CHAPTER II

REASONS FOR THEIR BANKRUPTCY

When the Cooperative Movement was originally inaugurated in India, high hopes were visualised by its sponsors. It was asserted with confidence that besides bringing substantial reduction in the indebtedness of the agriculturists, it would confer on them many other economic and social benefits. But with the passing of time and on coming face to face with realities it was found that all these hopes could not be fulfilled. Even the minimum aim of providing a sound cooperative financial system for fulfilling the genuine needs of the cultivators could not be achieved. Many of the agricultural credit societies failed due to various reasons, while many others are on their way to bankruptcy due to certain defects in their working. We shall first take up the reasons for their failure and then discuss the defects in the working of present credit worthy societies.

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The reasons for the failure of societies in the past can consently be dealt with under two heads viz., External and Internal.

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Reasons For Their Failure

The reasons for the failure of societies in the past can conveniently be dealt with under two heads viz., External and Internal.

EXTERNAL REASONS: The external reasons for the failure of the societies emanated partly from the historical development of the movement which has been quite topsy turvy and unplanned, and partly from the politico-economic events through which the country had to pass. The most important factors which affected the movement one after another may be grouped under four heads viz., hasty and rapid expansion of the movement from 1917 to 1929; the Great Depression
from 1929 to 1933; lack of Government support after the Great Depression and the Partition of the country in 1947.

(1) Hasty and Rapid Expansion: The history of the movement in this State shows that one of the main reasons responsible for the failure of the societies was their hasty organisation from 1917 to 1929. Analysis carried out in 25 'D' class and 11 under liquidation societies reveals that out of these 36 bad societies examined 35 i.e. 97% were organised within this period and failed due to their bad start. This rapid expansion of the movement is evident from table No.XI. It will be seen that while the number of societies organised in the 12 years from 1905 to 1917 was 34 thousands, this was more than 11 thousand in the same period in an equal interval of 12 years from 1917 to 1929, showing an increase of more than 300%.

The cooperative subordinate\(^1\) staff which was exclusively appointed for this purpose was anxious to organise as many societies as it could, because their further promotion depended upon the net increase in the number of new societies. Those who were supposed to be the real guides, instead of explaining to the people the right objects of these societies made a wrong propaganda at the time of their organisation. It was, for example, never explained to the members that the loans advanced should be used only for productive purposes and these would have to be repaid soon. On the other hand, the spot enquiries made in the villages reveal that what they propagated was, "When Sarkar (Government) is going to give you money, why do you not take it? Who knows whether it will ever be recovered?" The result was that even those who did not need money at that time took it in the hope of never returning it and used it for unproductive purposes.

In many cases members used their loans in feasts as if 'Sarkar' had given them in charity. Also in cases where the Revenue Officers were

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1. Subordinate staff means cooperative Sub-Inspectors and Inspectors.
interested in the Organisation of new societies, they put pressure on Zaildars and Lamberdars to open new societies in their own villages. The result was that some persons were caught hold of in the village, their names were put in the register and the money was distributed among them without explaining to them the real object of these loans. Due to this state of affairs, Prof. H.L. Kaji had to remark\(^1\) "In the early stages organisation of societies in India unfortunately preceded educative propaganda".

Not only that the teaching to the members in the principles of cooperation was neglected before their organisation, but even afterwards, while the supervision of societies and recovery of loans was entirely left to the groups of borrowers. In fact the supervisory staff thought that their duty was only to organise as many societies as possible without taking heed to their qualitative aspect. Maclagan Committee had made a definite warning in respect of both these aspects when it observed\(^2\) "We recommend that utmost care should be exercised in permitting the formation of a society and the Registrar should only consent to register a society after he is convinced that its prospective members understand cooperative principles and duties. Any general spirit of official propaganda of primary societies would now in our opinion be a great mistake." and "In our opinion it is not the pace at which the movement proceeds which is of importance so much as the quality of societies which are established\(^3\)

But no notice of these important warnings was taken of as is also

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1. H.L. Kaji, Cooperative Movement in Bombay, P-XLIII.
2. Maclagan Committee Report. P.XI
3. ibid, P-24
It will be observed that the percentage of recoveries fell from 41% in 1920 to 37% in 1923 even during that time when prices were still high. After some rise to 38% in 1925, they had again been falling continuously. Even the maximum percentage of 38% attained during this period could not be regarded as a healthy sign of the movement. The overdue interest of Rs.38 lakhs in 1923 was all the more discouraging. All told percentage of good societies (A and B class) fell from 44% in 1921 to 21% in 1923, while the number of societies brought under liquidation during the year rose from 70 in 1919 to 336 in 1923.

From the above facts it is clear that due to the hasty and unplanned organisation of the societies without doing sufficient propaganda and teaching and lack of proper supervision thereafter...
had already resulted in low percentage of recoveries of principal and large over-due interest, down-grading of many good societies and ultimate failure of others. The seeds of decay and disaster of the movement had already been sown before the Great Depression came with its ruining attack. In this connection, the remarks of Dr. J.P. Niyogi are very appropriate. He has rightly remarked, "It is a misreading of the history of the cooperative movement that the World-wide depression of 1929 is chiefly responsible for its general deterioration. As a matter of fact seeds of decay had been sown broadcast very early in its career by a disregard of those rules of prudent finance and efficient administration on which the cooperative movement must necessarily rely."

(ii) The Great Depression: As noted above the deterioration of many societies was already in sight when the Great Depression of 1929-33 took the whole movement in its grips. The prices of agricultural commodities fell abruptly. As a result of this even those persons who were given loans within their capacity to repay during the boom period could not repay now. This is evident from the following table:

Table No.XII
Effects of Great Depression (1929-33) on Agricultural Credit Societies (Rs. '000)

