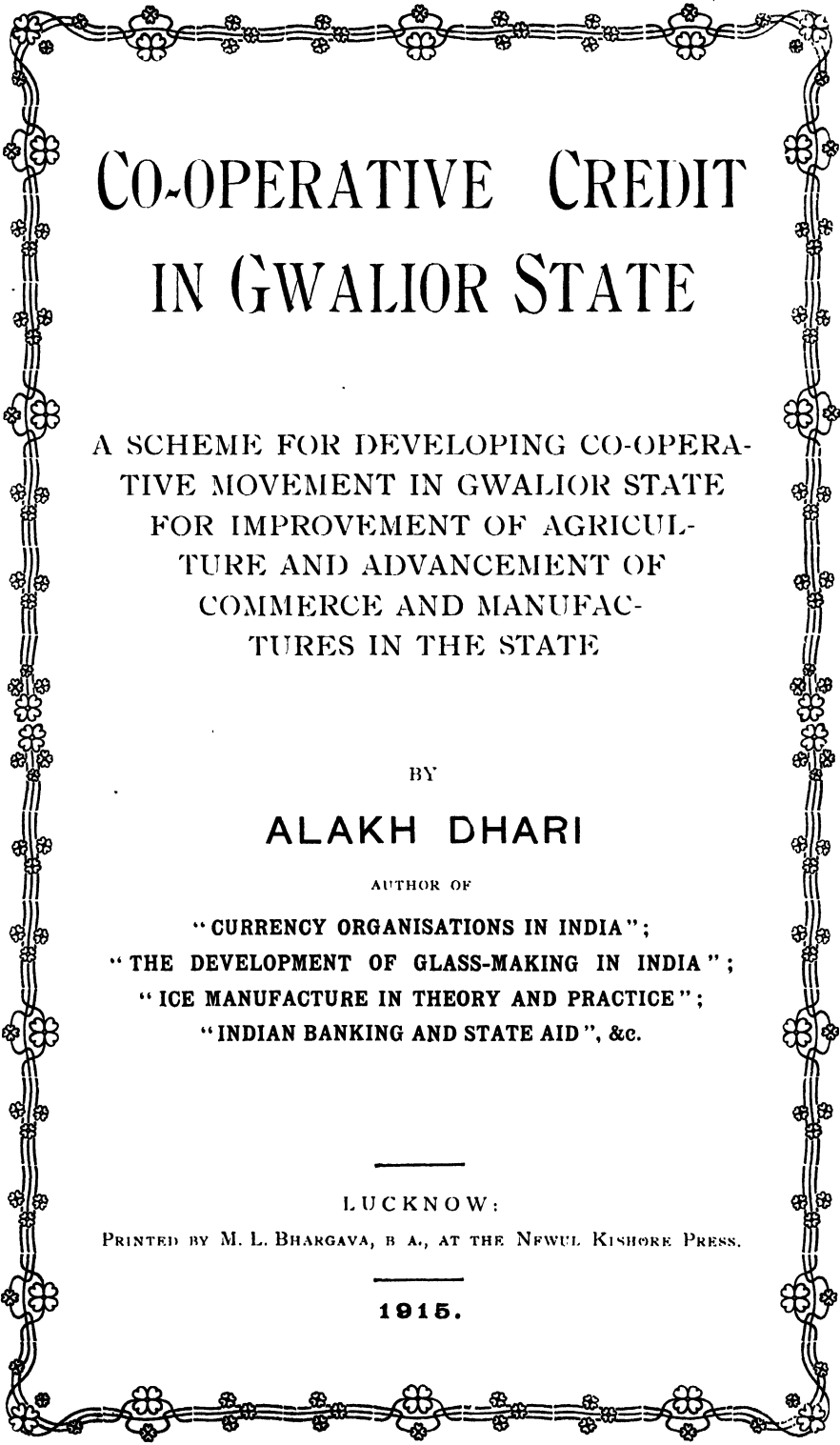


**TEXT FLY WITHIN
THE BOOK ONLY**

UNIVERSAL
LIBRARY

OU_158597

UNIVERSAL
LIBRARY



CO-OPERATIVE CREDIT IN GWALIOR STATE

A SCHEME FOR DEVELOPING CO-OPERATIVE
MOVEMENT IN GWALIOR STATE
FOR IMPROVEMENT OF AGRICULTURE
AND ADVANCEMENT OF
COMMERCE AND MANUFACTURES
IN THE STATE

BY

ALAKH DHARI

AUTHOR OF

“CURRENCY ORGANISATIONS IN INDIA”;
“THE DEVELOPMENT OF GLASS-MAKING IN INDIA”;
“ICE MANUFACTURE IN THEORY AND PRACTICE”;
“INDIAN BANKING AND STATE AID”, &c.

LUCKNOW:

PRINTED BY M. L. BHARGAVA, B. A., AT THE NEWUL KISHORE PRESS.

1915.

AS AN HUMBLE TOKEN OF REGARD AND AS A
MARK OF ADMIRATION

FOR

His Highness's strenuous efforts in raising the conditions
of agricultural classes and for advancement of
commerce and manufactures in the State

THIS WORK

IS

RESPECTFULLY DEDICATED

TO

H. H. GENERAL SIR MADHO RAO SCINDHIA,

G.C.S.I., G.C.V.O., LL.D., A.D.C.,

MAHARAJA OF GWALIOR.

F the system of co-operation can be introduced and utilized to the full, I foresee a great and glorious future for the agricultural interests of this country.”

H. M. THE KING-EMPEROR

Delhi, 13th December 1911.

TABLE OF CONTENTS.



PART I.

What is Co-operation ? : Explanatory Memoranda.

	PAGE.
CHAPTER I.—Agricultural Finance : How it can be organised ?	3
„ II.—The Factors of Success : Improvement of agricultural conditions	9
„ III.—A Co-operative Society : What it is ? ...	14
„ IV.—The Loans : Their object and character...	17
„ V.—Industrial Co-operation : Its scope and benefits	26
„ VI.—Other Forms of Co-operation : The economic benefits and educational value of the movement	29
„ VII.—Help from the Gwalior Darbar : Capitalisation of the movement and control of its affairs	37
„ VIII.—The Inspector-General of Co-operative Societies : His qualifications and duties.	41

PART II.

The Scheme of Organisation.

	PAGE.
I.—Introductory remarks	53
II.—Definitions	56
III.—Board of Agriculture	57
IV.—Co-operative Societies	64
V.—District Co-operative Banks	82

PART III.

The Gwalior State Union of Co-operative Institutions.

I.—The Statement of Reasons and Objects ...	95
II.—The Outline Scheme	97

PART IV.

The Bank of Gwalior : An Outline Scheme.

I.—The Statement of Reasons and Objects ...	107
II.—An Outline Constitution	116

ACKNOWLEDGMENTS.

The author is grateful to Sardar Sahibzada Sultan Ahmad Khan, M. A., LL. M., Barrister-at-Law, Finance Member, Gwalior State, for much useful data concerning the conditions of agriculture in the Gwalior State on the basis of which the scheme of organisation embodied herein is drawn up, and is also greatly indebted to the following works and publications for some of the information contained in this work :—

1. *The Revenue Administration of the United Provinces*, by Mr. W. H. Moreland, C. I. E., I. C. S.

2. *ज़मींदार हितकारी* by His Highness the Maharaja Scindhia of Gwalior.

3. Annual reports on the working of Co-operative Societies in the Punjab, the United Provinces of Agra and Oudh, Bengal, Bombay and Sindh, Madras, Central Provinces and Berar, and Burma.

4. The law and rules relating to Agricultural Banks in the Gwalior State.

5. *Co-operative Societies in the United Provinces*, by Messrs. S. H. Fremantle and A. C. Chatterjee, I. C. S.

6. *Co-operation in India*.—Government of India (Department of Revenue and Agriculture) Resolution No. 12-287-1, dated Simla, the 17th June 1914.

7. The Indian Co-operative Societies Act, 1912.

8. *Indian Finance, Currency and Banking*, by S. V. Doraiswami, B. A.

Fyzabad, June 11th, 1915.

GWALIOR STATE.

GEOGRAPHICAL POSITION : Central India ; between Lat. 22°-10' and 26°-52', Long. 74°-38' and 79°-8' East.

AREA—25,041 square miles.

POPULATION—3,200,000.

AGRICULTURAL BANKS : Amount of money advanced by the Gwalior Darbar to cultivators for improvement of agriculture through the agency of the State Agricultural Banks, Rs. 25,00,000.

LANGUAGES SPOKEN—Malwi, Bundali, Hindi, Urdu, Marahti, Marwari and English.

AGRICULTURAL CONDITIONS :

Land under cultivation : approximately 7,448,000 *bighas*.

Land under grass reserves : approximately 314,000 *bighas*.

Land under forest : approximately 1,484,900 *bighas*.

Old fallow or culturable waste : approximately 4,122,500 *bighas*.

New fallow : approximately 3,595,000 *bighas*.

Forests abound in the districts of Narwar, Sheopore, Gird, Esagarh, Bhilsa, Amjhera and the parganas of Sonkatch and Singoli.

The districts of Bhind, Tawarghar, Esagarh, Bhilsa, Ujjain and some parganas of Shajapur and Mandasaur are agriculturally better developed than others. Culturable waste is lying in abundance in the rest of the districts.

DISTRICTS IN THE GWALIOR STATE : Gird Gwalior, Bhind, Tawarghar, Narwar, Sheopore, Esagarh, Bhilsa, Ujjain, Mandasaur, Shajapur and Amjhera.

PART I.

What is Co-operation? :

Explanatory Memoranda.

PART I.

What is Co-operation? : Explanatory Memoranda.

CHAPTER I.

AGRICULTURAL FINANCE : HOW IT CAN BE ORGANISED?

THE interests of the State are inextricably bound-up with the prosperity of the cultivator and the problem of the organisation and supply of sufficient capital is of considerable importance in connection with the improvement of agriculture and the development of industries in the State.

2. Capital in India is not only deficient but is also disorganised and under present conditions a large part of it lies in unproductive under-ground hoards. India has passed through centuries of unrest and upheaval and the political conditions until recent times did not favour investment. Any person, who had succeeded in saving something, was anxious to conceal the fact that he was worth anything for fear of being plundered. The people therefore naturally took to hoarding and were unwilling to easily or freely disgorge their hoarded wealth. Illiteracy, ignorance and indifferent means of communication also account for this tendency. India is not the only country where hoarding was practised. The hoarding of money was quite common in England itself up to the middle of the last century and in parts of France and Russia this practice is still in force. The habits of hoarding are now being gradually given up in India, but it naturally takes time for the habit of investment to grow. Large hoards are now probably rare, but the profitable employment of money is small when compared either with the estimated potential resources of the people or the needs of the producers, both agricultural and industrial. The supply of money being insufficient, the rate of interest is necessarily high.

3. In the Gwalior State, excepting the limited extent to which State has stepped in and advanced money through its system of agricultural banks, the cultivator has to turn to the

village money-lender for seed, for the price of cattle, for money required to pay wages—in so far, that is to say, as money is actually used as a measure of value and exchange for rural services—and often for household expenses when crops are in the process of ripening. The money-lender as a class has been abused and tyrannised over. The risks he has to run in the recovery of his advances are often not inconsiderable. There is no wonder, therefore, that his transactions are not always straight-forward and the rate of interest charged by him is exorbitant. But, in spite of his faults, the money-lender is at present an indispensable organism in the village economy; if he were wiped out the crops could not be grown.

4. So far as the existence of the money-lender in relation to the development of agriculture and village industries is concerned, aptly remarks Mr. Moreland, two prominent factors of situation stand out in bold relief:—

(a)—he supplies capital, without which agriculture and industries could not be carried on; and

(b)—he supplies capital at a price which cripples the industry and makes many improvements and developments, however desirable in themselves, financially impossible.

5. The foremost need of the cultivator and the village artisan is, therefore, for more and cheaper capital. The discussion of every form of improvement is invariably brought up short when the rate of interest that will have to be paid on the proposed outlay is taken into consideration. If the Gwalior Darbar is really anxious to concern itself in the prosperity of agriculture and village industries—as is its bounden duty and, I believe, its earnest desire—the Darbar must tackle this obstacle which restricts progress in every direction.

6. Three remedies suggest themselves to me in order to ease the tightness and tension arising from such a chronic insufficiency of capital:

(a)—legislative manipulation of the rate of interest;

(b)—State loans ; and

(c)—organisation of credit on the lines of co-operation.

7. The limitation of the rate of interest by means of a legislative measure embodying penal provisions is a process which, even if it commends itself to the Darbar—which is very doubtful—would not attack the evil at its root. Laws restricting usuary were enacted many a time in England and other Western countries, but they are not known to have ever been very much successful in stamping out this obnoxious practice. Any such measure cannot possibly increase, and might not improbably diminish, the free supply of capital.

8. The second remedy, *viz.*, grant of loans by the State is one with which the people of the State have been intimately familiarised by the net-work of agricultural banks started and run by the Darbar. The movement was inaugurated on the grounds of public policy and with the object of improving the lot of poor cultivators and improvident artisans and its economic justification has lain in the fact that it has tended to increase the total amount of capital applied to agriculture and village crafts. But, as pointed out by Lord Salisbury, Prime Minister of England, on a certain occasion, capital supplied by the Government of a State, and not representing the savings of the community, is a reserve on whose permanence no reliance can be placed. The assistance is useful while it lasts, but a political or economic exigency may at any time withdraw the adventitious resource and the agriculturists and artisans who trusted to it would find themselves pledged beyond what their own resources can make good. There are, besides, considerable difficulties in adjusting the State loan giving machinery to suit the exact requirements of the people at large. State officials cannot reasonably be expected to know the actual financial condition of every borrower. They gain their information, when application for loan is received, from second hand sources. The services of the *kanoongo* and the *patwari* are usually requisitioned to attest the borrower's credit; and it is a well-known practice that every man who

receives a loan from the State is required to present some portion of it to the subordinate State officials. Not only is, therefore, the information supplied to the officers of the State in regard to the position of the borrower generally coloured with the amount and extent of perquisites shoved into the bargain, but it is at times incorrect and misleading. Again, the methods in force in the agricultural banks in regard to collection of debts are necessarily hard and inflexible. A district officer, or even a *Tahsildar*, cannot know how each individual debtor is getting on. He has to judge from the condition of harvests as to whether debtors in general can be expected to pay. But the circumstances of every individual debtor are different and need separate treatment. Finally, it is well-known that creditors are always unpopular with people whom they lend money and from whom they have the thankless and unpleasant task of demanding their dues. When the State becomes a direct and universal creditor, it must necessarily expose itself to the unpopularity incidental to the assumption of that function. Such a situation is not without elements of danger and risk.

9. Apart from the above considerations, the help which the State may render—however effective and useful it may be—cannot satisfactorily solve the whole problem. The resources of the State are not unlimited. The State cannot be expected to supply all the capital necessary for a thorough and comprehensive improvement of agriculture and efficient and all-round development of crafts and industries. It is neither wise nor expedient that the agriculture and the industries of the State should depend exclusively on the financial support of the Darbar for their progress and expansion. The State may inaugurate and finance the system of credit in the beginning and steer it clear of the difficulties that usually arise in the infancy of a movement. It may, ultimately, supplement the other financing agencies, filling the gaps between them, but the people must be taught to grow and gradually become self-reliant in financing their own agriculture, industries and general trade.

The State may, and it should, perform the important and useful function of educating the people into the uses of the profitable employment of capital and may pioneer the way for the growth of co-operative credit by starting under its own aegis institutions, which, though financed by the State in the beginning, would, as time rolls on, teach people to learn more and more to stand on their own legs and in proportion to the strength of the peoples' movement and the experience gained by them, withdraw by slow degrees the State financial support therefrom.

10. The joint-stock banks in the country cannot be expected to perform this task. The capital handled by them is required for employment in other directions and agriculture and village industries cannot have access to them.

11. The average Indian cultivator and artisan lives in a state of chronic poverty. He is always in need of money and has very little collateral security to offer. He may sometimes mortgage his wife's ornaments, or his standing crops, but often he has to borrow on his personal credit. Now the personal credit of a cultivator or artisan is practically nil, or, at any rate, very small. He lives at present at the mercy of rains and seasons—factors which are absolutely beyond his control. This means that a person who lends him money has to run considerable risks of recovery and has to cover for possible contingencies of loss. The cultivator or artisan has thus to pay extra interest for the increased risk involved in dealing with him. But if a number of cultivators or artisans living in the same village and having many interests in common club together and pool their credit, the element of risk is considerably reduced; and, by rendering themselves jointly responsible for the debts of one another, they can secure capital at better rates of interest than any of them individually could obtain. The idea of co-operation is thus simple and the benefits accruing therefrom are evident.

12. There are two principal types of co-operative societies which have gained considerable popularity and success in Europe. They are commonly known by the name of their

originators, Raiffeisen and Schulze-Delitzsch, both of whom were Germans and flourished about the middle of the last century. The Raiffeisen method of co-operation is meant mainly for agriculturists. In societies formed on this type members are selected from a very limited area and their liabilities are nearly always unlimited. The share capital is small—sometimes there is no share capital at all—and generally there is no division of profits. In the Schulze-Delitzsch scheme, the operations of the society cover a more extended area and the liability is usually limited. The contributions from members are in the shape of shares of fixed value. The object is to co-operate as well as to earn and dividends are often fairly high. In other European countries, where this movement has spread, the original ideas have undergone many striking variations. In discussing in this treatise the adaptability of the co-operative methods of finance for the needs of agriculturists and artisans in the Gwalior State, I have not slavishly copied any of these two methods. The essential principles of co-operation are not forsaken, but I have borne in mind that in Gwalior, as elsewhere in India, we have to plant an European organisation in a new soil and amidst new conditions. Elasticity and adaptability to local circumstances and environments and not rigid uniformity has been the aim and, wherever the conditions justify, there has been no hesitation to depart from the confirmed western constitution.

13. In Ireland and Germany wonderful success has been achieved by agricultural co-operative societies. They cater exclusively to the wants of the cultivator and the artisan, and have specialised themselves in his needs. In British India, too, the movement has made some considerable progress. The Government of India have created a special department in every province to further the cause of co-operation among the humbler classes of the people and the persons employed in the management and supervision of co-operative societies are given special training in order to equip themselves for their work. A co-operative conference is at present making a tour through India

to take stock of the progress already made and survey the further needs of the people in this behalf ; it will also examine the efficiency of, and overhaul, the present organisation of the co-operative branch of the Government services and bring it up-to-date. There is every hope that in the Gwalior State, too, organisations of this kind would—if started under expert and trained guidance and managed by practical men of business with adequate knowledge of local conditions and of people's customs, manners and general civilisation—work at a profit and succeed in imparting that healthy impetus to the activities and ambitions of the people, without which no real progress can ever be achieved.

CHAPTER II.

THE FACTORS OF SUCCESS : IMPROVEMENT OF AGRICULTURAL CONDITIONS.

The question naturally arises as to what are the primary essentials of success in agriculture. The first and foremost factor is that there should be adequate incentive to call forth the cultivator's best efforts into play. Another essential condition is that the cultivator should be placed in circumstances that will give the freest scope for his energies and ensure unto him a command on easiest terms of the different factors of production. It is the duty of the State to place within the cultivator's reach all the assistance necessary in procuring the instruments of production. The policy of administration should be so regulated that the cultivator always has sufficient encouragement to work well and labour hard.

2. The paramount need in the climatic conditions of the Gwalior State, at least of the greater portion of it, is an adequate supply of water for irrigation. The Darbar itself has felt the crying necessity of this important factor of agricultural production and has embarked on a gigantic scheme of irrigation canals. The system is very good and useful in its own way, but it will at best irrigate a comparatively small portion of the total area of land in possession of the State. By

far the greater part of the land will, for many a generation to come, be irrigated by wells and water reservoirs. The State has always interested itself in the construction of wells. They, probably, exist in enormous numbers already, but still there is almost an unlimited scope for further construction. Construction of wells by or through the agency of the State is very costly. Small works of this kind are done cheaper and better by private enterprise. If the State facilitates the work by arranging to place the necessary capital in the cultivator's hands it will have done its duty in this respect. When, therefore, a village is found wherein an increase in the number of wells is considered necessary, or the existing wells need improvement, it is the duty of the State officials to see that the necessary capital is made available either by means of State loans or, what is more preferable, through the medium of co-operative banking and financing organisations. Large water storage reservoirs, to keep surrounding land moist and to improve the yield of the wells—or field embankments where the natural slope of the ground allows rain-water to run-off rapidly—are all dependent on the provision of capital on easy terms for their completion and success.

