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**REPORT**  
**OF THE**  
**CO-OPERATIVE ENQUIRY**  
**COMMITTEE**

**1934**



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Presented by  
Mr. G. K. Devadhar,  
President, Travancore  
Co-operative Enquiry Committee.

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*G. K. Devadhar*  
30/3/35

**REPORT**  
**OF THE**  
**CO-OPERATIVE ENQUIRY COMMITTEE**

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**PART VIII**

**APPENDICES**

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## Appendix I.

### NOTICE.

The questionnaire issued by the Co-operative Enquiry Committee appointed by Government in G. O. R. Dis. No. 2907/32/Devpt., dated the 25th December 1932 is published below for general information. The Committee will be grateful if persons or organisations interested in the co-operative movement will forward written answers which are likely to help the enquiry, to the Secretary, Travancore Co-operative Enquiry Committee, Trivandrum not later than the 22nd February 1933/11th Kumbhom 1108.

The Committee consider it unlikely that one would feel called upon to deal with all the points contained in the questionnaire, and it is therefore suggested that one may select only those of which one has knowledge and experience.

M. GOVINDA PILLAI,  
*Convener.*

### QUESTIONNAIRE ISSUED

BY

### THE TRAVANCORE CO-OPERATIVE ENQUIRY COMMITTEE.

#### I. GENERAL.

1. Do you consider that the co-operative movement in the State has been developing on sound lines?
2. To what extent has it resulted in the reduction of indebtedness, rate of interest charged by money lenders and civil litigation? How far has it increased the assets of members?
3. Has the movement improved the moral and educational standard and the business habits of the members of societies?
4. Is there any complaint that the economic condition of the members has deteriorated as a result of facile credit? Is it based on facts?
5. Have professional money lenders been actually hostile to the movement and with what effect? Is the hostility, if any, increasing, or the reverse?
6. Do you consider the relations which exist between the Co-operative Department and other Government departments such as the Departments of Revenue, Agriculture, Industries, Forest etc., are satisfactory? If not can you suggest any means whereby better co-ordination of these departments could be ensured?

7. Are you aware of any co-operative society taking interest in the rural reconstruction work such as the spread of education, improvement of sanitation, establishment of reading rooms etc.? Please give the details of the work undertaken.

8. Is there any scope in the State for the formation of Better Living Societies?

9. Who in your opinion is economically a sound person to be enlisted as a member of a co-operative society?

10. What should be the size of an economic holding in your area?

11. Has your society ascertained in a comparative way the economic position of its member before the society came to be started and after it had done its work for a period of 5 years and have you noted any change for the better or for the worse?

12. Will not such information in your opinion furnish the best material to judge of the success or otherwise of the co-operative effort in the State?

## II. PRIMARY SOCIETIES.

13. Do members understand the principles of co-operation, and realise their responsibilities as members of unlimited liability societies?

14. Do the committees generally understand and discharge their responsibilities in the management of their societies?

15. Do the societies secure to their members adequate funds to meet all their financial needs? Do the members still seek the help of the money lenders to meet their demands? If so, what remedy do you suggest?

16. Do the societies make adequate provisions for short and long term loans? Do the committees take sufficient care to grant loans properly in regard to amount and terms with due regard to the purpose of the loan, the repaying capacity of the members and the most convenient season for repayment?

17. Do the committees verify the bonafides of the purposes for which loans are demanded? Are loans always granted for useful purposes? Do the committees satisfy themselves that the loans are properly applied? Are you aware of instances in which the committee of your society took action to recover loans which were misapplied or obtained on false pretences?

18. Have you come across instances of benami loans?

19. Is the present system of fixing the maximum of loans to members in proportion to the number of shares satisfactory? If not, on what basis should the maximum borrowing power of a member be fixed and by whom?

20. What is the maximum borrowing power of your society and on what basis is fixed?

21. Is it desirable to pay honorarium to secretaries or other committee members? If so, on what basis?

22. Do you think that the organization of fresh primary credit societies should be discouraged and attention concentrated upon consolidation or that consolidation should go hand in hand with expansion? What are your reasons?

23. Are you of the opinion that the existing unions may be utilized for the work of consolidation, or that the department itself should take up the work?

24. Do you consider the present number of societies in any particular area excessive? If so, is it desirable to reduce the number of existing primary societies by cancellation and amalgamation?

25. Are you of the opinion that the area of operation of a primary society should be confined to a Kara or village? If so, do you favour the splitting up of the bigger societies with wider areas?

26. Would you suggest from your experience any special measures for carrying on propaganda and would you like it to be self-supporting and if so, would you make that one of the necessary functions of the Travancore Co-operative Institute or would you entrust it to the department or to both?

27. Is it desirable that proposed societies before their registration be asked to work on probation for a fixed period?

28. Is it desirable that a member of a credit society should be permitted to join any other credit society limited or unlimited?

29. How is the working capital of your society composed of? Give the figures under shares, deposits, and loans and their proportion to the working capital? Is that proportion in your opinion satisfactory?

30. What is the value of a share in your society and what are the instalments? What is the paid up share capital?

31. Does your society keep a property register up to date?

32. What amount of working capital, in your opinion, is required for your society to meet all the reasonable demands of the members thereof?

33. Do members regularly take additional shares when the original shares have been fully paid up? If not why? How many members have taken up the maximum number of shares allowed by the bye-laws?

34. Do you consider that the entire working capital required for your society could be collected from the locality itself?

35. Do you know any of your members having invested their money in the neighbouring Joint Stock Banks or Government Savings Banks? If so, how do you explain why the Co-operative Society was not preferred?

36. Do the members of your society press for the withdrawal of their shares on the expiry of the period specified therefor? Is it desirable to allow such withdrawals?

37. What is the maximum rate of dividends on shares allowed under the bye-laws of your society? What was the dividend actually declared by your society during the last three years? Do you favour any change? Do you favour the Punjab system of disbursing dividends after fixed periods or the indivisible profits to be carried to the reserve as in Bombay?

38. How do you calculate the society's profits? Do you include unrealised interest in it and do you not consider it necessary to leave out of account the unrealised interest in calculating profits?

39. What are the various kinds of deposits received by your society? Under what terms? from members or non-members? and how are the deposits utilised? Is it desirable to fix a limit on the total amount of deposits that your society may accept?

40. Is care taken to see that the period of the loans sanctioned out of the moneys received as deposits does not exceed the period of the deposits themselves? If not, what are the arrangements made for the repayment of deposits as they fall due? In this connection do you think that the society may take a loan to repay a deposit when it has no funds of its own?

41. Do you consider it safe to encourage short term fixed deposits, savings deposits, and current accounts in primary societies?

42. What is the longest period for which deposits are received in your society? Are any special steps taken to attract deposits? If not what measures would you suggest?

43. Do you favour the introduction of compulsory deposits in primary societies in addition to share payments? Would you favour the utilization of such funds for the liquidation of old debts of members of societies?

44. To what extent does your society supplement its working capital by raising loans and cash credit?

45. From whom and under what terms are these loans and credits raised? What are the arrangements made for repayment?

46. Does the Central Bank or Taluk Bank fully meet the demands of your society and are the existing arrangements for obtaining loans prompt and satisfactory?

47. Is your society conducting a chitty? Do you find it useful to the members and the society in augmenting the working capital? Do not difficulties arise when subscribers default instalments? What remedies do you suggest? Do you consider the practice of conducting chitties quite healthy from the society's point of view? Are there any defects in the present practice and what remedies would you suggest to avoid them?

48. What are the different kinds of loans sanctioned by your society and for what purposes? Are loans on immovable properties and on joint security freely granted? Which of the two is generally preferred? What is your view in giving loans on the pledge of ornaments? Are you aware that in the case of primary societies such practice is restricted by Regulation X of 1089? Would you suggest any modification?

49. Does your society issue loans on the bond of the borrowing member alone? Does the society issue loans to the same persons who mutually stand surety for one another?

50. What are the rates of interest and penal interest charged on loans? What is the prevailing rate of interest in your locality? Can you get money at rates lower than those charged by your society? Would you propose that the rate of interest charged by the society should be reduced? What means do you suggest?

51. To what do you attribute the growth of overdues? What remedy do you suggest?

52. In the Bombay Presidency, loans overdue are classified as authorised and unauthorised. In the case of the former, extensions are granted on application by the managing committee. In the latter cases extensions are refused. Are you in favour of such a classification being introduced here?

53. Would you not consider loans which are not really paid but which are shown on paper as paid and reissued a pernicious practice?

54. Is it not very desirable that agricultural societies should be induced to make the advance of short term loans for cultivation purposes, their main business?

55. Is it desirable in order to avoid delays to revise the present system of granting loans to agricultural members by a system of normal credits being operated according to different needs from time to time?

56. Do societies grant long term loans freely and systematically? For what purposes are long term loans generally taken and utilised? Do they, to any extent, go towards the extinction of prior debts?

57. Do you think that co-operative societies can be freely employed in connection with the grant of Agricultural loans under the Agricultural Loans Regulation as in Bombay? Are there legal difficulties? If so, what is the procedure that you would suggest?

58. What is the total amount of the reserve fund in your society? Does your society invest it in your financing bank (Central or Taluk)? How is it utilized? If it is used as part of the working capital, how are the profits earned on it dealt with? Are you in favour of restricting the use of the reserve fund by making it obligatory to invest it separately with your financing bank (Central or Taluk), or any other authorised security?

59. Do you think that the management of societies by the managing committees is efficient? Do the general body of members exercise proper control over the actions of the managing committees?—and the latter over the actions of its executive officers? If not, suggest remedies?

60. Do you support the idea of entertaining paid secretaries in primary societies or in groups of societies? Will it in any way improve the working of societies?

61. Some societies have applied for the introduction of councils of supervision. Do you think them necessary and workable? If so, what should be their functions?

62. What do you say to the following recommendations of the Travancore Banking Enquiry Committee?

"62. Patient and persistent education of the members of primary societies in the principles and meaning of co-operation is necessary to remove defects".

"67. The evils of mismanagement of societies can be remedied only by the greater dissemination of co-operative knowledge among the members and greater association on their part in the management of their societies."

63. Do you think that the societies can work a system of loans against crops?

64. Has your society attempted to estimate the extent of bad loans and thought of making provision to meet the same?

65. Are the provisions contained in the bye-laws for periodical election of committee members properly carried out?

66. Do you think that the offices of the president, secretary or committee member have been unduly appropriated by the same persons for a long term? If it has worked to the disadvantage of the society, what safeguards would you suggest to prevent the same?

67. Is your society playing any part in introducing practical improvements in agriculture by popularising better seeds, implements and manure as provided for in by-laws?

68. Has your society considered the possibility of obtaining better prices to its members for their produce by arranging joint sales?

69. Has the unlimited liability basis on which your society is founded prevented any people from joining it? Has it to any extent stood in the way of the society getting loans from outside?

70. Are you aware that some primary societies are registered on the limited liability basis? Would you propose that they be compelled to adopt the broader basis with unlimited liability?

71. What are your views in regard to the organisation of credit societies working on communal lines? Would you advocate such societies working in the same area being forced to amalgamate with one another into non-communal ones? Have you detected any tendency in societies to keep out persons on the ground of their community alone even when the constitution does not allow such exclusion? What steps do you think should be taken to deal with them?

72. Do you think that the model bye-laws of several societies stand in need of any changes? If so, have you any changes to propose?

#### NON—CREDIT SOCIETIES.

73. How far is non-credit co-operation capable of expansion especially in the following directions?

(a) Societies for purchase and sale of manure, seed, implement, yarn etc.

(b) Societies for the marketing of agricultural and industrial products such as eggs, honey, coir, baskets, mats etc.,

(c) Societies for common irrigation or common cultivation, common ownership of plant and machinery etc

74. Should these activities be taken by independent institutions or be conducted by credit societies as their legitimate work?