<table>
<thead>
<tr>
<th>Year</th>
<th>No.of Societies.</th>
<th>Net Increase &amp; Decrease</th>
<th>Membership</th>
<th>Loans Issued</th>
<th>Loans Recovered</th>
<th>Loans at the end of the year</th>
<th>% of Recoveries</th>
<th>Interest Recovered</th>
<th>Interest over due</th>
</tr>
</thead>
<tbody>
<tr>
<td>1927-28</td>
<td>14,427</td>
<td>993</td>
<td>4,13,967</td>
<td>236,58</td>
<td>152,76</td>
<td>544,98</td>
<td>32.9</td>
<td>54,00</td>
<td>38,00</td>
</tr>
<tr>
<td>1928-29</td>
<td>15,468</td>
<td>1041</td>
<td>4,55,358</td>
<td>240,94</td>
<td>154,72</td>
<td>628,66</td>
<td>28.3</td>
<td>60,00</td>
<td>52,00</td>
</tr>
<tr>
<td>1929-30</td>
<td>16,125</td>
<td>657</td>
<td>4,63,423</td>
<td>215,84</td>
<td>147,05</td>
<td>690,66</td>
<td>23.4</td>
<td>62,00</td>
<td>73,00</td>
</tr>
<tr>
<td>1930-31</td>
<td>16,297</td>
<td>172</td>
<td>4,99,314</td>
<td>140,25</td>
<td>111,88</td>
<td>717,84</td>
<td>16.1</td>
<td>62,00</td>
<td>99,00</td>
</tr>
<tr>
<td>1931-32</td>
<td>16,247</td>
<td>-50</td>
<td>4,90,028</td>
<td>79,56</td>
<td>99,65</td>
<td>690,65</td>
<td>13.9</td>
<td>68,00</td>
<td>117,03</td>
</tr>
<tr>
<td>1932-33</td>
<td>16,268</td>
<td>21</td>
<td>4,84,358</td>
<td>79,21</td>
<td>89,92</td>
<td>674,41</td>
<td>13.0</td>
<td>63,00</td>
<td>136,46</td>
</tr>
<tr>
<td>1933-34</td>
<td>16,384</td>
<td>116</td>
<td>4,85,370</td>
<td>90,83</td>
<td>93,66</td>
<td>668,56</td>
<td>13.9</td>
<td>61,63</td>
<td>156,28</td>
</tr>
</tbody>
</table>

1. Cooperative Movement in Bengal, (1940), P.4
The percentage of recoveries actually fell from 33% in 1928 to 13% in 1933, a fall of about 20%. The depression was so severe that some of the members could not pay even the interest charges, and the figures of overdue interest, which were already high, rose from Rs.38 lakhs in 1928 to Rs.156 lakhs in 1934.

The further advancement of loans to members was severely curtailed. The fresh advances, which were Rs.236 lakhs in 1928, came down to Rs.79 lakhs in 1933. The result was that many members in the hope of not getting further loans from the societies left them after paying their dues. Therefore the membership actually decreased from 499 thousands in 1931 to 484 thousands in 1933, a net decrease of 15 thousands members in two years. The rapid increase in the number of new societies was also checked as the whole money of the central institution was already blocked. So it was considered advisable to advance further loans, unless the old loans were recovered,

(iii) Lack of Government support after Depression: After the Depression was over, it was hoped that the condition of the societies would improve with the gradual rise in the prices of commodities and consequently the repaying capacity of the members. Some ray of hope was actually in sight. The recovery of loans which was Rs.90 lakhs in 1933 rose to Rs.97 lakhs in 1935 while the percentage of recoveries rose from 13% to 15%. But all these hopes could not be fulfilled due to sudden withdrawal of Government support in the recovery of loans. The Government by a series of legislative measures from 1934 to 1936 with a view to reducing the agricultural indebtedness, made the recovery of money lenders' debts through the civil courts extremely difficult. This also affected the cooperative loans as no special treatment was accorded for their recovery. The result of this was, that many of the members who lacked moral character refused to pay their loans. This moral weakness was further strengthened by the
propaganda made by the political party in power (i.e. Zemindar League Party) of that time. These leaders who wanted to win the sympathy of the agriculturists for getting votes, propagated against the repayments of cooperative loans and when they themselves were indebted to the societies, they did not repay their own debts. So there was a persistent default of the members for repayment of loans. The real object of the new legislation was utterly mis-understood as little difference was drawn between the cooperative loans and the money lenders' loans. The attention of the Government was drawn to this situation by the Registrar as early as in 1935, and was repeated in his subsequent reports but no heed was paid to it by the Government. The chief reason was that the political party in power at that time did not want to take any action against the defaulters to retain their sympathy for political ends. The recoveries therefore did not improve much in spite of the best efforts made by the supervisory staff besides the various kinds of concessions offered to the members for inducing them to repay their loans as is clear from the

1. In his reports for 1935 he adds "In Gurgaon the directors are themselves heavily involved and instead of making recoveries rather obstruct the staff. The effect of recent legislation has been to deter money-lenders from making advances and secondly debtors' resistance to payments even when he is quite able to meet them."

2. In his report for 1938 (p.6) he remarks "Wilful defaulters are mostly led by prominent village officials like lumbardars, zaildars and sufeposhas, not to speak of higher personage like members of the Legislative Assembly."

3. The rate of interest was reduced for 12½% to 9.3/8% in 1933. Some remission of interest was also given if the member paid the principal in full.
following table:

**Table No.XIII**

Effects of Agriculturists' Debt Laws on Agricultural Credit Societies after 1934.

(Rs. '000)

<table>
<thead>
<tr>
<th>Year</th>
<th>Loans Issued</th>
<th>Loans Recovered</th>
<th>Loans at the end of the year</th>
<th>% of Recoveries</th>
<th>Interest Recovered</th>
<th>Interest Over due</th>
</tr>
</thead>
<tbody>
<tr>
<td>1932-33</td>
<td>79,21</td>
<td>89,92</td>
<td>684,41</td>
<td>13.0</td>
<td>65,00</td>
<td>136,46</td>
</tr>
<tr>
<td>1933-34</td>
<td>90,83</td>
<td>93,66</td>
<td>668,56</td>
<td>13.9</td>
<td>60,63</td>
<td>156,28</td>
</tr>
<tr>
<td>1934-35</td>
<td>95,97</td>
<td>97,07</td>
<td>664,13</td>
<td>14.5</td>
<td>54,58</td>
<td>160,16</td>
</tr>
<tr>
<td>1935-36</td>
<td>96,65</td>
<td>97,70</td>
<td>658,04</td>
<td>14.7</td>
<td>52,00</td>
<td>166,57</td>
</tr>
<tr>
<td>1936-37</td>
<td>96,81</td>
<td>113,26</td>
<td>629,04</td>
<td>17.2</td>
<td>52,01</td>
<td>162,26</td>
</tr>
<tr>
<td>1937-38</td>
<td>106,85</td>
<td>111,36</td>
<td>620,44</td>
<td>17.7</td>
<td>45,55</td>
<td>168,74</td>
</tr>
<tr>
<td>1938-39</td>
<td>111,49</td>
<td>108,92</td>
<td>616,39</td>
<td>17.6</td>
<td>40,74</td>
<td>170,01</td>
</tr>
<tr>
<td>1939-40</td>
<td>111,77</td>
<td>125,28</td>
<td>597,68</td>
<td>20.3</td>
<td>N.A</td>
<td>N.A</td>
</tr>
<tr>
<td>1940-41</td>
<td>98,47</td>
<td>120,94</td>
<td>564,39</td>
<td>20.1</td>
<td>&quot;</td>
<td>&quot;</td>
</tr>
<tr>
<td>1941-42</td>
<td>98,74</td>
<td>130,39</td>
<td>555,07</td>
<td>23.0</td>
<td>&quot;</td>
<td>&quot;</td>
</tr>
<tr>
<td>1942-43</td>
<td>103,62</td>
<td>204,55</td>
<td>457,47</td>
<td>36.1</td>
<td>&quot;</td>
<td>171,20</td>
</tr>
<tr>
<td>1943-44</td>
<td>112,11</td>
<td>181,50</td>
<td>365,15</td>
<td>41.7</td>
<td>60,29</td>
<td>157,98</td>
</tr>
<tr>
<td>1944-45</td>
<td>124,85</td>
<td>166,21</td>
<td>314,06</td>
<td>46.7</td>
<td>53,33</td>
<td>127,99</td>
</tr>
<tr>
<td>1945-46</td>
<td>138,31</td>
<td>161,93</td>
<td>290,44</td>
<td>50.9</td>
<td>42,13</td>
<td>112,04</td>
</tr>
</tbody>
</table>

