

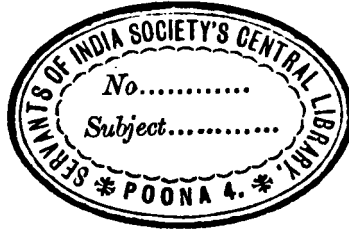
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CO-OPERATION IN INDIAN STATES.



BY

G. R. PILLAI., B. A., B. L., (MADRAS).

HONOURS DIPLOMATE IN CO-OPERATION (MANCHESTER).

BRITISH CO-OPERATIVE UNION MEDALIST.

FELLOW OF THE ROYAL ECONOMIC SOCIETY (LONDON).

PERSONAL ASSISTANT TO THE REGISTRAR OF CO-OPERATIVE SOCIETIES,
TRAVANCORE.

QUILON.

Sree Rama Vilas Press.

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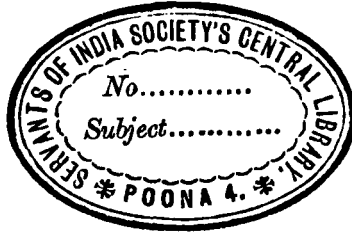
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INTRODUCTION.

A book on Co-operation in Indian States is rather premature, for the very simple reason that the majority of the States has not evolved to that status which will permit them to be measured by ordinary economic standards. But still that vast area covering one third of Indian peninsula and embracing one-fifth of its population is not one which could be further ignored in a comprehensive study of the progress of the co-operative movement in India. The Indian States according to the Butler Committee number 562. Sprinkled throughout India, they possess widely different characteristics. "In the North West is the broad area of the Baluchistan, farther North again is the Frontier state of Kashmir, rising into the tremendous peaks of the Pamirs and the mountain outposts of Chitral and Gilgit; in the far North East are the states of Sikkim and Bhutan, which mark the division of India from Tibet. A little South is an immense tract of country where the land

of the Chivalrous Rajputs and the varied states of Central India merge through Cutch and Kathiawar into the Arabian Sea. In the South is the solid state of Hyderabad under the Nizam and further South, again, the ancient Hindu state of Mysore with the hardly less historic states of Travancore and Cochin.* These states differ a great deal in size, population; revenue, powers, administrative system and authority. The Butler Committee report described the term Indian State as covering "at one end of the scale, Hyderabad with an area of 82700 Sq. miles, with a population of 1,25,00,000 and a revenue of 6½ crores of rupees or about £ 50,00,000 and at the other end of the scale, minute holding in Kathiawar amounting in extent to a few acres only, and even in certain cases, holdings which yield a revenue not greater than that of the annual income of an artisan. It includes also states economically, politically and administratively advanced, and states patriarchal or quasifendal in character which still linger in a medieval atmosphere; states with varying political powers,

* India - The New Phase. by Stanley Reed and P. R. Cadel.

constitutional states like Mysore and Travancore and states which are under purely autocratic administration.

The difficulty of a study under one common head of such a complex structure can best be imagined. Amidst a host of others, there were particularly two difficulties which confronted me at every state of the progress of this work. The first was the notorious lack of data for an attempt of this kind. The economic conditions of the Indian states are still unexplored regions. Though there are many books treating about the economic conditions of British India, no one has ever attempted to record the miserable economic conditions of the people of the majority of Indian states. When commissions after commissions were appointed to find out the causes of frequent famines in British India, the states which were centuries behind British India in economic growth were left out of the scope of their enquiries. In fact, the ravages of famines are more cruel in the states than the neighbouring British Indian provinces. In British India, relief comes as soon as famine spreads out. But the poor subjects of the states

have to die a starving death before the almost annual visits of the dearth. When an Industrial Commission was appointed to survey the Industrial conditions of India, the Government of India never worried about the Indian states and their indigenous industries. No one cared to interest himself in surveying and finding out means for improving the half dying industries of the states. This policy of allowing sleeping dogs to lie was followed even when the Royal Commission on Agriculture and lately the Royal Commission on Labour were appointed. Of course, the Government of India did not want to force their enquiries on the states. Co-operation or otherwise was left to their option. When recently an enquiry into the banking conditions of India was undertaken, some of the states co-operated with the Committee appointed for the purpose and have produced useful reports. But for these and half a dozen other reports, the record of the economic history of the states is deplorably barren. There are only very few states which collect statistics of any sort and even those statistics are incomplete and inadequate. Their accuracy also is seriously doubted as there is no controlling

agency for their compilation in any of the states. To prevent the recurrence of complaints of this nature it would be advisable to appoint a permanent bureau of statistics under the Princes Chamber to collect and record relevant information from all the states.