3. A supply of efficient plough cattle is equally necessary. The cultivator needs some sort of locomotive power for working his implements and in the present state of the country bullocks and buffaloes are the only universal media of power. The cultivators get themselves the best cattle required for them. The only provision required is a supply of necessary money, for those who cannot afford it, on reasonable terms.

4. The implements used in agriculture are, most of them, antique and involve a large expenditure of human effort and of human time. It did not matter much in olden days when time and labour was very cheap and landholders could count on almost gratuitous service from the lower classes. But the recent rise in wages is a very disturbing element in the rural economy of to-day and the need for labour-saving machinery

and implements is growing more and more pronounced. The selection of implements of the most suitable types, and the organisation of their supply, are technical matters and require special expert handling.

5. The most common part of the machinery in daily use is, of course, the plough. The main defect of the country plough is that it takes a very great deal of time. The operation of ploughing is slow and has to be repeated many times. The success of crops is almost always dependent on the ploughing of land being done in due time. But, owing to the little quantity of work done by the common plough, it often happens that tillage is imperfectly done for want of time. A great impediment in the introduction of modern ploughs is that many of the useful types are too large for small holdings. A cultivator whose requirements are fulfilled by three or four ploughs could, perhaps, easily buy a modern machine, but how can one recommend it to the cultivator who keeps only one plough? If several cultivators can be induced to co-operate, they can buy a plough among themselves; or a co-operative society, if one is in existence in the village, can get one or more machines and recover the cost from its members by easy instalments or by itself lending out on hire.

6. Water pumps are another class of implements that are coming into prominence in connection with the improvement of agriculture. Wherever judiciously introduced, they have replaced with economy the old system of raising water in small quantities from wells and canals. Low-lying streams and canals have often been tapped by the aid of these pumps with a large scale of success.

7. The indigenous methods of manufacturing sugar, though remarkably effective, involve considerable waste of juice—all of which cannot be extracted owing to defective processes of cane-crushing—and require large amount of labour. Owing to rise in wages, it is becoming increasingly difficult for the local produce to compete with imported stuff which are made by economical and cheaper methods. There

is a vast prospect for the growth and expansion of cane cultivation in the Gwalior State ; if this industry is not encouraged, and is allowed to decline, the loss to the cultivator—he has already been badly hit by the discontinuance of opium cultivation—will be considerable ; yet it is clear that, unless the quality of cane is improved and the methods of cane-crushing are bettered so as to increase the yield of juice and to reduce the expenditure of labour thereon, the cultivator has no chance of being able to hold his position in the consuming markets. It is not necessary to introduce the most up-to-date processes of Europe *en bloc* in the State. They would not suit. But an intelligent study of the problem could result in bringing more efficient processes to light and they could with slight modifications be adapted to the local conditions. The introduction of improved methods of sugar making would make a radically hopeful change in the future prospects of the industry.

8. The procuring of good seed is also a necessary element of success. The cultivator knows the value of good seed and usually takes great pains to secure it, but in many cases considerations of cost stand in his way. To an outside observer this may sound trivial, yet it is a stern fact that many cultivators are obliged to use inferior qualities of seed—or are compelled to sow a less costly and less remunerative crop—merely on account of their inability to spend an extra few rupees to buy good seed with.

9. The cultivator should also be afforded opportunities of obtaining the seed of crops that are not already produced in the neighbourhood, but which might be grown at a profit. The cultivator is blamed for his conservatism ; he is no doubt somewhat dull-headed. Being illiterate, he is naturally slow to move forward. But cultivators live in such a helpless state of poverty that they are quite unable to make experiments with new methods and new crops on their own account. Experience has shown that they are not very much wanting in enterprise and are ready to try anything really promising when once they are convinced of its success. The making of new experiments

is the function of the State. If the results are satisfactory, the cultivator may be trusted to reproduce its success.

10. Another item of necessity in the cultivator's catalogue is the supply of manure. In Europe and America artificial mineral manures have been tried with eminent success and there is no reason why they should not prove equally efficacious in India, provided they can be produced commercially cheap. Bones of dead animals could, for instance, do very well for manure if some sort of method could be found to treat them with sulphuric acid at a cheap price.

11. There are many other items of less importance that a cultivator needs in order to enhance his prosperity and increase the yield of his crops, but the supply of all of them resolves itself into the one main problem of finance. What the cultivator needs most—and without which all his plans of improvement lie dormant—is a free supply of capital and in this matter though the State has, and can to a considerable extent still, come to his rescue, but his combined demands are so large and of such manifold and complex a character that unless an effort is made to organise and collect the people's own financial resources—and until credit is democratised—the real solution will remain far away.

12. One of the principal reasons why the needs of the agriculturist section of the population have not yet received due recognition is, perhaps, the extreme insignificance of most of the individual units of agricultural production. The expense incurred by a cultivator in sowing an acre of land with seed is barely three or four rupees. The amount is so low that it excites no notice and is absolutely neglected, but the aggregate requirements of the cultivators of the Gwalior State in the matter of seed supply alone would roughly come to several lakhs of rupees every season. Important items of rural economics are thus overlooked owing to the extreme smallness of the individual units which go together to make up the total amount.

13. How to supply these manifold wants of the cultivator in order to ensure his prosperity is, then, our care and the

supply of capital required for financing the agriculture and trade is our object? But the object is not gained by the mere provision of the necessary funds. The organisation employed for the distribution of money should be in close touch with the cultivator and the artisan so as to correctly gauge and feel his wants, appreciate his limitations, sympathise with him in his difficulties, regulate his expenditure so as to engender thrift and economy, and create an atmosphere of hope and cheerfulness around him to induce him to put the best in himself—in the shape of energy and labour and devotion—into the land and reap abundant harvest in return. This object can best be achieved by a co-operation of villagers themselves—a co-operation founded, that is to say, on mutual confidence and reciprocal sharing of gain and loss. The constitution and characteristic functions of the co-operative movement are dealt with in the following chapters.

CHAPTER III.

A CO-OPERATIVE SOCIETY: WHAT IT IS?

A co-operative society is a collection of persons combining in order to obtain credit on their joint responsibility on more favorable terms than they could obtain singly and for securing the advantages of united action in order to bring within their reach superior and more efficient qualities of seed, manure and agricultural implements; and to avail themselves of modern methods of purchase, sale, production and insurance.

2. The co-operative societies are divided into two classes with reference to their constitution, *viz.*, (a) rural, and (b) urban.

3. A rural society is one that is generally formed for poor agriculturists. The value of individual shares is fixed low and is made payable by easy instalments. The sphere of influence of a rural society is limited within narrow limits. The golden rule is one society for one village and one village for one society, but if a village is very small and represents a few hamlets only then a number of contiguous habitations

may be joined for the purpose of the formation of a co-operative unit. On the contrary, if the village is a large one, two or more societies may be formed therein. The societies may, in the latter case, comprise of members grouped together either on the basis of residence (so as to have one society for every *mohalla* or group of *mohallas*), or on the circumstances of caste or calling so as to have a separate society for every caste or calling or for a group of castes closely allied in customs, manners and beliefs. The essential principle is that societies should ordinarily consist of members so closely in touch with one another that they are willing to be, and can be—both in name and in fact—jointly responsible. With this end in view, where persons scattered over a number of villages in the same neighbourhood are so thoroughly in touch with one another that they are able and willing to be jointly responsible, the condition of propinquity is not enforced to the detriment of their combination, and members of the same tribe, class, caste or occupation, even if not resident in the same village or group of villages, are allowed to become members of the same society. The INDIAN CO-OPERATIVE CREDIT SOCIETIES ACT of 1904 was intended to encourage “small and simple credit societies for small and simple folk with simple wants” and a higher ideal for these societies from the co-operative standpoint it is hard to find. There are, no doubt, societies in British India the capital of which is counted in lakhs, but they have all commenced work from small beginnings. The strength and backbone of the co-operative movement rests in a large number of small but strong societies.

4. An urban co-operative society is one that is formed for the benefit of small artisans, such as weavers, carpenters, milk sellers, blacksmiths, shoemakers; or, for persons with limited means, such as clerks, mill operatives, etc. The sphere of operation in this class of societies is generally broadened and made more extensive. These societies are formed in order to secure for the humbler classes of the artisan community those advantages in industry which masters of capital derive from the

organisation of labour, the use of improved and costly machinery and the economies of business when carried out on a large scale.

5. There are two forms of liability which members of these co-operative societies incur when they combine in a corporate form to obtain increased credit, *viz.*, (a) unlimited, and (b) limited. The liability of the members is unlimited when a depositor or creditor has claim in respect of his debts on, and can recover the same from, the entire personal and real property of all members constituting the society irrespective of their individual indebtedness. In a society with limited liability, a shareholder cannot be called upon, in the absence of a special provision to the contrary, to contribute more than the nominal value of the shares subscribed by him.

6. Unlimited liability constitutes the only means by which individually poor people with small security to offer can obtain money on reasonable terms, since all members thereof by rendering themselves jointly and severally liable for the debts of the society offer security which none of them otherwise possesses.

7. All rural co-operative societies should, therefore, be of unlimited liability and should have a share capital. A member would have as many shares as are fixed for him by the *panchayat* having reference to his status. The common practice is to allot as many shares to a member as he has ploughs, or to fix the number of shares at some proportion of the land-rent paid by him to the State. The society would pay no interest or dividend on share money during the first ten years of membership, but afterwards when shares are fully paid up a dividend (limited to ten per cent. per annum) may be paid if profits admit.

8. When the reserve fund of a rural co-operative society has reached a figure that will enable its members to carry on the business of the society without borrowing money from the State or the public, the Inspector-General of Co-operative Societies would have discretion to refund to the members the amount contributed by them in the way of share capital.

9. The urban societies need not necessarily be of unlimited liability, though where the individual members are mostly poor and are closely acquainted with one another so as to stand mutual surety for all, an unlimited form of liability would be insisted upon in the interests of the members themselves, namely, the securing of capital on cheap rates of interest. The number of shares for each individual member would, in urban societies also, be fixed by a majority vote of the *panchayat*.

10. The *panchayat* or the Inspector-General of Co-operative Societies would have discretion to fix a maximum number of shares, which a member may subscribe for, or different maxima for different classes of members. But such restriction would not be imposed except after careful consideration of all factors of the situation. The interest of a member in a society is often a criterion in fixing the limit of his credit. The better the status of a member the larger would be the loan that he would require and the greater the number of shares that he would try to have. The *panchayat* may profitably look to a man's general business and dealings with the society in fixing the maximum number of shares that he should hold.

11. The shares would generally be of the value of Rs. 10, payable in twenty half-yearly instalments of one rupee each, but there is no objection in principle to the shares being of the denominations of Rs. 20, Rs. 50, or even Rs. 100 each, according to the wishes of the shareholders. In smaller artisans' societies shares of Rs. 5 would, perhaps, be preferred, payable in 80 monthly instalments of one anna each, so that the poorest person may not be debarred from joining a society.

CHAPTER IV.

THE LOANS: THEIR OBJECT AND CHARACTER.

A co-operative society would advance money to members only.

2. It will be necessary for every applicant for a loan to specify the object for which the money is required, so that the

members may satisfy themselves as to its actual necessity. In societies with unlimited liability such scrutiny is particularly necessary as all members are ultimately liable for the repayment of every loan advanced by the society. When loans have been granted, members will be expected to satisfy themselves that the money has actually been applied to the particular object or objects for which it was borrowed.

3. The system in Ireland and Germany is that loans are granted for productive purposes only, that is to say, for purchase of seed, cattle, implements, etc. But we, in India, live under different conditions. The social laws of the country require expenditure of large sums of money on social functions and domestic ceremonies. Marriage is a most important item in a householder's bill of expenditure and if the co-operative societies were to refuse advancing money on such an occasion, they would lose much of their popularity and usefulness and most of their charm will vanish. Besides, if a co-operative society man is refused a loan on the occasion of a marriage, or other ceremony, in the family, he will be obliged to contract a loan elsewhere, probably at a high rate of interest. The primary object of the co-operative movement is to free the peasantry from indebtedness except to the society, and this object will be frustrated.

4. Much useful work can be done by a society in restricting the amount of loans granted on such occasions within well-defined narrow limits; and, since every member of a society would be jointly liable for the debts of all others, the members have very good reasons to insist that the amount spent on social functions does not exceed the bounds of moderation and is within the limits prescribed by the village *panchayat*. It is found that the dictates of society in such matters—based as they are on grounds of public well-being and backed as they would be by the provision for necessary funds—are in most cases cheerfully accepted by the borrower. Economies will thus be introduced, extravagance checked, expenditure regulated and a high road to insolvency will be closed.

5. Loans, then, may be granted for all legitimate purposes, provided the object in view is to improve the material prosperity or to meet other necessary expenditure. The grant of loan to a member, from a co-operative society, to pay off previous debts is considered a legitimate purpose in co-operative laws and practice. A line of difference would be drawn between productive and other expenditure by varying the rates of interest charged in each case. Money required for productive works of a more or less public character, such as the digging of water tanks and sinking of wells, would be lent at low rates of interest. Whereas loans for, say, marriage expenditure would be charged at highest rates of interest so as to discourage excessive borrowing on such occasions. Between these two extreme limits the rates for other kinds of loans, *e. g.*, for purchase of cattle, seed or implements, etc., would be varyingly fixed. The rate of interest for the same class of loans would not be uniform throughout the State, but would vary in different parts according to the condition of local or neighbouring money market.

6. If the co-operative movement is to grow on sound economic basis it must be based on business principles and not on lines of philanthropy. The object of co-operation is to secure reasonable credit. It is no part of the functions of co-operation to reduce too rapidly the rates of interest to an uniformly low level. The growth of the movement will inevitably tend to gradually lower the rates of interest everywhere; to precipitate the fall by violent reductions cannot but be fraught with an element of grave risk. A debtor who has been accustomed to pay high rates can only be trained to thrift by gradual relief. The sudden opening-up of cheap credit may lead to his ruin. If, for instance, the rate of interest charged by private money-lenders in a locality is 12 per cent. and the co-operative society begins to advance money, say, at 4 per cent., the first idea that will strike the illiterate borrower would be that he could get from the society Rs. 300 by paying one rupee a month interest in place of Rs. 100 which could be had for

a similar charge from the money-lender. The temptation to borrow Rs. 300 would then be too great to be resisted. If a person whose reasonable credit is Rs. 100 is, somehow, advanced Rs. 300, he is apt to go beyond his safe depth. The possession of more money than one requires may easily lead to extravagance or to a life of dissipation. Even if this catastrophe does not take place, there is the danger that money borrowed by members would be lent out again in the market at higher rates of interest. The rates of interest will, therefore, have to be fixed separately for each locality with special reference to local conditions.

7. I have already explained the desirability of societies being financed to a large extent by local capital. Deposits from members or from the public cannot be expected at rates markedly lower than those obtainable in other forms of investment in the same neighbourhood. The rates for deposits being fixed with reference to the condition of local money market, it stands to reason that the rates at which money is lent out should be somewhat higher so as to leave a reasonable margin of profit to the society to cover its expenses and distribute a dividend amongst the shareholders. All these considerations go to prove that rates at which loans would be granted by the societies should neither be very low nor substantially lower than the rates at which money is obtainable in the local money market.

8. The conditions as to repayment of a loan would be determined according to the circumstances of the case. A loan issued for productive purposes would naturally be expected to be repaid from the produce raised with its assistance. For instance, a weaver getting a loan for the purchase of yarn would be required to repay the money as soon as the cloth manufactured therefrom is sold. Similarly, loans for seeds and other expenses of cultivation would be repayable from the crops. In fixing the dates of repayment, regard would be had to the consideration that the dates coincide with the time when the produce—manufactured or agricultural—is likely

to be sold off. Loans granted for the purchase of bullocks would be made repayable in 2, 3 or 4 half-yearly instalments (according to the magnitude of amount advanced, the circumstances of the borrower and his ability to repay), each instalment to fall due in harvest time. Loans for marriage expenses would be recovered from the money received as *neota* on the occasion of the wedding and the balance by instalments in one to two years. In the case of Government servants, or other persons earning a monthly income, monthly instalments would be fixed.

9. The guiding principles in all cases in determining the conditions of repayment would be :

- (1)—the borrower should be able to meet his engagements without incurring debts elsewhere; and,
- (2)—he should not be given an opportunity to keep any money likely to come into his hands idle, for it may then be wasted.

10. Loans for longer periods than two years would not ordinarily be encouraged, but if the expenditure involved is heavy, and the benefits likely to accrue therefrom are of a lasting character, such as in the case of installation of machinery to deal with agricultural products (*e.g.*, cane, etc.), or water-lift pumps, or for any manufacturing process, the period of repayment, howsoever long, would not act as a bar to the grant of loans. Again, where money is required to, say, dig and build costly tanks for storing water, repayment would extend over a period of two or more number of years to admit of liquidation by instalments convenient to the borrowers.

11. But howsoever the instalments may be fixed, the debtors would be expected to repay the money punctually on the dates when the instalments fall due. Failure to do so would involve the raising of rate of interest and a reduction or cessation of business for the future. Multiplication of loans would be discouraged. If a person has already received one or more loans, and instalments in respect thereof are still due from him, the grant of further loans, however pressing, would not be advisable.

12. The entire funds and resources of the society—and of its members also if the society is one with unlimited liability—guarantee payment of money due to the creditors of the society. But among the members *inter se* every borrower would have to find two sureties for his loan. The sureties need not necessarily be members of the society. It is no doubt true that the character and integrity of a person is the best security for the money due from him, and in consideration of an application for grant of loan the character of a man would constitute a chief factor, but it would be as well to have at least two persons besides the borrower directly responsible for the loan; for if, owing to death or any other unforeseen cause, the borrower himself is unable to discharge the debt, the sureties would probably take charge of his affairs and see to it that the society's debt is paid off.

13. The question as to whether loans should be granted on the mortgage of immoveable property is a contentious one. A common belief is that when a borrower secures a loan by the mortgage of his property, he is generally slow in repayment. The fact that the money—in spite of the delay in repayment—is safe unconsciously puts both the lender and the borrower off their guard. The borrower is not anxious to repay and the lender is not insistent in his demand. The result is that capital often gets locked-up and is not readily available on demand or at short notice. It was, probably, a consideration of these and similar other factors that led the Government of India to insert the following restrictions in this respect in the Indian Co-operative Societies Act (II of) 1912. Section 29-(3) of the Act reads:

The local Government may, by general or special order, prohibit or restrict the lending of money on mortgage of immoveable property by any registered society or class of registered societies.

14. There can, however, be no absolute rule against mortgages. Every case depends and would be treated on its own merits. In Madras and Burma, for instance, land is often

pledged as security for loans and the fact that a member's property is pledged serves to emphasise his exclusive liability to the society. In cases where a new member requires a loan from a co-operative society to redeem his property already mortgaged elsewhere and is unable to offer other suitable personal security, a loan against immovable property—whether tendered in itself or as additional security—may be considered as quite in order. In areas newly opened out by the extension of irrigation canals, where every cultivator is more or less of a stranger to the other and often has no security beyond his own tenement to offer, mortgages may be freely accepted.

15. A chapter dealing with the character of loans cannot omit to consider the question of the fixation of limits for the individual borrowers. In determining the limits up to which different parties could be financed, the character, integrity and business capability of the borrower again play a great part. A person may be comparatively poor, but if he has a reputation for being honest and straightforward in his dealings and is a prudent man of business, he would certainly command in relation to his resources much better credit than a wealthy but profligate person. But it would not be proper to leave the consideration of the extent of a member's borrowing limit absolutely in the hands of a few members of the *panchayat* that happen to be present when the application for loan is considered. It is possible, though not at all probable, that some of them may not be in possession of full information as to his character and integrity and, what is far more likely, undue influence (which all of them cannot always resist) may be brought to bear into giving a person credit beyond his justifiable means.

16. To guard against such contingencies a status or *haisyat* register would be maintained by every society. It will contain full particulars about the nature of title or right to land in possession, the land-rental, cattle, house property, general reputation, old debts, etc., of every member and also information about the limit of his credit in respect of particular objects or altogether. Great care and caution must be used in

the preparation of these lists,—the help of *tahsildar*, *kanoongo*, *patwari* and village elders being freely requisitioned in filling up entries in the *haisyat* register. The register will be revised and brought up to date once every year. The information given in this register would be fully considered before a loan is sanctioned and the limits mentioned therein would not be exceeded without previous sanction of the *Sooba* of the district. The sanction of a loan application would ordinarily be preceded by an enquiry as to whether the loan is actually needed and, if so, the amount really required. For instance, if a loan is required for payment of land revenue—and provided the *panchayat* is satisfied that the circumstances of the applicant are such that he cannot pay it either without borrowing elsewhere or without an early sale of his stock which would involve loss to him—a reference to the *haisyat* register will at once show the amount payable by him on this account. If a man wishes to buy a bullock, the local knowledge of members will enable them to ascertain what amount is to be advanced. A great consideration to be borne in mind in giving an advance is that it should as far as possible cover his real and reasonable needs in that respect in full, so that he may not be forced to raise the deficit money elsewhere. It would, by and by, be made a rule that no person, once he has joined a co-operative society, would be allowed to borrow money from outside without definite permission of the society and such permission would not be granted except in special cases and for valid reasons.