The insignificant increase in recoveries, from Rs. 97 lakhs in 1935 to Rs. 108 lakhs in 1939, in spite of substantial increase in prices, clearly shows the unsatisfactory state of affairs. The amount of overdue interest was still rising and it rose from Rs. 161 lakhs in 1935 to Rs. 170 lakhs in 1939. It was only after 1939 that the figures of total recoveries showed any significant improvement but it was primarily due to rehabilitation policy followed in a part of the State. The position actually remained at standstill in the rest of the State where the wilful defaulters continue uptill now.

(iv) **Effect of Partition:** After the year 1939 a scheme of rehabilitation was enforced in the five districts of Ambala Division (now in the East Punjab), which helped much in the recoveries of old loans from the bad societies. However the fresh blood in these

1. The rehabilitation scheme followed from 1939 to 1945 has been dealt at the end of this chapter.
societies was still to be infused by advancing fresh loans, and the rest 7 districts of the State (East Punjab) were still had to be dealt with, when partition of the country took place in August 1947. This brought further disruption in the movement. A large number of societies which had Muslim debtors received a severe shock, as these members left for Pakistan without paying their dues. The number of such societies may be seen from the following table:

<table>
<thead>
<tr>
<th>Table No. XIV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effect of Partition upon Agricultural Credit Societies.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Kinds of Societies</th>
<th>Number</th>
<th>Membership</th>
<th>Principal Amount due from members (Rs. '000)</th>
<th>Interest due (Rs. '000)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Total</td>
<td>Muslim</td>
<td>Total</td>
</tr>
<tr>
<td>1. Total Indian Societies on 31.7.1948</td>
<td>6,260</td>
<td>2,30,430</td>
<td>-</td>
<td>121,22</td>
</tr>
<tr>
<td>2. Indian Societies having Muslim Membership</td>
<td>2,462</td>
<td>1,11,082</td>
<td>23,842</td>
<td>59,31</td>
</tr>
</tbody>
</table>

**INTERNAL REASONS:** Besides the impact of these historical events which the societies had to face, these also suffered from some defects which were inherent in their working. These may conveniently be dealt with under four heads; lack of good staff, defects in members, defects in their actual working and inadequacy in the legislative provisions.

(I) **Lack of Good Staff:** It has already been pointed out that the subordinate staff neglected both of its important duties i.e. of supervision and of teaching, which weakened the very foundation of these societies, but it was partly due to the fact that majority of the staff was never competent to perform these functions. The Sub-Inspectors were not well qualified, were ill trained, and were not competent to explain to the illiterate members the real objects of
these societies. Mr. Darling in an annual report rightly remarked, "During my touring in 1928-29 I was forcibly struck not only by the lack of understanding on the part of the general body of members in most of the districts traversed but still more by the inability of the ordinary Sub-Inspector to teach." The work of teaching to illiterate persons required great intelligence which this ill paid and low qualified staff hardly possessed. Sometimes these subinspectors instead of helping the societies in the recovery of loans from the defaulting members, accepted illegal gratifications from them. This not only affected the morale of the members, but also made hard for them to repay, when the Depression set in.

(II) Defects in Members: The members themselves who were actually to be organised on cooperative basis were not fit for this organisation because of the following defects in them:

(a) Illiteracy of Members: The illiteracy of the members contributed to the failure of the societies in more than one way. On the one hand due to their illiteracy, the members inspite of instructions given by the staff, did not understand the principles of cooperation, and the advantages of the movement, on the other hand they used the loans for unproductive purposes i.e. marriages, religious functions etc., which made it impossible for them to repay afterwards. Besides borrowing from the society they also borrowed from money lenders, and in most cases beyond their repaying capacity. It is generally the nature of illiterate cultivators that they try to borrow as much as they can. The result of all this was that they could not repay the debts of the societies which ultimately culminated in their bankruptcy. We cannot improve upon the remarks of Mr. Wolff a well known authority on cooperation, "Illiteracy and ignorance among the Indian population constitute the greatest hinderance in the progress of true cooperation. Against ignorance even gods fight in vain.

There is elementary education wanted before cooperation steps to improve it.¹

(b) Lack of Cooperative Spirit among the leaders:— There was a general apathy among the well-to-do and educated people towards the cooperative movement. The spirit of service and brotherhood which used to be the corner-stone of the village community before the British Regime vanished while the undesirable spirit of selfishness and individualism took root due to the disintegration of the old system of Panchayats. The Maclagan Committee rightly remarked,² "We regret to say that the conclusions have been forced upon us that in the majority of cases primary societies in India fall short of the cooperative ideals. Speaking generally, even allowing for the backwardness of the population, there has been found a lack of true cooperation." Thus there was lack of cooperative spirit among the leaders which is the pivot for the success of any cooperative enterprise. Sir Darling who visited some of the cooperative institutions in the Western countries in the twenties observed,³ "In the three countries I visited nothing impressed me more than the character of the men at the head of the movement — men essentially practical yet inspired by an ideal".

(c) Dishonesty of Committee Members: Not only the leaders lacked cooperative spirit but in many cases members of the managing committees were not honest. They contravened the bye-laws of the societies, took loans beyond their maximum credit limit and also sanctioned heavy loans to their relatives. They generally did not repay their loans in time and thus set bad example for others who also refused repayment, simply because the committee members were not repaying their loans. A society can never succeed when its managing committee is itself 

¹ Wolff-cooperation in India, Page 293-297.
² Maclagan Committee Report, Page XVIII.
³ Some Aspects of Cooperation in Germany, Italy and Ireland (1919) Page 186
dishonest. Sir Darling who carried out an enquiry in 100 old societies under liquidation in 1918\(^1\) in the Gurdaspur district (East Punjab) came to the conclusion that 33 percent of the societies were ruined simply due to mismanagement by the committee members.