75. Will the existing method of financing credit societies meet the requirements of noncredit activities of societies also? If not what methods do you suggest? Would you require financial assistance from Government? If so, on what conditions?

76. Does management of non-credit societies require methods or arrangements different from those obtaining in the case of credit societies?

77. What are the special difficulties that are met with in the management of these societies?

78. Are you aware that a wholesale society was registered at Alleppey for the sale of agricultural produce but has not started work? Do you know the causes of its not starting its function? Do you think that the deputation of a departmental inspector as also a Government subsidy would be necessary in its initial stages?

79. Do you agree with the recommendation of the Banking Enquiry Committee that the Registrar of Co-operative Societies should have the assistance of officers trained in marketing and banking?

80. Do you think that there is scope for societies for irrigation and consolidation of holdings and antimalarial societies in the State?

#### CO-OPERATIVE INSURANCE.

81. Are you in favour of a Co-operative Insurance scheme being encouraged as a measure of thrift?

82. Are you aware that already a Co-operative Insurance Society has been registered under the Travancore Co-operative Regulation X of 1939 and is working with its head quarters at Trivandrum for the benefit of co-operators?

83. In what way and manner do you suggest societies rendering proper help to such a scheme?

84. Have you or your society been approached for help to become share holders of that Insurance society?

85. What is the total share capital secured? If you consider it inadequate, would you suggest any form of State aid?

86. Have you seen the prospectus and the bye-laws of the Travancore Co-operative Insurance Society? Have you any specific suggestions to make with regard to its bye-laws and working so as to make it more effectively useful to the co-operators in the State?

87. Are you in favour of the life policy of such co-operative insurance companies being accepted as collateral security? If so, on what conditions?

88. Are you in favour of a portion of the funds of this co-operative insurance society being invested in some proportion in the movement itself? If so, with what safeguards?

#### LAND COLONISATION.

89. Are you aware of any large pieces of uncultivated land at the disposal of Government in the neighbourhood of your village fit for co-operative colonisation?

90. In case such lands be available, give survey numbers or other details with a view to locate them?

91. Are you aware of the insistent demands on the part of the public for the colonisation of such lands?

92. Are you also aware of any action taken by Government to meet such demands?

93. To what extent, to the best of your knowledge, has advantage been taken of by the public of this action of Government?

94. If in your opinion sufficient advantage has not been reaped by the public, to what cause or causes would you attribute it?

95. Would you advocate the formation of syndicates or co-operative societies for such colonisation?

96. Are you aware of any rules having been promulgated by Government in this behalf? Have you any modifications to suggest to make the scheme workable?

#### CENTRAL BANK.

97. Have you any criticisms to offer on the present constitution of the Central Bank?

98. What is your opinion about individual share holders? Should there be any definite policy about their elimination?

99. Can the present practice of granting loans to individual members be continued? Should loans to them be restricted to those issued against deposits? If so, what measures would you suggest to the discharge of the present outstandings?

100. Do you consider that the provisions made in the bye-law in regard to the management, stand in need of changes? If so, state them

101. Do you accept the view taken by committees on co-operation that the executive management of a Central Bank should vest in a paid secretary or manager who would be under the disciplinary control of the board of management?

102. Do you think that the office of the Treasurer should be distinct and separate from that of the Secretary?

103. Do you not consider that the treasurer should furnish adequate security? Do you think that there should be additional safeguards to ensure the management of the Bank being run on proper lines?



101. Do you think that the provision for plural votes to society members could justifiably be continued?

105. Is it possible or desirable for the Central Bank further to reduce their lending rate? What is the present standard for fluid resources? Is it observed in practice in its day to day working? Is it adequate?

106. What proportion of the Central Bank's funds should be set apart for advancing long term loans and for what period?

107. Is the Bank in a position to undertake the function of a Central Land Mortgage Bank?

108. What are the rates of interest on different kinds of deposits? Is it possible and desirable to reduce the rate of interest still further?

109. Is it not desirable that the Central Bank's activities be confined to Taluk Banks alone and if so, what conditions are necessary to meet all the financial demands of the Taluk Banks and Banking Unions?

110. What is your view with regard to the policy of forming Banking Unions?

111. Are you of the opinion that the policy of using fixed deposits for financing long term loans is unsound? If not to what length do you think such a policy may be safely pursued?

112. Complaints are heard that delays occur in dealing with loan applications from societies. To what are they due? How can they be avoided?

113. The President of the 7th All-Travancore Co-operative Conference has made the following observations in his presidential address:—

“The system of normal credits which has been introduced in accordance with the recommendation of the Maclagan Committee on Co-operation, the policy of fixing periods of loans in accordance with the purpose of borrowing, the practice of granting loans on purely personal security, all these distinctive features of co-operative finance as they have developed in various provinces seem destined to undergo some transformation in response to the needs of the situation, and it will be the duty of the proposed Enquiry Committee to see what modifications in the arrangements for finance are demanded by the altered conditions of rural economic life in your State.” How far do you agree with this view, and what modifications would you suggest as applicable to this State?

114. The Banking Enquiry Committee makes the following recommendations:—

(1) Loanable capital in the Central Co-operative Bank should be classified into short, medium, and long term and the issue of loans regulated and adjusted according to the purposes for which the loans are required

(2) The Central Co-operative Bank should have the help of an overdraft accommodation and the Government should devote their early attention to this point. Has the Central Co-operative Bank ever felt the need for overdraft? Have you any recommendations to make in that behalf?

115. Do you think that as recommended by the Economic Depression Enquiry Committee Government should supplement the resources of Co-operative Societies so as to enable them to issue more loans than at present to their members who are agriculturists?

116. Is there a complaint that the Central Bank is generally conservative and that it lends to societies only up to the paid up capital of societies? Would you advocate a more liberal policy without prejudice to the funds of the Central Bank; if so, what are your suggestions?

117. What are the duties entrusted to the supervisors engaged by the Central Bank? Do these duties include the examination of the utilisation of loans while inspecting societies and checking property statements which ought to form part of their duties?

118. What is the policy of the Bank with regard to financing non-credit co-operative activities? Have you any proposals to enlarge the same?

119. Are you in favour of the Central Bank establishing its branches in taluks where no taluk banks or Banking Unions already exist?

120. Would you advocate local supervising unions being asked to take shares in the Central Bank?

121. What is your opinion about the Central Bank issuing loans to societies on the recommendation of the Union alone?

122. Have you any suggestions to make about the utilisation of the supervision fund of the Bank?

123. What measures would you propose to convert the Central Bank into a real Central Apex Bank of the State?

124. Do you approve of the same person holding responsible offices in different institutions like the Central Bank and the Institute?

125. Do you recommend the issue of debentures by the Central Bank, with or without State guarantee?

126. What is the standard of fixing the borrowings of primary societies? Is it on the amount of share capital held by them or on the assets of the members? Do you propose any change in the existing system? State your reasons.

127. Do societies receive sufficient funds to meet the legitimate requirements of its members for productive purposes?

128. Does your present standard enable the societies to secure from the Central Bank sufficient capital for its needs?

129. Would you be in favour of any modification of your present practice ?

130. Do you make any distinction in your treatment of societies with limited and unlimited liability ?

131. Are you aware of any usage or convention in this State that no more than 12 per cent. interest is to be ordinarily charged on loans granted in villages ? How far is it followed in practice.

132. What procedure is generally followed by village money lenders in calculating interest ? If the calculated rate is found to be higher than 12 per cent. what measures would you suggest to bring down that high rate ?

133. Has the co-operative movement influenced the prevailing rate of interest charged by financing bodies or individuals outside the movement ?

#### TALUK BANKS.

134. Have you got any co-operative taluk bank in your locality ? When was it started ? How many primaries are there in the area and how many have affiliated themselves to the taluk bank ? Is your taluk bank in a position to finance all affiliated societies ? If not why ? What, in your opinion, ought to be the relationship between primaries and taluk banks and between the taluk banks and the apex bank ? What margin of interest should be allowed to taluk banks to meet the cost of working ?

135. Do you think that the admission of individuals into and issue of loans to them from taluk banks should be continued ? Does the existing arrangement tamper with the growth and sound working of primary societies ?

136. Does the taluk bank exercise any control over the affiliated societies ? Has it got any agency for supervision and inspection of affiliated societies ?

137. How many societies affiliated to your bank have furnished copies of their property statement ? What steps do you take to see that the affiliated societies carry out the annual revision of their property statements ?

138. What records do you generally consult in dealing with loan applications ?

139. Is it necessary that the present practice of recommending loans by the Registrar should be continued ?

140. Have you employed any agency of your own for the collection of arrears ? If you have none, have you not felt the necessity for such an agency ?

#### URBAN BANKS.

141. Do you favour the organisation of urban banks in all the towns in the State ? If so, what would you propose regarding the existing primary societies in some of these towns ? There is a view

that the existing taluk banks, if necessary, may be converted into urban banks and fresh banks or branches of the Central Bank started for financing primary societies alone. Do you agree with this view?

#### BANKING UNIONS.

142. Have you any knowledge of the working of a Banking Union?

143. Do you approve of the combination of the two-fold functions of finance and supervision?

144. Is it an effective substitute for the taluk bank and the supervising union?

145. Have you experienced any difficulty in financing societies affiliated to the banking union of which you have some knowledge?

146. What measures would you propose to overcome these difficulties?

#### LAND MORTGAGE BANKS.

147. Are you of the opinion that the State Land Mortgage Bank should come under the Co-operative Societies Regulation?

148. Do you think that a central land mortgage bank with primary land mortgage societies affiliated to it would be the best system for Travancore? or do you think that district or taluk land mortgage banks affiliated to the central land mortgage bank as its branches would secure the end better?

149. Give their constitution, system of management and ways and means of finance. What in your opinion should be the maximum area over which a primary bank of either description could effectively operate?

150. Is the land mortgage bank in your opinion the most suitable organisation to satisfy the demands of agriculturists for long term credit?

151. What are your views regarding the working of the land mortgage banks in the Madras Presidency and outside?

152. Is it possible to arrange for the transfer of the existing long term loans in the co-operative societies to the State Land Mortgage Bank?

153. Is there any need or justification in this State for a scheme of rural debt redemption?

154. Have you any idea of the extent of rural indebtedness?

155. Have you any specific suggestions to make to secure relief to the agriculturists over and above those provided by the State Civil Procedure Code?

156. Are you of the opinion that the liquidation of the agricultural indebtedness can be successfully undertaken by the Trivandrum Central Co-operative Bank? If not have you any other scheme in view to secure that object?

#### CATTLE BREEDING, DAIRYING ETC.

157. Do you think there is urgent demand for cattle breeding dairying and cattle insurance societies? If so, why have they not yet

developed? Do you think that the grant of special facilities by Government could improve matters? If there be special difficulties, how can these be surmounted?

#### STORES.

158. What is your explanation for the failure of co-operative stores in Travancore? What suggestions have you to make for the success of the consumers' movement?

159. Do you recommend credit in stores and if so, do you fix any limits regarding the amount and period of credit?

160. Are you of the opinion that the sale should be confined to members alone? And if you are of the opinion that it should be extended to non-members, on what conditions should it be done?

161. Do you think that a central wholesale or distributive store taking up the work of purchasing goods on behalf of its affiliated primary societies is necessary? And if so, what should be the relation of the central store and the primary stores?

162. Are you of the opinion that middlemen and traders should be admitted to store societies?

163. Travancore has made remarkable strides in the direction of women's education. Is it possible to develop co-operative stores activities here by educated women taking part in the management of such?

164. Are you of the opinion that in rural parts stores for the supply of domestic and agricultural requirements combined would be successful?

165. Indent system of purchase has been successfully worked out in a few societies. Do you think that the introduction of this system generally in primary societies would give an impetus to the starting of independent stores? Have you any idea of Buying Clubs as advocated in Bombay?