17. It is very difficult to give an idea as to the extent to which different objects—productive as well as otherwise—play their part in connection with the grant of loans. Mr. Langley, Registrar of Co-operative Societies in the Punjab, has taken pains to compile, in respect of the Punjab, figures showing the principal objects for which loans are issued. These figures are very interesting in indicating the manifold ways in which the co-operative movement is helping the people who have joined it. I give below percentages of the

numbers of loans issued in the Punjab during the preceding 2 years.

	<u>1912-13.</u>	<u>1913-14.</u>
For purchase of cattle	26½	20
For purchase of seed	5	9
For payment of Government revenue	12	21
For household expenses	11	16
For purchase of fodder	10	6
For marriage expenses	7	4
For trade	3	2
For redemption of previous debts and mortgages	19	17
For sinking wells	1	..
For purchase of land	½	..
For miscellaneous purposes	5	5
	<hr/> 100	<hr/> 100

The above figures are not conclusive since they denote the number of loan applications granted but not their value. They may not, moreover, be of very much assistance in indexing the extent of similar demands in the Gwalior State, since the purposes for which loans are required naturally differ according to the conditions prevailing in different localities. For instance, where people are poor they generally borrow for all ordinary purposes, but their demands are small. In several richer districts the people are indebted in proportion to the value of their land and the most useful purpose which co-operation can serve is—if, and so far as, possible—to liberate the peasantry from old debts taken, as they in most cases are, at exorbitant rates of interest. Mr. Langley claims that the amount of indebtedness already cleared off by means of the co-operative societies in the Punjab is about one crore of rupees; the total indebtedness of the people within the influence of the 3,261 village co-operative societies in the Punjab is computed at about two crores apart from mortgages. These figures may serve to indicate the appalling weight of indebtedness under which our agriculturists have to work. No wonder the rate of material improvement and moral progress among our peasantry is exceedingly slow. What a vast field for good work and exercise of philanthropic tendencies does the village life of India present to the patriot and the reformer!

CHAPTER V.

INDUSTRIAL CO-OPERATION : ITS SCOPE AND BENEFITS.

There is a great scope for the promotion of co-operative movement among the industrial classes of the State. The Indian artisans are generally poor. They are always improvident and consequently in a chronic state of helpless poverty. It often happens that their products are sold ahead at exceedingly cheap rates—rates which many a time do not leave them a margin to cover even the bare wages. Being unable to command capital for purchase in the open market, they are forced to buy on credit from the very people with whom they are under contract to supply the finished product. The latter, knowing the artisan's helpless condition and his inability to buy elsewhere, do not scruple to charge exorbitant price for the raw articles sold. Where the person buying the finished product and selling the raw material does not happen to be one and the same, the artisan is forced to borrow his working capital at, sometimes, 30 to 40 per cent. interest. To borrow Rs. 10 repayable by twelve instalments of one rupee per month is a most ordinary spectacle and yet it means to the borrower an interest of about 36 per cent. per annum. It is said that in Cawnpore Mills, the *bania* advances Rs. 10 to the mill hands repayable in six-monthly instalments of Rs. 2 each; this works out to about 70 per cent interest!

2. The starting of co-operative credit societies among people circumstanced as these would place capital within their reach at a reasonable rate of interest. It has been experienced that capital provided at low rates of interest, by enabling the artisan to repay the money soon, enables him to save and extend his business. He is thus made to learn the value of money and accumulate property and capital of his own.

3. There are numerous artisans' societies in British India in prosperous condition and doing good work. The Lalimli Woollen Mills in Cawnpore has established a society which combines credit and store business for the employees of

the company. The Carpenters' Co-operative Workshop at Bareilly is a notable example of what co-operation can achieve. The carpenters of Bareilly are tied down to their buying contractors hand and foot, with the result that the majority of them are very badly off. This co-operative organisation has been found with a view to free some of the carpenters at least from the bonds of slavery. A school is run by the society to teach carpentry and introduce new implements, improved designs and up-to-date processes of manufacture and general methods of business. The apprentices, after training, are financially helped to start in business on their own account. The members realise the economic gain of their joining together in the workshops to produce equally good articles at cheaper price; and the moral gain in feeling that one is his own master is considerable. And it is not in the direction of technical training alone that the society is doing good work. An idea is said to be agitating the minds of its promoters that elementary education should also be included in the course of instruction.

4. In Burma, a silk weavers' society is doing very good work in Amarapura. An European weaving expert has recently been appointed by the Government to run the school started by this society. The instruction at school comprises improved methods of preparing the warp, weaving with automatic wooden looms, design and dobby work and the use of the iron Hattersley loom. The Hattersley loom, a number of which are working in this school, costs about Rs. 300 and a weaver trained in its use is said to be able to earn from Rs. 80 to Rs. 100 a month. The ex-students of the school have already formed themselves into a separate co-operative society and, since the advent of this new weaving master, are continuing further instructions under him. The growth of this school is expected to have most beneficial effects upon the weaving industry in Burma. The Gwalior Darbar has already given a great impetus to the Chanderi silk-weaving industry by starting an institute under a trained expert for introducing new

methods of work and instructing the weavers into their use. But there is still an unlimited field for improvement and expansion and the co-operative movement can do a great deal of good work in regenerating this important home industry in the State.

5. There are, in Madras, several co-operative societies started by the people with very limited means for the acquisition of land in order to build small comfortable houses. The salt loaders of Madras have also organised themselves into a co-operative society. At Mambalam (Madras) a society is formed to produce gingly oil.

6. It is not in the direction of improving small industries alone that co-operation can help the man of limited means. In Lahore, Government servants have formed themselves into a society, which has stimulated to a marked extent ideas of thrift among the members. The society has a working capital of about 5½ lakhs. Depositors get 6 per cent. interest and the money is utilised in financing agriculture through the medium of the registered co-operative societies in the province. Following the example of the under-graduate co-operators of Oxford and Dublin Universities, the students of the Central Hindu College at Benares have established a stores which has, in the words of Mr. Chatterjee, Registrar of Co-operative Societies, United Provinces, "made considerable progress and is beginning to arouse real interest among under-graduates in the college."

7. The Bombay-Baroda and Central India Railway Company have organised a very business-like society for its servants. The management is very active. Accounts are well kept and recoveries are punctually made from pay-sheets. Out of mill-hands societies, the one started by Mr. Mulji in his spinning and weaving mills at Broach, is probably the best of its kind in India. All employees of the mill from the manager to the peons are members. It has opened a shop where groceries are sold at cost price to members and a hotel where tea and refreshments can be bought cheaply. Loans are also advanced to needy members at reasonable interest.

The police people can be taught to be excellent co-operators and have started flourishing societies in several places.

8. These are merely a few instances of the possibilities of doing good work through the medium of co-operative movement. Co-operation has been found a most potent factor in stimulating small crafts and industries among poor men; manufactures flourish through this source. The development of home industries, which His Highness the Maharaja Scindhia has so much at heart, could receive a great impetus if the opportunities offered by this movement, guided along lines of practical wisdom and sympathetic regard for the well-being of the *ryot*, are fully availed of and utilised as a means to that end.

CHAPTER VI.

OTHER FORMS OF CO-OPERATION : THE ECONOMIC BENEFITS AND EDUCATIONAL VALUE OF THE MOVEMENT.

I have so far dealt with only one phase—and it is the principal phase—of the co-operative movement, namely, its utility in the direction of the democratisation of credit and the consequent reduction in the rates of interest. But when once the idea of co-operation is properly understood, and people begin to realise the advantages of combination, the movement is sure to spread rapidly and envelope new fields of activity. The advantages of science and industry which are at present the monopoly of the capitalist, and the agencies of cheap production which the use of costly machinery and organised labour working in big factories alone can command, could be brought within the reach of the humbler classes of people if they learn to combine and to co-operate, and provided the Darbar is ready to extend support to the movement and afford encouragement by expert advice and guidance along lines of practical, as distinguished from theoretical, wisdom.

2. Agricultural societies may, for instance, be formed for the production, or for production and sale, of commodities; but in order to be successful the methods of work should be

thoroughly explained to the co-operators and, in the beginning at least, the movement should be supervised by State business experts.

3. Societies may be formed with the object of enabling the members to accumulate their respective stocks of wheat and other produce, and have enough to sell wholesale, and secure for themselves the profits of the middleman. People may also co-operate in order to purchase raw materials, or any other commodity, in wholesale quantities so as to ensure uniform and good quality of the supply and obtain better results in production. They may combine to hold back stocks of grain until better prices are offered ; or to safeguard and insure the health of the cattle, prevent disease and reduce mortality.

4. In Jhelum Canal colonies, members of societies combine to store their produce together and sell jointly through one or two enterprising members and realise better prices. A comparison of rates thus earned enables them to appreciate differences in quality and serves as an incentive to the use of better seeds and more effective manure.

5. In the Central Provinces, the co-operative department has established a seed agency at Sihora. This agency registers orders and arranges for the supply of pure seed from farms specially run for the purpose either by the department itself or by private farmers and specially licensed by the Agricultural department. It also arranges for the disposal of surplus produce in bulk, so that the highest possible price is realised and the full value of the improvement in quality is obtained. The seed is graded by a specially trained man and no seed not up to the standard is sold.

6. At Paras in Akola district, Berar, a society has been organised for the purpose of ginning cotton grown by the co-operators. In Pattoki (Lahore district), a co-operative society has taken over the lease of the principal cotton ginning factory in the town. The proper ginning of cotton is a crying necessity, for cottons of mixed varieties are often ginned and tried to be sold under fictitious names. This

attempt at supplying an inferior variety under the name of a superior and better one has already dealt a great blow to the Indian cotton industry in the European markets where Indian cottons do not now command the same value as they did before. For a supply of pure seed in sufficient quantities the ginning of cotton under trustworthy management is absolutely necessary.

7. The Berar Cotton Unions represent a very useful effort in co-operation in an extremely simple form. The Unions have no share capital and their members carry no financial liability whatsoever except for their contributions towards the pay of Union chowkidars, which is raised by means of small acreage rates of 2 to 6 annas. The rate is fixed by members themselves to suit their own requirements. Unions of this kind, in their corporate capacity, make no profits except those derived from the sale of agricultural implements on which they receive a commission. Acting, as they do, as mere commission agents in the sale of these implements, they stand to lose nothing in their capacity as such.

Mr. Arno Schmidt, Secretary of the International Federation of Master Cotton Spinners, spoke of Unions organised on this basis as perfect specimens of their kind. Here, he writes, plant selection takes place on one farm and the selected seed is grown on a large nucleus seed-farm, which supply seed to a large number of co-operative societies. A Government official keeps a watchful eye upon the working of the system, so that no hybrids or other varieties are mixed up with the selected plants. From these seed-farms the ordinary cultivator obtains pure seed. In the surrounding villages, his fields act as demonstration plots. The strain of cotton grown is No. 1 selected *roseum*; the price realised for farm seed in 1913 was Rs. 40 per *khandi* as compared with Rs. 14 grown on non-society mixed farms.

8. Co-operative enterprises in connection with the improvement of sugar production are quite successful in parts of India. The institution of building societies has been a special feature of the co-operative movement in Mysore.

9. But in order to avoid disappointment in results, or failure, it is essential that the establishment of such societies should always be preceded by some kind of survey of the economic needs and position of the people and the formation of societies should be encouraged only after a careful investigation has been made into the proposed fields of operation and all factors for and against the venture have been taken into full consideration and found to be satisfactorily favorable.

10. In the direction of communal co-operation the Shamrao Vithal Society of *saraswat* brahmins in Bombay is a notable example of successful organisation. Its head office is in Bombay and it has branches at Hubli, Dharwar, Sirsi, Honavar, Kumta and Karwar. On 31st March 1914, it had 933 members, including 21 ladies, on its rolls. The share capital stood at 2 lakhs divided into shares of Rs. 25 each. The volume of transactions in 1913-14 was Rs. 7,01,752; the reserve fund stood at Rs. 12,000. It has a system of cash-credit accounts for members in business line. An education fund is started for the benefit of *saraswat* boys and 5% profits are set apart for this purpose. It issued, in 1912, Rs. 10,000 worth debentures stock to redeem debts of its members. Separate co-operative societies have been started in Bombay presidency by *chamars*, *mahars* and *dhors*. The municipal sweepers have organised a splendid society in Satara. Members deposit their savings, which, though small, show a steady growth indicating a healthy spread of ideas of thrift among them. Mr. G. K. Devadhar of the Servants of India Society has organised a society of Social Service League in Bombay. The Kanara *Kshatriyas*, emulating the example of the Shamrao Vithal, have started a promising society, the notable feature of which is that its profits are to be entirely devoted to educational purposes.

11. The satisfaction of the monetary wants of the cultivator and the artisan shall, no doubt, always remain the primary object of the co-operative societies. But the association of persons will be productive of other educational and

economic benefits to them. Co-operation is, in the widest sense of the term, education, both intellectual and moral. When men associate for business purposes, they feel the need of education. There is incentive—and forcible reasons—for learning to keep accounts, to sign pro-notes, to read pass-books and receipts, and a knowledge of this kind will widen the outlook and enlarge the prosperity of the members. Simple co-operative literature will be circulated among the rural population and they will be induced to read it. Small pamphlets culled from the information embodied in His Highness's excellent work *जमींदार हितकारी* and dealing in simple language with subjects pertaining to hygiene and public health, factors of material improvement and the system of municipal and local administration, etc., would be disseminated through the medium of these societies and the people will be encouraged to take a more intelligent interest in their agricultural, communal and social well-being.

12. One of the forms of social service to which co-operative institutions have devoted themselves in the United Provinces of Agra and Oudh is the provision of rural schools for children. There is no doubt of it that as local agencies for primary education co-operative societies can do much to assist the Darbar in its educational policy and their assistance may be of advantage in solving the problem of suiting rural education to the true needs of agriculturist and artisan classes. Illiteracy is a hindrance to the growth of co-operative movement. As the spread of co-operative ideas will lead to a demand for literacy, so literacy will encourage the demand for co-operation and both will act and re-act to the mutual advantage of one another.

13. Co-operation encourages thrift. It inculcates lessons of self-help. The test for admission to a society is a man's character and general reputation for integrity and honest dealings in business and private life. People, when they join together for the furtherance of their common weal

and when they pool their credit, influence in many a way each other's conduct and help in the extrmination of evil habits and vices. Mutual and corporate interests are advanced.

14. The mere feeling that one person is responsible for the debts and liabilities of others will act as a powerful incentive in checking extravagant habits among them. Expenditure on unproductive purposes will be curtailed. Extravagance on marriage and other social or religious functions will be put a stop to, or at any rate brought within reasonable limits. Members of a co-operative society are often encouraged to pledge themselves to a life of social thrift and, where the organisation is a strong one, a member who wantonly breaks his pledge is removed from membership of the society. The progress of the movement of co-operation is sure to effect a change for the better in the character of the people among whom it will spread. In Germany and Ireland co-operation has given a great impetus to thrift and economy and has led to the establishment of savings banks, benefit funds and provision for the poor. Drunkards and gamblers have been reclaimed to a life of usefulness and industry. Insistence on repayment of loans on due dates has helped to teach punctuality in other walks of life. Sharing of liability with others has taught straightforwardness and a spirit of broad-minded toleration. When people muster together and discuss openly one another's requirements and difficulties, when they have to submit to the views of the majority and sit in judgment on the affairs of other people, a sense of self-restraint and regard for other people's feelings and sentiments grows upon them. Public-spirit and discipline are infused. The *panchayats* managing the affairs of co-operative societies are not infrequently required to arbitrate and decide other people's disputes and differences. Litigation is thus reduced and discouraged. A corporate life and feeling of solidarity is engendered.

15. In his report on the working of co-operative societies in the Punjab during the year ended 31st July 1914, Mr. Langley, Registrar, remarks :

In Gurdaspore 32 *panchayats* have been formed among the co-operative societies for the settlement of disputes and minor offences, and very satisfactory results are reported. In some cases members of the *panchayats* have found themselves hoist with their own petard and sentenced to substantial fines for offences.

We read further in the same report :

The co-operative societies are also becoming awake to the necessity for more school education for their children. They want more primary schools opened in their villages and they also want higher education for some of themselves. They feel, for instance, that it would be to their advantage to have more of their number among the Officers of the Education Department. It has been resolved to raise funds for this object both in Jalandhar and Gujranwala districts: in fact, a certain amount has already been collected in the latter district with a view to build a boarding school for the sons of agriculturists at the district head-quarters and giving scholarships to promising boys.

16. Co-operation awakens the possibilities of agricultural development, and when members muster in meetings of the society, the talk and discussion often strays to all matters pertaining to the improvement of their crops or the eradication of social drawbacks and evils.

17. In Gurdaspore (Punjab) improved ploughs have been introduced on hire-purchase system through the agency of co-operative societies. Tube-wells are beginning to be sunk at some places where water is deep down or scanty. The introduction by the Pali co-operative bank (in the United Provinces) of oil engines for irrigation among its members is an example of how much good can be done by these societies where the funds at the disposal of members enable extensive works being undertaken. There is a marked tendency among the co-operative bodies to bring culturable waste lands under the plough and towards intensive cultivation.

18. The Nawagaon cattle-breeding co-operative society, in Central Provinces, is rendering valuable service in improv-

ing the breed of cattle. The local Government has handed over an area of 492 acres of land to the society for grazing purposes. Each member keeps from one to six cows on the farm. Cows fit for breeding purposes are selected, passed and registered before admission. They are covered by stud bulls owned by the society at a serving fee of one rupee for each cow. A grazing fee of one rupee for each cow, and of eight annas for each calf, admitted to the pasture area is paid by the owner of the cow or calf to the funds of the society. The calves are private property of the owner of the cow which bears them. The society's bulls are exclusively reserved for the registered cows; but, in default of sufficient registered females, are hired out for the use of unregistered cows preferably those belonging to members of a co-operative society. The poorer members of the society are permitted, in their individual capacities, to borrow money from their society for the purchase of cows to be kept by them. The stock reared on the farm fetch comparatively very good prices. Regular herd registers are maintained and pedigree records are kept by the society. The whole organisation is managed and controlled by the members themselves; they are encouraged to regularly inspect the herd and to offer any suggestions which may occur to them. The Registrar, Co-operative Societies, and the Deputy Director of Agriculture, regularly inspect the farm.

19. A point of importance that has of late come into great prominence in connection with the co-operative movement is its suitability for the forest tracts. *Bhils, Gonds and Korkus*, aboriginal tribes of India, have turned out high class co-operators. They are very punctual in repayment of loan instalments, notwithstanding bad harvests. Apart from this, they are excellent pupils; they have picked up the true spirit of co-operation and know all about their fellow-members; they scrutinise each other's loans and work most carefully, and the entire society is often a regular working *panchayat*. They value the society because it frees them from the extortionate demands of the money-lender.

20. Viewed from all these standpoints, it may safely be remarked that co-operative movement is not merely a device for obtaining money on cheap rates of interest, or only for increasing the resources of the people, but it can also wield a powerful educative and economic influence. The society may help in the revival of a corporate life in the villages and may strengthen the bonds of friendship and fellow-feeling among the inhabitants. The movement, if wisely directed, may constitute a powerful factor in improving the social, economic and moral conditions of the people and further in a most effective manner the cause of popular education. By increasing the wealth-producing powers of the people it may help to diffuse greater prosperity and contentment among them and thus form yet another strong link in the close bonds of affection and love which fasten His Highness the Maharaja Scindhia to his subjects and are a most pleasing feature of the Gwalior public life.

CHAPTER VII.

HELP FROM THE GWALIOR DARBAR: CAPITALISATION OF THE MOVEMENT AND CONTROL OF ITS AFFAIRS.

There is no question of it but that the agricultural banks already founded and run by the State would form the nucleus of the co-operative movement. The sum of about Rs. 25,00,000 invested by the Gwalior Darbar in the agricultural banks, as well as their reserves, if any exist, would constitute the initial working capital of the district co-operative banks and the district banks would finance the co-operative societies. The investments of the agricultural banks would be carefully examined and valued at market price; but this, it is expected, will present no difficulty.