(d) Credit-Unworthiness of the Members: Majority of the members of societies were not credit-worthy. They have got very small holdings and use primitive methods of cultivation. Their income is so low that they are always under debt. The Sarvodaya Planning Committee had rightly remarked\(^2\) "The greatest impediment in the progress of the institutional credit has been that the percentage of credit unworthy cultivators is vast and numerous." For the small cultivator there are only two ways of avoiding debt, viz. either he must be frugal and industrious and resort to intensive cultivation or he must have some other subsidiary occupation, both of which are lacking in this country.

Not only the income of the cultivator is low but it is also uncertain. After the Great Depression the recoveries of loans had begun to improve in the secure districts of the State but in the insecure districts of South East Punjab the position continued to be bad. There was continuous failure of rains in this insecure area from 1929 to 1935 which further aggravated the position of the cultivators. Therefore the recoveries in this tract did not improve in spite of rise in prices. Even after 1935 there has been occasional failure of rains and a good harvest is obtained only after 4 to 5 years. It is a well known fact that Indian agriculture is a mere gamble in rains. A clear proof of the above is that majority of the societies which are now in a state of bankruptcy are situated in such insecure areas. Even the recent trend of high prices has not been

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2. Sarvodaya Planning Committee Report (1950) Page 16
able to alleviate the position of members of such societies.

(III) **Defects in their actual Working:** There were certain serious defects in the working of the societies, which many a time resulted in their ultimate failure. These were:

(a) **Absence of local secretaries:** As it was difficult to find literate persons in the villages who could work as secretaries for individual societies honorarily or on low emoluments, the circle secretaries working for 7 to 15 societies had to be employed. The services of such secretaries could hardly be efficient. Neither had they any personal influence upon the members to press them for recoveries, nor could they approach them at the time when they had hard cash. The members when not approached at the proper time used their surplus money for unproductive purposes, thus leaving their indebtedness unabated. In a country where majority of the members are illiterate much success of the society depends upon the personal interest taken by the secretary, as he is the person who always makes committee members realise their rights and duties. Worse was the position of those societies many of whom were working without a secretary and where all the work had to be done by the Sub-Inspector himself.

(b) **Wrong definition of defaulting member:** The defective definition of the defaulting member was explained in the previous chapter. According to this definition a member was not considered defaulter if he paid something towards the repayment of the principal. This largely became responsible for the lingering on of old debts. The postponement of demands and extension of loans was readily granted which hindered recoveries. This position continued for a long time, till Depression over-took the movement thereby reducing the repaying capacity of the members.

(c) **Fictitious payments:** The system of fictitious payments which was also explained in the last chapter, hit the societies hard. The
staff continued to put fictitious recoveries in order to show the higher percentage of recoveries till the Depression set in, when it became increasingly difficult for the members to repay their loans due to heavy fall in their incomes.

(d) **Lack of thrift element:** The thrift, which is an important factor for the success of the cooperative credit movement, was totally lacking. The very name "Thrift and Credit Cooperative Society" implies that thrift was to come before borrowings, but unfortunately it did not come even later. It is the very idea of thrift which makes a credit society really cooperative instead of being it a mere money-lending agency. So unless thrift was practised it was very difficult to make the societies successful. The depositors are the virtual guards of the societies when majority of members are borrowers.

(e) **Exclusive emphasis on Credit:** Emphasis was laid only on the supply of finance, while other economic activities of the members were ignored. The societies therefore did not help the members in raising their incomes, which could have ultimately facilitated the repayment of debts.

(IV) **Inadequacy in Legislative Provisions:** The legislative measures enacted by the Government after 1934, which made the recoveries of loans through courts extremely difficult, have already been mentioned.

Besides that there were two other main inadequacies in the Cooperative Act which were responsible for the failure of many societies:

(1) **Difficult Procedure of Recoveries through Courts:** With the enforcement of the Agriculturists' Debt Laws the recoveries of loans through courts have become extremely difficult, rather ineffective,

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1. Every credit society is named as thrift and credit cooperative society.
but in spite of this fact, there being no other method to recover the loans from the defaulting members, this method of recovery through courts had still to be used, while before 1934 it was extensively employed. But this method of recoveries through courts even before 1934 was difficult, tardy, ridden with corruption and was even expensive to the members. Under the Cooperative Societies Act of 1912 the Registrar was empowered to appoint an arbitrator, who was to hear the dispute between the society and the defaulter and to give an award which was to be executed through the Civil Court. As the representatives of the societies, being mostly illiterate, were not quite conversant with the laws of Civil Courts and felt great difficulty in attending courts, which also involved the wastage of much time, the work of recovery through courts was entrusted to the execution agents, appointed by these societies directly or by the execution unions of which these societies became members.

The work of these execution agents, was however most unsatisfactory and brought ruin to many societies. The defaulting members being illiterate and ignorant of law, these execution agents misused their authority. They accepted illegal gratifications from the defaulters and did not execute the decrees. This brought great moral degradation among the defaulting members while the societies suffered a great loss and became moribund. As was pointed out in Chapter I, many loans became time barred, simply because they could not be executed properly and in time. An idea of the number of cases instituted in the court and the Execution Unions formed for the purpose may be had from the following table:
### Table No. XV.
Recoveries of Loans made by Agricultural Credit Societies through Execution
(Rs. '000)

