

APPENDIX No. 3

‘Allowing that the conditions of these advances are extremely onerous, it would be opposed to ordinary reason, or would pre-suppose a very low status of intelligence among the masses, to conclude that the original burden of usurious interest was not induced in a large degree by the insecurity of the borrowers.—“Insecurity” is, of course, an indefinite negative, and is here introduced antithetically, as will be presently explained. The chief point is, that lending for agricultural purposes and also for native industrial purposes has long since reached the stage of usury, the effect of which is, as experience infallibly shows, the gradual effacement of the borrower and his credit, and the reduction of himself to an unproductive cypher. Consequently, agriculture and native industrial enterprise are heavily handicapped and are unprogressive.

‘The causes which have brought about the regrettable condition of the working classes, who are by no means deficient in intelligence or application, are social and religious customs, which, however good and appropriate they may have been at the time of their inception, have become fossilized and unyielding in practice; but owing to centuries of changing and usurping dynasties, none of which established a permanent or extended system of government until the British began to rule, these customs have come to be regarded, and have to some extent acted as a governing and protecting influence, much in the same way as the rules of secret societies. But their influence has been essentially to deaden the springs of human action and expanding intelligence, and to confine both one and the other within the narrow limits of a traditional past without regard to the pressing necessities of a rapidly evolving present.

‘Hence, it becomes logically evident that, before advances can be granted on moderate terms, something must be done by the borrowers themselves to improve their credit and make them free agents; because, naturally, they have at present nothing to offer as security, either actually or prospectively. It is absurd to suppose that they can all at once improve their credit, whatever they do or is done for them, to such an extent as to clear heavy debts already contracted, but there is nothing to prevent them from improving their credit to an extent which may enable them to derive a larger surplus from the result of their present and future labour and intelligence, and with such surplus gradually pay off their old debts. To enable them to do this it is proposed:—To pass an Act and frame special rules for the encouragement and formation of co-operative societies on similar lines to those of the friendly societies in England and the Raffeisen societies on the continent.

‘The argument is that one man wanting to borrow money has to pay rates of interest which defy all possibility of his ever reaping the just fruits of his labour and intelligence, but if a number of men offer their united security, the terms on which they can obtain advances will be considerably easier. Co-operative credit societies, therefore, have for their object the banding of individuals together in order to obtain money at reasonable rates of interest, and to distribute the money so obtained among their members, and only among them, in small sums and under fixed rules. The margin of profit between the rates at which societies borrow from outside and lend to their members should gradually create a reserve fund, which, being indivisible, must annually improve their credit.

‘The motive power of these societies must be self-help, and it is recognized that to create self-reliance the government must interfere and assist as little as possible, the action of the latter being confined to showing the people how to act, and to providing legislation and rules for their guidance and protection.

‘Experimental societies already formed in the northwest provinces and the Punjab indicate that co-operative credit is well understood and appreciated both by borrowers and lenders, and the latter have, in many instances, already come forward with money to advance to such societies on reasonable terms. In Madras, there has been for many years past a system of Nidhis, or native banks, founded and used for purposes which have a partially co-operative effect, and it is conceived that these will quickly remodel their systems in order to obtain the privileges and exemptions which the legislature propose to afford to co-operative societies.