The second difficulty was to obtain the little information that was available. Having hardly evolved from a state of medieval obscurity, many states have not overcome that primitive suspicion against any enquirer after truth. While some have the frankness to say that the informations cannot be supplied or that they are not available, some others do not reply at all. The states, too, are not to be blamed for this. Latterly, people ambitious of exploiting the states and their supposed medieval existence have been too numerous that it has been found impossible for even wellmeaning states to distinguish the bonafide enquirers from the host of irresponsible letter writers. It was equally difficult to check the correctness of the informations supplied. In an attempt to discuss the conditions prevailing in spheres so distant from each other as Kashmir and

Travancore, it was practically impossible to get first hand information. Naturally then, I had to depend on reports published by the respective states which invariably painted only the bright side of the picture. While basing my conclusions on these reports, I have not been hypercritical. But where I have unconsciously become very complimentary, I would request the reader to take the remarks with some discount.

It is deplorable that so little attention has been paid to Co-operation in the States, though the introduction of the Co-operative movement is the most urgent piece of economic reform that is needed in every state. Unfortunately, there is depression all over the world at the present time. But in the Indian states, it has become a permanent feature. The difficulties of the states exceed those of others. Their economic system is disorganised. Their fundamental assets are impaired and resources are diminishing. About 87 percent of the population of these states live by agriculture. They depend absolutely on the produce of the land which varies with the degree and punctuation of rainfall. Owing to the poverty of the soil, lack

of general irrigation facilities and subsidiary occupation, the peasantry is in a state of chronic want and penury. The agricultural class is immersed in poverty and ignorance. The people are poor, desperately dirty and unhealthy with no conscious desire for anything better because they have no idea that anything better is possible. All their interest in life centres round the problem of their next meal or at the most their next harvest. Existence is a great struggle with them. Life is made infinitely difficult for them by a mass of unhealthy and uneconomic customs. They never get out of these miseries. They are led down to a life of perpetual passivism. They are heavily indebted to usurers. "Chronic poverty, want of sanitation and medical relief, ignorance and disease have conspired to reduce the peasant's vitality to its minimum. There are no roads, no sanitary arrangements, no hospitals or dispensaries and no provision for lighting. People die in thousands for want of medical help."* To escape from the serious consequence of these economic evils, it is imperative

* Modern Review. December 1928. Article on Rajaputana States.

that the people and the administrations of the states should assist and cooperate with each other. But, Alas! this truth has not been realised in more than half a dozen states.

Of the 562 states, only the states of Jammu and Kashmir, Baroda, Gwalior, Indore, Hyderabad, Mysore, Pudukkotta, Cochin and Travancore have functioning cooperative departments. The cooperative department of Jammu and Kashmir is affiliated to the department of Agriculture, while that of Indore is only a section of the Rural development department. The origin and growth of the cooperative movement in these states have been discussed elaborately in the following pages that only a mere mention of a few general criticisms is necessary here. There are many desirable features which could be introduced with advantage in all these states. But all these have made some distinctive progress in various lines that it is not possible to mark out one as superior to another. In order of merit, one would be justified in classifying them in the following order:—

Mysore and Baroda.

Travancore, Cochin and Pudukkottah.
Jammu and Kashmir.
Hyderabad.
Indore and Gwalior.