2. The experience of the co-operative movement in European countries suggests that it would not be advisable for the Darbar to subscribe any part of the share capital of the district co-operative banks itself. Subscriptions from the Darbar are not necessary; they may complicate rather than

simplify the relations between the Darbar and the members of the district banks concerned.

3. But this does not imply that the Darbar should withdraw its financial support from the movement. The association of the Darbar with the district banks would lend them a position of respectability—and prestige—without which the movement cannot properly grow and expand. The relations of the district banks with the Darbar would be so regulated as to ensure a sufficient supply of capital from the State treasury for the success of the co-operative movement in the Gwalior State.

4. The money advanced by the Darbar to the district banks would assume the form of debentures carrying, say, 5 per cent. cumulative interest payable out of net profits of the district co-operative banks and the societies working thereunder, and guaranteed by a first mortgage on the entire assets, share-capital and reserves of the said district banks and societies, as well as by the reserve liabilities of the members thereof.

5. The co-operative movement would stand in need of this financial aid from the Darbar for many a long year to come. But as the movement spreads and gains strength and the resources of societies and banks—in the shape of members, share-capital and deposits—increase and begin to supply, though at first to a very small extent, the monetary needs of the co-operative societies, the Darbar would restrict its aid within narrowing limits so that it may lead to an increase of self-reliance and independence in the movement.

6. The association of the State with the movement will naturally create an impression among the people that the Darbar is looking after their interests and its eagle eye is ever vigilant to guard and protect their money. In proportion, therefore, to the growth of private deposits, the responsibilities of the Darbar will tend to increase and become more onerous. In the case of failure or breakdown of a co-operative society or bank the Darbar can no doubt disclaim all legal responsibility as regards satisfaction of the claims of private depositors, but the Darbar owes it to itself to see that every society and

bank is so constituted as to ensure its being worked on lines that would preclude the contingency of failure and render that catastrophe almost inconceivable. While, therefore, the financial support of the Darbar to the co-operative movement may begin to decline as the movement progresses, its obligations in the direction of a closer scrutiny of the affairs of the societies would become greater.

7. Expansion and growth are very good things in their own way, but it is necessary for the Darbar to satisfy itself that the progress is not very rapid and achieved at the sacrifice of internal soundness and safety of the movement. In the interests, therefore, of peace and contentment, and as protector of the property of its subjects, it is due to the Darbar to see that, while excessive official supervision is avoided and the movement remains essentially a people's organisation, the funds placed in the hands of the co-operative institutions are properly engaged and represent safe and sound investments and further that the money is actually utilised for the furtherance of the objects for which it is lent out and is not misused.

8. As regards the accounts of the co-operative societies and district banks, it is absolutely necessary that they should be subjected to a careful and thorough scrutiny and audit. These duties cannot be left entirely to private agency. It is desirable that the non-official agency be utilised as much as possible, but the success of the co-operative movement may be endangered if this principle is carried to extremes. Without a substantial degree of State supervision in the matter of checking of accounts, the Inspector-General of Co-operative Societies would lose touch with the internal conditions of the societies and the district banks, and the outside public, who expect the Darbar to be trustees of their interests and would value the scrutiny carried out by the officers of the State, may lose that confidence in the financial position of the movement which it is so essential to maintain for its continued success.

9. It is, therefore, necessary that the affairs of the societies and district banks should be inspected and audited by

a reliable staff which can keep the Inspector-General informed of the financial position of the societies. The staff need not necessarily be paid by the Darbar, but it should be appointed by the Inspector-General and should remain under his direct control. The societies could be required to contribute a certain portion of their income, or pay fixed auditing fees, for the services rendered by this staff.

10. If by this means, or in any other way, the two conditions mentioned above—*viz.*, (1) that the Inspector-General of Co-operative Societies should be in a position to possess reliable information regarding the financial positions of all the different societies and district banks, and (2) that the outside public have confidence in the control and audit—are fulfilled, the advantage would lie in restricting the number of State officials in the direct management of the co-operative institutions to as small an extent as safely possible.

11. Apart from official control, it would be preferable to allow the private depositors also to have some voice in the administration of the affairs of the respective societies and banks where in their monies are invested. A certain portion of the directorate in every society and bank may consist of representatives of the depositors. What the portion would precisely be cannot yet be determined. It would vary and depend on the relative magnitude of the stakes of the depositors and shareholders in an institution. The depositors' representative would have right to be present at all meetings of the directorate to satisfy himself that the money is being usefully laid out. If dissatisfied, he would be at liberty to withdraw the money, subject to previous notice for such periods as may be prescribed in this behalf on the basis of the rates of interest allowed. It would, however, not be proper to encourage the depositors' representative to take a very prominent part in the actual management of the affairs of the society, for if he does so the sense of responsibility of the members will be gradually lessened. They may even lose heart in the business and the benefits and advantages which may be gained from their co-operation would then be minimised or entirely lost.

12. The German Government have given a great impetus to the development of agriculture and trade in its country by the 'clearing system' of the Reichsbank. Through this system, money can be remitted from any of the 450 places in which there is an office of the Reichsbank, to any of these places, without charge either to the sender or the receiver. It is sufficient that the person to whom money is to be remitted should have an account at the bank. Any person owing money in the remotest part of the empire, either to the Government on account of taxes or to any private individual, may go to the office of the bank which is most convenient to him and pay in any amount. Credit will forthwith be afforded in the account of the payee wherever he may reside or have an account. It practically amounts to a money-order system without charge or risk of loss in transmission.

The Bombay Government have allowed remission of $\frac{3}{4}$ money-order commission on remittances made by co-operative societies to their Bombay agents. The same Government have also admitted co-operative societies to the advantage of the system of remittance transfer receipts at par by which all remittances for Rs. 25 and above between a society and its duly established branches in the mofassil may be made free of charge.

In the interests of the growth of the co-operative movement it will be necessary for the Gwalior Darbar to admit co-operative societies to the privilege of free remittances within the limits of the State through its system of State treasuries and State post offices.

CHAPTER VIII.

THE INSPECTOR-GENERAL OF CO-OPERATIVE SOCIETIES: HIS QUALIFICATIONS AND DUTIES.

No scheme however perfect and no design however faultless can be carried to completion, nor can it be expected to fructify, unless the agency employed for its control and direction is capable of handling the material at hand with the consummate skill of a master.

2. The Inspector-General of Co-operative Societies, to whose untiring efforts and zealous care the movement would owe its success, ought to be a man well versed in the knowledge and experience of the problems that await solution at his hands. His knowledge of facts must not be based on dry theory alone, for the application of root principles in strange soil and amidst new conditions not infrequently requires a recasting of many a preconceived plan of action. The theory must be seasoned and strengthened by actual experience and must be so thoroughly grasped as to give unity and coherence to the whole purpose.

3. In the introduction of a new movement among people bound down with superstition, ignorance, illiteracy and conservatism, the path of progress is beset with numerous difficulties and complications. "The opinions of the average man," remarks Professor Rushbrook Williams, "are very largely a result of early training and subsequent environment; and prejudices, however irrational, which one acquires in childhood are the hardest things in the world to shake off."

4. The co-operative movement aims a direct attack on people's loose notions of thrift; it seeks to annihilate the habits of improvidence and the evils of isolated action. To alter the general economic and social condition of people—so backward and hide-bound as agriculturists and artisans in our country—is a task of special difficulty.

5. In view of the nature of his duties as the man at the helm of affairs, the Inspector-General should, to start with, be a person of an absolutely open mind. He must, nevertheless, be filled with a genuine enthusiasm in the work that lies before him. He must be a person of broad and tolerant views; buoyant—of an optimistic bent of mind—and, above all, sympathetic and affectionate in nature. He must have sufficient control over himself to pull himself up and check his activities at any time when he has the least suspicion of going wrong or moving too fast; to retrace his footsteps, revise his judgments of right and wrong and satisfy himself that his motives are

perfectly true and justified by actual facts and that there is no unconscious bias or prejudice lurking in his brain. He must, in short, endeavour to achieve a counsel of perfection.

6. He should closely study the character and nature of the people, not with the impatient spirit of an omnipotent bureaucrat or a high-placed member of a powerful Government, but with the patient skill and untiring care of a trained expert. Let him not rush with his own preconceived notions and force his cut-and-dried schemes down the unwilling throats of a reluctant ryot revolting under the pressure of new fangled alien notions. While always ready and prompt to further the movement of co-operation, the Inspector-General must have sufficient acquaintance with the feelings and the habits of the people to understand and appreciate their limitations and to grasp their difficulties. There should be no hesitation to modify a preconceived idea in the light of fresh facts. It is very important for an officer placed in charge of a newly-created department to keep himself in such a frame of mind that he is at all times capable of receiving and utilising a new fact, which unexpectedly comes to his notice, even when that same fact renders worthless the labours of weeks.

7. In modern days every department of public administration is so thoroughly specialised that without adequate training in the intricacies and the technique of that particular branch, efficient government is well-nigh impracticable. Co-operation, like many another branch of administration, is highly specialised and requires a special course of training. The movement, in its business essence, is banking applied, under special conditions, to the improvement of agriculture among people generally backward in the scale of civilisation and improvident by habit. The form of combination is not of the well-established limited-liability joint-stock type. People have to be induced to cluster together, and taught to a sense of mutual trust, and trained to pool their credit. But the benefits of co-operation are not restricted to the securing of cheap capital alone. The movement, in its educative aspect, incul-

cates lessons of thrift and creates a sense of corporate life and joint responsibility for the material well-being of the community. It helps to eradicate evil habits and pernicious customs. The educational value of the movement is therefore no less important than its business achievements. The forms of co-operation other than credit include joint sale, and joint production and sale, of agricultural products; the rearing up of cattle of superior strains and cattle insurance; the farming and supply of better qualities of seeds, and the advancement of small industries,—all of which require training and experience of a special character not ordinarily possessed by the officials of the State.

8. In the interests of the success of the movement, it is necessary that the head of the co-operative department ought to be recruited from outside the limits of ordinary State services. The need of doing so has already been keenly felt in other countries and wherever the movement has made a head-way it has in no small measure been due to the facility with which specialists in banking, trade and commerce, etc., were taken on the superior staff of the department.

9. These few reflections serve to indicate the general qualifications required in the officer who is to direct the affairs of the movement. A few remarks are necessary as to the nature of his duties and responsibilities.

10. It is the duty of the Inspector-General of Co-operative Societies and his staff, and they owe it to the State and to the public who deposit their money in the co-operative societies, or district banks—and to members who join the societies—to see that every co-operative society is informed by genuine co-operative principles. The Inspector-General would be expected from time to time to take stock of the progress made, correct the faults discovered, standardise and bring up to date the system of accounts, teach the backward members the principles of co-operation and the rules of their societies. The work of expansion of the co-operative movement and the opening out of new societies would,

obviously, be of little benefit until and unless the existing organisation is periodically overhauled and brought up to the standard mark.

11. The Inspector-General is naturally expected to bear in mind that the borrowing powers of a society should be kept within proper bounds until the members generally have some knowledge of the objects and the rules of the society and the managing bodies are found to be managing the affairs of the society equitably and with some degree of efficiency. Success in co-operative movement is difficult unless the majority of members understand the principles of co-operation well enough not to tolerate—and to take effective steps to put a stop to—injustice or misconduct by the managers and the directorate of a co-operative institution. Mr. English, Registrar, Co-operative Societies, Burma, has very rightly remarked that “knowledge must be insisted on, or co-operative principles will not be followed, and if they are not followed the whole structure is a fraud and will collapse.”

12. A very important part of the duties of the Inspector-General would be to definitely determine—according to conditions prevalent from time to time and having regard to the general progress of the movement in the State—the borrowing limits of every co-operative society and district co-operative bank separately.

13. Efficient institutions may be expected to invest their funds well and to derive a maximum amount of good therefrom. The borrowing limits of efficient institutions may therefore be fixed, and later on extended, in relation to the growth of efficiency therein. But the growth and maintenance of efficiency may not be constant. Societies once good and promoted from a lower class to a higher one may, occasionally, have to be punished and reduced for such faults as dishonesty, bad management, bad accounts, ignorance of principles and rules, and unpunctuality in repayment of loans.

14. There are various standpoints from which the Inspector-General can judge and classify the societies in reference

to their merits. According to the ideas of Mr. English the criteria in this respect should be—

- (i) Knowledge by members generally of the main points of co-operation.
- (ii) Knowledge of all the rules by the *sarpanch* and the secretary at least.
- (iii) Good accounts and satisfactory minutes of proceedings of society and *panchayat* meetings.
- (iv) Fair, regular and efficient management.
- (v) Repayment of loans by members according to the system laid down in the rules of the society and punctual repayment by the society to the district co-operative bank.
- (vi) Ability to obtain local deposits.

15. In order to ensure prompt and decisive action being taken by the Inspector-General, when faults and mistakes are discovered, it would be necessary to arm him with reasonable powers of inspection and disciplinary punishment. His high status and moral character and sense of right and wrong coupled with the responsibilities attached to his post may be regarded as a sufficient guarantee, under normal circumstances, that the powers will not be misused. It is, therefore, proposed that the Inspector-General of Co-operative Societies in Gwalior State be placed on the same footing as regards status and powers as the Registrars of Co-operative Societies in British India, and should have, without prejudice to his general powers, the following specific powers and duties :—

THE POWERS AND
DUTIES OF THE
INSPECTOR-GENERAL.

(1) The Inspector-General would be in administrative and executive charge of the co-operative movement in the Gwalior State.

(2) It would be the duty of the Inspector-General to see that co-operative institutions are informed of, and run on, genuine co-operative principles.

(3) The Inspector-General may, on his own motion, and should on the request of the *Suba* of the district or on the application of five or more members of a co-operative institution, hold an enquiry into the constitution, working and financial condition of that institution or he may direct some person or persons authorised by him in writing in this behalf to hold such enquiry. All officers and members of the institution would be bound to furnish such information in regard to the affairs of the institution as the Inspector-General or the person or persons authorised by him may require.

(4) Any creditor of a co-operative institution may apply to the Inspector-General for an examination of account books and financial condition of the institution if it is indebted in the sum of Rs. 500 or more to that creditor and a demand for payment within a reasonable time has not been complied with. The Inspector-General would, on receipt of such application, hold or cause to be held a proper examination of the affairs of the institution.

(5) Where an enquiry or examination is held at the instance of a member or creditor, the applicant should deposit with the Inspector-General such sum as security for the costs thereof as the Inspector-General may require.

(6) The Inspector-General may apportion the costs (or such portion of the

costs as he thinks fit) of enquiry or examination between the institution and the member or creditor demanding enquiry in such proportion as he deems proper.

(7) The Inspector-General would have power to prohibit, restrict or regulate the lending of money on mortgage of immovable property by any co-operative institution, and also to require that in the case of a co-operative society with unlimited liability advances on the security of movable property would be subject to his previous special or general permission.

(8) The Inspector-General would have authority to restrict the borrowing powers of a co-operative institution and to lay down rules governing the extent to which, and the conditions under which, a co-operative institution should receive deposits and loans from members and persons who are not members.

With the object of giving effect to the aforesaid provisions it would be lawful for the Inspector-General to classify the co-operative societies into different classes having regard to their standing, business capacity and credit. He may, in the beginning, place new societies in the lowest class and promote any of them later on to higher classes.

Societies, once promoted, may be reduced if found guilty of dishonesty, bad management, bad accounts, ignorance of principles of co-operation, unpunctuality in repayment of loans or general inefficiency.

(9) The Inspector-General would have power to lay down rules as to the manner in which, within the provisions of the proposed Gwalior State Co-

operative Societies Act, the surplus funds and the reserve fund of any co-operative institution, or of different classes of co-operative institutions, would be invested.

(10) The Inspector-General would, at all times, have access to the books, accounts, papers and securities of a co-operative institution and every office-bearer and member thereof would be bound to furnish such information in regard to its transactions and working as the Inspector-General may deem fit to require.

(11) The Inspector-General would audit, or cause to be audited, the accounts of every co-operative institution at least once in every year. The audit would include an examination of overdue debts and a scrutiny and valuation of the assets and liabilities of the institution.

PART II.

The Scheme of Organisation.

PART II.

The Scheme of Organisation.

I.—INTRODUCTORY REMARKS.

HIS Highness the Maharaja Scindhia is no doubt taking a keen interest in the improvement of agriculture and industries in the Gwalior State. But it may reasonably be urged that there are still vast opportunities for further improvement. The Gwalior Darbar has not yet done all that the nations in the West have already done and are still doing to make conditions of agriculture easy and increase the productivity of land. Many important aspects of the agricultural question have not yet been tackled. I have indicated in the first part of this book some of the lines along which further action is necessary. Agriculture and industries are the two main sources whence the State can enhance the economic prosperity of its subjects.

2. It must be remembered that the battle of business is to-day the real battle of nations and it is upon the victories in the competition of agriculture and trade that any State can rely for its supremacy in home and foreign markets. In India, the average agriculturist and artisan misses many opportunities for the expansion of his business, not from lack of enterprise but from ignorance of what those opportunities are.

3. The policy of the State in this matter should be cast in a propagandist spirit so as to act as a direct stimulative. What is wanted is that the State Government should approach every cultivator and artisan and place such facts before him as would be to his benefit and make an individual appeal to his energy and enterprise. The function of the State ought to be to bring home to the cultivator and the artisan clearly and definitely the opportunities which are his for the grasping. The department concerned with this business should be manned by a highly experienced minister, who should be in intimate touch with the needs of the people, who will not wait for hypothetical enquiries, but will carry information, by every

possible means, to all the producers and manufacturers in the State.

4. There is a clear necessity for better and more comprehensive organisation of the present governmental treatment of agriculture and commerce in the State. The administration of the Darbar should play a considerable part in maintaining the agriculture and industries in the State at a high level of efficiency. The trade has in the past suffered from government inaction or unintelligent administration and the system of work needs a thorough revision. Individual private effort alone will not solve the problem and, under present conditions of life, the directing energy and policy should, in order to be effective, be in the hands of the State Government. Government support should co-ordinate individual effort and both of them should be applied for the growth and expansion of agricultural and industrial interests.

5. Co-operation is only one out of the many departments of commercial activity that stand in need of State organisation and stimulating energy. A scheme for organisation of the co-operative movement in the Gwalior State should keep the above cardinal principles in view to be successful. These considerations are not forsaken in the framing of this scheme. But no scheme can be successful unless it is handled by a business administration and is actively helped by the Ruler of the State.

6. The supreme direction of the co-operative movement—the supervision of the organisation employed for the furtherance of this propaganda and the control of the methods by which small crafts would be advanced and the conditions of agriculture would be improved—and the general authority relating to the betterment of the material, moral, social, educational, and economic conditions and environments of the cultivator in the Gwalior State—would be vested in a **BOARD OF AGRICULTURE.*** The offices of the Board would be

*The status and functions of the Board of Agriculture would be somewhat analogous to the Board of Industry and Commerce already established in the Gwalior State. It may later on, perhaps, be possible to amalgamate the two Boards into one constituted on the lines of the Board of Trade in England and similar bodies in other countries of Europe and America.

situate in Lashkar and its members would be in direct official touch with His Highness the Maharaja Scindhia.

7. The organisation employed for the promotion of thrift and self-help among cultivators, artisans and persons of limited means would be known as a **CO-OPERATIVE SOCIETY**. There would be formed, in course of time, a co-operative society in almost every village—the larger villages and towns would possess two or more co-operative societies—with the object of providing the people with loans for all productive and other lawful purposes at moderate rates of interest, and for the furtherance of all lawful and recognised forms of co-operation other than credit, such as the sale and purchase of articles, the insurance of animals against disease and death, the rearing-up of superior breeds of cattle, the supply and use of improved types of implements and machinery in agriculture and manufactures.

8. There would be a local co-operative bank in every district of the State to finance the various co-operative societies working therein; also to examine the accounts, systematise the general procedure of business, standardise their functions and to bring the management of the societies on a harmonious and uniform level of efficiency. These institutions would be known as **DISTRICT CO-OPERATIVE BANKS**.

9. The general constitution of these different bodies, their aims and objects, the powers and duties of their directorates and the rights and liabilities of the persons joining or working in them are set forth in full detail in the following scheme of organisation.

10. If this general scheme is approved of by the Gwalior Darbar, it will be necessary to consolidate the provisions of this scheme in the form of a special bill and get it formally passed by the *Majlis Khas* of the State. The bill, when passed, would be known as the **GWALIOR STATE CO-OPERATIVE SOCIETIES ACT**.

II.—DEFINITIONS.