166. It is found that school and college stores are working successfully in Bombay and in certain other parts of India. The experience in Travancore is not very encouraging. Can you give any explanation for this?

#### HOUSE BUILDING SOCIETIES.

167. Is there a real necessity for house building societies in the State? If so, which system would you recommend, the tenant (individual) ownership or co-partnership system? Give the constitution, management, finance etc., in respect of such societies. Are you of the opinion that such societies should have financial assistance from the Government to carry on the work? If so, what should be the nature of such assistance?

#### DEPRESSED CLASS SOCIETIES.

168. Have you any experience of the working of a depressed class society? If so, are you of the opinion that they are working satisfactorily? If not, what do you think to be the reason for their unsatisfactory working?

169. Are you of the view that separate societies be organized for these communities or the members of the depressed classes be admitted into other societies? If you are in favour of separate societies for these classes, would you also recommend the formation of separate supervising unions?

170. Would you recommend any special facilities being provided for the satisfactory management of such societies for a certain period, if so, what should they be?

171. Would you suggest provision being made for separate inspectors so that these may receive intensive and individual attention?

172. Have these societies served to any extent to ameliorate the economic and social conditions of their members?

173. Is it a fact that the members of these societies own no houses on their own lands? If so, how can these societies be made more useful in remedying this defect?

174. Do these societies receive adequate financial accommodation from the Central Bank, or Taluk Banks? If not, why?

#### GRAIN BANKS.

175. Are you connected with the working of any co-operative grain banks in Travancore? Do you think it possible to organise such independent grain banks as exist in Mysore and in some parts of British India? Would you suggest in such cases some facilities to be provided for pucca godowns being constructed for storage?

#### RURAL UPLIFT.

176. To what extent would you be in favour of the co-operative society being made the fulcrum for rural reconstruction work and what contribution out of its profits should be allowed to be utilised, if you are in favour of such use being made of co-operative organisations?

177. Would you advocate the formation of separate societies to undertake the work of rural uplift?

#### LICENSED WAREHOUSES.

178. The Banking Enquiry Committee of the State has made the following two recommendations:—

“31. There is scope for the introduction of the system of licensed warehouses. Private enterprise for the purpose will be forthcoming but the necessary legislative provision will have to be made.”

“32. The Imperial Bank cannot be expected to reach the small traders and the only means of assisting them is by strengthening the local joint stock banks and the co-operative credit institutions?”

What are your views on these points and how far in your opinion would the co-operative machinery suit the requirements of the agriculturists and small traders in this behalf? Would you suggest any system of State aid for the construction of godowns or warehouses to promote the agricultural industry?

## INDUSTRIAL CO-OPERATION.

179. The Rural Indian population is supposed to be getting "abundance of unproductive spare time." Is to your knowledge the above assumption true of the life of rural co-operators in this State? Do you think their agricultural and other occupations at the present moment do not provide them with sufficient work all through the year? If that be the case could you suggest any form of simple cottage industries in the promotion of which co-operative movement would prove a very useful lever? Illustrate your answer by mentioning the name or names of the Cottage Industries and how these have added to the wealth of the poor agriculturists?

180. Do you know of any industry capable of being developed on co-operative lines with or without State aid that has not been started? Have the societies of artisans like weavers, worked satisfactorily? If you are not satisfied with their present work and progress to what causes would you attribute it? What special measures would you suggest to improve them?

## SUPERVISION.

181. Is the supervision of the co-operative societies at present adequate, satisfactory, and efficient? If not why?

182. Can the supervision of societies be completely handed over to the supervising unions?

183. Do the supervising unions function efficiently? What improvement do you suggest?

184. Is the staff employed by unions efficient? What in your opinion should be the qualifications of supervisors?

185. Is the supervision fund sufficient to meet all requirements of unions, if not, how could the deficiency be made up? Is the Government subsidy now granted adequate?

186. It is suggested by the Seventh Co-operative Conference that the Government grant to supervising unions should be at least equal in amount to that collected by them from other sources. What is your view in the matter?

187. In cases of defalcation, embezzlement etc., detected in the working of societies affiliated to them, are proper steps taken by them to prevent such recurrence?

188. It is seen from the Registrar's report that the financial position of the Co-operative Institute is anything but satisfactory. What are the suggestions you have to make for the proper functioning of this non-official agency?

189. What is your opinion regarding the provincialisation of the supervising staff and the pooling of supervision fund? As an alternative to this proposal, what would be your view regarding the suggestion that the supervising unions should be made the branches of the Central Co-operative Institute? In that case how would you amend the bye-law?

## AUDIT.

190. Do you consider the present arrangements for audit adequate?

191. Do you recommend contribution from societies towards audit and if so, in what cases and to what extent?

192. At present the departmental inspectors do both inspection and audit work. Will it not be conducive to the efficiency of the societies to separate these two functions and make each function independent of the other?

193. Do you advocate the system of thorough and full interim audit of societies and the onus of supplying the figures for the Administration Report being laid on societies or unions?

194. Is not the work of audit as now performed done unsatisfactory on account of the necessity that inspectors and other auditors have to supply figures for the Annual Report?

195. Do you think that auditors are invested with sufficient legal powers to enable them to do their work properly? What additional powers and sanctions would you suggest?

196. In view of the need to cure defects and irregularities brought to light in audits, would you propose that there should be legal powers provided for the Registrar or the Unions to supplant managing committees and arrange for the conduct of work of such societies?

197. Do you recommend that societies whose working capital exceeds a fixed minimum be compelled to appoint certified auditors to audit their accounts? If so, what should be the minimum working capital?

198. Do you think that the organisation of audit unions would be conducive to the speedy completion of annual audit work? If so how could the necessary funds be raised?

## TRAINING AND THE STAFF

199. Are there in your opinion sufficient facilities for training in co-operative principle and practice for the staff that is to be employed for work by the State and the Societies? If not what facilities should be created?

200. Is in your opinion the staff that is at present engaged by the Department quite adequate to meet the growing requirements of the movement in the State? If not, what additions would you suggest?

201. Do you think that the absence of divisional officers has prejudicially affected the growth of societies?

202. What in your opinion would be proper number of societies in charge of one inspector for audit and supervision?

203. Do you think that the Registrar is able to visit as many societies as require his presence? If the Registrar be unable to visit your society as many times as necessary, what alternative would you suggest?

204. Is the present scale of emoluments adequate to attract men and women with the requisite qualifications to be taken for the co-operative work after proper training?



205. Would you consider it advisable to afford facilities for special training for some of the young men and women engaged in the movement as in other provinces of India ?

206. The Seventh session of the Travancore Co-operative Conference passed the following resolution at Neyyattinkara.

Res. No. 4. "This conference is of opinion that a Training Institute should be started for Travancore and that Government and the Central Co-operative Bank should contribute towards its cost : and this Conference requests the Devadhar Committee to make detailed recommendations."

What suggestions would you make to give proper effect to this plan ? What in your opinion would be the annual cost of maintaining such an institution ? Give your scheme in detail.

#### ARBITRATION.

207. It is calculated that more than 10,000 references are pending in various stages of enquiry in the office of the Registrar every year. What is your considered opinion about realisation of arrears through arbitration procedure ? What steps would you suggest to bring down the number ?

208. What is your opinion regarding the coercive action against the members of a society ?

209. Do you think that delegation of the powers under the Revenue Recovery Regulation of a Dewan Peishkar and Tahsildar, to the Registrar of Co-operative Societies and Inspectors of the department respectively would expedite collection of arrears ?

210. Do you also think that an enquiry by the Land Revenue Commissioner into the causes of delay in the execution of awards as suggested by the Travancore Banking Enquiry Committee would improve matters ?

211. Delays in execution of decree by the Civil Courts are matters of very serious long-standing complaint. Do you want an enquiry to be instituted in such delays of the execution of awards by the Judicial department of the State ?

212. Do you favour the establishment of arbitration and execution unions as in the Punjab ? If so, what contribution would you propose from the society to meet their expenditure ?

213. Are suitable arbitrators available in the State in your opinion ?

214. Do you find delays or defects in the award given by the arbitrators as at present selected ?

215. If that be the case, would you suggest a definite plan of selecting proper persons to undertake the work ?

216. What methods would you suggest to secure the right type of persons to do with the work undertaken in specified time ?

217. Would you suggest any scale of remuneration for such work, or would you insist upon getting it done voluntarily ?

218. Should the Registrar of Co-operative Societies be invested in your opinion with the necessary powers to revise awards ?

219. Are you aware that in some cases awards and decrees are not properly and promptly executed by the Secretary or the Chairman of the Society? What remedies would you suggest to rectify this defect?

#### LIQUIDATION.

220. Is the present number of official liquidators sufficient to cope with the work? What should be the maximum number of societies which should be placed under the charge of one liquidator?

221. What are the reasons for the delay for the closing of liquidation proceedings?

222. Are you of the opinion that the existing law on the points has to be amended and if so, in what directions?

223. Is it not feasible to entrust the liquidation work to non-official agencies? If so, do you recommend any remuneration to such liquidators?

#### MISCELLANEOUS.

224. Do you favour the proposal that co-operators be given separate constituency to represent their interests in the 'Sri Mulam Assembly and the Sri Chitra State Council?

225. Do you think that the present regulation and rules are defective and insufficient for the effective working of the societies? Can you point out in what directions amendments should be made?

226. To what extent can the system of accounts be safely simplified? In Madras, pies have been eliminated from the accounts transactions. Do you recommend elimination of cash from our accounts?

227. Do you think that the concessions and privileges now granted by Government to the Co-operative movement sufficient? If not, what further concessions do you suggest?

228. What in your opinion has prevented the full utilization of the co-operative machinery for the extension of teak plantation under the "Taungya system"?

229. How in your opinion can the working of the Village Panchayat Regulation be made helpful to the development of the co-operative movement in villages?

230. The Regulation X of 1089 allows the registration of communal societies. The Department has hitherto been discouraging their registration. What is your view in this matter?

231. Do you favour the existing system of classification of societies as agricultural, non-agricultural etc.? If not, what is the classification you propose?

232. How far is the Co-operative Library started about 10 years ago in the building of the Central Co-operative Bank being used? Would you be in favour of converting this library into a circulating library, or would you like similar libraries being started in other centres of co-operative work?

233. What percentage of profits of a co-operative Society should be aside for the purpose of co-operative education, co-operative propaganda and common good work for the benefit of the co-operators in particular and the people in general.

234. Have you any suggestions to make with regard to the holding of co-operative conferences, how often should they be held and their procedure, the regulation about the constitution and holding of subjects committees, the spreading of a net work of periodical conferences in the State and the method of collecting funds for their expenses? Have you any modifications of the present system to suggest?

235. How has the State Regulation in regard to weights and measures influenced the day to day transactions of the people? If your experience be not very encouraging, would you suggest some remedies by which the best interests of simple co-operators in villages especially, could be safeguarded, as correct and uniform measures and weights play no small part in our commercial and co-operative dealings?

## Appendix II.

PLACES VISITED BY THE COMMITTEE DURING  
THE ABSENCE OF THE PRESIDENT.

1.	The Cape Comorin.
2.	Nagercoil.
3.	Thuckalai.
4.	Kuzhithurai.
5.	Neyyattinkara.
6.	Attingal.
7.	Quilon.
8.	Mavelikara.
9.	Haripad.
10.	Kayanculam.
11.	Alleppey.
12.	Shertallai.
13.	Kottarakara.
14.	Adoor.
15.	Punalur.
16.	Patkanamthitta.
17.	Thiruvellah.
18.	Kozhenchery.
19.	Changanachery.
20.	Kottayam.
21.	Meenachil.
22.	Muvattupuzha.
23.	Thodupuzha.
24.	Perumbavoor.
25.	Alwaye.
26.	Parur.