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Execution of Award Unions</th>
<th>Membership (Societies)</th>
<th>Working Capital</th>
<th>References to Arbitration</th>
<th>Awards taken to Court (Old &amp; New)</th>
<th>Total Amount referred for Arbitration</th>
<th>Amount recovered through Execution</th>
<th>% of cost of Execution to amount recovered</th>
</tr>
</thead>
<tbody>
<tr>
<td>1920-21</td>
<td>-</td>
<td>-</td>
<td>Rs.</td>
<td>5,053</td>
<td>5,107</td>
<td>18,50</td>
<td>7,50</td>
<td>70</td>
</tr>
<tr>
<td>1925-26</td>
<td>9</td>
<td>495</td>
<td>10</td>
<td>11,793</td>
<td>10,678</td>
<td>59,00</td>
<td>N.A</td>
<td>-</td>
</tr>
<tr>
<td>1930-31</td>
<td>31</td>
<td>4,735</td>
<td>1,04</td>
<td>24,462</td>
<td>14,855</td>
<td>20,096</td>
<td>14,23</td>
<td>16.5</td>
</tr>
<tr>
<td>1935-36</td>
<td>45</td>
<td>8,045</td>
<td>1,85</td>
<td>13,787</td>
<td>8,626</td>
<td>14,31</td>
<td>10,12</td>
<td>16.0</td>
</tr>
<tr>
<td>1940-41</td>
<td>45</td>
<td>8,512</td>
<td>1,72</td>
<td>14,852</td>
<td>20,096</td>
<td>27,29</td>
<td>12.7</td>
<td>12.7</td>
</tr>
<tr>
<td>1945-46</td>
<td>38</td>
<td>7,357</td>
<td>1,19</td>
<td>4,174</td>
<td>8,626</td>
<td>14,31</td>
<td>2,56</td>
<td>1.32</td>
</tr>
<tr>
<td>1946-47</td>
<td>6</td>
<td>1,344</td>
<td>26</td>
<td>878</td>
<td>1,083</td>
<td>2,56</td>
<td>1.67</td>
<td>9.3</td>
</tr>
<tr>
<td>1947-48</td>
<td>6</td>
<td>1,217</td>
<td>26</td>
<td>532</td>
<td>343</td>
<td>2,62</td>
<td>61</td>
<td>12.0</td>
</tr>
<tr>
<td>1950-51</td>
<td>5</td>
<td>1,059</td>
<td>23</td>
<td>1,951</td>
<td>1,193</td>
<td>7,60</td>
<td>1.67</td>
<td>9.3</td>
</tr>
</tbody>
</table>

* Besides these member societies of the execution unions other societies appointed execution agents directly to carry out their execution work. So Columns 5 to 9 relate to all the agricultural credit societies.

(2) **No control over Committee members:** It was pointed out earlier that the committee members generally took loans beyond their maximum credit limit and many a time became wilful defaulters themselves. They did not allow the staff to take action against the defaulters who were their friends and relatives. So unless and until they were removed, it was very difficult to take any action against such defaulters. Under the Cooperative Act of 1912 the Registrar had no powers to suspend the committees even if they did not work in the interest of the societies. So the debts went on accumulating, recoveries could not be made, and the societies ultimately came to grief.

**DEFECTS IN THE WORKING OF CREDIT WORTHY SOCIETIES**

So far we have been dealing with reasons which have led to the bankruptcy of many societies, but majority of other so-called credit worthy societies are also not working efficiently. They are, also
not serving the need of the members to their entire satisfaction due to many defects. Most of these defects are the same as we have already discussed in the previous pages while there are a few which have not been noted there. To have a comprehensive view of all these defects in the existing societies therefore we shall make a passing reference to those already discussed, and discuss only others in details. These defects may be dealt with under two heads, viz., those relating to Organisation and Supervision and those relating to the Working of the Societies.

DEFEATS IN ORGANISATION AND SUPERVISION

1. No check before registration: Many societies are registered hastily without imparting sufficient teaching to the members before their registration. The subordinate staff which is supposed to organise a certain number of societies every year does so to save its own skin, while no special check is made before their registration. The result is the failure of the societies after some time.

2. Weak Supervision: The lack of proper supervision of societies and insufficient teaching to members in the principles of cooperation which have been mainly responsible for the failure of societies in the past, still continue. The Cooperative Sub-Inspector, who is the backbone of the cooperative movement and on whose personality and integrity does depend the success of the society, is neither competent nor does he perform his duties well. He is supposed to be the real guide and friend of the members as he is the person who directly comes into their contact. There are very few persons in the village who

1. In the earlier pages it has been stated that mostly those societies have failed, which were organised before 1929. But it should not be supposed that the societies organised after that have been successful. The only reason of their non failure has been the severe restriction on maximum credit limit of members, which did not cater their full needs, while these small loans were recovered easily.
are literate but unfortunately in India, majority of them instead of making the society successful try to fail it by all means. In view of this, a closer supervision of the societies and rightful teaching to members of their rights become all the more necessary. At present the Sub-Inspector is neglecting both of these functions, and there are various reasons for it. (1) He is not well qualified and is ill-paid, both of which have a cumulative effect. He does not fully feel his responsibility and neglects his duties. He simply pays formal visits to the villages to complete his diary. (2) There is neither any immediate check over him nor does he has got any fixed tour programme. So he hardly remains on his duties for 10 days to 15 days in a month. (3) His area of jurisdiction is very wide. So even those 10 to 15 days for which he works sincerely in a month, most of his time is wasted in going from one place to the other.

3. Combination of Audit and Supervision: The work of audit and supervision is entrusted to the same supervisory staff which is not desirable from the audit point of view.

4. Lack of coordination among the various development Department There is no coordination between the various development departments and so the work of societies which cannot cater for all the needs of the members suffers. For example, agricultural Department has to supply seeds to the members, but it has got no cooperation with the Cooperative Department.

DEFECTS IN THEIR ACTUAL WORKING

The working of the societies upon which the whole superstructure of the institutional credit ultimately rests suffers from various defects. Some of the important ones are discussed below:

(1) Absence of local and trained secretaries: It has already been stated that in the past circle secretaries were appointed in case of many societies, who many a time were responsible of the latter's failure. But their large number continues still. For instance in 1951
54% of the societies were without a Local Secretary. These circle secretaries not only cannot approach the members for repayment at the right time and issue loans promptly, but also they are untrained, ill qualified and low paid. They hardly keep the accounts of the societies up-to-date and pay only occasional visits to them.

(2) **Poor membership:** The membership of the societies is very poor in most of the districts. For instance in 1951 the average membership was 26 in eight districts and 60 in other four districts. The Cooperative Planning Committee recommended there should be at least 50 members in a society. Even in societies which have got larger membership, most of the members are inactive and have left their dealings with the societies since the Depression. The reasons for poor membership are generally three (1) The supervisory staff does not make efforts to enlist more members so that the work of the societies may not increase for their audit purposes (2) In societies which have got surplus funds the committees do not allow new members to join and (3) in certain villages there are more than one society. Due to poor membership, small business and poor profits the society cannot employ the services of an efficient and honest secretary.

(3) **Undue delay in financing:** The procedure of granting loans is very tedious and lengthy, as compared to the service of the money lender which is most efficient. All the 'C' class societies which form the largest majority, have to get the recommendations of the Sub-Inspector as well as of Inspector before the withdrawal of the amount from the central institution, which takes a long time. The Gadgil Committee rightly observed,² "One of the chief defects of the cooperative system is the delay in obtaining loans from societies. In some areas a member has to wait for one to two months after applying for a loan before he can actually get it."

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1. These four districts were Jullundher, Ludhiana, Kangra and Hoshiarpur.
2. Gadgil Committee Report P.53.
(4) Loans given in lumpsum: Loans to members are advanced in lumpsum, which are liable to be misused by the cultivators. The Gadgil Committee again rightly observed, ¹ "Another defect in cooperative finance is that the loans are not advanced as and when they are required by each member, but are disbursed to all on one day once or twice during the year. This makes cooperative finance highly inelastic and artificial. In such cases the members have usually to resort to money-lenders for their normal finance, the loan advanced by the cooperative society being utilized to make payment to the money-lender."