The Cooperative movement in Mysore has now completed a quarter of a century of its existence. It has now more than 2181 societies. Cooperation has developed more on credit lines through out India than otherwise. But Mysore has endeavoured to centre its attention as much on non credit activities as on credit. The result is that we find a higher percentage of non credit societies in Mysore than in other states. We find consumers and producer's cooperation more developed in Mysore than any of its adjoining areas. One more interesting feature is that among the states Mysore is the only place where the cooperative movement has not rested content with meeting the problem of short term credit. Only in Mysore do we find a cooperative Land Mortgage Bank.* Even in this they have a novel scheme. The land mortgage institutions of other places attempt indirectly at

* Travancore has lately started a state owned and state managed Land Mortgage Bank.

the improvement of agriculture. But the Mysore Land mortgage Bank is intended to provide long term credit for the redemption of prior indebtedness. This distinction is vital and hence makes it incumbent on the co-operators of Mysore to proceed with the greatest care. The Mysore Land mortgage scheme aims at transferring the debts of the agriculturists from the private money lender to the Land mortgage Bank. The ideal is no doubt very good. But the question is how far it will succeed in practice. This makes it necessary that the agriculturist should change his methods of cultivation and habits of life so that he might be able to earn and save enough to pay back the debt of the bank and become a free man. The scheme takes too much for granted and the success of this would depend on the extent to which the co-operators have ingrained the principle of Better farming, Better Business & Better living." While presiding over the provincial cooperative conference of Mysore, in 1931 the talented Dewan of that state drew pointed attention to the utility of the cooperative movement to the young men of the State. He incidentally referred to the Irwin

Canal area in Mysore and discussed how co-operators could make that tract of land more and more useful by applying in practice the principle behind this movement. He said that this area provided an ideal field for introducing agricultural cooperation in its different forms. This is one of the rare instances when we get such practical suggestions from the head of the administration of an Indian state. The Irwin Canal tract if fully developed will comprise a compact area of 12000 acres possessing an assured supply of water and electric power. With scientific methods of farming and cooperative methods of business this tract should contribute substantially to the prosperity of the people. The introduction of cooperative farming with attempts to specialise in particular products in particular tracts in a state will certainly be a very interesting feature both as an innovation and as a principle. This would lead to small attempts being made in cooperative marketing which is an urgent necessity in all the states. The sale societies Grain Banks and Depressed Classes societies are doing satisfactory work in Mysore. But there are other fields of non credit cooperation that demands immediate improve-

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ment. Cooperative Housing demand great attention in Mysore. At one time, Mysore was the foremost state in cooperative housing though at the present moment this type of societies has suffered some deterioration and occupies only a minor position in the state itself. This if developed would help very much to make Mysore a more healthy and more habitable place.

We might be seeing the same defects in the credit societies of Baroda as in other parts of India. But it should be gratifying for any cooperator to note that Baroda has progressed comparatively creditably on non credit lines. The cotton sale societies and the consolidation of holdings societies are doing very well within their limited sphere. There is only one cattle breeding society in all the states and that is in Baroda. Baroda again was the first among the states to consider the problem of long term credit and nearly five years back, when even many of the British Indian provinces had not begun to realise the brunt of the problem of long term credit, Baroda appointed a committee to enquire into the feasibility of opening land mortgage Banks in the state. The report is a

brilliant document though, as all reports are destined to, it produced nothing but an academic interest. Though Land mortgage Banks as such were not opened in Baroda, they have got a similar institution which is being run on almost similar lines. They are the Agricultural Pedhis, which in the complete credit organism of Baroda serves to meet the needs of long term credit on the security of land. Baroda has also attempted to introduce cooperation into the field of irrigation. The water works, pump society and irrigation societies are doing notable work. The success or failure of particular societies is no criterion to measure the progress of the movement in any state. Baroda has introduced the principle of cooperation into various branches of human life. It will not be fair to leave out the mention of the Unza society of Baroda, which has devoted itself to social reform by carrying on a crusade against needless social extravagance by the Audich Brahmin, the community for which it exists. If a single society can save for its members so large a sum as Rs. 11½ lakhs it is clearly a good example which might be followed elsewhere also. There are great possibilities in this direction. It is