### Appendix III.

#### A NOTE ON COPRA.

##### General.

During the last twelve months the question of Indian Copra has been widely discussed in many parts of the country. The continuous drop in the prices of the agricultural produce and the imports into India of Ceylon Copra at competitive prices have powerfully brought about a not unwholesome change in the outlook of the Indian copra producer and has made him pay more attention to the matter. This attention is unfortunately not entirely introspective. Considerable confusion still prevails in certain quarters who are interested in improving the condition of the Indian Copra Industry and vague statements are made by them to cover up the inefficiency of the Indian Industry instead of taking stock and finding out the true causes of the present low price of copra and its unfortunate repercussions on the Indian industry. Two facts must be taken cognisance of in any discussion of the Indian Copra Industry.

1. That the demand for coconut oil in India is progressively increasing due to the gradual industrialisation of the country,
- and 2. That the Indian production is not large enough to meet this growing demand.

##### Acreage Under Coconut.

The area under coconut cultivation in India (including Indian States) is no more than 1,400,000 acres as compared to the total of 217,000,000 acres under agricultural cultivation for the whole of India. Moreover the acreage under coconut cultivation has not shown any appreciable increase during the last decade to keep pace with the increasing internal demand for coconut oil. By far the greatest portion of the coconut area (*i. e.*, nearly 1,200,000 acres) is on the Malabar Coast, and of this Travancore State accounts for over 500,000 acres. The coconut cultivation is therefore of comparatively small consequence to the rest of the agricultural produce of India, but to Malabar, and particularly to the Cochin and Travancore States, it is of prime importance being largely responsible for their prosperity.

##### Pre and Post War Situation.

Prior to the war, India was one of the chief sources of supply of copra and coconut oil for the world markets. The average annual export from India for the quinquennium ending with 1913/14 was 30,000 tons of copra and 7,000 tons of coconut oil, but within two decades this trade has virtually ceased. To-day India has not only ceased to export either copra or oil, but has to import annually nearly 30,000 tons of copra and 24,000 tons of coconut oil, the bulk of these imports being from Ceylon. This situation can be traced to four major sources.

(a) The failure to adequately extend the area under cultivation to meet the increasing internal demand for coconut oil as a result of the increasing industrial demand of the country since the post-war period.

(b) The unscientific and unmethodical nature of the cultivation combined with the neglect of the plantations bringing about a reduction in the yield as well as deterioration in the quality of the produce.

(c) The lack of interest on the part of the Governments concerned to improve the method of coconut cultivation and keep abreast of the times.

(d) The apathy of the oil millers of Cochin and Travancore regarding the adoption of modern methods of extraction of oil from copra and regarding the proper selection of copra which has also resulted in making the grower slack.

#### Indian and Foreign Acreages Under Coconuts.

At the end of the war, it was brought home to us that it was to the advantage of India to avail itself of its natural resources and to turn them into finished products instead of shipping the raw produce to foreign countries to be converted to finished products and returned to us at a profit. In consequence of this process of industrialisation the internal demand for coconut oil has been increasing, and in due course the total production of copra was absorbed leaving no surplus for export. What is more, it was soon discovered that the country's demand was more than its production and therefore from 1929 India has been importing in increasing quantities both coconut oil and copra from Ceylon to supplement its own resources. Had some steps been taken when India was an exporter of both copra and coconut oil to the world markets, to extend the acreage under coconut cultivation and to keep up the then high quality of copra and to improve the methods of cultivation, the present state of affairs would not have arisen. It is curious that an agricultural produce like coconut which was bringing in a fair return to the agriculturist was not thought fit to be produced in increasing bulk so that India could maintain its hold on the export markets as they grew. On the other hand, countries with tropical climatic conditions seeing the advantage in coconut plantations started them and have since developed them on scientific lines. Copra and coconuts therefore soon began to be supplied from new sources, of which the most important ones to-day are the Philippine Islands, the Dutch East Indies and Ceylon. These countries have gone in for coconut cultivation on a very large scale as compared to their size, and the areas under cultivation approximate to that of India, as will be seen below :—

			Acres.
India	...	...	1,400,000
Philippine Islands	...	...	1,200,000
Dutch East Indies	...	...	1,000,000
Ceylon	...	...	1,000,000

### Indian Plantations.

Whilst new countries were thus forging ahead with their organised plantation scientifically cultivated, India continued and still continues to carry on its cultivation in its own age old fashion. Indian coconut plantations are small and ill-kept and therefore uneconomic. It is an anomaly to call them plantations at all. Every garden on the Malabar Coast is planted with coconuts with absolute disregard of the fact that the overcrowding is bad for the trees or of the need of care and attention to both the soil and the tree. Acre after acre of land is crowded out with trees in the belief that the greater the number of trees per acre, the larger will be the out turn. To add to it, no sustained attempt was made to re-energise the soil or to manure the trees or to protect the trees from disease and pests. In a period of economic depression, it is perhaps difficult to find means to manure the trees, but even in periods of comparative prosperity, this was not regularly seen to. The result is that our soil is exhausted and the yield per acre is reduced to an uneconomic level and the quality of the product which was once considered the first in the world has no great reputation now. On enquiring of the Agricultural Department to the Government of Cochin as to the causes for the shortage of the copra crop, the opinion was definitely expressed that the shortage was the result of the "the natural exhaustion of the soil due to continuous cultivation and the failure to keep up the fertility by the addition of adequate artificial manure." They even went further and said that on the model State Plantation, no such shortage was noticed but on the contrary the yield had doubled itself in the course of five years. The poorness of our yield is further corroborated by the figures of yield as given in the latest census report of Travancore. According to this report the yield of nuts per annum in the Travancore area of 563,048 acres is 654,756,000 nuts. This works out to only about 1,163 nuts per acre. On the other hand, according to the report of the Empire Marketing Board, prepared in 1932, the yield per acre in Ceylon varies from 3,000 nuts to as much as 5,600 nuts. Even in Malay whose copra is not of as good a quality as Ceylon or Malabar, the yield per acre is about 1,400 nuts.

#### Deterioration of Indian copra.

The quality of Indian copra has also rapidly deteriorated in the course of the last decade. Malabar copra was looked upon in world markets as a standard of quality and the efforts of other copra producing countries were directed to turning out a quality which would compare favourably with the Malabar copra. This Malabar copra was made up of large white cups, fully dried in the sun, and having an oil content of nearly 70 per cent. Fifteen years ago when our Mills started operations in Tatapuram, Cochin State, we often received this quality of copra, but to-day it is difficult to find even a few cups of it. To obtain this quality, the nuts were plucked only after they had fully matured and were dried in the sun as far as possible. To-day immature nuts are plucked and are smoke dried, even during the fair weather, a practice which before was resorted to only during the monsoons. It is

true that drying the nuts in the sun takes nearly a week as against only a couple of days with smoke drying, but smoke dried copra is bad in colour, retains more moisture and yields yellow oil which obtains a lower price in the market. When prices of commodities are constantly falling, the grower has been more or less driven to smoke drying in order that he may not have to wait and be a loser by the fall in the price, but nevertheless it is a short-sighted policy and has resulted in a rapid deterioration of the quality of copra and consequent reduction in its price.

#### **Other Important Reasons.**

These are not the only problems affecting the coconut industry ; there are others equally important such as the presence of a large number of middlemen in the trade the increasing export of nuts for household use instead of being converted into copra with its consequent loss to the oil industry the levy of a heavy export duty on coconut products by Travancore : the collapse of the coir industry etc. The reduction in the coir market has been a most important factor in the breakdown of the coconut growing industry next after the reasons enumerated above.

#### **The Presence of Middlemen.**

In view of the smallness of the Indian holding all the growers do not turn their nuts into copra but sell them to middlemen who, in their turn, either sell them for export as nuts or convert them into copra. Often the nuts pass through more than one middleman before they are made into copra and reach the millers. If the number of middlemen can be reduced and the growers are induced to carry out their own conversion of the nuts into copra for direct sale to the oil mills either individually or through co operative societies, they (the growers) will realise in our opinion a better return for their crops.

#### **Export of Nuts.**

The practice of exporting whole nuts for household use is also objectionable as it is uneconomic. At a time when the prices of raw materials are falling, it may be a measure of expediency and a method of cutting the losses, but it is unsound from the point of view of the economics of coconut growing. The nuts that are exported out of Cochin and Travancore are not turned into copra at any time ; were that so it would be in a different category. These nuts are used either in the kitchen for seasoning food or for various religious ceremonies. In exporting the nuts the grower loses (a) the valuable shell which can be converted either into an excellent charcoal or used as fuel ; (b) the profit between the prices of nuts and copra and (c) has to pay freight on dead weight of shell and sometimes also on husk which is waste material. It is computed that after providing for all charges for converting the nuts into copra, there is a margin of profit varying between Rs. 3 to Rs. 5 per ton. The export of nuts should therefore be discouraged as much as possible, particularly as it has gone up by several fold during the last three years as will be seen from the following figures :—



<i>Year.</i>	<i>Nuts.</i>	<i>Copra Equivalent.</i> (Based on 6,250 nuts -- 1 ton of copra.)
1933	7,652,614	1,225 tons
1932	4,869,701	780 "
1931	1,985,735	318 "

These figures are of exports from the Port of Cochin alone ; the export from Travancore State up to 1930 used to be about 16 million nuts per annum, but at present they have gone up to nearly 24 millions. It is therefore easy to judge the colossal waste that takes place annually of a valuable raw product.

#### **Travancore Export duty.**

The Travancore State has been levying an export duty on all coconut products. The duty was primarily levied for the purpose of revenue, and it may have had some justification at a time when the prices of products were high, though an export duty on raw product so finished articles is no more than an impost on the grower or the manufacture as the case may be. In the case of Travancore it is specially so. As stated earlier, Travancore is responsible for nearly 2/5th of the total acreage under coconut cultivation in India, and it can be considered as the biggest individual producing centre. It is however not in a position to consume all the nuts or the copra that it produces, and has to depend to a large extent upon markets outside its boundary for the uptake of these products. Cochin is the nearest market for Travancore and as it has the facilities of a first class Port as also a well organised coconut oil and poonac market, it is the only suitable market for Travancore for the sale of its surplus produce. The Travancore producer can however only realise the prices that are current in Cochin, and if he has to pay the transport charge to Cochin as also the export duty, it is obvious that his realisation is lower than that of his neighbour in Cochin. The export duty, moreover, is based on a tariff valuation which has unfortunately no bearing on the actual prices of commodity and in the case of copra is further accentuated by a comparatively higher duty than what it is on coconut oil or coir or poonac. The duty on copra at present is Rs. 15 per ton and the recent prices of copra are about Rs 120 per ton. It will therefore be seen how heavily the duty weighs on the agriculturist of Travancore.

#### **Agitation of Alleppey Oil Millers.**

The responsibility for this higher duty on copra rests with the oil millers of Alleppey who induced the Government of Travancore to levy a prohibitive duty on the export of copra on the plea that if the copra was allowed to be exported they would be starved of their supply of raw material. This agitation was entirely fallacious and was conceived for safeguarding their own selfish interests to the detriment of the grower and the country at large, as in the whole of Travancore there are only about 13 oil mills and most of them being small units, these mills were never in a position to consume the copra that Travancore produces. Taking the latest production figure of 655 million nuts per annum, and

after providing 25 million nuts for export and 250,000,000 nuts (according to the report of the Economic Depression Inquiry Committee) for internal consumption, 375 million nuts are available for conversion into copra. The possible production of copra in Travancore may therefore be taken as 60,000 tons, but of this annually 20,000 tons are exported on an average, in spite of the somewhat prohibitive duty, because the Travancore millers can only crush about 10,000 tons of copra yielding 26,000 tons of oil per annum. As they have to export nearly 90 per cent of their oil production, the prices of coconut oil and copra produced in Travancore are governed by the Cochin market and hence the agriculturists have to pay for the protection afforded to the millers. The utterly selfish attitude of its millers has told heavily on the growers ever since the imposition of the duty. Even as late as 1931 when the Travancore Economic Depression Enquiry Committee was making its investigation, the millers of Alleppey offered a stout resistance to any suggestion for a removal or reduction of the export duty on copra, and it is only very recently when prices of copra have reached a level that has not been known for the last 30 years or more that the outcry from the Alleppey millers has not been so loud.

