

## APPENDIX No. 3

must chiefly fall. And here it may be worth while to call attention to the fact that the New York law on loan associations, which contains excellent features and has even been cited as a model, is vitiated by a provision giving one vote for each share of stock, and thus placing the associations on the joint-stock rather than co-operative basis. It is well enough to permit the share-vote system, where provided for in the constitution of a society; but the system of one vote to each member should have the equal sanction of the law, and it is the one which should be adopted by every society that is to consist mainly of small shareholders.' (Page 113.)

On the other hand, such a high authority as the Indian Committee states:—

'The Companies Act, which is the only enactment in any way applicable to societies of this kind, is wholly unsuited to institutions with varying capital, apart from the expense of putting into operation the provisions of the Act. We, therefore, recommend that legislation should take the form of a special Act of a permissive character and following the general lines of the English Friendly Societies Act.' (Page 7.)

The same situation prevails here and therefore the same remedy should be applied, by the passing of a 'special Act of a permissive character.'

Mr. Nicholson has also closely examined the same question, as shown by the following quotations:—

'But so soon as it was recognized that the societies, whether the popular banks of every class in continental Europe, the Building, Friendly, or cooperative societies of England and America, and the savings banks of the whole western world, were factors of inestimable value in the social and economic problem, special laws were passed for the furtherance and good management of such societies, or special provision was made in the general commercial codes of those countries; it was at once recognized that without the assistance of the law, and without public recognition and support, the nascent organization might fail both of its true extension and of its full development; great ideas had been born, but the infant systems required support and sustenance.' (Page 14.)

Again:—

'It is absolutely necessary, if these societies are to become the sources of organized general credit to the small folk in general, and to the agriculturists in particular, that there should be a law dealing expressly with these and similar societies, and favouring their institution, management and development.' (Page 23.)

On the Joint Stock Companies Act, he says:—

'The present company law is defective exactly because it is the law of commercial joint stock companies only; it is adopted from the English company law alone, and takes no thought for the numerous other kinds of societies for which England and the rest of the world provide special laws with special privileges and conditions. One, and a very important ill result of this defective law, is the turning of society methods and ideas into a mere trading groove; the ideas and management of the directors and shareholders are based upon pecuniary profit through dividends and honoraria, whereas that side of society administration should at least be equally presented which is based upon co-operative ideas and methods. In fact, if the lessons of the several studies presented in Appendix I. are correct, it is the co-operative classes of banks which, above all, are desirable for rural conditions, for it is they which teach prudence, thrift, temperance, the productive use of capital, unselfishness and mutual help, above all other forms of banking organization.' (Page 25.)

After reviewing the principles involved, Mr. Nicholson very properly affirms that it is in the adoption 'of organized and popular thrift, and of popular distribution, that success lies; these principles must take various shapes, as in the numerous institutions of the West: it is in the general ramification of organized thrift and credit, especially in their co-operative forms, that success is to be sought.' (Page 31.)