said that feeling against extravagance is strong and growing. If so it is a healthy sign and the department would do well to take advantage of the rising tide. But we have so far only painted the bright side. There are defects in the fundamentals of the societies of the state. There has been a general deterioration in the quality of societies in this year than the previous one. There is very little spontaniety in the movement. The opposition of vested interests have not yet been overcome. The people look upon the cooperative societies as a machinery for obtaining cheap loans. Overdues have increased from 18, 1 to 21 %. One should think that this is due to the overleniency showed in granting concessions. The masses have not been educated in the principle of the movement and there remains much spade work to be done. With more attention by the department, more sympathy from the public and combined governmental patronage, the cooperative movement of Baroda has more possibilities of progress than many other states.

Proceeding as we are on the quality basis of the movement, we have to jump off to the

southern most state of Travancore from Baroda. The Cooperative organisation of Travancore falls into the three divisions of Credit, non-Credit and Supervision. At the Apex is the Trivandrum Central cooperative Bank, which feeds minor cooperative institutions sometimes direct. A very peculiar feature of Travancore cooperation is that its growth began from the top. The apex institution was the first to be registered, in a former* Registrar's words "to prevent societies from looking up to Government for pecuniary assistance." Next to the Apex Bank, comes the Taluk Banks and then the Primary societies. The Primary societies include both agricultural and non agricultural societies. The non agricultural societies are only very few in number. There is a very urgent call for the development of the movement on non credit lines. In Travancore, unlike the other states of N. India supervision has been attempted by non officials. There are local supervising unions in different centres and a central body (federation) by the name Travancore cooperative institute. This institution

* The late Mr. C. Govinda Pillai B. A. B. L.

mainly centres its attention on supervision and propaganda. It does hardly any other work except bringing out in distant intervals a cooperative monthly in Malayalam. When there is an all round demand for money, it is very strange that the central cooperative Bank still possesses a loanable surplus, which the bank authorities say is not being absorbed by the members. It is still more interesting to know that owing to this surplus of loanable capital, some reduction on the rate of interest on deposits has been made. This picture surely does not reflect credit on the institution or its management. This only means that application for loans are not treated properly and justly. There is a complaint that this central bank is becoming more and more bureaucratic. After having created such an artificial surplus, it is extremely dangerous to discourage depositors by reduction of the rate of interest lower than that of joint Stock Banks. Any day the depositors might withdraw the money to deposit it in the bank where they would get better interest. The extent of the risk will be brought home to us only when we realise that 22% of the capital of this institution is made up of

deposits and that it has got no overdraft account with any outside bank. No words can adequately condemn this unwise policy of opening the apex institution of the movement to such grave risks. There has been an equally serious complaint about the extraordinary delay in the granting of loans. It has been said that it takes at least a month to get the application for loan sanctioned. There can be no doubt that this delay defeats the purpose of the movement. The introduction of cash credit accommodation for each society would help a great deal to root out this evil.

The movement in Travancore has got a curious isolated position. It has no relation whatsoever with the outside financial world. The movement is oblivious of the existence of any outside bank. Nor does other banking institutions recognise the existence of cooperative banks. If the ideal has been to replace all financial agencies by the cooperative ones ignoring the outside institutions as a whole, it is far from having been realised. The Banking Enquiry Committee found that the total indebtedness of the rural population was between

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Cooperation in Kashmir has developed but little though, there, one sees peculiarly interesting types of non-credit societies. Among all states, Kashmir possesses the only model village. The principle of cooperation has been applied to various activities of the people. There is a standing rule made by the Registrar of Kashmir which requires each member of a cooperative society to plant as many fruit trees in his land as the number of rupees he owed to the society. Attempts are being made to effect complete coordination between the activities of agricultural, veterinary and cooperative departments. There is an experimental farming society at Nandpura and there were 23 Compulsory Education societies. Cooperative consolidation of Holdings societies also did good work. About Srinagar societies of arts and crafts, it has been said that no single city in British India can probably claim as many societies of arts and crafts as the city of Srinagar. But though there is interesting varieties of societies in the state, their quality is not very high. Rural finance is in a miserable state and there has been considerable deterioration in the quality of the societies in general. Overdues are increasing