#### **World Copra Prices.**

The blame for the present low prices of copra and coconut oil is put on Ceylon. This is rather misleading. It is true that Ceylon has a large production of copra and is not in a position to consume all that it produces and has therefore to look to other markets for its disposal. But the prices of copra and coconut oil are not controlled by Ceylon; they are dependent upon supply and demand not only of copra and coconut oil but also of such other seeds and oils as can replace coconut oil. The coconut oil is replaceable in industry by the Palm and Palm-kernel oils of Africa, or Soya Bean oil of China; or Whale oil of the Arctic Region. The arrival of Fish and Whale oil on the world's markets at extremely low prices during the last three years has considerably affected the prices of all seeds and vegetable oils. In some markets Fish oil is definitely looked upon as a menace to agricultural products and agitation is being carried on for the prohibition of its imports. The prices of copra or Palm-kernel have therefore to adjust themselves to the altered circumstances. Besides Ceylon is not the only supplier of copra or coconut oil to the world markets. There are large crops from the Philipines, the Dutch East Indies, Malay and East Africa, and the prices of copra and coconut from these countries are on a parity with the prices of Ceylon depending of course on the quality of the product offered. An interesting review of the world copra production and prices during 1933 is given in Messrs. Frank Fehr and Company's annual report for 1933. Messrs. Frank Fehr & Co., are one of the largest oil and seeds brokers in the London Market and their report is therefore considered very authoritative in the seeds trade.

“The world shipments of copra, during 1933, show a further increase, exceed those of 1932 by approximately 190,000 tons

"The total exports (including 150,000 tons from the South Sea Islands) were 1,115,732 tons, compared with 922,926 tons for 1932. These figures do not include about 80,000 tons of Dutch East Indies copra which were transhipped at Singapore.

"The increase in the shipments from the Philippine Islands has been phenomenal. The exports for 1933 were 392,492 tons, against 133,867 tons for 1932, thus showing an expansion of over 125 per cent. In connection with this, it should be borne in mind that the shipments during 1932 were unusually small owing to reported damage to the trees throughout the Islands but the recovery made in 1933 was beyond expectation, and caused the Philippine shippers to find an unprecedented outlet for their copra in Europe.

'The total shipments from the Dutch East Indies show no important variation at 486,170 tons, compared with 479,534 tons in 1932.

"It is noteworthy, however, that there was again a heavy falling off in the Java exports, which were only 14,490 tons, against 62,620 tons for 1932.

"The deficiency for Java was more than balanced by increased exports from Macassar, which rose to 151,072 tons, compared with 72,605 tons in 1932.

"Ceylon also shipped more freely in 1933, the exported quantity being 64,500 tons, against 46,625 tons in 1932.

"Concerning price movements, the year 1933 has been exceptionally poor for the producers of copra. During the latter part of the year prices, calculated in gold, were the lowest on record. The average price of F. M. S. Singapore Copra, c. i. f. London during 1933, was £11 5s. per ton, compared with £15 per ton for 1932. Now, considering that the average price for 1927 was £27. 7s. 6d. per ton, we find that during the past six years prices have fallen nearly 60 per cent.

"Heavy offerings of Philippine Copra stimulated by the depreciation of the U. S. Dollar, especially during the latter part of the year, largely contributed to accentuate the decline in the market, while continuously falling prices of F. M. grades adversely affected the value of the better qualities.

"The continual uncertainty prevailing in the Margarine Industry on account of low Butter prices, and the various Government measures adopted in several countries, especially in Germany, to protect domestic Dairy interests, were, no doubt the principal causes of the depressed markets for oil seeds, especially copra.

"The year started with a fairly steady market at £14. 10s. c. i. f. for Straits F. M. S. but with shippers offering freely and poor support on the part of consumers, prices gradually declined, bringing the average price for April down to £11. 3s. 9d. per ton.

"At that time the improvement in American commodity markets caused by the depreciation of the Dollar, created a somewhat better feeling on this side; but as far as Copra was concerned, it merely ten-

ded to keep prices fairly steady at around £11. 10s per ton, which was the average price in June.

“ This was followed shortly afterwards by the collapse of the London Economic Conference. With confidence lacking on the part of consumers, and renewed selling pressure by shippers, price sagged, almost without interruption. At the close of the year business was done in Straits F. M. S. for near shipment at £9. 7s. 6d. per ton c. i. f.

“ The price of Ceylon copra has shown somewhat more variation. In January when the value of Straits F. M. S. was £12. 17s. 6d. per ton, Ceylon copra stood at £15. 12s. 6d. thus commanding a premium of £2. 15s. per ton. At the close of the year, however, when Straits F. M. S. for near shipment was £ 9. 7s. 6 d. Ceylon copra was being offered at £9. 17s. 6 d. so that by that time the premium had been reduced to 10 per ton.

“ Concerning the future outlook of the market, it seems problematic whether, at prevailing low prices, shippers can possibly maintain the present high rate of exports. The average cost of collecting, working and transporting copra from the Dutch East Indian Estates to Europe is estimated to be in the neighbourhood of £7 per ton ; so that at c. i. f. price of £7. 15s. for D. E. I. mixed F. M. copra, and of £9-7-6 for F. M. S. those Estates which are not favourably situated as regards costs of transport can only work at a loss. It is doubtful whether under these circumstances they will continue to collect the nuts.

“ In 1931, when prices of copra commenced to fall heavily, it was already mentioned that the decreased value would eventually affect production but at that period producers were still obtaining a fair remuneration, and in the following years they clearly endeavoured to make up their loss of Income in respect of prices, by increased shipments. This, however, cannot continue indefinitely and it would appear the market has eventually reached a point at which low prices will enforce a diminution of shipments.

“ For the time being, it may be expected that the Philippine producers will continue to compete for the European business. but the possibility is not excluded that the present record crop may be followed by a smaller production next season.

“ As will be observed, there is unfortunately no improvement in sight in the price of copra. As for other oil seeds, visible supplies are plentiful, and with the existing low price of butter, the value of edible fats can hardly improve to any considerable extent. Therefore, it will only be a general improvement in world trade conditions, or an automatic drop in copra shipments, which can lead to higher prices for this article.”

#### **Indian Import Duties.**

Such is the survey of events as it appears to us. The question that arises is—what is the solution to the difficulties that confront the Indian copra industry. That the Indian Industry is hard hit cannot be gainsaid, and it may even be conceded for argument's sake that its

suffering is aggravated by the preferential tariff at which copra and coconut oil is allowed to be imported from Ceylon. We were one of those who had represented to the Government of India for a reduction, if not a total removal of duty on copra, imported from abroad. This was not done for purely selfish reasons but in support of the principle (which is recognised all over the world and which was reiterated here by the Fiscal Commission) that the raw materials of an industry should be allowed to come into the country free of duty. Our Mill which is situated in the heart of the copra belt has from its very inception been unable to obtain enough copra to allow its being run continuously. In the early years of our existence, we could manage to work regularly during fair weather, though on a limited and uneconomical scale, but in the monsoon we were compelled to shut down for want of copra. We could not purchase our requirements in Travancore either, as the export duty stood in the way and made purchasing there prohibitive. It was therefore as early as 1922 that we first made the representation to the Government of India for the reduction or removal of the import duty on copra. This representation met with no success and we repeated it in 1929, as by then we felt the shortage of copra more and more from year to year. In recent years our position has become extremely difficult as even in fair weather we can run the Mills only three days in the week at a considerably reduced output. In 1933 the reduced duty on Ceylon copra came into existence, but so far as the Cochin millers are concerned they have not benefited by it and have not been able to import copra from Ceylon on a parity with Cochin prices. This is due to the steamer freights from Ceylon, to Ports as far apart as Cochin and Bombay and Karachi, being identical, with the result that whilst the oil mills in Cochin are suffering for want of raw materials, new mills for crushing copra are springing up at important Indian Ports. To India as a whole imports of Copra from Ceylon have been a distinct advantage, but for Malabar it is a definite set-back until those concerned wake up and begin to put their house in order. Merely to urge the Government of India to re-impose a heavy duty on the import of Ceylon oil or copra will not immediately solve the difficulties because the demand for coconut oil is much larger than what India can meet from its own produce. The industries that consume coconut oil must continue to import either the oil or copra from abroad so long as the production in the country is insufficient. On a careful investigation it will be conceded that it is to the advantage of the country as a whole to import copra rather than coconut oil, as the crushing of copra internally gives employment to a number of men and also retains in the country the poonac which has rich food value for the milch cattle.

#### Remedies

The remedies that we suggest are therefore as follows :

1. An immediate attempt to clean up the existing plantation by removing old and diseased trees and also others wherever they are too crowded, and replantation on methodical and organised lines. The experience of Ceylon may be taken as a working basis.

If this is done, there is no reason why Indian plantations should not obtain the same yield per acre as is obtained in Ceylon and thereby meet the full needs of the country for coconut oil. At the rate of yield given by the last Travancore Census report Cochin and Travancore States produce 700 million nuts from 6,00,000 acres if the Ceylon yield of 3,000 nuts per acre is reached, the total production of nuts can go up to 1,800 million nuts without extension in the acreage under coconut cultivation. If only 2/3rds of this crop of nuts be turned to copra, the quantity of copra available will be nearly 200,000 tons, yielding 130,000 tons of coconut oil which will be sufficient to meet the country's full demand and may even leave a small surplus for export.

2. Careful supervision of the plantations and scientific manuring at regular intervals. The State may be asked to supply manure to reedy plantations at cheap rates for the first three years, to obtain an immediate improvement in yield.

3. Model coconut farms should be organised by the State for wide-spread dissemination of the latest practices in coconut cultivation, in prevention of disease, in destruction of pests, etc.

4. The quality of copra should be improved so as to reach the reputation that once belonged to Malabar, by discouraging the practice of plucking immature nuts and or resorting to smoke drying even in fair weather. Sun dried Copra always finds a better price in every market of the world and efforts should be directed to return to sun drying. Even during the monsoon when sun drying is not possible and copra has to be dried artificially, the producer should be taught to build proper types of kilns which will not smoke the copra, but dry it evenly by hot air as is done in Ceylon.

5. The number of middlemen in the Copra trade should be reduced. The coconut producer should be encouraged to make his own copra as far as possible. As the holdings are small the marketing of copra may present a little difficulty, and a Central Marketing Board should be set up. The Board must be formed on a co-operative basis, and its function should consist of collecting copra from the producers, holding the stock for them if necessary, grading the different quantities that are brought to them and marketing the copra direct to the oil millers or exporters at current market rates. When such a board begins to function, it will be in a position to control the quality of copra and will also be able to influence the producers to improve the quality.

6. The Travancore State must immediately remove the export duty on coconut products. The removal will not no doubt effect the revenue of the State to a certain extent. But it is a step which must be taken for the resuscitation of the copra industry, which has been responsible for the prosperity of Malabar in the past. If the Travancore export duty is removed we ourselves would be in a position to purchase 1,000 tons of copra from Travancore per month provided we can obtain it at the price that rules in Cochin at the time. and we have no doubt that other Cochin millers would take up almost the same amount again.