In this scheme, unless there is anything repugnant in the subject or context,

“ the proposed Act ” means the Act which is proposed to be enacted for facilitating the formation of co-operative societies in the Gwalior State for the promotion of thrift and self-help among agriculturists, artisans and persons of limited means :

“ the Inspector-General ” means a person appointed by the Gwalior Darbar to perform the duties of an Inspector-General of Co-operative Societies under the proposed Act :

“ the Board ” means the Board of Agriculture established under the orders of the Gwalior Darbar for the promotion *inter alia* of the co-operative movement in the Gwalior State :

“ the registered society ” means a society formed for the promotion of co-operative principles among the rural and urban population in the State and registered or deemed to be registered under the proposed Act :

“ the district bank ” means a district co-operative bank founded under the proposed Act to control, finance, audit, supervise and develop co-operative societies :

“ the Union ” means the Gwalior State Union of Co-operative Societies and District Co-operative Banks established under the proposed Act in order to guide and control co-operative institutions so as to secure uniformity of practice and unity in effort and in aim among all co-operative bodies in the Gwalior State :

“ the *panchayat* ” means the governing body of a registered society to whom the management of its affairs is entrusted :

“ the institution ” means a co-operative body and includes a registered co-operative society and a district co-operative bank :

“ the Bank ” means the proposed Bank of Gwalior :

Singular includes the plural and *vice versa* ; masculine gender includes the feminine gender.

III.—BOARD OF AGRICULTURE.

It is proposed that—

CONSTITUTION.

1. The supreme direction of the co-operative movement in the Gwalior State would be vested in a BOARD OF AGRICULTURE consisting of six members, at least three of whom would be officers of the Gwalior Darbar and would be nominated in virtue of their office. They would be known as ordinary members of the Board and would be as follows :—

Finance Member,
Revenue Member,
Inspector-General of Co-operative Societies.*

The extraordinary members would be representatives of the co-operative institutions and other official and non-official agricultural bodies in the Gwalior State and would be elected by an electorate to be specially constituted for this purpose in such manner as may hereafter be determined by the *Majlis Khas* of HIS HIGHNESS THE MAHARAJA SCINDHIA. In view, however, of the fact that it would take some time for such electorate to be formed, the three extraordinary members may, in the first instance, be nominated by HIS HIGHNESS and they may hold office for three years.

2. The Inspector-General of Co-operative Societies would be an officer

*The Inspector-General of Agriculture, if and when that post is created, would also be made an *ex-officio* member of this Board.

of the Gwalior Darbar, appointed by HIS HIGHNESS THE MAHARAJA SCINDHIA, and would be in direct administrative charge of the co-operative movement in the State.

Having regard to the consideration that the success of the co-operative movement lies in the business capacity and technical efficiency of the officer in executive charge of the movement, the Inspector-General of Co-operative Societies should invariably be a person of commercial and banking (and not of official) experience and should be appointed, so far as possible or convenient, direct from some commercial or banking house of repute. In the administration of an organisation, primarily banking in essence, mere theoretical knowledge without regard to practice and the capacity to adjust principles to local environments may spell failure. Acquaintance of theoretical doctrines, unsupported by practical knowledge, drifts into metaphysics or mathematical exercises, excellent for the examination room, but useless for any purpose beyond it. The need of giving effect to this policy in the direction of agricultural improvements, and the extension of the principles of co-operation, and the absolute necessity of staffing the special departments concerned primarily with technical activities from outside the limits of ordinary State services, has for some time been more and more keenly felt and recognised in British India. Dealing with the question of the appointment of Registrars of Co-operative Societies (whose office is synonymous with that of the Inspector-General of Co-operative Societies under this scheme, the latter nomenclature having been adopted with a view to enable it to fall in a line with other departmental appointments of a similar type in the State), Mr. W. H. Moreland, C. I. E., I. C. S. (at present employed in the Indore State) writes in his excellent work on *the Revenue Administration of the United Provinces* (1911), as follows :—

“The newest department, that of Co-operative Credit, is at present staffed wholly from the revenue services, but it can scarcely be doubted that as time goes on it will have to depend more and more on specialists in banking and accountancy for the proper conduct of its functions.”

3. The Finance Member would be *ex-officio* Chairman of the Board.

4. Within the limits of provisions of the proposed Gwalior State Co-operative Societies Act, the Board of Agriculture would have absolute authority; save that the Chairman would have discretionary power (for use in emergencies only) to suspend the carrying into effect of any decision until it has been reported to HIS HIGHNESS THE MAHARAJA SCINDHIA, with whom would lie an ultimate right of veto.

5. The office of the Board would be located in Lashkar. Its members would, however, keep in touch with the progress of the co-operative movement in the different centres of the State, partly by the attendance from time to time of the managers and directors of the co-operative societies and the district co-operative banks and partly by touring on the part of the Inspector-General or his Assistants.

6. The transactions effected with the rural and urban co-operative societies would be under the authority of one or other of the district co-operative banks.

7. The Board would have no direct dealings with the registered co-operative societies.

8. The Inspector-General of Co-operative Societies would work as Secretary to the Board.

9. Not more than three gentlemen distinguished for public service, or for eminence in Agriculture, Co-operation or Manufactures, and resident citizens of the Gwalior State, may be elected by the Board, or nominated by His HIGHNESS, as honorary members of the Board for purposes of informal consultation, but no honorary member as such would be entitled to vote at any meeting of the Board.

POWERS AND OBJECTS
OF THE BOARD.

The object for which the Board is established are—

(1) To consider all questions connected with the improvement and financing of agriculture and allied industries and trades and to protect the interests thereof in existing or contemplated legislative measures in the Gwalior State and in home and foreign markets.

(2) To take action for the improvement of agricultural conditions in the Gwalior State and for the general prosperity of the cultivators and, so far as practicable and convenient, for increasing the productivity of land and to counteract any tendency towards deterioration thereof.

(3) To encourage thrift and promote a spirit of co-operation among agri-

cultural, artisan and urban classes residing in the Gwalior State, with a view to the introduction of improved methods of agriculture, and for the advancement of industries, trade, commerce and manufactures in the State—and in order to further the economic, social, moral, educational and communal well-being of those classes.

(4) To establish model farms for instruction in modern methods of agriculture and for the demonstration of improved types of agricultural implements ; and to found model seed, cattle-breeding and other depôts.

(5) To collect and circulate useful statistics and other information connected with the aforesaid matters.

(6) To act as arbitrators in disputes arising among agricultural and artisan classes ; and to promote in general a tendency towards determination, settlement and adjustment of disputes and differences by amicable means and to discourage, as far as feasible, litigation and factional dissensions and troubles.

(7) To open, supervise and control district co-operative banks and registered co-operative societies in the Gwalior State.

(8) To raise itself, and permit the borrowing of, money for the purposes of financing co-operative institutions.

(9) To make rules for grant from the co-operative funds and the district banks of interest bearing loans to the agri-

cultural, artisan and other classes of the Gwalior State—

- (a) for the purchase of seed, cattle and modern implements of agriculture ;
- (b) for the purposes of improving the fertility of land by sinking of wells, putting in of water-lift pumps, treatment of soil with improved manurial substances and otherwise ;
- (c) for the advancement of industries and crafts and for other productive and lawful purposes ;
- (d) and in order to pay off old debts of the people participating in this scheme and also to defray expenses of marriage and other necessary religious or social ceremonies—
through the agency of registered co-operative societies.

(10) To secure from the Gwalior Darbar preferential rights and privileges regarding recovery of the afore-said loans either through State agency or otherwise.

(11) To frame rules and bye-laws for the acceptance of interest and non-interest bearing deposits from the public by the co-operative institutions.

In the above scheme, the constitution and functions of the Board of Agriculture are only partially developed. In the absence of other work, the main function of the Board will, in the beginning, be to supervise the working of and to develop the societies and banks formed for the purpose of promotion of the co-operative movement in the Gwalior State.

But its sphere of work would be widened so as to cover all governmental activities in the direction of the improvement of agriculture and for increasing the productivity of land. The Inspectors-General of Agriculture and the other departments connected with the development of agricultural conditions would, if and when formed, come within the scope of the Board's work. The constitution and functions of the Board will from time to time be extended as additional duties are imposed on it to keep pace with progress of the government and the people in Gwalior State.

ADDENDUM.

The income accruing from any source to the Board would be applied solely towards the promotion of the objects of the Board. No member of the Board would be entitled to, or receive, directly or indirectly, any portion of the income or profits derived from the promotion of its objects, either by way of dividend, bonus, or otherwise,—provided that nothing contained herein would prevent the payment of travelling expenses to a member attending a meeting of the Board from out-station, or the payment in good faith of remuneration in return for any services actually rendered to the Board, nor prevent the payment of interest at fixed rates on money advanced by any member of the Board to the Board itself or to the district co-operative banks and registered co-operative societies.

IV.—CO-OPERATIVE SOCIETIES.

CONSTITUTION AND
OBJECTS.

It is proposed that—

Any ten or more persons of good character and sound mind above the age of 18 years may apply to the Inspector-General of Co-operative Societies for the formation of a co-operative society provided such persons :

- (a) reside or carry on business in the same town or village or in the same group of villages, or,
- (b) are members of the same tribe, class, caste or occupation,

but the Inspector-General would, for satisfactory reasons, have power to relax or modify the provisions of sub-section (b).

2. The number of members in a society would be unlimited.

3. The object aimed at in the formation of co-operative societies is to provide the members with loans for necessary objects at moderate rates of interest and to encourage among them thrift, self-help and co-operation; and to further their economic well-being and improve their material prosperity.

4. Every society formed in pursuance of the above objects would cause itself to be registered in the office of the Inspector-General of Co-operative Societies, Gwalior State, and no society would be entitled to the privileges of a co-operative society unless it is so registered and has obtained a certificate of registration signed by the said Inspector-General.

5. Any society which has for its object the promotion of the economic interests of its members in accordance with the principles of co-operation, or a society established with the object of financing and facilitating the operations of such a society, may be formed with a limited liability or without limited liability, provided that—

(a)—the liability of a society which is an union in whole or in part of other co-operative societies would be limited; and

(b)—the liability of a society of which the object is the creation of funds to be lent among its members, and of which the majority of members are poor agriculturists and poor artisans, and of which no registered society is a member, would be unlimited.

6. The admission to membership would be by ballot. Every candidate would be vouched by two existing members of the society. The ballot would be taken in secret and the ballot box would be opened in the presence of the *panchayat*. No ballot would be valid unless a quorum of members is present. One negative vote in every four would exclude the candidate.

SHARES.

7. The capital of every registered society would ordinarily consist of shares of the individual value of Rs. 10, payable in twenty half-yearly instalments of one rupee each.

8. Instalments of calls on shares should be regularly paid on the dates fixed by the *panchayat*. Overdue instalments may carry interest at the rate of one pice per rupee for every month an instalment remains overdue.

9. In societies with unlimited liability every member would have at least one share and as many extra shares as may be fixed by the *panchayat* having regard to his general status, subject to a maximum of ten shares.

10. Where the liability of the members of a society is limited by shares, no individual member or joint family (other than a registered society) would at any time, either by purchase or by transfer, hold more than such portion of the share capital of the society as may be prescribed by the Inspector-General in this behalf, subject to a maximum limit of one-tenth of the total share capital.

11. A member of a registered society cannot sell or transfer his share or interest in a society (or any part thereof) to a non-member except with the previous permission of the *panchayat* and a society may decline to register a transfer made to a non-member without assigning any reason therefor, provided that in the case of a society registered with unlimited liability a member, whose application for transfer is so rejected, may require payment by the society of the value of his share or his interest in

the society as ascertained in accordance with the rules of the society.

12. Any person becoming entitled to any share or interest in a registered society in consequence of death, bankruptcy or insolvency of a member, or in consequence of marriage of a female member, may be registered as a member upon such evidence being produced as may be required according to the rules of the society, provided that it would be optional for a society to pay a sum representing the paid-up value of such member's share, or interest as ascertained in accordance with the rules in force, if it considers that the new claimant is not on any ground suitably qualified or eligible for membership.

RIGHTS AND LIABILITIES
OF MEMBERS.

13. No member of a registered society would exercise the rights of a member until he has paid all arrears of calls due on shares subscribed by, or allotted to, him or unless he has acquired such interest in the society as may be prescribed by the rules of that society in this behalf.

14. In case of a society the liability whereof is unlimited, every member of the society severally, and all members thereof jointly, would be liable to the extent of their whole property for the repayment of the debts due from the said society to its creditors.

15. The liability of a past member for the debts of a registered society as they existed at the time when he ceased

to be a member would continue for a period of two years from the date of his ceasing to be a member. The estate of a deceased member would likewise be liable for the debts of a registered society as they existed at the time of his death for a period of two years from the time of his death.

GENERAL ADMINIS-
TRATION.

16. The supreme authority of every registered society would be vested in the general body of members.

17. The members would assemble in general meeting at least once in every year to review the general business of the society, dispose of profits, fix the maximum liability to be incurred by the society, elect the *panchayat* and the *sarpanch*, verify and confirm the entries in the *haisyat* register of members and fix the maximum amount of loan that any individual member may be given.

18. One-third members of a society would constitute a quorum at general meetings, but at meetings postponed for want of a quorum one-sixth members would form a quorum, subject to a minimum of five members present in person. No proxies would be admitted.

19. Where the liability of the members of a registered society is unlimited, every member would, notwithstanding the amount of his interest in the capital, have one vote only in the affairs of the society when a poll is demanded in general meetings.

20. Where the liability of the members of a registered society is limited by shares, every member would have one vote for every share held by him in the share-capital of the society.

21. In case of equality of votes the *sarpanch* would have a second or casting vote.

22. A general meeting may by a resolution fix a fine of not exceeding eight annas to be paid by a member on every occasion he is absent (without good cause) from a general meeting and the absent members would be bound to pay such fine.

23. An extraordinary general meeting of members may be called by the *panchayat* on its own initiative, and it must necessarily be convened at the special request of at least seven members, to discuss and consider any important business.

THE PANCHAYAT.

24. The management of registered society would, subject to general control and supervision of the members—and subject to such restrictions as the general body of members may from time to time prescribe in this behalf—vest in a committee of management known as *panchayat* and the *panchayat* would, without prejudice to its general powers of management, have the following specific powers and duties:—

(a)—To receive and deal with applications for membership and allot shares in the society.

- (b)—To fix dates for the payment of instalments towards shares and levy a charge on overdue instalments.
- (c)—To raise money in the name and on behalf of the society by way of deposits or of loans and to repay such loans.
- (d)—To receive, withdraw and disburse money and deal with other property of society.
- (e)—To deal with and dispose of applications for loans.
- (f)—To fix and vary dates and amounts of instalments by which every loan would be repaid, and to fix and alter rates of interest, and to levy any extra charge on overdue instalments.
- (g)—To arrange for punctual repayment of loans.
- (h)—To see that loans are applied to the purpose for which they are granted.
- (i)—To make proposals to the general meeting for disposal of profits.
- (j)—To acquire, on behalf of the society, shares in the local district co-operative bank.
- (k)—To arrange for the safe-keeping of the society's funds and documents.
- (l)—To appoint, fine, suspend, dismiss or reinstate the employees of the society.
- (m)—To institute, conduct, defend, compromise, execute or abandon any suits or legal proceedings by

or against the society or its officers in matters concerning the business of the society.

(n)—Generally to carry on the business of the society.

25. The *panchayat* would be elected from amongst the members in the annual general meeting of the members. The *panchayat* would consist of 5 or 7 members, including the *sarpanch*. The member receiving the largest number of votes in an election would be *sarpanch*. The *sarpanch* would preside at all general meetings of the society or in *panchayat* meetings.

26. The *panchayat* would be responsible for the efficient working of the society.

27. Meetings of the *panchayat* would be held as often as necessary and, at least, once in every month. Three members present in person would form a quorum. All members of the society may be invited to attend meetings of *panchayat*, but only members of *panchayat* would be entitled to vote.

LOANS.

28. Loans would be advanced on promotes or bonds executed by the borrower and at least two sureties, all the three undertaking several and joint liability for repayment of the money. Sureties would always be persons approved of by the *panchayat*. If a surety dies or becomes financially weak, the borrower would at once either provide another surety or refund the loan. Sure-

ties would be responsible for the proper application of loan, by the borrower, to the purpose for which it was taken. In granting loans preference would be given to loans for productive purposes. Loans would not be granted for extravagant or improper objects.

29. The applicant for a loan should specify his previous liabilities to the society and other creditors and state the purpose for which loan is required. Loans, when granted, would always be applied to fulfilment of the object specified; otherwise the *panchayat* may demand repayment of the loan at any time. Dates of repayment would be fixed at the time of the grant of loan with reference to the object of the loan and the ability and resources of the borrower. If a loan is granted for the cultivation of crops, the dates of repayment would be fixed—it may be in a lump sum or by instalments—so as to fit in with the time of harvesting or sale of crops. In case of a loan for trade or manufacture, repayments would be fixed about the time or season when the profits of such trade or manufacture are in the ordinary course expected to be realised. Additional interest may be charged on instalments falling in arrears if the *panchayat* is satisfied that the failure to repay the money is due to neglect.

30. A registered society would not give any advance to, or purchase and

supply any article or commodity for, any person other than a member; but may, with the previous general or special sanction of the Inspector-General, make loans to another registered society.

PROFITS, DIVIDENDS AND
RESERVE FUNDS.

31. The profits earned by a registered society in the ordinary course of business would be disposed of as follows:—

- (a) At least 25 per cent. of profits would be placed to a reserve fund.
- (b) Out of the remainder, 10 per cent. may be applied, with the sanction of the Inspector-General, to charitable purposes.
- (c) The remainder would be applied to the payment of a dividend, not exceeding in any year, 10 per cent. of the paid-up value of shares for the time being.
- (d) Surplus balance, if any, would be added to the reserve fund and may be utilised in the business of the society or for repayment of borrowed capital:

Provided that in case of a society the liability whereof is unlimited, all profits earned during the first ten years of its existence would be set apart for building up a strong reserve fund, and no division by way of bonus, dividend or otherwise would be made among its members without previous general or special permission of the Inspector-General.

32. A registered society may invest or deposit its reserve fund in any of the following ways :—

- (a) In the business of the society.
- (b) In Gwalior State Post Office Savings Bank.
- (c) In Government of India securities.
- (d) In the shares of the district co-operative bank operating in the area of the society.
- (e) As a deposit in any other registered society or district co-operative bank in the Gwalior State, or with any bank or person carrying on the business of banking approved of for this purpose by the Inspector-General.

(f) In any other mode permitted by the Inspector-General, provided that the Inspector-General may, by a general or special order, direct that the whole or a certain fixed portion of the reserve fund would be invested or deposited in any particular aforesaid way.

33. The reserve fund of a co-operative society would be indivisible ; no member would have any claim to any portion of it. On the dissolution of a society, the Inspector-General may direct the reserve fund to be utilised for some charitable purpose or transferred to any other society or a number of societies in such proportion as he may determine.

34. The instruments executed by or on behalf of a registered society, or by

an officer or member thereof and relating to the business of such society, would be exempt from stamp duty, as also from any fee payable under a law of registration for the time being in force in the Gwalior State.

35. The registration of a society would render it a body corporate by the name under which it is registered and would confer on it in such corporate name the privilege of holding property, entering into contracts, institution and defending of suits and other legal proceedings and all things necessary for the conduct of its business.

36. A registered society would have priority to other creditors (excepting a claim of the State in respect of land revenue or any money recoverable as land revenue) to enforce any outstanding demand due to the society from a member, past member or surety.—

(a)—In respect of the supply of seed or manure or advances made for the purchase thereof upon any crops or other agricultural produce of such person during two years of such supply or advance.

(b)—In respect of the supply of cattle, fodder, machinery and appliances, raw and manufactured materials or advances made for the purchase thereof upon any such things so supplied or purchased in whole or in part from any such advance or on any finished product.

and articles manufactured from materials so supplied or purchased.

37. A registered society would have first and paramount lien upon shares or interest in the capital and on the deposits of, and sums due to, a member or past member, in respect of his personal or joint debts, liabilities and engagements to or with the society, and may for the purpose of enforcing such lien purchase or sell the aforesaid shares or interest or any portion thereof and may set-off any sum standing to the credit of, or payable to, a member or past member in or towards payment of any such debt.

38. Subject to the provisions of sections 36 and 37 the share or interest of a member in the capital of a registered society would be exempt from sale or attachment under any decree or order of a court of law.

39. A registered society would be entitled to open and maintain an account in the nearest State post office savings bank or State treasury, and would also have the privilege of keeping its strong boxes in a State treasury and to the benefits of free remittances of co-operative funds from one State treasury or State post office to another.

INSPECTION AND AUDIT.

40. The Inspector-General of Co-operative Societies would audit, or cause to be audited by some person authorised by him by general or special order in writing in this behalf, the accounts of every registered society once at least in

every year. The audit would include an examination of overdue debts, if any, and a scrutiny and valuation of the assets and liabilities of the society.