(5) Incorrect procedure of fixing maximum credit limit. The present procedure of fixing maximum credit limit of an individual member is not very sound. This limit is fixed in an arbitrary manner without consulting the actual land records of the members, and then assessing their annual income. This is most unscientific. When all the members are borrowers it is likely that the members may exaggerate their income.

(6) Loans not recovered according to bonds. Great stress over this point has already been laid. Loans from the members are generally not recovered according to the instalments given in the bonds. Such leniency and postponement lead to the moral degradation of the members and bring ruin to many societies. The purposes for which loans are advanced are also not given correctly in the bonds. In the absence of this information it is difficult to fix the instalments for repayments.

(7) Collection of dues not done. At present the supervisory staff by the committee members. for a month or more before the ordinary date for annual repayments is engaged almost exclusively in visiting societies to help them in the recovery of loans. In fact most of the recoveries are made by the Sub-Inspectors and the

¹ Committee Report (Page-49)
committee members shirk responsibility in this respect. The Maclagan Committee rightly observed, "We would enter a protest against the use made by societies of outside agency to collect their dues on their behalf from the members. It is not part of the duty of the outside auditing and supervisory staff and we think that the practice should be discontinued." But this process still continues due to lack of sufficient teaching by the staff to the members regarding their rights and duties.

(8) **High rate of interest**: The general rate of interest charged on loans to members by the societies varies from 9 3/8% to 12 2/3%, with the exception of few which have got sufficient owned funds and deposits and charge a low rate of 6 1/4%. Looking to the present position of the money market the above rates are rather high. The Gadhil Committee and Cooperative Planning Committee recommended that this rate should not be more than 6 1/4%.

(9) **Pass Books not issued**: A very useful system of issuing pass books to members was introduced even from the beginning of the movement. But this system however is not practised in most of the societies. Either the pass books are not issued to members and remaining in the office of the society in an incomplete form or if issued at all they are not kept up-to-date. Issue of pass books and explaining their uses to the members is a very good system for creating confidence among the illiterate masses and to save them from dishonest dealings, but unfortunately at present this system is more than obsolete in most of the societies.

(10) **Return of Shares**: The old system of returning shares to the members after their completion of 10 years' membership in a society and making permanent shares from the undistributed profits of the society is still in vogue. This old practice does not seem to be sound in any way and was even deprecated by the Maclagan Committee. It suffers
from two distinct disadvantages. Firstly it reduces the owned funds of the societies unnecessarily and secondly the members lose their interest in the affairs of the society when their shares have been returned to them.

(11) **Unlimited liability**: Most of the credit societies are based upon unlimited liability of the members which does not allow the well-to-do persons to join the societies freely. In the beginning when the movement was started, the unlimited liability did not discourage these persons from joining but now when they have actually seen its implications they are much afraid of it. The Cooperative Planning Committee who thoroughly examined this question, came to the conclusion that except where unlimited liability has produced good results, the liability of the reformed and reorganised society should be limited, either to the value of the shares held by a member or a multiple there of. This view of the Committee appears to be quite correct. All the societies will have therefore to be converted into limited liability ones if the membership and business of the societies is to be increased.

**Other defects**: The question of lack of deposits, fictitious recoveries and recoveries of all types of loans at one time, overdue principal, overdue interest and the great inadequacies of the Cooperative Act i.e. difficulties in recoveries of loans from defaulters, long and tedious procedure of recoveries and no control over the bad managing committees have already been discussed in detail and need no recapitulation.

**THE SCHEME OF REHABILITATION (1938-1945)**

Before closing this chapter it appears desirable to discuss the scheme of rehabilitation followed in the South East Punjab during the years 1938 to 1945 to which reference has been made in the previous pages. It has been stated that after 1933 due to rise in prices some improvement in the recoveries of old loans had begun, when those were
suddenly affected by the Agriculturist Debt laws of (1934-1936). With the passing of these laws and the setting up of Debt Conciliation Boards under them the money lender stopped advancing fresh loans to agriculturists. But the cooperative institutions also could not advance further loans to them unless their old loans were recovered. Thus the whole Agricultural Credit Machinery was clogged. The figures of overdue principal and overdue interest continued rising (as we have seen in Table XIII). This was particularly so in the South East Punjab where, due to successive failure of rains from 1929 to 1935, the members could not pay even the interest charges. Though after 1935 this region had bumper crops continuously for two-three years but then there was no willingness on the part of members to pay their dues due to their moral degradation. This made the position of the central institution all the more serious. Confronted by this difficult situation the departmental officers were showing great anxiety but they could not get a word of sympathy from the Government. At this critical time S. Iqbal Singh, the then Assistant Registrar, Cooperative Societies, Rohtak 1 Circle, where the problem was most acute, drew in 1937 a scheme for the rehabilitation of the movement.

This scheme involved an estimation of all the debts of each society taking into account the repaying capacity of every borrower, determined after analysing his assets and resources. All loans were to be classified into three categories; viz., (1) safe, (2) doubtful and (3) bad debts, on the basis of the repaying capacity of the debtors. All those debts which could be recovered cent per cent were to be treated as safe debts. The debts part of which had to be written off, and the remaining were to be paid by the debtors, were to be classed as doubtful debts. The last category was to be that of bad debts which were to be written off in whole. The writing off of part of debts was to

1. Rohtak was the district in this dry tract where the wilful defaulter were men of great influence and political leaders.
depend upon the availability of owned funds with the society. Some concessions from the central institutions were also envisaged for writing off debts where the owned funds of the society fell short of the total amount to be written off. Once the demand for recovery had been carefully assessed in relation to the estimated capacity of the debtor the debtors were required to make good their promises. To see that these promises were fulfilled execution against all the defaulting members in the society was to be carried out to harrass them, as they would not be ready to pay even with these concessions due to the presence of those Acts. Societies in which the members were not showing any keen interest were to be wound up after the recovery of old debts. While in case of others where some members were interested these were to be revived after the exclusion of existing bad members, entering new ones, and then issuing fresh loans.