J. A. D. NAWROJI,

*Director, the Tata Oil mills Co., Ltd. Bombay*

## Appendix IV.

### SUMMARY OF THE BHAVANAGAR SCHEME OF AGRICULTURAL DEBT REDEMPTION.

#### Genesis.

Indebtedness of the peasantry is a phenomenon of universal prevalence in a predominantly agricultural country like India and various palliative and tentative measures have been suggested or applied to lighten the burden of the indebted khedut (villagers) and improve their financial condition. But the experiment of total and complete redemption initiated and carried on in the Bhavanagar State under the direction of Sir Prabhashankar Pattani is unique and uncommon. It is now more than four years since the agricultural Debt Redemption Scheme was first applied in the State and now it has been brought to a successful termination and all parts of the State have been brought under the operations of the scheme.

#### Initiative by H. H. The Maharaja.

2. Many causes contributed to the success of this bold and unique experiment in the Bhavanagar State. His Highness the Maharaja Sahib of Bhavanagar was very much interested in the well-being of his khedut subjects, who form the backbone of the State : and one of his first acts on assuming full powers was to confer on the kheduts the rights of sale and full inheritance in respect of their holdings. It was he who first inspired the idea of lightening the burden of the kheduts' debts and as a result Rs. 33,00,000 of State arrears of Land Revenue were written off. Having thus set the example of remission of old State arrears, His Highness next appealed to Sowcars to help in the economic rehabilitation of the khedut by accepting settlement of their outstanding claims on the basis provided in the Redemption Scheme.

#### Preliminary investigation of the khedut Debt enquiry Committee.

3. The report of the Revenue Department of the State summarises the history of measures taken during the last twelve years to deal with this thorny problem of debt redemption. In 1922 the Durbar appointed a committee to enquire into this problem of agricultural indebtedness and suggest remedial measures.

#### How the committee collected the Statistics of indebtedness.

4. Figures of individual indebtedness of all the khatedars were in the first instance collected and recorded by the local Thandars. The committee toured throughout the State and checked and verified these figures. Besides, the kheduts were submitted to a searching cross examination to elicit the nature of his debts, the occasion and the purpose for which they were incurred, the interest premium and other charges levied by the Sowcar, etc. The Sowcars were also examined.

Further in most of the villages two or three kheduts of varying economic conditions were picked up for preparing their family budgets roughly showing the produce of their respective holdings, the cost of cultivation, the proportion of the produce retained for domestic consumption, and the price realised by selling the surplus quantity. The kheduts were approached individually and asked to state their debts confidentially whenever that course was thought necessary. Though the task of the committee was a difficult one owing to the suspicions harboured by the ryots and the open hostility of the Sowcars, approximately accurate figures of individual and total indebtedness were obtained.

#### Amount of indebtedness.

5. The committee found that out of about 2,30,000 individual holders of land about 55 per cent. were free from debt and the remaining 45 per cent were indebted to the huge amount of Rs. 51,41,000 approximately. Most of those who were free from debt were not in a wealthy and flourishing condition. The margin of saving to many was never great and some were so poor and their credit so low that no Sowcar would care to lend them money. The truth of the dictum 'debt follows credit' has been often noticed. Of the 45 per cent of indebted kheduts about one third was found to be indebted in sums not exceeding 2 years' annual assessment payable by them and the rest were hopelessly indebted, a fair proportion owing arrears exceeding 10 and 15 years assessment payable by them.

#### Causes of Indebtedness.

6. Though the original cause of debt might be the recurrence of bad seasons, undue expenditure on death, marriage and like occasions the committee found that the principal causes of the accumulation of debt and the main obstacle in the way of the cultivator regaining his economic freedom were the peculiarly usurious and oppressive methods pursued by the sowcars. There were *several ways* in which the sowcar victimized his illiterate, ignorant, and debt depressed khedut customer. A minimum of 25 per cent was being charged as interest, while the sowcars were given to various malpractices including forward contracts, duplicate accounts and demanding the delivery of cotton in lieu of money at prices round half the market rates. The kheduts' dependent condition often prevents him from realising the best price for the produce which he otherwise would get in a free open market. In some cases the kheduts were evicted from their holdings or reduced to the position of serfs. At times duplicate khatas for double the amount were alleged to have been obtained by the sowcar as a mere threat to ensure timely recovery on the understanding that the fictitious bond was not to be enforced but in fact there were instances when such fictitious duplicate claims were actually decreed and even recovered under pressure of execution. In brief the committee found that some sowcars had almost systematised the art of cooking accounts and making false and fraudulent entries. The committee came across pathetic instances of kheduts trying to seek relief



from the pressure of indebtedness by parting with all the whole produce of the year as also their agricultural stock such as bullocks, carts, etc. which are expressly exempted even from attachment for decretal debts.

#### Committee's findings and Recommendations.

7. The committee concluded that unless outside help and relief were brought in good time to the khedut, he seemed doomed. Sir Prabhashankar Pattani realised that unless grave agrarian trouble was to be risked it was imperative to take immediate remedial measures to restore economic health to the debt-depressed and all but insolvent khedut.

#### Relief measures.

8. (1) *Khedut Protection Act*. One such remedial measure adopted was the passing of a khedut Protection Act intended to afford the indebted khedut relief both in regard to past usurious transactions and protection against their victimization in future. The Act which is modelled on the Bombay Deccan Agriculturists' Relief Act, invests the court with powers to open up the accounts of transactions from the commencement and to ascertain and award the sum really due on account of principal and interest at a rate not exceeding 12 per cent.

(2) *Debt Redemption*. But the above Act necessary as it was, could hardly improve the ryot's condition unless all his debt were first liquidated so that he could write on a clean slate once again. A debt redemption scheme was, therefore, drawn up by the Durbar which proccsed with the voluntary co-operation of Sowcars and cultivators to advance a redemption loan on behalf of the debtor and to recover it from him in easy instalments the amount of the loan to be limited to the capacity and solvency of the debtor concerned. The nominal outstanding arrears show as owing by the kheduts in the Sowcars' books amounted as the Redemption Committee have found to Rs. 86,38,874 and the same have been compounded and compromised under the scheme by the Durbar paying out on behalf of the indebted kheduts a sum of Rs. 20,59,473. This sum was not much more than the annual interest charge to which they were subjected.

#### Indebtedness considered in relation to assessment.

9. The nominal indebtedness of Rs. 86,38,874 divided among 27,893 individual holders in the State gives an average debt figure of Rs. 307 per individual holder. The ratio of indebtedness to land assessment is about 3 to 1. The average debt per each indebted khedut works out to Rs. 691-7-11 and the indebtedness per rupee of assessment payable by cash indebted khedut is Rs. 6-42.

#### Results.

10. (1) As a result of the total redemption effected there are hardly today any suits or execution proceedings pending against any khedut in the civil courts in the State. Litigation was avoided by amicable settlement outside the courts.

(2) One immediate and undoubted benefit conferred on the khedut by the liquidation of his old debts is the substantial saving in interest charges which he had annually to pay in cash or commodity or failing that which continued to be added to the balance outstanding. The savings in interest charges would amount to Rs. 21,00,000 and more calculating interest at the rate of 25 per cent.

(3) Redemption results in easier and better recoveries of revenue. The whole redemption of the peasantry has resulted in better and easier recoveries of land revenue.

The Sowcars have obtained much less than their normal expectations but they have cash instead of promises which in many cases it had become impossible to keep. The State has benefited considerably for not only has a debt free and contented peasantry been established but land assessment is now easier to collect and already arrears are being paid.

#### **Complementary measure of relief,**

11. A third complementary measure adopted is the scheme (3) of *Grama Panchayat or Village Panchayat* covering all aspects of the kheduts' life and in fact aiming at the rehabilitation of the whole village life itself.

All these three measures hang together and they have been adopted simultaneously in the hope that their cumulative effect may render the farmer more happy and contented.

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## Appendix V.

REPLY SENT BY SIR P. D. P. PATTANI TO G. K. DEVADHAR ESQ. M. A., C. I. E., OF THE SERVANTS OF INDIA SOCIETY, POONA'S LETTER, ASKING FOR THE FORMER'S VIEWS IN REGARD TO RELIEF OF AGRICULTURAL DEBT, IN CONNECTION WITH THE TRAVANCORE CO-OPERATIVE ENQUIRY COMMITTEE OF WHICH THE LATTER HAS BEEN APPOINTED PRESIDENT.

BHAVNAGAR,  
29th September, 1933.

MY DEAR MR. DEVADHAR,

I am in due receipt of both your letters, respectively, dated 15th and 19th instant, as also the very detailed and comprehensive questionnaire enclosed with your second letter.

You have kindly put a red pencil mark against the questions, which you expect me to answer. But Question 155 presupposes a knowledge of the provisions of the Travancore Civil Procedure Code and Q. 156, a knowledge of the functions and financial standing of the Trivandrum Central Co-operative Bank, of both of which I am quite innocent. Similarly Q. 154, relating to the extent of rural indebtedness, demands a previous acquaintance with local conditions. The only question, therefore, to which I could attempt an answer is Q. 153, though here too, the absence of experience with local conditions must detract from any opinion, I might offer with regard to the need or justification for a scheme of Debt Redemption. I take it that in using the phrase 'Rural Indebtedness' you have in your mind principally the question of redemption of agricultural indebtedness. Further, though Travancore is a far-cry from Bhavnagar, I will assume that, apart from any local peculiarities, this problem of agricultural indebtedness has in its broad aspects many common features all over India, since the problem has its origin in more or less similar conditions obtaining in a predominantly agricultural country like ours. I am fortified in this opinion by the findings of the Central Banking Inquiry Committee, of which you must be well aware.

No industry can thrive without proper financing, and since agriculture is the largest industry in the country, its financing should be the first care of everyone interested in village uplift. But no scheme of agricultural financing can be complete, which fails to envisage the problem of old debts, which bear usurious rates of interest anything from 10 to 300 per cent. and even more as found by the Banking Inquiry Committee. While this dead-weight hangs round the Kheduts' neck, it is impossible he can have any interest in his work, and if he were less fatalistic and conservative than he is, he would not have been able to carry on, as he has up till now. But if he has carried on, it is only as a listless and indifferent cultivator, who has no heart in his business.

But I thought the urgent need of debt redemption was hardly an arguable point. Every body admits the extent and intensity of agricultural debt, and still if one fights shy of undertaking redemption, it is because of the magnitude of the problem and the huge financial outlay involved.

I am no psycho-analyst : but it is no uncommon experience to find that, when one is either unable or unwilling to do a thing, which is otherwise worth doing, one does not always confess one's inability, but by a curious psychological process, one is often apt to deceive one's self into the belief that the thing is after all not worth doing at all, or the time is not opportune for doing it. At times, I feel that a similar mental process, though not distinctly recognized, is behind the non-possumus attitude adopted towards the problem of rural debt redemption. While the sub-conscious mind admits the necessity of debt redemption, the conscious mind is frightened by the seeming impossibility of the task and proceeds to justify to itself its attitude of inaction and hesitancy either by denying the problem altogether or belittling its seriousness, or again by conjuring up a picture of the same conditions being reproduced in a few years after the old debts have been once redeemed.

Another result of not going to the heart of the problem and only keeping beating about the bush is to get side-tracked in sponsoring schemes of cheap and easy credit forgetting the heritage of old debts from the past. So, where in disregard of past indebtedness, attempts are made to unduly push forward Co-operative Banks or other Schemes intended to provide easy credit, they have not attained the measure of success expected, if indeed they have not totally failed. Any alternative scheme of providing necessary credit can have only a fair chance of success, after the problem of old debts has been successfully tackled once and for all.