41. The Inspector-General may on his own motion, and should on the request of the *Suba* of the district or on the application of at least seven members of a co-operative society, hold an enquiry into the constitution, working and financial condition of that society or he may direct some person authorised by him in writing in this behalf to hold such enquiry.

42. Any creditor of a co-operative society may apply to the Inspector-General for an examination of account books and financial condition of the society if it is indebted in the sum of Rs. 500 or more to that creditor and a demand for payment within a reasonable time has not been complied with. The Inspector-General would, on receipt of such application, hold or cause to be held a proper examination of the affairs of the society.

43. Where an enquiry or examination is held at the instance of a member or creditor, the applicant should deposit with the Inspector-General such sum as security for the costs thereof as the Inspector-General may require. But the Inspector-General may at his discretion apportion the costs of the enquiry or examination between the society and the member or creditor

demanding enquiry in such proportion as he deems proper.

44. The Inspector-General, or any person authorised by him, by order in writing in this behalf, would at all times have access to all the books, accounts, papers and securities of a society, and every office-bearer and member of the society would be bound to furnish such information in regard to the transactions and working of the society as the Inspector-General or the person authorised by the Inspector-General may require.

MISCELLANEOUS
PROVISIONS.

45. A society any part of whose funds is invested in another co-operative institution may appoint any of its members as its proxy for the purpose of voting in the affairs of such other institution.

46. All sums due to the Gwalior Darbar from a co-operative society or from an officer or member or past member thereof may be recovered in the same manner as arrears of revenue,—firstly, from the property of the society; secondly, in the case of a society of which the liability of members is limited, from the members subject to the limit of their liability; and, thirdly, in the case of a society with unlimited liability, from the property of any or all of its members.

47. The Board of Agriculture may, for satisfactory reasons, prohibit or restrict the lending of money on mortgage

of immoveable property by any registered society or class of registered societies.

48. The Inspector-General may impose such restrictions regarding the receipt of deposits and loans from non-members as to him may appear fit.

49. A member may, provided he is not in debt to the society and is not surety for any unpaid debt, withdraw from the society on giving one month's notice to the *sarpanch*. A member may be expelled for failure to pay instalments due on his debt or subscription in the share-capital, or for dishonest dealings with the society, or for attempt to injure its interests or for other grave misconduct. If such expulsion is decided upon by the *panchayat*, it would be subject to an appeal to the general body of members, whose decision would be final. A member withdrawing or expelled from a society, the liability whereof is unlimited, would be entitled on the expiry of two years from the date of such withdrawal or expulsion to get repayment without interest of any money paid by him towards the purchase of shares.

50. The surplus funds of a registered society may be invested in the same manner as provided for the investment of reserve funds in section 32.

51. It would be lawful for a society to frame rules for the regulation and conduct of its business so long as the same are not inconsistent with the

spirit of co-operation and the objects of the proposed Act, but no rules so framed would be enforced until they are registered in the office of, and are approved by, the Inspector-General. No amendment of the rules once registered would be valid until a copy thereof has been forwarded to the Inspector-General and approved of by him and a certificate of registration in respect thereof is obtained from him.

52. All officers and members of a registered society would be bound to observe strict secrecy in respect of the affairs of the society and, as far as possible, prevent them from leaking out and becoming the talk of the public.

53. No person or body of persons, other than a registered co-operative institution, would henceforth trade or carry on business in the Gwalior State under any name or title of which the word "co-operative" is part without the sanction of the Gwalior Darbar.

ARBITRATION.

54. Any dispute touching the business of a society between members or past members of the society or persons claiming through a member or past member, and between the *panchayat* and such members, past members or persons would be referred to the Inspector-General for decision and, if he so directs, to arbitration.

55. The Board of Agriculture may make rules prescribing the mode of

appointing arbitrators and the procedure to be followed in proceedings before the Inspector-General or such arbitrators and the enforcement of decisions of the Inspector-General or awards of arbitrators.

V.—DISTRICT CO-OPERATIVE BANKS.**CONSTITUTION.**

A district co-operative bank would be established in the head-quarters town of every district of the Gwalior State.

2. Every district bank would be called after the name of the district in which it is situated.

3. The object of the district bank would be—

(a)—to control, finance, audit, supervise the working of and develop the registered co-operative societies in the district; and

(b)—to form and encourage the formation of new societies.

4. The share-capital of every district bank would be determined by the promoters of the institution after a careful consideration of the requirements and resources of the district. It would, thereafter, be increased or reduced in accordance with the regulations framed from time to time by the Inspector-General under the provisions of the proposed Gwalior State Co-operative Societies Act.

5. There would be two classes of shares, (a) ordinary, and (b) special.

6. Ordinary shares would usually be held by persons residing or owning immoveable property, or carrying on any permanent trade or business, in the district. They would ordinarily be transferable to legal heirs or to existing shareholders only, provided that no shareholder would own more than forty

shares (of the nominal value of Rs. 1,000) in a district bank. If a shareholder desires to transfer his shares to a non-shareholder, he can do so only with the sanction of a majority of shareholders assembled in a general meeting.

7. Special shares would be held by registered co-operative societies in the district. Such shares would not be transferable, except to another registered society in the district, but would be bought in at the par of paid-up value by the district bank if the holder society decides to discontinue its dealings with the district bank.

8. The value of every share would be Rs. 25, Rs. 5 of which would be payable with application and the remainder Rs. 20 in twenty monthly instalments of one rupee per share.

9. The liability of holders of ordinary shares would be limited to the nominal value of shares standing in their respective names. The liability of holders of special shares would be limited to twice the nominal value of the shares held.

10. No share of a district bank would be sold to a minor, a person of unsound mind or an undischarged insolvent.

11. Interest at a rate not exceeding six per cent. per annum may be charged on arrears of calls from the date of default. If the amount due remains unpaid for more than six months, the

Board of Directors may, after due notice has been given, declare the share forfeited and credit the amount paid thereon to the reserve fund of the district bank.

12. The Board of Directors may, if it thinks fit, receive from any shareholder the whole or any part of the money uncalled and unpaid upon any share held by him; and upon any money so advanced may (until the same would, but for such advance, become presently payable) pay interest at such rate, not exceeding six per cent., as may be mutually agreed upon between the Board of Directors and the shareholder concerned.

13. Every new application for shares must be recommended by two existing shareholders and may then be sanctioned by the Board of Directors, subject to confirmation at the next general meeting of shareholders.

GENERAL MEETINGS.

14. The supreme direction and control of the affairs of a district bank would be vested in the general body of shareholders assembled in a general meeting.

15. General meetings of the shareholders of a district bank would be held—

(a)—In March and October every year. They would be called the ordinary general meetings.

(b)—Whenever summoned by the chairman, or a majority of the

Board of Directors, or at the written request of at least 10 shareholders. These meetings would be called extraordinary general meetings.

16. At least one week's previous notice of a general meeting would be given in writing to all shareholders, but the non-receipt of notice by any shareholder would not invalidate the proceedings at a general meeting.

17. At general meetings holders of special shares would be represented by their delegates.

18. Seven shareholders present in person would constitute quorum of a general meeting.

19. Every holder of shares (whether ordinary or special) would have one vote for every share held by him. Votes may be given either personally or by proxy.

20. The shareholders assembled in a general meeting would—

(a)—Elect Directors once a year and appoint Auditor for auditing the accounts of the district bank.

(b)—Consider and, if approved, pass accounts of the district bank and discuss report of the Directors.

(c)—Dispose of divisible profits.

(d)—Fix the maximum amount of liabilities to be incurred by Directors on behalf of the district bank during the coming half-year.

(e)—Discuss any matter arising out of the proceedings on the agenda of the meeting, or pertaining to the general affairs of the district bank, provided that no resolution would be passed in respect of any matter about which due previous notice was not given to all shareholders.

MANAGEMENT.

21. The affairs of a district bank would be managed by a Board of 8 to 12 Directors, one-half of whom would be elected by holders of ordinary shares, and the other half by holders of special shares. The qualification of a Director would be the holding of at least four shares in the capital of the district bank, either in his own name or, in the case of a delegate, in the name of the affiliated society which he represents.

22. One-third of the Directors, or the number nearest thereto, would retire every year by rotation. The duration of office of the first set of Directors would be determined by ballot. Casual vacancies in the Board of Directors would be filled up by the directorate itself. Retiring Directors would be eligible for re-election.

23. A Director may be removed at any time by a majority vote of shareholders for incompetency, gross negligence or misconduct.

24. The *Suba* of the district would be *ex-officio* chairman of the Board of Directors.

25. Without prejudice to its general powers of management, the Board of Directors would have the following specific powers and duties:—

- (a)—To appoint, dismiss, remove, suspend or otherwise punish any salaried or non-salaried officer or employee of the district bank and to require all or any of them to furnish sufficient security.
- (b)—To issue debentures, contract loans, or otherwise raise capital on behalf of the district bank and to pledge the district bank's credit therefor.
- (c)—To finance, control, regulate and supervise the working of the registered societies operating in the district and to arrange for a proper audit of their accounts.
- (d)—To form, or encourage the formation of, new co-operative societies in the district.
- (e)—Through any member of the Board of Directors, or through Manager, to institute, conduct, defend, compromise, refer to arbitration or abandon legal proceedings and claims by or against the district bank.
- (f)—To fix and vary rates of interest on loans, deposits, debentures and other borrowings.
- (g)—To appoint a legal adviser for the district bank, if necessary.

- (h) — To see that loans are applied to the purposes for which they are given and to consider and pass orders in case of overdue and misapplied loans and to take necessary action for their recovery.
- (i) — With a view to insure that the administration of every affiliated society is conducted in conformity with the principles of co-operation, to disaffiliate and remove from the list of shareholders any society whose administration is unsatisfactory.

A disaffiliated society would be entitled to claim the share-money paid by it after it has cleared off the debts due from it to the district bank.

- (j) — To take all actions and measures necessary or incidental to safeguarding of the interests and well-being of the district bank, the fulfilment of its objects and the success of its business.

26. The Board of Directors would meet as often as the business of the bank may require and in any case at intervals of not more than two months. Four Directors would constitute a quorum of the Board of Directors, but at meetings adjourned for want of quorum three Directors would form a quorum.

27. The Board of Directors would submit to the shareholders at every ordinary general meeting accounts and balance sheet, as well as the report

on working of the district bank for the preceding half-year.

28. The Board of Directors may appoint one or more sub-committees for the better performance of the work assigned to them and may fix a quorum for the purpose of meetings of such sub-committee.

29. No voting by proxy would be allowed in meetings of the Board of Directors or of any sub-committee appointed by it.

LOANS.

30. A district bank would not advance any money by way of loan except to the registered societies affiliated to it or, with the general or special sanction of the Inspector-General, to other district banks in the Gwalior State.

31. The amount advanced to a society would not exceed four times the nominal value of shares held by that society, provided that the Inspector-General would have the power to relax the conditions of this section in the case of any particular society.

32. If loans are made for specific purposes the dates of repayments would be fixed at the time of grant with reference to the object of the loan and the ability of the guarantee to make such repayments. All loans would be paid punctually on or before the date fixed for repayment. In case of loans repayable in instalments failure to pay any instalments would render the whole amount due recoverable on demand.

Additional interest may be charged by the district bank on overdue instalments.

33. Except with the sanction of the Inspector-General, no loan would be granted on the mortgage of immovable property.

PROFITS AND RESERVE
FUND.

34. The annual net profits of the district bank would be dealt with in the following manner:—

Firstly—At least 25 per cent. would be placed to the reserve fund.

Secondly—Out of the balance an uniform dividend limited to ten per cent. per annum would be paid on both the classes of shares, ordinary as well as special.

Thirdly—A sum not exceeding ten per cent. of the divisible profits (*v. e.*, total net profits *minus* the amount placed to the reserve fund) may, with the sanction of the Inspector-General, be paid as donation to any local object or objects of public benefit or charity.

Fourthly—The surplus, if any, would be placed to the reserve fund and may be utilised in repayment of borrowed capital or invested in the working of the district bank.

35. The reserve fund of a district bank would be invested in the Gwalior State Post Office Savings Bank, Government of India Promissory notes, in the shares of (or deposit with) any other district bank in the Gwalior State, or the Bank of Gwalior, or with any bank

or person carrying on the business of banking approved of for this purpose by the Inspector-General.

It would be desirable to invest the reserve fund in different ways and with this purpose in view the Inspector-General would have the power to lay down such rules not inconsistent with the provisions of the proposed Act, as he may from time to time deem proper for the investment of reserve funds.

INSPECTION AND AUDIT.

36. Twice at least in every year, the accounts of every district bank would be audited and the correctness of their statements ascertained by an auditor. No person can serve as an auditor unless he possesses a certificate of proficiency from the Inspector-General and is not interested, otherwise than as a shareholder, in any transaction of the district bank. An auditor would be eligible for re-election. The audit would include an examination of overdue debts, if any, and a scrutiny and valuation of the assets and liabilities of the district bank.

37. The Inspector-General would arrange for an independent inspection of the accounts of every district bank once in every year.

PART III.

The Gwalior State Union of Co-operative
Institutions.

PART III.

The Gwalior State Union of Co-operative Institutions.

I—THE STATEMENT OF REASONS AND OBJECTS.

IN order to guide and control the co-operative movement along lines of sound and progressive policy organised supervision is necessary. If the task of exercising such supervision is left entirely in the hands of the Darbar or its officers, a true spirit of co-operation will never develop. In many countries of Europe, the most suitable supervising agency has been found in the union of co-operative institutions for the purpose of better discipline and the securing of an uniform standard of administration. As the co-operative societies and the district banks grow and multiply the need for uniformity of practice and procedure would become more and more pronounced. The question of regularity in work and organisation and the consolidation of procedure must be tackled in right earnest to ensure lasting success and to prevent a breakdown, at any point, in the net-work of registered societies and district banks. The management of the co-operative movement is a business of a special kind, and in order to be successful it must be conducted on strict business lines.

A principal object of the Union is to train and gather together a reliable band of auditors to investigate and examine the accounts of every co-operative institution and to report to the members thereof as to whether the accounts presented to them are correct and exhibit a true and correct view of the affairs of the institution concerned and are drawn-up in proper form and order.

Another equally important function of the Union would be to train a corps of inspectors, managers, accountants and other responsible officials required for running the co-operative institutions and to prescribe universal methods of work and procedure, introduce universal registers and forms, and bring about a tone of unity and a harmony of purpose in the whole

organisation. This would raise the efficiency of the administration. Inexperienced speculation and amateur experiments would be prevented. It would become difficult for new and infant institutions to go astray on wrong lines of work ; bad and doubtful investments would be avoided.

The Union would maintain some staff to periodically go round and inspect, overhaul and examine the affairs, and audit the accounts, of the registered societies and the district banks. Every institution affiliated to the Union would, by and by, be required to contribute a certain donation to the funds of the Union and the staff employed for the aforesaid purpose would be paid therefrom. In the Central Provinces and Berar (writes Mr. Crosthwaite, Registrar of Co-operative Societies, in his annual report for 1913-14), the levying of a charge of rupee one per head per annum is now a part of their accepted policy. The rule is simple to work and provides the villager, very cheaply, with banking facilities which will improve in quality as time goes on. It may, by and by, become possible to fix a small charge of, say, eight annas or one rupee per year in respect of every loan account standing in the books of a registered society or district bank in the Gwalior State to find ways and means for the maintenance of this staff. Until such a charge is fixed and so long as it is not sufficient to defray the expenses of the Union in full an alternative method of raising income by direct taxation is embodied in the outline scheme herein set forth.

II.—THE OUTLINE SCHEME.

NAME AND OBJECTS. The name of this society would be the Gwalior State Union of Co-operative Institutions. Its office would be situated in Lashkar.

2. The objects of the Union are :—

(i)—To provide a regular and efficient system of supervision, audit and control for all the registered co-operative societies and district co-operative banks in the Gwalior State.

(ii)—To train a corps of inspectors, managers, accountants and other responsible officials required for running co-operative institutions in the State.

(iii)—To secure uniformity of practice and unity in effort and in aim among all co-operative bodies in the State.

(iv)—To work for the common good of all co-operators and specially to see that co-operative business is conducted on sound, safe and progressive lines.

GENERAL CONSTITUTION. 3. The membership of the Union is open to all the district co-operative banks with their affiliated registered co-operative societies on election by a majority vote of existing members.

4. Every member of the Union (or a group of members) would have right to send as many delegates to the Union Congress as may from time to time be prescribed in this behalf.

5. The Union Congress would meet once in every year to transact such business as may be specified by the Governor in the notice of the meeting. Such notice would be given in writing to all members of the Union at least one month before the date fixed for the meeting.

6. The Union members would give six weeks' clear notice to the Governor of any business proposed to be discussed at the Congress, provided that the delegates present would be at liberty to discuss at the meeting any matter arising as an offshoot of the business on agenda, whether previous notice thereof has been given or not, but no resolution of which due previous notice has not been given may be passed.

7. It would be the duty of the delegates to consult their electorate and to obtain (and act on) their instructions.

8. The affairs of the Union would be under the control and management of a Governor, assisted by a committee of four Commissioners. The Inspector-General of Co-operative Societies, Gwalior State, would be the first Governor of the Union and would hold office for a period of three years. Subsequent Governors would be elected by the Union Congress and every Governor would (unless he dies or resigns) hold office for a similar period. The retiring Governor would be eligible for re-election.

9. The Commissioners would be elected annually in the Congress meeting, retiring Commissioners being eligible for re-election, and the committee would have power to fill in any casual vacancy, till the next Congress meeting, in the office of the Governor or among the Commissioners.

10. Until further arrangements are made in this behalf, the expenses of the Union would be borne *pro rata* by the members.

11. Every member would be bound to contribute to the assets of the Union for payment of the debts and liabilities of the Union such amount not exceeding rupees two hundred in any one year as may fall to its share, and upto rupees four hundred for the adjustment of the rights of the contributories among themselves in the event of the Union being wound-up during the time of its membership or within one year afterwards.

12. No registered co-operative society or district co-operative bank would, after a certain date to be notified in this behalf by the Inspector-General, employ any salaried servant who is not licensed by the Governor of the Union and furnished with a Union Certificate to the effect that he has been trained and is fit for co-operative work. This restriction does not apply to menials earning less than Rs. 10 per mensem. Though licensed by the Union, all ser-

vants would be under the direct direction, control and discipline of the district bank within the jurisdiction of which they are employed.

13. Every district bank, being a member of the Union, would, at least once in every year—on such date as may be fixed by the Governor in this behalf—submit proposals showing :

- (i)—The name, address, member roll, capital and working funds of every registered society working within the area of its operations ;
- (ii)—The names, and the number, of Union servants which the district bank or the registered societies working under it propose to employ during the ensuing year ;
- (iii)—The salaries to be paid to each servant ;
- (iv)—Approximate expenses of management,—including charges for establishment, house-rent, stationery, printing, advertisements, etc.—for the district bank itself and for the registered societies working under it ; and
- (v)—The means by which the district bank proposes to raise funds to meet the above expenses.

14. After enquiry and report by the Governor and committee any registered society or district bank may be expelled from the Union by a vote of two-third majority of the Union Congress, provided that no motion for the expul-

sion of any registered society or district bank would be brought forward unless due notice has been given of it as required by section 5.

PROVIDENT FUND AND
ITS BENEFITS.

15. All persons licensed by the Union and employed in a registered society or district bank would be required to subscribe to the Union Servants' Provident Fund (hereinafter referred to as the Provident Fund) which would be based upon a system of joint contribution from the employers and the employees.

16. Every salaried Union servant would make a monthly contribution of $1\frac{1}{2}$ anna per rupee of his salary to the Provident Fund. The institution disbursing the salary would make the necessary deduction.

17. The whole of the money deducted from the salaries of the Union servants would be funded together under the heading of the "Union Servants' Provident Fund."

18. The administration of the Provident Fund would vest in the hands of the Governor and committee of the Gwalior State Union of Co-operative Institutions and the Union office would maintain proper accounts of all such monies received and their disbursement and a separate statement of account in respect of every contributor thereto.

19. The whole of the Provident Fund money standing to the credit of the Union servants serving within the jurisdiction of a district bank would be invest-

ed as part of the working capital of that district bank and would carry interest at six per cent. per annum, compounded half-yearly. If an Union servant accepts service in or under another district bank his Provident Fund, made up to date, would be transferred to that other bank.

20. In every year when the profits of a district bank and the societies working under it represent a return of more than 10 per cent. on the share-capital, the employer institution would be required to contribute a sum equal to one month's salary of every Union servant and the said amount would be credited to, and become part of, that employee's Provident Fund and thereafter carry interest at the same rate as specified in the preceding section.