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and there is a paucity of the field staff. The Registrar says about the future:-“As regards the necessity of expansion, there could be no two opinions. The situation here in this state is quite different from what it is in British India. The slow and gradual retreat of the money lender before the orderly march of the organised forces of the cooperative movement there present a striking contrast to his dramatic disappearance from field here, as wrought with the promulgation of the Agriculturists' Relief Regulation. Unless the cooperative credit movement capture the vacant field a serious dislocation of rural finance is bound to result. In fact the cultivator at present feels stranded as instead of an imperfect and defective finance he will have no finance, unless of course the cooperative credit societies are sufficient in number to render him the necessary assistance. The problem is one of greater importance, wider bearing and deeper significance than what it prima facie appears to be.”

The condition of the movement in Hyderabad leaves very very much to be desired. With some reorganisation in the department towards

the beginning of 1929, there has been some slight improvement. The Dominion Bank has been reorganised already. Central Banks have become share holders and are now electing Directors to the Board. The financial position of the Dominion Bank has also become more satisfactory. The majority of the Central Banks has been doing tolerably well. They have gained the confidence of the public. But overdues are on the increase. Neglect and maladministration prevailing in the working of the agricultural societies are so great that if immediate reorganisation and control is not effected there will certainly be a serious deadlock. Very vigorous propaganda to educate the masses in the principles of cooperation is essential for the continuance of the movement on sound lines. The number of non agricultural societies has been very little and those that exist cannot be said to be doing any work. Government should immediately pay its serious attention to these defects and instruct the department to be more vigorous about field work.

If the picture detailed just above has been sad, those presented by other states are sadder.

Out of a ten year's growth, Indore has evolved only 414 societies, working rather indifferently. Though a committee had been appointed to enquire into the working of the movement and it submitted its report in 1928, nothing has as yet been done. The movement with its handful of societies still continues to struggle under the grip of the Rural Development Commissioner, himself, a man of multifarious duties. The appointment of a committee is an earnest of some good intention on the part of the administration to bless the country with some reform. But nearly three years have passed since the committee has submitted its report and it is feared that its validity is crossing the period of limitation.

The report about the working of the cooperative societies in Gwalior is very disparaging. The government of that state has advanced enormous sums of money to cooperative societies. The amounts have already begun to be treated as bad debts. It was during the time of His late Highness Madhava Rao Scindia that cooperation was first introduced into Gwalior. His Illustrious Highness belonged to that royal type who wanted sowing and harvesting in a couple

of days. This royal will was applied to cooperation also. Missionaries, who themselves knew not what they talked about, were despatched throughout the length and breadth of the state to preach the gospel of cooperation and to form societies. Societies were formed in hundreds and they began to be very lavishly financed by the state treasury. No doubt, progress too would have been at the same unrestricted rate had not the cruel hands of Death taken away that noble and illustrious prince. Once the havoc was done, there was no means to get over it. Overdues increased by leaps and bounds and the catastrophe was made more imminent by ignorance.

The departmental heads themselves, even if willing, could do nothing, since they had to work in a vicious circle to escape from which would have been physically impossible for them. There appears to be no hope of retrieving the 44 lakhs of rupees that has been invested by the state in the cooperative societies of Gwalior unless a thorough overhauling is made at the earliest moment.

Of the remaining states, only a handful

possess some sort of co-operative institution and even that in a small number. These states are Bahawalpur, Bhopal, Bhavnagar, Bikaner, Faridkot, Kapurtala, Khilchipur, Kolhapur and Kotah. It is said that Patiala has some co-operative institutions but no authoritative information is available. No data has been available to know the details about the cooperative activities of these states. In reply to a letter I addressed to the Chief Minister of Bahawalpur, one of his subordinates informed me that the cooperative movement is in full swing in that state. Nothing more was written in that letter. No reply even, came from Bhopal, though I was able to gather from an external source that there are a few struggling societies in that state. Bhavnagar thanked me for the enquiry but failed to supply any information. Yet it has been possible to know that there were 51 Agricultural societies in 1927 with a membership of 1299 and working capital of Rs. 1723,65 out of which Rs. 27047 was treated as Reserve Fund. The Durbar give a donation of Rs. 825/- to the societies and advanced Rs. 5,150. The societies made a net profit of Rs. 3,051 during the year under review. Bikaner had only 85 village societies