The question whether there is real need and justification for debt redemption, may be met by the counter-query, whether, if redemption is not undertaken by an intermediate agency, the indebted Khedut can repay and discharge his accumulated debts from the narrow surplus of his agricultural income, in a reasonable period of time, and if he cannot as everybody will easily grant he cannot, where is the use of the creditor insisting on full payment which he knows or with the exercise of a little imagination ought to know, he cannot realise? The situation in some parts has become so acute that the suggestion has been made in some quarters, that "the only method by which agriculturists might be saved from utter ruin was to allow them to repudiate all their debt obligations." The words in the inverted commas are quoted from a lecture delivered last year before the Calcutta University Institute by Mr. Naliniranjan Sarkar, President, Bengal National Chamber of Commerce and who was also, if I mistake not, a member of the Central Banking Inquiry Committee. The method of total repudiation needs only to be mentioned to be rejected all at once for the remedy would prove worse than the evil from the standpoint of both the debtor as well as the creditor. But at the same time it must be recognised that the debtor

after all cannot pay more than his capacity would allow, and the sooner the creditor realises it, the better for him, no less than for the debtor. For while the stalemate of the debtor not paying anything and the creditor not receiving anything towards the arrears, continues, it cannot be the advantage of either side, if indeed not positively injurious to the interests of both, and the best thing would be to end the stalemate by mutual adjustments and meeting half-way, if grave trouble is to be avoided in the future. Mr. Sarkar, in my humble view, did not exaggerate, when in the concluding part of his lecture referred to above, he observed that "the menacing position of the overwhelmingly indebted agriculturists now reduced to extreme destitution demanded immediate action for averting an almost cataclysmic disaster that might eventually overtake the whole country through an agrarian upheaval inspired by utmost desperation."

If the need for redemption is once conceded, the next question is how to go about the thing. Of course, there can be no question of repaying in full all the nominal outstandings claimed by the Sowcar. In most cases the nucleus of original advance is small and the swollen figures consist mostly of accumulations of interest, commission, premia, etc. Further any sum advanced in composition of old debts must be determined with due regard to the capacity and credit of the indebted peasant who is all but insolvent. In the Bhavanagar Scheme, the sum to be paid in redemption of the debt of an individual Khedut, it has been laid down, should not exceed an amount equal to three times the annual assessment payable by him.

If redemption is decided upon, the present, I think, is the most propitious time for undertaking the task. The margin of agricultural profits from which the individual Khedut could hope to make payment towards interest and principal is greatly reduced owing to the prevalent economic depression especially in prices of agricultural commodities, and the creditors unable to make any recoveries on their own, would be in a more amenable mood to agree to the scheme of composition which holds out immediate prospects of cash payments. Further with reduced land values and low commodity prices, it would be safer to correctly appraise and calculate the credit and capacity of the indebted Khedut for repayment of the redemption loan without the risk of such calculation subsequently proving erroneous, than would be the case in a period of boom, when land values and prices are inflated, leading to an exaggerated view being taken of the Khedut's margin of profits from which the Khedut was to pay the redemption loan. If the advances required are not forthcoming from the State itself, the necessary funds in these times when so much cheap and fluid money is going about seeking investment could be easily raised at low rates of interest, by properly organised Land Mortgage Banks of similar organisations.

Of course, it would be hazardous to make any forecast regarding the future after the wholesale redemption has been once effected. Our experience in Bhavanagar is of far too short a duration, to base any generalisations upon. But the very fact that the Khedut is free from

the load of old debts should improve his credit and enable him to obtain advances on easier terms, should be require them. From the way your questionnaire has been framed, the co-operative movement would seem to have been fairly advanced in the Travancore State, and the movement would be consolidated and be more capable of rendering useful service to its Khedut constituents, when once they are freed from their old debt.

We, in Bhavanagar, are carefully watching the after-effects of the wholesale redemption of the Kheduts' debts. So far there has not been noticed any marked tendency to incur fresh debts in the redeemed Mahals although nearly three years and more have elapsed in some cases. But we may grant that a certain percentage of the redeemed Kheduts will again relapse in the old condition of indebtedness after a few years. But I expect that the warning of bitter past experience will in the majority of cases act as an effective deterrent against the Kheduts repeating their past improvident practices. Of course, the best and most effective safeguard against thriftlessness and the too ready tendency to incur debts would be the growth of a healthy public opinion in the village community itself discouraging the Kheduts from incurring debts beyond their ability. But granted that the future is uncertain, that, I submit, should not be made an excuse for not undertaking or delaying action, whose necessity is otherwise plainly indicated. At any rate, I have found from my limited experience here, that the State certainly stands to benefit greatly by making its peasantry debt-free.

For, apart from the experiment creating a debt-free and contended peasantry, it results in better and easier recovery of Land Revenue, which would not otherwise be the case in these days of abnormally low prices. I have further found that in places Kheduts have willingly deposited in advance large sums to set off against the loans to be advanced to them in discharge of their debts even before the compounding loan has been paid to the Sowcar concerned. This shows that this attempt to make them debt-free is not entirely unappreciated by the Kheduts.

Though, as stated above, I do not feel qualified to answer Q. 154, I would just add a word of warning against making any conjectural estimate of the extent of rural indebtedness, especially if such estimate is to be later made the basis of undertaking a liquidation scheme. It is no doubt a laborious and exhausting piece of work to collect figures of individual indebtedness, but I think, the labour is worth taking, if reliable data are to be made available. As you are aware, the Bhavanagar Redemption Scheme has been evolved as a result of the preliminary investigation of the Khedut Debt Inquiry Committee. This Committee took great pains to collect figures of debts of each individual Khedut. But when the Redemption Scheme came to be applied, these figures have been found to be very wide of the mark by anything from 25 to 50 per cent. No doubt an interval of 3 to 4 years has elapsed between the first inquiry and the application of the new scheme. But even allowing for any fresh accumulations of debts in the

intervening years the discrepancy is much too large to be explained by the mere time factor and it is suspected that at the original inquiry a large number of Kheduts either kept silent altogether or understated the amount of their indebtedness out of a sense of prestige or for fear of losing credit and social status or some other motive not easy to fathom. So I hope you would please avoid any mere guess-work in the matter of gauging the extent of rural indebtedness even where such guesses are made by men who think they are in intimate touch with local conditions and are, therefore, entitled to hazard a guess.

I do hope, you will be soon restored to your usual vigorous self and thus be enabled to resume the threads of this important public work in the beginning of November next, as you eagerly look forward to doing.

Yours sincerely,  
(Sd.) P. D. PATTANI.

*P.S.*—As reinforcing the views expressed above, I take the following from a letter under the heading ‘Indebtedness of peasantry’ appearing at page 14 in the *Times of India* of September 27th :

“Next to education, the most acute problem of rural economy is as to how to remove the bonds of rural indebtedness that shackle Indian agriculture. It is said that “the Indian Agriculturist is born in debt, lives in debt and dies in debt.” Thus the redemption of debt is a fundamental condition precedent to the launching of any scheme of rural upliftment. There can be no denying the fact, therefore, that the further delay of village reconstruction or even the adoption of lukewarm measures would admittedly bring about a disorder and anarchy of a more dangerous character than those emanated from bread riots of the urban unemployment.”

(Sd.) P. D. P.

G. K. DEVADHAR, Esq.

## Appendix VI.

### COMPARATIVE TABLE FOR COST PER MEMBER OF A SOCIETY.

Province or State.	Population in millions.	No. of societies.	No. of members.	Amount spent by the State.	Amount spent per society.	Amount spent per member.			Remarks.
				Rs.	Rs.	Rs.	as.	ps.	
Punjab	23·6	21,128	730,924	10,14,000	48·00	1	6	0	
Bombay	21·9	5,880	555,655	5,67,259	96·3	0	11	0	
Madras	46·7	13,956	896,478	9,86,000	73·5	1	1	7	
Mysore	6·6	2,180	144,481	1,32,000	60·75	0	14	9	
Cochin	1·2	256	25,346	20,000	78·1	0	12	5	
Travancore	5·1	1,786	230,433	63,000	35·3	0	4	4½	



## Appendix VII.

### THE BOMBAY PROVINCIAL CO-OPERATIVE BANK.

#### ITS ORIGIN & GROWTH.

It is now thirty years since the co-operative movement originally confined to credit was first introduced in India. The promoters of movement in the early days expected that if the rural credit societies were not able to raise locally, either from members or non-members, the funds required for being advanced to individual members this need would to some extent be supplied by the neighbouring urban credit societies which might be expected to possess surplus funds. In the initial stages loans for small amounts were received from Government free of interest for the first few years and bearing a very low rate of interest thereafter. But so early as in 1906 the then Registrar of Co-operative Societies found it is so difficult to meet the demands for funds that he induced a few friends to start in Bombay an urban co-operative credit society for the purpose of providing capital for rural societies in the districts. Sir Vithaldas D. Thackersey and Sir Lalubhai Samaldas then concived the idea of starting a Bank, the sole business of which would be to finance co-operative societies and which should have as a prominent feature of its financial mechanism a scheme of adventures to be guaranteed by Government. After considerable discussion between the Government of Bombay, the Government of India and the Secretary of State for India, approval was accorded to the scheme and in accordance with a formal agreement between the promoters and Government, the Bombay Central Co-operative Bank was registered as an urban co-operative credit society under the Government of India Act X of 1904, on 11th October 1911. The Bank's working is governed by its own bye-laws and the Agreement with Government, subject to the provisions of the Co-operative Societies Act and the rules framed thereunder. The Bank commenced operations by taking over the loans allowed to societies in various districts by the Bombay Urban Co-operative Credit Society and also the Tagavi lendings of Government (under the Agricultural Loans Act) in a group of 29 villages in the Nira Canal tract. The area of operations of the Bank all over the Presidency proper, as Sind which then had a separate official machinery was not included within its jurisdiction. Soon after it was brought into existence attempts were made to start district central banks and some of the urban societies such as those at Surat, Broach and Ahmednagar, were gradually transformed into local central banks for their respective districts. The desire of various districts to have local banks of their own got a stimulus as a consequence of the recommendations the (Maclagan) Committee on Co-operation in India and more local banks came to be started on the lines laid down by that Committee. At the same time the Bombay Central Bank utilised as its responsible local agencies the guaranteeing unions of primary societies which too came into existence in response to the recommendations of

the Maclagan Committee. It was not until 1920 that the policy was laid down that there should be only one financing agency in any one tract and steps were taken to prevent overlapping of operations and to delimit the sphere of influence of the Bombay Central Bank, in its direct relations with primary agricultural societies. The Bank's business in areas served by district central bank was transferred to these banks. In harmony with the change in its status the name of the Bank was altered to the Bombay Provincial Co-operative Bank in 1924, to denote that the Bank's primary function would be to function as an apex bank balancing the surpluses and deficiencies in the resources of its affiliated banks. Nevertheless the Bank continues to have direct relations with primary societies in certain districts where its business with them has not yet been taken over by the existing central banks for various reasons either because the areas are very backward or the amounts locked up are very large or the local banks themselves are not considered developed enough by the Co-operative Department to take over the operations.

From the outset it was realised that where the Bank transacted business on any considerable scale, it should establish some link with societies in the area by opening a branch and in pursuance of this policy a Branch was opened at Baramati in the Poona District when the Bank took over the Government's loan operations in that tract. The next Branch to be opened was at Kopergaon in the Deccan Canal tract to serve the group of societies for sugarcane-growers on the Godavari canal which the Co-operative Department had organised. After 1920 the Bank definitely came to the conclusion that in districts where it had to continue business relations with primary agricultural credit societies, it should establish branches so as to be in close and constant touch with the societies and their members. Accordingly, the number of branches grew gradually and the opening of a branch at the district headquarters was followed by the provision of similar facilities in the taluka towns of the same district. Hence the increase in the number of branches indicates not so much the expansion of business but the extension of facilities to outlying rural centres where there are compact groups of societies. The only primary societies financed by the Bank which still remain to be served by local branches are the few scattered societies in the Ratnagiri District and the southern half of the Kolaba District. The Bank has no direct business relations with the primary societies in the whole of Sind and the Karnatak and in the districts of East Kandesb, Surat and Broach (excluding Panch Mahals.) Some of the branches, it may be added, remain open for four days in the week, the Agent in charge being called upon during the other two working days to visit and inspect affiliated societies. Attached to all branches, with the exception of the Branch at Baramati, are Branch Committees which are entrusted with various duties and powers including the power to sanction loans and credits to societies subject to certain specified restrictions.