The afore-said Rehabilitation Scheme was first started in Rohtak and Karnal Districts on an experimental measure. Notable improvement in recoveries was achieved in these districts, as is evident from table No. XVI. The percentage of recoveries actually rose from 6% in 1936 to 18% in 1938 in Karnal and from 5% to 10% in Rohtak thus indicating an increase of more than 200 percent. About the success of this scheme the Registrar, in the Annual Report for 1938, observed1, "Notable improvement has taken place during the year in the Rohtak circle consisting of the Rohtak and Karnal districts, which had in previous years sunk to a very low level both in spirit and performance. Sardar Iqbal Singh has set about his problems with great thoroughness and energy and has succeeded in imbruing his staff with a similar spirit; the result has been a very marked revival both of cooperative activity and cooperative spirit." After two years of the operation of this scheme S.Iqbal Singh, the founder of the scheme was appointed as Deputy Registrar in January 1940. Then this scheme was extended.

1. Annual Report 1938. (P-7)
to all the five districts of Ambala Division under his charge, where it remained in force up to the end of 1945. The scheme was executed with great vigour and energy. As a result of this a huge amount of old and frozen debts was recovered as is evident from the following table:

Table No. XVI
Results of Rehabilitation Scheme operated in Ambala Division (from 1938 to 1945) (Rs. '000)

<table>
<thead>
<tr>
<th>Year</th>
<th>Karnal district</th>
<th></th>
<th></th>
<th>Rohtak district</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Loans Advanced</td>
<td>Recovered</td>
<td>at the % of Interest Advered</td>
<td>Interest Recovered</td>
<td>Loans Advanced</td>
<td>Recovered</td>
<td>at the % of Interest Over due</td>
</tr>
<tr>
<td>1935-36</td>
<td>53</td>
<td>85</td>
<td>12.75</td>
<td>6.0 N.A.</td>
<td>65</td>
<td>92</td>
<td>19.21</td>
</tr>
<tr>
<td>1936-37</td>
<td>62</td>
<td>122</td>
<td>12.06</td>
<td>9.0 5.41</td>
<td>63</td>
<td>93</td>
<td>18.67</td>
</tr>
<tr>
<td>1937-38</td>
<td>114</td>
<td>222</td>
<td>10.91</td>
<td>17.6 5.20</td>
<td>83</td>
<td>200</td>
<td>17.49</td>
</tr>
<tr>
<td>1938-39</td>
<td>242</td>
<td>207</td>
<td>10.66</td>
<td>18.8 4.92</td>
<td>1.84</td>
<td>1.58</td>
<td>17.25</td>
</tr>
</tbody>
</table>

Whole Ambala Division

<table>
<thead>
<tr>
<th>Year</th>
<th>Loans Issued</th>
<th>Loans Recovered</th>
<th>Loans at the end of the year</th>
<th>% of Recoveries</th>
<th>Year</th>
<th>Loans Issued</th>
<th>Loans Recovered</th>
<th>Loans at the end of the year</th>
<th>% of Recoveries</th>
</tr>
</thead>
<tbody>
<tr>
<td>1936-37</td>
<td>7.06</td>
<td>10.15</td>
<td>101.09</td>
<td>-</td>
<td>1943-44</td>
<td>12.24</td>
<td>37.33</td>
<td>35.45</td>
<td>60.0</td>
</tr>
<tr>
<td>1937-38</td>
<td>8.37</td>
<td>10.64</td>
<td>97.95</td>
<td>11.4</td>
<td>1944-45</td>
<td>13.85</td>
<td>34.29</td>
<td>15.01</td>
<td>96.7</td>
</tr>
<tr>
<td>1938-39</td>
<td>12.10</td>
<td>10.67</td>
<td>97.92</td>
<td>10.9</td>
<td>1945-46</td>
<td>15.46</td>
<td>38.78</td>
<td>18.15</td>
<td>123.0</td>
</tr>
<tr>
<td>1939-40</td>
<td>13.26</td>
<td>15.03</td>
<td>95.11</td>
<td>15.3</td>
<td>1946-47</td>
<td>14.76</td>
<td>9.04</td>
<td>11.63</td>
<td>60.8</td>
</tr>
<tr>
<td>1940-41</td>
<td>14.12</td>
<td>16.65</td>
<td>92.05</td>
<td>17.3</td>
<td>1947-48</td>
<td>14.40</td>
<td>4.20</td>
<td>19.11</td>
<td>108.2</td>
</tr>
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<td>1941-42</td>
<td>16.09</td>
<td>17.36</td>
<td>90.13</td>
<td>18.8</td>
<td>1948-49</td>
<td>19.50</td>
<td>12.58</td>
<td>19.11</td>
<td>108.2</td>
</tr>
<tr>
<td>1942-43</td>
<td>17.99</td>
<td>45.68</td>
<td>62.05</td>
<td>50.2</td>
<td>1949-50</td>
<td>24.89</td>
<td>15.80</td>
<td>26.90</td>
<td>82.7</td>
</tr>
</tbody>
</table>

The total principal amount of Rs. 97 lakhs outstanding at the end of 1939 was reduced to a small figure of Rs. 15 lakhs in 1945, while the percentage of recoveries gradually rose from 11% in 1939 to 19% in 1942 and to a high figure of 123% in 1946.

Effects of the Scheme: Taking into account the conditions prevailing at that time, the scheme started was most appropriate and timely. It conferred many benefits upon the movement more particularly, the
benefits were (1) The position of the central institutions which were at the verge of bankruptcy improved tremendously and (2) the members now realized that the cooperative society was not a philanthropic institution and must work on commercial basis. The loans of the societies can be and should be recovered and have to be paid promptly. But unfortunately the scheme was not without its faults caused primarily due to its rapid and ruthless execution without modifying it according to changes in circumstances in later years. The result was that the movement in that region become dead for a long period after the execution of this scheme due to great embitteredness created among the masses during its execution. The real object of rehabilitating the movement by recovering old loans and then advancing fresh loans to the members could not be fulfilled. The amount of fresh advances therefore which has been severely curtailed during the Depression and in the post Depression periods remained at the same level till 1949. This is evident from the above Table, where it will be seen that the fresh advances which were Rs.12 lakhs in 1939 rose only to Rs.19 lakhs in 1949. Describing the condition of the movement in that region the Registrar in his report for 1946 observed, "The percentage of debt free members this year is extremely high in Ambala where 51,253 out of 59,163 members are not indebted to the societies. This does not mean that the conditions of the members there is necessarily good. The policy of large scale concessions and large scale coercion followed in that area has resulted in a large number of members paying their dues. This may be an advantage in a way, but it does mean that the business of the societies is drastically curtailed. In many cases these members are not only members in name but take little interest or no interest in the work of the societies."

1. Annual Report 1946, (Page - 8)
This makes it necessary to examine in detail some of the most important shortcomings of the scheme with a view to take some useful lessons for future, if possible:

(1) Wholesale Execution: The execution was carried out in all classes of societies i.e. A, B, C & D and against all the debtors without regard to their genuineness. This created a bad impression among the good members as well as among the public at large.