21. Any Union servant who has rendered fifteen years' service and who is not dismissed for gross neglect of duty or for dishonesty would receive on his retirement cash payment of the total amount standing to his credit in the Provident Fund.

22. Any Union servant who dies or retires of his own will before he has completed fifteen years' service would not be entitled (he or his heirs) to draw from the Provident Fund a sum greater than his own contribution plus compound interest at six per cent.

23. Any Union servant who is dismissed for dishonesty or embezzlement

or for gross neglect of duty would lose claim to such portion of his Provident Fund as may be determined by the Governor as compensation for loss incurred owing to any act of commission or omission on his part, provided that it would be within the power of the Governor to allow payment of a sum not exceeding that person's actual contributions, plus interest thereon, in cases in which the person concerned appeals to the Union Congress and obtains a recommendation of mercy from that body.

24. Union servants retiring after long service—of, say, 25 years or over—would receive from the Union Funds, in addition to the amount from the Provident Fund, such sum as the Governor and committee of the Congress may from time to time determine.

INSPECTION AND AUDIT.

25. The Union may appoint one or more competent inspectors to investigate the affairs of the co-operative institutions in the Gwalior State. The Inspector would have access to and inspect the books and documents of every registered society or district bank and to examine on oath any of its present or past officers in relation to its business under such penalty for non-compliance as may be prescribed by the laws of the State in this behalf.

26. No registered society or district bank affiliated to the Union would, after a certain date to be hereafter noti-

fied, employ any auditor unless he is licensed by the Union. Union auditors would be under the direction, control and discipline of the Governor and committee of the Union, provided that the Union would not employ any auditor who is not recognised by the Inspector-General of Co-operative Societies.

27. Union accounts maintained by a district bank would be audited annually by a departmental auditor appointed by the Inspector-General.

PART IV.

The Bank of Gwalior :
An Outline Scheme.

PART IV.

The Bank of Gwalior.

I.—THE STATEMENT OF REASONS AND OBJECTS.

I HAVE sought to provide in the establishment of the Gwalior State Union of Co-operative Institutions a body that would secure a tone of uniformity in the system of working, audit and control of the district co-operative banks, and their affiliated registered co-operative societies, in the State. Efficient administration would in itself be conducive of stability and lead to expansion of business, but the machinery for the financing of the co-operative movement would not be complete until all the district co-operative banks are federated, on their financial side, in a central Bank of Gwalior. A central Bank is a natural link in the growth of the co-operative movement. It will have various opportunities of tapping wealth and attracting capital from sources which would be beyond the reach of the district banks.

2. The financing of the co-operative societies would no doubt be one of the chief objects of the Bank, but its resources would also be available for furthering the cause of the general industrial well-being of the State. The territories of HIS HIGHNESS THE MAHARAJA SCINDHIA are not on the whole backward to the rest of the country, but most of their industrial and mineral wealth lies yet undeveloped. To tap and exploit that wealth and to develop those resources along modern lines, the State must needs have a large banking organisation of its own. In order that such financial help may be lasting, the aforesaid organisation must be reared-up by the money of the Gwalior people, with the active help and co-operation of the Gwalior Darbar; it should, as far as possible, be manned by—and afford employment to—sons of the Gwalior soil and its resources should be wholly invested

in developing and improving the agriculture and industries of the State.

3. The idea of founding such an institution in Gwalior is neither new nor novel. National banking houses, run with Government financial support, constitute a part of recognised State policy in almost every civilised country. The Gwalior Darbar has not been slow in realising the necessity for a further organisation of its present treatment of Commerce and Agriculture in the State. Proposals for the establishment of a State Bank have several times been considered by the Darbar, but unfortunately none of them has yet taken a material shape. In the conception and the framing of the constitution of the Bank of Gwalior, the experience of similar organisations in the East and the West has been borne in mind so as to equip it with all the advantages and resourcefulness that characterise an up-to-date banking institution. But in doing so I have not lost sight of the fact that the conditions of Gwalior are not identical to those of other places and an indiscriminate imitation may lead to difficulties. An intelligent application of more or less foreign ideas to new situations often requires so discriminating a touch that it almost amounts to a new creation. A diligent study and judicious use of all that is best in contemporaneous institutions is not only justifiable but highly desirable on the understanding that there is indigenous capability to adapt and mould the alien circumstances to fit in local conditions and a *bona fide* desire of adding something, by personal effort, to what others have already done.

4. The commercial aptitude of the people of the Gwalior State, particularly in respect of joint-stock banking, is very little developed at present. It seems that the large mass of people would, unless the Darbar exhibits a policy of trust and confidence in the proposed Bank of Gwalior, be reluctant—at least in the early stages of its career—either to invest their money in bank shares and deposits or to deal with it in other ways. The Gwalior Darbar would needs have to extensively

patronise the Bank in the matter of the Darbar's monetary transactions so that the hesitation and distrust that people generally evince towards a new institution may disappear. For this purpose, it is proposed that the Gwalior Darbar should recognise the Bank's offices in Lashkar and elsewhere in the Gwalior State as sub-treasuries of the State where all moneys due to the State departments and to the Darbar from the people would be payable in the same manner as in the State's own treasuries and any receipts granted by an authorised officer of the Bank for any such payment would constitute an effectual discharge, valid in law, in respect of the amount noted thereon. The Bank may not be allowed to retain these moneys in its coffers for any prolonged length of time and as soon as balances at the Bank exceed such maximum amount as it is permitted to hold, the Bank would be required to hand over the excess or any part of the balance to the nearest State treasury. The object in view is to bring the Bank in direct business contact with a wide circle of the public so that it may become popular and people's trust in the institution may soon get well-established.

5. The question as to whether the Gwalior Darbar should subscribe a portion of the share-capital of the Bank requires careful consideration. The reasons urged in a previous portion of this book that the State should abstain from subscribing any portion of the share-capital of district co-operative banks do not apply to a central institution of the capacity and status of the Bank of Gwalior. District banks would be tiny concerns and there would be so many of them, each in a varying stage of development, that the introduction of the principle of State shareholdership therein may cause confusion and interfere with the growth of that feeling of self-reliance and independence which the co-operative movement seeks to establish and foster. But an institution like the Bank of Gwalior can hardly flourish without active State support. The system of government in the Native States of India is absolutely monarchical and the standard of administrative

efficiency, therefore, depends to a large extent on the personality and character of the ruler. HIS HIGHNESS THE MAHARAJA OF GWALIOR is a prince of very enlightened views and has an abounding regard for the protection of rights and liberty of his subjects, but there is no guarantee that such a satisfactory state of affairs will continue everlastingly. I am, therefore, of opinion that the Gwalior Darbar should subscribe a substantial portion of the share-capital of the Bank in order to convince the people at large, in the State as well as outside of it, that the Darbar would always continue to evince a keen interest in, and solicitude for, the well-being of the Bank. This may induce persons outside the State to subscribe for the Bank shares.

6. The Prussian Government have founded and endowed with £2,000,000 of public money a Central Co-operative Bank with the object of bringing capital within the reach of the various groups of the German Co-operative Banks. In the French republic, the Government have, through the Bank of France, lent nearly £2,000,000 free of interest, and also give about £120,000 every year out of the Bank profits, to assist agriculture ; all this money is lent free of interest to 'regional' banks and by the latter at 3 per cent. to local Co-operative Societies. State financial help is very noticeable in the development of agriculture and industries in Denmark, Canada, New Zealand, Ireland, France, Germany, Russia, Japan and the United States. In all these countries the State has played a great part in performing or assisting functions which neither voluntary association nor individual enterprise of people could perform alone. It is an established fact of economics that infant industries and commercial ventures have a particular claim on the resources and finance of the State's Government. The Government of the United Kingdom liberally support the Bank of England. The share-capital of the national British dyeing syndicate recently started by the people of England with the object of capturing the German trade in aniline dyes has been liberally subscribed by the Government of the

United Kingdom. I do not, under the circumstances, see anything wrong in principle in the idea of the Gwalior Darbar subscribing a part of the share-capital of the Bank. I suggest that to start with the Gwalior Darbar should subscribe for 500 shares in the capital of the Bank and may later on increase its interest in the capital to such further extent as circumstances may from time to time require. I also recommend that the various houses of nobility in the State may be approached to subscribe liberally to the Bank shares.

7. With the object of enlarging the loanable resources of the Bank, should circumstances at any time require extensive financing of Agriculture and Commerce of the State, provision is made for the issue of 5 per cent. debentures up to a limit of four times the paid-up capital and reserves of the Bank, subject to such maximum limit as the Gwalior Darbar may from time to time prescribe. In order to attract people to invest their savings in these debentures, the State should guarantee payment of interest only at the aforesaid rate of 5 per cent. till they are redeemed or paid off, but not any portion of the principal secured by such debentures.

8. In the same way, I think the Gwalior Darbar should guarantee a dividend on the paid-up capital of the Bank at the rate of 4 per cent. per annum during the space of the first seven years of its establishment. The guaranteeing of the aforesaid interest and dividend does not, obviously, imply that the Darbar will necessarily have to pay the same, or any part thereof, out of the State revenue. There is fair reason to believe that the Bank, if well managed and properly cared for, would begin to work at a profit from the second year of its establishment and may soon be able to pay a higher rate of dividend than 4 per cent. But it is just possible that circumstances may arise which may render it difficult for the Bank to earn profits so soon, or there may be a short fall in any lean year. Considering that people are not likely to invest their money in bank-share unless, among other factors concerning safety thereof, the Bank management can assure the investors of some regular return

thereon, it is desirable that the aforementioned guarantee be given by His HIGHNESS's Government. In all probability the Bank would soon arrive at such a profit earning stage as to free the Gwalior Darbar of the latter's obligation in this behalf ; but, in order to enhance the attraction and value of the bank-shares and ensure success of the scheme, the Gwalior Darbar should, in the beginning, come forward and assure the subscribing public of a regular minimum return on the capital outlay for a sufficiently long space of time. Any expenditure incurred by the State for the aforesaid purposes would be amply justified by the results gained, namely, the up-building of industries and the improvement of agriculture in the State.

9. In return for the help and assistance which the Gwalior Darbar would thus render to the Bank, it is reasonable for it to have a controlling hand in the management of the institution. It is provided in the scheme that two representatives of the Gwalior Darbar would have permanent seats in the Central Board of Directors of the Bank. The term of office would be three years, but the retiring persons would be eligible for re-appointment. One, at least, of the two persons so nominated should be an officer of the Darbar and may, in general, be the Finance Minister of the State. He would have discretionary power (for use in emergencies only) to suspend the carrying into effect of any decision of the Central Board until it has been reported to the Darbar with whom would lie an ultimate right of veto.

10. In addition to the audit arrangements that would be provided by the shareholders of the Bank, the Accountant-General of the Gwalior State, or such other State officer as the Gwalior Darbar may from time to time appoint, would cause to be thoroughly examined once in every year the account books, registers, vouchers, papers and securities of the Bank with a view to ascertain whether they exhibit a true and correct view of the affairs of the Bank. After every such examination is held, a certificate would be granted to the Bank by the Accountant-

General, or other officer concerned, to the effect that the accounts of the Bank have been duly audited and found to be correct according to the best information and belief of the said Accountant-General or other person ordering the audit.

11. The Bank would have power to raise funds by means of loans, deposits and debentures up to a maximum limit of eight times the paid-up value of its shares plus its reserve fund, provided that the Bank must keep in hand either in cash or invested in the promissory notes of the Government of India or other securities approved of by the Gwalior Darbar, an amount equivalent to at least 40 per cent. of the total amount of monies payable by the Bank for the time being to its creditors.

A primary reason for the recent failures of several Indian banks was an insufficiency of liquid balances in hand. Huge current liabilities were run-up by banks with scanty cash balances. Consequently, when people were seized with panic and great runs took place, many institutions found themselves unable to meet the demand and were obliged to close their doors. The suspension of business did not, in every case, imply that the business was rotten or the securities held by the failed banks were bad or ultimately inconvertible. The money was, however, for the time being badly locked-up. To avoid against such a contingency I have laid down that the Bank should always keep in hand, in cash or invested in Government of India promissory notes or other readily convertible approved securities, a sum of not less than 40 per cent. of its total liabilities for the time being payable.

In fixing this minimum balance, I have followed the condition imposed in this respect by the Bombay Government on the Bombay Central Co-operative Bank, Limited. The proportion of cash balance to deposits and other miscellaneous liabilities in the case of the Bank of Bengal is also nearly 40 per cent. If experience shows that this proportion is excessive or insufficient it could easily be lowered or raised from time to time.

12. The Bank should on no account be permitted to advance to THEIR HIGHNESSES THE MAHARAJA SCINDHIA AND THE MAHARANI SCINDHIA OR THEIR HEIRS AND SUCCESSORS any sum or sums of money by way of loan or anticipation on their personal security or on any part, branch or fund of the revenue belonging to THEIR HIGHNESSES OR THEIR HEIRS AND SUCCESSORS, unless satisfactory provision for its reimbursement in adequate regular instalments is made from some definite portion or fund of the Gwalior State revenues and on such portion or fund of the State revenues the Bank is authorised to exercise a first and paramount lien until the liquidation of its debts. Similar restrictions are imposed in regard to grant of loans of money to Sovereigns of England in the constitution of the Bank of England and experience has proved that in order to safeguard the existence and prosperous continuance of a public banking concern in a State where a monarchical form of Government prevails the embodiment of such a provision in its constitution is highly advisable.

13. Shareholders of banks are often reproached for trying to keep up high rates of interest on loans so as to earn handsome dividends for themselves. In order to prevent any one person from acquiring a preponderating influence in the affairs of the Bank, to the detriment of other shareholders or borrowers and of the general public, the number of votes which a shareholder may have in the affairs of the Bank is telescopically reduced. A shareholder would have one vote for every share up to ten, then an additional vote for every five shares up to one hundred; thereafter one vote for every ten shares. No individual shareholder, or a joint family, would be permitted to have more than 500 shares in the capital of the Bank. This limit may be extended when, later on, the capital of the Bank is increased.

The Gwalior Darbar would not, obviously, be subject to any such restriction in regard to the number of shares that it may have, though in point of voting the Darbar is also placed on the same footing as ordinary shareholders.

14. With a view to impress upon the Governor of the Bank and the members of the Central Board of Directors a sense of responsibility for their acts, and in order to hold them accountable to some extent for their actions and omissions in case of mismanagement, it is provided that the Governor and every member of the Central Board of Directors in office as well as all those shareholders that held the office of a member of the Central Board during the space of the preceding two years, would, in the event of the Bank being wound-up, be liable to contribute to the assets of the Bank a sum not exceeding 100 per cent. of the value of the shares held by him or them. But no such contribution would be levied if the assets of the Bank are sufficient to satisfy in full all the claims of the debenture holders, depositors and other creditors of the Bank. This condition will, it is expected, act as a wholesome deterrent against rash or inconsiderate investments.

15. All officers and employees of the Bank would ordinarily be whole-time servants of the Bank and be debarred from active participation in any other business, specially of a banking nature, that may in any way prejudice or injure or interfere in the due performance of their respective avocations in the Bank. With the object of enhancing their interest in the stability and well-being of the Bank, it is laid down that every servant of the Bank drawing a salary of Rs. 50 or upwards should acquire and always have shares equivalent in value to his six months' salary within two years from the date of his appointment.

16. All members of the Boards of Directors, officers and employees of the Bank would be bound to observe strict secrecy in respect of all affairs of the Bank that may in any way come to their knowledge.

II.—AN OUTLINE CONSTITUTION.

It is proposed that—

I.—NAME AND CAPITAL.

1. The name of the Bank would be the Bank of Gwalior.

The Bank of Gwalior would be a National Establishment, erected by the Gwalior State Legislature for the benefit of the general public, the promotion of the co-operative movement among the people of Gwalior and the advancement of Agriculture, Commerce and Manufactures of the Gwalior State and for other objects of public policy.

The affairs of the Bank would be managed by its shareholders with the help and co-operation of the Gwalior Darbar.

2. The ordinary capital of the Bank would consist of ten lacs of rupees, divided into 10,000 shares of Rs. 100 each and would be raised by voluntary subscription.

3. The head office of the Bank would be situated in Lashkar (Gwalior).

II.—OBJECTS AND SCOPE.

4. The objects for which the Bank would be established are :

(a)—To carry on the business of banking in all its branches, including :

(i)—The advancing and lending of money to, and opening cash credits for and on account of, individuals, companies and firms of business.

(ii)—The advancing and lending of money to Courts of Wards

upon the security of estates in their charge provided that no such advance or loan would be made without the previous sanction of the Gwalior Darbar and if the advance or loan is made in respect of an estate situated outside the Gwalior territories, without the previous sanction of the Local Government concerned.

(iii)—The drawing, discounting, buying and selling bills of exchange or other negotiable securities at any usance not exceeding twelve months.

(iv)—The investing of the funds of the Bank upon debentures or other negotiable securities for money issued by, or on behalf of, any proper and regularly formed Municipal body, District or Local Board, body of Commissioners for making improvement in any port or of Trustees of any port, erected under the authority of any Act of Legislature of the State wherein the same is situate; Government of India promissory notes; stocks and debentures of any Railway or other company, interest whereon would have been guaranteed by the Secretary of State for India-in-Council, or of a State-

aided Railway in any Native State in India; bullion or other goods; accepted bills of exchange and promissory notes and such other securities as the Central Board of Directors, with the previous sanction of shareholders in a general meeting assembled, may from time to time deem fit to invest in.

- (v)—The raising of money by issue of Debentures.
- (vi)—The buying and selling of gold and silver, whether coined or uncoined.
- (vii)—The receiving of deposits, and keeping of cash accounts and savings-bank deposit accounts.
- (viii)—The acceptance of the charge, and taking the management of, ornaments, jewels, title-deeds and other valuable goods.
- (ix)—The transacting of pecuniary agency business on commission.
- (x)—The acting as agents on commission in the buying, selling, transferring and taking charge of any securities or any shares or stock in a public company and receiving and disposing of the proceeds of the same.
- (xi)—The borrowing of money for the purposes of the Bank's business and giving of security

for any money so borrowed by pledging the Bank's assets or otherwise.

- (b)—To act, under arrangements with the Gwalior Darbar, as bankers for, and to pay, receive, collect and remit money, bullion and securities for and on behalf of the Gwalior Darbar and to transact such other pecuniary business for the Gwalior Darbar as may from time to time be agreed upon.
- (c)—To finance the Commerce and Industries of the Gwalior State.
- (d)—To advance monies to registered co-operative societies and district co-operative banks in the Gwalior State.
- (e)—To purchase, take on lease or in exchange, hire or otherwise acquire any moveable or immoveable property that may be required for or in connection with the Bank's business and to sell, improve, manage, develop, exchange, lease, mortgage, dispose of, turn to account or otherwise deal with the said property or the rights of the Bank therein.
- (f)—To acquire and hold any moveable or immoveable property, or any rights or privileges therein, which the Bank may deem necessary or convenient for the security, or realisation, of any of the moneys

owing to the Bank or to prevent or diminish any apprehended loss or liability.

- (g)—To co-operate and enter into any arrangements for sharing of profits, union of interests, joint adventure, amalgamation, reciprocal concession, etc., with any person, or company of persons, carrying on or engaged in, or about to carry on or engage in, any business or transaction which may be in conformity with the Bank's authorised programme of work.
- (h)—To establish and support, or aid in the establishment and support of, associations and funds for the benefit employees or ex-employees of the Bank or the dependants or connections of such persons and to grant pensions and allowances and to make payment towards insurance and to subscribe or guarantee money for charitable or benevolent objects.
- (i)—To take or concur in the taking of all such steps and proceedings as may seem calculated to uphold and support the credit of the Bank and to acquire and justify public confidence and to avert or minimise financial disturbances which might affect the Bank.
- (j)—And generally to do all such other things as are incidental, or con-

ducive, to the attainment of the above objects.

5. The Bank would have power to raise funds by means of loans, deposits and debentures up to a maximum limit of eight times the paid-up value of its shares and reserve fund for the time being, provided that the Bank must keep in hand either in cash or invested in the promissory notes of the British Government or other securities approved of for this purpose by the Gwalior Darbar an amount equal to at least 40 per cent. of the total amount of moneys payable by the Bank for the time being to its creditors.

6. The Bank would not ordinarily make any loan or allow advance :

(a)—For a longer period than 12 months.

(b)—Upon the security of its own shares or on the security of stock and shares of any bank of which any member of the Central Board of Directors or of the Local Boards of Directors of this Bank is a shareholder.