at the end of 1930 and one central Union Bank at Bhadra. Another central Union Bank is being started at Ganganagar. And the problem of long term credit also is being tackled. A Land Mortgage Bank has been sanctioned to be started at Ganganagar with a state capital of a lakh of rupees. In Faridkot, there are 136 credit societies with a share capital of 3 lakhs of rupees and a working capital of 8 lakhs of rupees. They had 6069 members. There is also a central cooperative bank at Faridkot which is in a satisfactory condition. The state finances the Bank from time to time during financial stringency. It has granted a cash credit accommodation to the Bank Kapurthala has 271 societies with a membership of 7237. Their working capital was Rs. 872,006, their indivisible profits Rs.355250 and their owned Capital Rs.457,795. The state has invested Rs.100,000 in the Central Bank as shares and Rs. 64,638-13-10 as deposits. The state is attempting to effect consolidation of holdings through cooperation. The number of cooperative societies in Khilchipur is 118. These advanced 2,494 maunds of grains to the indigent peasantry. Money was advanced to the needy cultivators as takavi as well as for well, bullocks etc. There

were 48 cooperative societies in Kolhapur with a working capital of Rs. 343,230. Kotah had the largest number of cooperative societies among these small states having a total of 425 societies to its credit. These are all credit societies. Two societies are working at Antah and Baran for collection of seed and another at the Kotah College for students. Membership at the close of the year was 3269. Funds invested in the societies amounted to 8½ lakhs. Loans amounting to Rs. 279,074 were advanced for various purposes. The Kotah cooperative Bank was started in February 1927 with authorised capital of Rs. 1½ lakhs of which Rs. 87,585 has been paid up by 613 share holders. The savings bank run by the Kotah cooperative Bank is popular. The profits of the Bank amounted in 1929 to R. 13,108.

A singular feature which stands out prominently in these short sketches is the extent of the rural indebtedness in each state. Nowhere have the cooperative banks been able to stabilise rural finance. The movement has not been able to replace the money lender in any state. It is not far from truth to admit that in

some places it has indeed worked havoc in that it has left the members of cooperatives societies stranded as the money lender refuses to accommodate him and his society has no finances to help him. To relieve the rural indebtedness two things are absolutely essential. In the first place, we require in large numbers good cooperators who will be able to produce good cooperative societies and educate the masses well in the principles of cooperation. They will thereby inspire confidence in a greater degree among the masses and it is mainly on the growth of this confidence that the success of the movement lies. In the second place, the public should whole-heartedly support the movement by becoming its members, depositing money and doing propaganda work. There is no doubt that the economic salvation of the Indian peasant could only be achieved through the cooperative movement. The problem of long term credit is very intensive in many of the states. The Land Mortgage Bank is the best solution for the same. In the original scheme of this work I had assigned one chapter to deal with this topic. But as after a detailed study of the movement in Indian States I found that only

Mysore possesses a Land Mortgage Bank* I had to delete the same. I felt that a discussion of the topic in this book would be superfluous.

Before concluding I have only to appeal to all the states in India to consider seriously the question of introducing the movement in their respective states. It might not be easy and practical for small states to have their own individual department. In such a case small groups falling under one geographical division can join together and work up the movement. It might be argued by those who pursue a policy of exclusion that this is impossible. But in all our cooperative activity we stand for solid and helpful things—things in no sense parochial or merely national, but stretching out in their application to all people, black and white, brown and yellow, and without respect to creed or colour or class. All cooperation asks of its adherents is a willingness to share life with others in association for specific purposes and in conformity with rules laid down and voluntarily accepted and observed. To this voluntary bond

* Very recently one in Travancore.

many millions of people in all the continents of the world have set their seal and are bound in helpfulness each to the other. Then, why, not the people of the Indian States?