(2) Corruption of the Cooperative Staff: The execution agents and cooperative field staff adopted some illegal practices. The cooperative staff while making estimation and recovery of debts, many a time, showed less amount in the books of the societies than the actual amount recovered from the members, and put the difference in their own pockets. In this way the societies had to suffer a great loss. In many cases, the execution agents, who were also working as circle secretaries of the societies deliberately refused to accept the recoveries from the members unless the execution proceedings against them were completed. This was done to get their execution commission along with the repayment of loan. It was really an undue burden on the members and brought bad name for the movement.

(3) Harsh and unlawful means of recovery: Unlawful means were used to make recoveries. Members were heavily punished and beaten by the staff. The cooperative staff went in batches to the villages where they sometimes behaved in no way better than the police. This struck terror among the public and a very bad opinion was formed about this department.

1. For instance if a member owed Rs.200 to a society, his capacity to repay was estimated as Rs.100 in the books of the society, instead of Rs.150 actually recovered from him. Thus the society had to suffer an unnecessary loss of Rs.50 which went into the pocket of the field staff.
(4) **Spot recoveries without notice:** Sometimes no time limit was given to the members for making arrangement for the repayment of their debts. They were asked to pay the money at the spot, for which, sometimes they had to sell their ornaments or lands. This caused them great hardships. Moreover under such conditions, concession could be availed of only by well-to-do members, who could make their spot payments, while the poor members suffered as they could not arrange for the lump-sum at spot.

(5) **Recoveries from sureties:** In case of scoundrels, who absconded, their loans were recovered from the sureties. This gave an impression that the society was a boon to the dishonest, but a curse to the honest, as nothing could be recovered from the former under the Agriculturists' Debt Laws.

(6) **No proper estimation of debts:** While making estimation of debts and giving concessions, the members of the societies were generally not consulted and the concessions were given at the whim of the lower field staff. This in many cases led to giving of concessions to undeserving persons, and entailed great losses to the societies. In this connection the remarks of the Registrar in one of his reports are quite instructive. "The tendency among members to pay off their debts and leave societies has continued in the Ambala Division. The policy of recoveries has of course been coupled with large remissions which in certain cases have been too liberal. In the Ambala Division Rs. 13 lakhs was recovered as a result of remission to the extent of Rs. 18 lakhs."

(7) **No prior approval for the write off:** In certain societies con-


cessions were given to the members without obtaining the prior approval of the central institution, where certain amount was also to be written off by them. Later on these institutions refused to write off those debts due to their

own financial difficulties. Such societies therefore remained indebted to the central institutions, while their dues from the members had been liquidated.

The result of some of the above defects was that it created great resentment among the illiterate members against the movement, who left their dealings with the societies after paying their dues. This resentment was however increased by two more other important factors viz., the reaping of bumper crops for one or two years during this period (between 1939 to 1946), which could be sold at high prices and joining of some persons in the army, which supplemented their income, reduced their financial needs to a great extent. Many of them therefore were no longer interested for going to the society to get fresh loans. This was however only half the truth. The real position was that the well-to-do agriculturists, who had good income during the war period, took full advantage of the situation by making filthy propaganda against the Cooperative Department, and trespassed their way to exploit the poor by lending money at an exhorbitant rate of interest, ranging from 25% to 50%. The position of the money lender in this respect has not changed materially even uptill now. It may even be worse than in the past.

The only difference that can be drawn between the present position of the money lending business and 30 years earlier, when the movement was started, is that the business of money lending which was formerly in the hands of non-agriculturists money lenders is now in the hands of the agriculturist money lenders. The latter is on no account less cruel than the former. The Provincial Banking Enquiry Committee rightly observes:¹ "He is even of a more obstacle to the spread of Co-operation than the ordinary money-lender, for he is just as strongly impelled to oppose it as being Jat among Jats can oppose it more effectively."

¹ Committee Report (P.140).
The advances in this region by the societies to the members have increased a little after 1950 and have risen from Rs. 19 lakhs in 1949 to Rs. 44 lakhs in 1951 but it should not be supposed that the condition of the credit movement has now improved. The fact is, that there has been continuous failure of rains from 1948 to 1952 and when the cultivator has exhausted all the other sources of credit he is coming to the society as a lender of the last resort, over and above he can get from the money lender whose position remains the same.

After the Partition: The scheme for the conciliation of debts was also started in the Jullundur Division in the year 1945 and has been operating there since then. But its effect has not been much because (1) the scheme has not been carried out on any large scale as it has been the case with the districts of the Ambala Division, (2) It was carried out only in four districts of Jullundur, Ludhiana, Hoshiarpur and Kangra where the condition of movement is better, while in the other three Districts of Amritsar, Gurdaspur and Ferozepur where there is a large number of 'D' class societies the scheme has not been operated at all. In the Ambala Division also the problem of conciliation of Cooperative loans still remains to be finally solved because the scheme was suddenly stopped after 1946 due to great resentment among the people and many 'D' class societies still require their proper rehabilitation. Thus the problem of rehabilitation of societies still continues.

Conclusion: To sum up we may say that the reasons for the bankruptcy of the societies were of two types viz., External and Internal. The external reasons include (1) the hasty and rapid organisation of the societies from 1917 to 1929, without imparting proper teaching to the members as a result of which many societies failed soon after (2) The Great Depression of 1929-33 which reduced the capacity of the members to repay. (3) The lack of Government support after 1934 in not exempting the cooperative loans from the Agriculturists' Debt.
laws which created difficulty in their recoveries and (4) the partition of the state when many Muslim indebted members migrated to Pakistan without paying their dues. The Internal reasons include, ill qualified supervisory staff incompetent to impart teaching to members; members' own illiteracy and uncredit-worthiness, lack of cooperative spirit among the leaders, absence of local secretaries, fictitious recoveries, lack of thrust element, the defective method of recoveries through the Civil Courts and absence of powers with the Registrar to remove the bad managing committees. The defects in the present credit-worthy societies which make their working inefficient are, their weak supervision, absence of trained local secretaries, poor membership, undue delay in granting loans and not recovering them, according to the bonds, and unlimited liability. The Rehabilitation scheme launched in South East Punjab from 1938 to 1945 taking into consideration the conditions prevalent at that time, was appropriate and helped much in the recoveries of old loans. It was, however, carried out too ruthlessly. This created resentment among the public, which was accentuated by the filthy propaganda of the agriculturist money lender who wanted to serve his own ends. The result was that the movement in that region became dead and the members stopped their dealings with the societies. As the scheme was suddenly stopped after 1945, the problem of rehabilitation in that region still continues while in the rest of the State the conciliation of debts was not taken up on a large scale. Thus the problem of rehabilitation of the credit movement still continues, to the solution of which we shall turn in the next chapters.