7. The Bank would on no account deal in any goods, wares or merchandise (except bullion) or purchase any lands or revenues belonging to the Gwalior Darbar, or advance to THEIR HIGHNESSES THE MAHARAJA SCINDHIA AND THE MAHARANI SCINDHIA OR THEIR HEIRS AND SUCCESSORS any sum or sums of money by way of loan or anticipation

on any part, branch or funds of the revenue belonging to THEIR HIGHNESSES OR THEIR HEIRS AND SUCCESSORS other than such part or branch or fund of the said revenue on which a credit of loan may be sanctioned by the *Majlis Khas* of the Gwalior State, or if the said *Majlis Khas* would have ceased to exist or would in any way have been modified, then with the sanction and consent of the Supreme Administrative Assembly for the time being in existence and subject to the condition that satisfactory provision for its re-imbursement in adequate regular instalments be made from some definite portion or fund of the Gwalior State revenues and on such portion or fund of the Gwalior State revenues the Bank would exercise a first and paramount lien until the liquidation of its debts.

III.—MANAGEMENT.

8. The business of the Bank would be managed by a Central Board of Directors which would, in the first instance, consist of six ordinary and two extraordinary members and its strength may subsequently be extended to such number not exceeding more than eight ordinary members and not more than six extraordinary members, as may from time to time be fixed by a special resolution of the shareholders in a general meeting assembled or of the Central Board itself subject to ratification thereof by a special resolution of

the shareholders passed in a general meeting within the next twelve months.

When the Bank may open a branch office in any place outside Lashkar and Morar and it may be considered necessary to appoint a Local Board of Directors to look after and control the affairs of the Bank in that place, the Central Board of Directors may, with the consent of the majority of shareholders in such place, appoint a Local Board of Directors (consisting of one or more but not exceeding four members) for governing the affairs of the Bank in such locality and may delegate to such Local Board such powers as the Central Board of Directors from time to time deems proper. Every Local Board of Directors would have the power to elect and send one of its members as its representative on the Central Board ; such representatives would be known as the extraordinary non-official members of the Central Board of Directors and for all purposes of management of the affairs of the Bank would exercise the same rights and powers in the Central Board as the ordinary members thereof. When, however, the persons eligible in this manner as non-official extraordinary members of the Central Board exceed four in number, the Central Board of Directors may, with a view to bring down the number of non-official extraordinary members to the prescribed limit, determine and form any two or more Local Boards of

Directors into one group for the purpose of election of a representative on the Central Board.

The Governor of the Bank would be *ex-officio* additional member and Secretary to the Central Board of Directors.

9. The qualification of every member of the Central Board of Directors, or of a Local Board, excepting a nominee of the Gwalior Darbar, would be the possession of at least twenty unencumbered shares in his own name.

10. The ordinary members of the Central Board of Directors would be elected by the shareholders in the annual general meeting of the Bank, one-third number of members, or the number nearest thereto, who have been longest in the Board, going out of office, by rotation, every year. The first Central Board would decide the duration of office of its various members by ballot. The retiring members would be eligible for re-election.

One-third portion of the total number of members, or the nearest number thereto, of the Central Board of Directors would form a quorum for the transaction of business.

11. The duration of office of members of a Local Board of Directors would be three years; new members would be appointed by the Central Board of Directors with the consent of the majority of shareholders in the locality.

Retiring members would be eligible for re-appointment. In case of Local Boards the quorum would consist of two members unless there is only one local Director in which case he alone would decide all matters submitted to him.

12. Two persons, who would be nominated by the Gwalior Darbar in order to watch the affairs of the Bank in the interests of the State and of the general public, and in whose case the qualification as to the possession of twenty shares in the capital of the Bank would not apply, would sit on the Central Board of Directors as extraordinary official members thereof. The duration of office in case of the nominees of the Gwalior Darbar would be three years; the retiring persons being eligible for renomination. One at least of the two persons so nominated would be an officer of the Darbar and would be, in general, the Finance Minister of the State. He would have discretionary power (for use in emergencies only) to suspend the carrying into effect of any decision until it has been reported to HIS HIGHNESS THE MAHARAJA SCINDHIA, with whom would lie an ultimate right of veto.

13. The Governor, who would be a paid servant of the Bank, must hold at least fifty unencumbered shares in his own name or agree to acquire them, in his own name, within two years from the date of his appointment to that office

and in the meanwhile furnish such security as the Central Board of Directors may require of him.

14. The remuneration of every ordinary and extraordinary member of the Central Board of Directors would be Rs. 10 for every meeting of the Board attended by him and it would ordinarily include all travelling and other expenses incurred by a member, residing out of town, in attending such meeting but in particular cases the Central Board would have power to allow a member, coming from out station to attend a meeting of the Central Board, his travelling expenses extra, provided that :

(a)—The Governor, being a paid servant of the Bank, would not be allowed any remuneration for attending the meetings of the Central Board.

(b)—A nominee of the Gwalior Darbar, being already a paid servant of the State, would not be allowed any remuneration for attending the Central Board meetings.

Every member of a Local Board of Directors would be allowed a remuneration of Rs. 5 for every meeting of the Local Board attended by him.

When the net profits of the Bank in any year show a return of more than 10 per cent. on the paid-up capital of the Bank, the members of the Boards

of Directors may, in addition to the remuneration mentioned above and subject to the approval of shareholders of the Bank in annual general meeting assembled, reserve not more than one-tenth of such profits for payment to themselves as a bonus and in this bonus all ordinary and extraordinary members of the Central as well as of the Local Boards of Directors would participate in such proportions as the Central Board of Directors may determine.

15. The members of a Board of Directors would have power at any time to provisionally fill up any vacancy in their number from death, resignation or disqualification, but the member so chosen would be subject to retirement at the same time as if he had become a member of the Board on the day on which the person in whose place he is appointed was last elected as a member of the Board.

16. The members of the Central Board of Directors as well as of the Local Boards of Directors would elect a chairman from among themselves at the first meeting of the Board held after the annual general meeting of shareholders and such chairman would hold office for the space of one year or until relieved by a duly elected successor, provided that :

(a)—If at any meeting the chairman is not present at the time appointed for holding the same, the mem-

bers would choose one of those present to act as chairman of the meeting.

(b)—No individual would hold the office of chairman of the Board for more than two years in succession or for more than five years under any circumstances.

But, by a resolution of the Central Board of Directors, the members of the Central Board or of a Local Board of Directors may dispense with a permanent chairman for any year or number of years and acquire the privilege of electing a fresh chairman at every meeting of the Board.

17. The business of the Bank would be managed by the Central Board of Directors and the Central Board would always and from time to time exercise all such powers, give all such consents, make all such arrangements and generally do all such acts and things as may be required for the furtherance and fulfillment of the objects and scope of the Bank and are to be exercised and done by the shareholders, but are not reserved for being transacted, exercised or done in a general meeting of the said shareholders, subject nevertheless to such provisions and regulations as the shareholders may, in this respect and from time to time, prescribe in a general meeting, but any new regulation made by the shareholders in a general meeting would not invalidate any

prior act of the Central Board which would have been valid if the said new regulation had not been made.

18. No person would be qualified to serve as a member of a Board of Directors :

(a)—If he holds the office of director, promoter, agent or manager of any other joint-stock bank established or having an office in, or advertised as about to be established or to have an office in, the Gwalior State.

(b)—If he is a salaried officer of the Gwalior Darbar, not specially authorised by HIS HIGHNESS THE MAHARAJA SCINDHIA to serve as a member of a Board of Directors.

And the office of a member of a Board of Directors would be considered as vacated if any member accepts any other office of profit under the Bank, if he becomes bankrupt or insolvent, if he is declared lunatic or by reason of mental or bodily infirmity becomes incapable of acting, is found guilty of any criminal offence and is punished with imprisonment, or if he is absent from the meetings of the Board for more than six consecutive months :

Provided that no member of a Board would vacate his office by reason of his being a member of any company or body which has entered into a contract with the Bank, but he would not vote in res-

pect of any such contract or matter and, even if he does so, his vote would not be counted.

19. The shareholders of the Bank may by a special resolution, passed in a general meeting (of which at least 7 days' previous notice would be given to every shareholder) by a majority of votes, remove a member of a Board of Directors before the expiration of his period of office with or without the assignment of any reason and appoint in his stead another qualified person.

20. All acts done by a member, or a meeting of members, of a Board of Directors, acting in good faith, would, notwithstanding that it be afterwards discovered that there was some defect in his or their appointment or qualification, be as valid as if every such person had been duly appointed and was qualified to be a member.

21. Every member of a Board of Directors would be indemnified by the Bank against all losses and expenses incurred by him in or about the discharge of his duties, except such as happen from his wilful act or default.

22. The members of the Central Board of Directors may, from time to time, make by-laws regulating the following matters :

(a)—The maximum amount which may be advanced or lent or for which bills may be discounted to

any individual, partnership, or co-operative institution.

- (b) - The circumstances under which alone advances may be made to any member of a Board of Directors or officers of the Bank, or the relatives of any such member of a Board or of officers thereof, or to companies, firms or individuals with which such member of a Board of Directors, officers of the Bank or relatives are connected as partners, servants, directors or otherwise.

IV.—MISCELLANEOUS.

23. The Bank would be a corporation of persons united, with limited liabilities, into a corporate body created by an Act of the Gwalior State legislature and authorised to act as an individual.

24. The liability of every shareholder would be limited to the extent of unpaid amount, if any, on his share or shares in the capital of the Bank :

Provided that in the event of the Bank being at any time wound-up, the Governor and every member of the Central Board of Directors, being a shareholder, then in office as well as all such others that may have held the same during the space of the preceding two years would be liable to contribute to the assets of the Bank a sum not exceeding one hundred per cent. of the total value of his share, or their respective shares, in the capital of the Bank, but no

such contribution would be levied if the value of assets of the wound-up Bank is sufficient to satisfy the claims of the debenture-holders and depositors and creditors of the wound-up Bank in full.

25. Every shareholder would have one vote for every share up to ten. He would have an additional vote for every five shares beyond the first ten shares up to one hundred and an additional vote for every ten shares beyond the first hundred shares.

26. No individual member or joint family, excepting the Gwalior Durbar, may hold more than 500 shares in the capital of the Bank.

27. Votes may be given in person or by proxy, but no shareholder would be entitled to vote unless all calls due on his shares have been paid. A proxy must be himself a shareholder of the Bank and qualified to vote.

28. The Bank would sue and be sued in its corporate name, *viz.*, the Bank of Gwalior, and may as such body corporate and in the said corporate name acquire and hold any property moveable or immoveable and transfer and assign the same.

29. The Bank would use such corporate seal as the Central Board of Directors may from time to time design and adopt but such corporate seal would not be affixed to any instrument except in the presence of two members of the Central Board and the Governor of the Bank,

who would sign their names to the instrument in token of their presence, and such signing would be independent of the signing of any person who may sign the instrument as a witness.

30. Shareholders, if not under obligation to the Bank, may transfer their right at pleasure. If under obligation to the Bank, the obligation must be previously liquidated or the proceeds of the sale must first be applied towards such liquidation.

31. If any shareholder is indebted to the Bank, the Bank may withhold payment of the dividends on the shares of such shareholder and, after demand and default of payment and notice in that behalf given to such shareholder or to his constituted agent or by public advertisement in the official Gazette of the Gwalior State or in other newspapers, if the debt remains unpaid for the space of one calendar month after such notice, the Bank would have the power to sell such shares or any part thereof by public auction, duly advertised for at least 15 days beforehand, and apply the proceeds thereof in or towards the satisfaction of that debt. Any transfer of shares occasioned in consequence of such sale would be signed, on behalf of the Bank, by the Governor and two other members of the Central Board of Directors.

32. The Bank would have a first and paramount lien upon any sum due to a shareholder, including his shares or divi-

dend or any money deposited with the Bank or held in security on his account or behalf, for all moneys due or payable to the Bank from him alone or jointly with any other person, whether the time for payment thereof would have actually arrived or not.

33. Every shareholder would be entitled to receive a certificate, issued free of charge, under the corporate seal of the Bank, and signed by at least two members of the Central Board of Directors and by the Governor of the Bank, specifying the number of shares held by him and, in the case of shares which are not wholly paid-up, the amount paid thereon, provided that any shareholder of more than one share may at his option demand a separate certificate for every share held by him.

34. When any share is held by more than one shareholder, such shareholders would, as between themselves and the Bank, be considered as joint owners of the same, with the benefit of survivorship, but the Bank may hold any or all of them severally responsible for the satisfaction of obligations pertaining to such share :

Provided that, as regards voting at meetings, service of notices and receipt of dividends, the person whose name stands first in the share register of the Bank would be deemed to be the lawful attorney and accredited representative of all the shareholders in the same share.

35. All employees of the Bank would generally be wholetime servants of the Bank and be expressly debarred from such active participation in any other business, specially that of a banking nature, as may in any way prejudice or injure or interfere in the due performance of their respective avocations in the Bank.

36. Every servant of the Bank drawing a salary of Rs. 50 and upwards would be required to acquire and always have shares in the capital of the Bank equivalent to at least the total of his six months' remunerations within two years from the date of his employment and in the meanwhile to find due security. This condition may, however, be relaxed or modified in the case of any employee who, in virtue of the responsibilities of his office, would be required to furnish such greater security as the Central Board of Directors may require.

37. The Central Board of Directors may, from time to time, make such calls, as they think fit, upon the shareholders in respect of all moneys unpaid on their shares, provided that any call would not exceed ten per cent. of the total value of a share and at least one month's notice is given in respect of each call. If any shareholder fails to pay any call on the day appointed, the Central Board of Directors may at any time thereafter serve him with a notice requiring him

to pay such call or calls with interest and expenses within a week from the date thereof and, should the requisitions of such notice be not complied with, forfeit the share or shares in respect of which such notice has been served, without prejudice to the right of the Bank to recover all moneys which at the date of forfeiture were payable by the shareholder to the Bank, provided that any share or shares thus forfeited would be deemed redeemable on the payment of all calls and interest due, and expenses incurred thereon, within twelve calendar months from the date of such forfeiture. Forfeited shares would be deemed the property of the Bank.

38. The Central Board of Directors may, with the sanction of the shareholders in general meeting assembled, at any time increase the capital of the Bank.

39. No general meeting of the Bank would be convened unless at least seven days' previous notice specifying the place, the day and the hour of meeting, and the business to be transacted thereat, is given to the shareholders, but the non-receipt of such notice by any person concerned would not invalidate the proceedings at any general meeting. Ten shareholders present in person would form quorum of a general meeting.

40. No dividend would be payable except out of profits arising from the business of the Bank.

41. All members of the Central or Local Boards of Directors, officers and employees of the Bank would be bound to observe strict secrecy in respect of all affairs of the Bank that may come to their knowledge, either in the course of the performance of their duties or through any source whatsoever.

DEBENTURES

42. With the object of enlarging the amount of its loanable capital, the Bank of Gwalior would have power to raise moneys, not exceeding four times the amount of its paid-up capital and reserves for the time being, by the issue of Debentures charged upon the entire undertaking and general assets of the Bank, subject to such maximum limit as may from time to time be prescribed by the Gwalior Darbar in this behalf.

43. The rate of interest to be paid by the Bank on its Debentures would be five per centum per annum.

44. The Gwalior Darbar would guarantee payment of the interest at the aforesaid rate on each Debenture issued by the Bank until such Debenture is wholly paid off or redeemed, but would not guarantee the repayment or redemption of any part of the principal money secured by any such Debenture.

45. Every Debenture issued by the Bank would be paid off or redeemed on the expiration of 40 years from the date of its issue, but the Bank would have option to pay off or redeem any Debenture at any earlier date, subsequent to

the expiration of 20 years from the date of issue, on giving three months' previous notice in writing in such manner as may be prescribed by the Gwalior Darbar and on the termination of such notice the Debentures in respect whereof the notice is issued would cease to bear interest.

46. The Debentures would be secured by a Trust Deed to be executed by the Bank in such form as the Gwalior Darbar may prescribe.

47. The Bank would from the date of the first issue of Debentures establish a Sinking Fund in order to provide for the repayment and redemption of Debentures on their maturity and to the credit of such fund there would be paid, at the close of every year, a sum of not less than two per cent. of the total amount of the Debentures in respect of which the Sinking Fund is established.

48. The amount which from time to time represents the Sinking Fund would be invested in such securities, including new Debentures to be issued by the Bank under section 42, as may be approved of by the Gwalior Darbar and such securities would be transferred into the joint names of an officer to be appointed by the Gwalior Darbar and of a nominee of the Bank and would be deposited with the Gwalior Darbar to be held in trust for repayment or redemption of the Debentures. Any portion of the Sinking Fund as may for the

time being remain uninvested would be kept in a separate account at any place or institution approved of by the Gwalior Darbar.

49. The Debentures would form a first charge on the entire undertaking and general assets of the Bank.

50. The Gwalior Darbar would have right to appoint one or more persons from time to time and at any time to inspect the books of account, vouchers and papers of the Bank and to conduct special examination of its affairs and the Bank would afford every facility for such inspection and examination.

51. The Bank would deposit all moneys which would not be immediately required for purposes of its business in such places and institutions or invest it in such class of securities as the Gwalior Darbar may from time to time approve of.

52. Without prejudice to any remedy which the Gwalior Darbar may have under the law, or any enactment having the force of law and for the time being in force, the Darbar would be at liberty to take possession of the entire business and assets of the Bank in the event of any default being made by the Bank for a period of 21 days in payment of interest on any Debenture for the time being outstanding after the due date fixed for payment thereof, and also in the event of any default in paying or investing the amount which is to be

paid annually to the credit of the Sinking Fund, after a notice for a period of 21 days requiring the Bank to do so has been given by the Bank and is not complied with.

53. If the Bank creates a reserve fund, in addition to and apart from the Sinking Fund, it would have the entire management, use and employment of such reserve fund.

54. The Debentures of the Bank of Gwalior may be tendered as security in connection with any State contract or undertaking in respect whereof a deposit of securities is required by any department of the State and these Debentures would form part of approved securities for purposes of investment of funds of Court of Wards and other departments of the State, and they would for the aforesaid purposes stand on the same footing as the promissory notes of the Government of India and other approved gilt-edged securities.

55. The above conditions (sections 42 to 54) would be operative and have effect only so long as any of the Debentures issued under section 42 hereof remain unpaid and unredeemed and upon the payment and redemption of all such Debentures the Bank would be at liberty to carry on its business in such manner as to it may seem fit and subject only to its bye-laws and the legislative enactments of the Gwalior State.

ASSISTANCE FROM THE
GWALIOR DARBAR.

56. In case the Bank of Gwalior be unable to pay any dividend to its shareholders or if such dividend be of less value than 4 per cent. per annum, the Gwalior Darbar would agree to make up the deficiency and would guarantee to pay to the shareholders of the Bank a dividend at the rate of 4 per cent. per annum on the paid-up capital of the Bank during the space of the first seven years of its establishment.

57. The offices of the Bank of Gwalior at Lashkar and elsewhere in the Gwalior State would be recognised as sub-treasuries of the Gwalior State and all moneys due to, and payable at, any State treasury would, at the option of the tenderer, be paid in any Bank office, being a sub-office of such State treasury, and any receipt granted by an authorised bank officer, on proper bank receipt forms and having its proper seal affixed thereto, for any money so paid in, would be accepted as lawful evidence of the due payment of such moneys, but when the balances of State money at the Bank's various offices exceed such maximum amount or amounts as may, in this respect, be from time to time fixed between the Bank and the Gwalior Darbar, the Bank would deliver such surplus money at the earliest convenient opportunity to the nearest State treasury.

58. The Gwalior Darbar would subscribe, as an initiative, for 500 shares in the capital of the Bank.

INSPECTION AND AUDIT.

59. Two auditors would be elected for the purpose of examination and audit of Bank accounts by the shareholders at every annual general meeting. The auditors may be shareholders, but no member of the Boards of Directors or other officer of the Bank would be eligible during his continuance in office. The auditors would make a report to the shareholders stating whether in their opinion the balance-sheet is a full and fair balance-sheet containing all necessary particulars required by law and is properly drawn up so as to exhibit a true and correct view of the state of the Bank's affairs, and in case they have called for any explanation or information from the members of the Central Board of Directors, whether it has been given by the said members and whether it has been satisfactory.

60. In addition to the audit arrangements that would be provided by the shareholders of the Bank, the Accountant-General of the Gwalior State, or such other State officer as the Gwalior Darbar may from time to time appoint, would cause to be thoroughly examined once in every year the account books, registers, vouchers, papers and securities of the Bank with a view to ascertain whether they exhibit a true and correct view the affairs of the Bank. After

every such examination is held, a certificate would be granted to the Bank by the Accountant General, or other officer concerned, to the effect that the accounts of the Bank have been duly audited and found to be correct according to the best information and belief of the said Accountant-General or other person ordering the audit.