At the outset the entire body of the Bank's members were individuals with single exception of the Nagar Central Bank. Before long, however, the Directors appreciated the desirability of getting co-operative societies to become members and special facilities were provided

for the purchase of shares from existing shareholders for societies which were anxious to become members. Though a few primary agricultural societies did take advantage of this offer, in the early days it was mainly the central and urban banks that purchased the shares of the Bank in sufficient numbers. Since 1925 with the enactment of the Bombay Co-operative Societies Act XV of 1925 it has been made obligatory for all borrowing societies to become members and at present out of a total of 2,934 members, 1,768 are co-operative societies. The share-holding of co-operative societies including central and urban banks amounts Rs. 5,13,300 out of a total of Rs. 12,96,900. Although the original bye-laws XX allowed voting to be based on the number of shares held, as is prescribed in the new law now in force in Bombay every member whatever his holding exercises only one vote. In the original Board of Directors there were included two Directors connected with rural interests, one of them a Chairman of a society on the Nira Canal. Later on representative mofusil co-operators were taken on the Board and in 1922 it was decided that central banks should be represented on the Board of four Directors. In 1924 it was further decided that this representation should be by direct election and that in addition there should be two representatives of agricultural societies financed by the Bank and one of urban societies financed by it. The scheme later on underwent a slight modification and there is a board of fifteen at present (including the Managing Director) of whom three represent central banks, two urban banks, three agricultural societies (the election being conducted through the Branch Committees) and seven individual shareholders elected at the meeting.

That the Bank has been able to serve as a balancing centre for the co-operative movement in the Presidency is evident from the fact that out of a total sum of Rs. 1,94,87,300 held by it in deposit, so large a portion as Rs. 1,21,44,900 are received from co-operative institutions mainly central and urban banks, to the fixed deposits from which a slightly higher rate of interest is offered than to individuals. That rate, it may be observed, has latterly been reduced from time to time according to the condition of the money market, but is, however, the same as is quoted by the best banks in Bombay on their fixed deposits. Another important class of depositors are public bodies—local boards, municipalities and school boards—which deposit substantial sums with branches of the Bank. The Bank had until 1928 cash credit arrangements with the Imperial Bank of India but these were stopped in that year as the legal advisors of the Imperial Bank of India held that that Bank would not have adequate security for its lending in virtue of the terms of the debenture trust deed of the Bank. Government have already been approached in the matter and if a favourable reply is received from the trustees it is hoped to arrive at some satisfactory arrangements in the matter.

The Government of Bombay have authorised the Bank to raise debentures to the extent of Rs. 20,00,000 on which interest is guaranteed by the Secretary of State for India in Council until the debentures

are redeemed. The debentures bear interest at 4 per cent. and have a maturity of 28 to 41 years. A sinking fund has been built up at the rate of one to two per cent. on the amount outstanding by way of debentures and this fund is invested separately in approved securities. Debentures to the extent of Rs. 7,80,000 were sold before 1914 but after the outbreak of the War and the subsequent rise that took place in rates of interest in the money market it was not found possible to place any more debentures on the market. In 1926 when proposals for the creation of a land mortgage organisation were placed before Government they called upon the Bank to function temporarily as a central land mortgage bank of financing the operations by raising additional debentures. Government themselves agreed to subscribe debentures of the value of Rs. 5 lakhs. Debentures to the value of 2 lakhs were taken up by Government but the remaining three lakhs were sold outside as in 1932-33 Government expressed their inability to invest in the debentures at the rate at which the Bank was able to market them elsewhere.

Although the Bank has undertaken at Government's request to function as a central land mortgage bank for the time being it has made it clear that the arrangement is a purely provisional one and that it is the considered opinion of the Bank—as of experts who have examined the question—that the business should be looked after by a distinct organisation. The only funds that the Bank has invested in the business are those derived from the sale of the debentures of Rs. 5 lakhs referred to above, the total amount of loans now outstanding being Rs. 3,78,600. It is somewhat unfortunate that the local banks have had to face the present economic depression soon after they commenced operations, and that defaults in the payment of instalments have consequently occurred in the Pachora and Darwar Banks, there being practically no arrears till last season in the third bank at Broach.

An analogous responsibility which Government induced the Bank to accept in 1922 was to serve as an agency for the distribution of loans under the Land Improvement Loans Act. Government issued a special set of rules in that year providing for the grant of an allotment to the Bank to be disbursed by it to co-operative societies for works of land improvement, finance being made available by the Provincial Bank through central banks in areas served by them. The rate of interest for the ultimate borrower was to be the same as he would pay direct to Government in case he borrowed from the local Revenue authorities. The Bank agreed to charge only a nominal margin for its management expenses as also for the risk it undertook vis-a-vis Government. Under the Rules, loans are sanctioned jointly by the Bank and the Registrar and preference is given to co-operative schemes. The allotment originally allowed was Rs. 3,00,000, but this has now been brought down to Rs. 50,000, the main ground for the reduction being that in the absence of a special staff for drawing up and investigating schemes of improvement the demand for funds is slack. Of the total amount borrowed from Government a sum of Rs. 4,49,187 was repaid

in the year 1920, and the total amount now payable to Government is Rs. 1,26,550 against which Rs. 2,49,100 are outstanding from societies and central banks.

The original bye-laws of the Bank provided for its interesting itself in the work of selling on commission agricultural produce on behalf of members of societies and supplying to them agricultural requisites such as manures, fertilizers and improved implements. This business was first undertaken at Baramati and Nira, on the Nira Canal through a joint shop run on behalf of societies and the Bank. Similar arrangements were later on introduced at Kopergaon on the Godavari Canal and at Bolapur on the Pravara Canal. The Bank's experience of this work led it to organise shops for marketing and supply at Kolhapur (for societies in the Walva Taluka in Satara District), at Kurduwadi and Akluj in Sholapur, at Malegaon in Nasik, and Dulia, Dondaicha and Shirpur in the West Khandesh District. The shops at all the centres after having worked successfully for a number of years have been transferred to newly registered co-operative purchase and sale unions or societies, there remaining with the Bank only one shop at Akluj. Through the shops efforts have been made to introduce new varieties of seeds, manures, fertilizers and implements including power driven cane-crushing plants. Recently in co-operation with Government the Bank has arranged to set up at Nirawagaj, near Baramati, one power driven sugarcane crusher with a centrifugal plant attached it to manufacture sugar by the open pan process. At these shops it became necessary for the Bank to make advances against agricultural produce pending sale or delivery or against requisites sent for disposal on consignment account and the bye-laws of the Bank were modified to permit this being done. Though power is assumed to deal direct with the individuals who are members of the bank advantage is taken of this facility only where no other local organisation such as an urban bank or purchase and sale society can take up the work. The maximum amount of advances made went up to Rs. 10 lakhs before the recent fall in commodity prices, but the volume of business is now very much restricted. Suitable godown accommodation is available only at some centres. For the convenience of members of societies special arrangements have been devised in consultation with the Registrar to grant advances to members of co-operative societies on the security of their gold and silver ornaments. The business had developed to the extent of about half a lakh of rupees when in view of the economic depression agriculturists were compelled to part with their gold. The procedure of applying through societies and producing certificates is also felt as irksome by members.

All the district central banks in the Presidency proper are affiliated to the Provincial Bank although at present only two banks, namely, those for Kaira and Nasik borrow from it. The district central banks in Sind are affiliated to the Sind Central Co-operative Bank which alone is affiliated to the Provincial Bank. There are special arrangements made with the approval of Government for the grant of a credit to the Phaltan Central Co-operative Bank in the Phaltan State (S. M. C.) and

a credit is allowed to the Central Provinces and Berar Provincial Co-operative Bank, Ltd., at Nagpur. All the affiliated banks use the Provincial Bank as their balancing centre and overdraft accommodation is allowed against Government securities or fixed deposits at a specially reduced rates of interest. Thus the Provincial Bank indirectly provides fluid resources for the movement as a whole. The Bank also functions as a clearing house for the affiliated banks all over the Presidency and special arrangements have been devised for the discounting and collection of cheques drawn on co-operative banks. Through the medium of current accounts at the bank, co-operative banks up-country are able to conduct a fairly substantial volume of remittance business arranging for the transfer of funds from one centre to another. The average daily number of cheques on the Bank which are paid is 526 and of cheques collected 381. The Bank was admitted to the membership of the Clearing House of Bankers in Bombay in the year 1930 and is among the leading members in respect of the number of cheques cleared through its agency. It may be added that the Co-operative Department with the approval of Government took special steps in 1922 to promote the development of the banking side of the activities of the co-operative movement by permitting the opening of current accounts and allowing the use of cheques, drafts, hundies and other instruments of credit. Though in the earlier years banks used to take some advantage of the facility of free remittance through the Treasury granted by Government, in accordance with the new orders issued by Government no free transfers are now permitted for carrying on inland exchange business, so large

Of the total working capital of the Bank amounting to Rs. 2,32,00,000 so large a portion as Rs. 78,63,400 is invested in Government securities and Rs. 34,15,000 kept as short term deposits with joint stock banks approved of for the purpose by Government. The provision of liquid resources is much in excess of the figure of 40 per cent. of liabilities at call prescribed by the Agreement with Government and except for a short period in the year 1931-32 when money rates ruled very high, the Bank has always during the last five years been troubled with the problem of idle balances for which it cannot find suitable employment. The amount of advances including the small sums involved in overdrafts and cash credits to banks and loans against produce and valuables is Rs. 91,14,000. The bulk of the advances are to affiliated primary agricultural societies which number 1,420. It may be noted here that while the standard of repayments was high prior to 1930 except since 1927 in the Deccan canal areas—with the fall that occurred in commodity prices the volume of overdue loans has grown considerably. In spite of the best efforts on the part of the Bank the percentage of overdues still remains high although in the year that ended in 31st March 1934 repayments were slightly better on the whole than in the previous year except again the Decan canal tract. In this area, there was heavy fall in the price of gul (raw sugar) in 1927 and this combined with a few local factors has brought about a very

difficult situation. Persistent and continuous efforts to meet this situation on the part of the societies, the Bank and the Co-operative Department, have not yielded any tangible results, and the situation has grown worse with the further fall in prices that occurred in 1931.

It may be noted here that in the early days Government assisted the Bank by placing at its disposal a staff of Special Mamalatdars originally paid entirely by Government and later on partly by Government and partly by the Bank. In course of time and particularly since 1920 the Bank began engaging its own staff but the services of Special Mamalatdar are still retained for a group of societies in the Dohad Taluka. These societies are intended for the aboriginal community of Bhils and the Special Mamalatdar working under the Co-operative Department attends to their supervision and control. In all other areas the Bank has its own staff for inspection the total strength of the inspecting staff being 41.

The duties of the Inspectors are to scrutinize the applications for loans and credits and to check the statements of normal credits on the basis of which finance is required, to verify the statements of the landed assets of members, to stimulate recoveries and generally to inspect the working of affiliated societies. Branches in different districts are grouped together conveniently in eight circles and one Senior Inspector is placed in charge of each circle. Both the Managing Director and the Manager visit Branches and important groups of societies. They also attend the general meetings held once a year at Branches at which are considered reports of working and matters of common interest.

Various measures have been taken by the Bank within the limits of its own capacity to meet the situation created by the depression. One of the most prominent of these is the adoption of a policy of reviving and continuing the business of societies even with growing overdues by the promise of fresh finance not in excess of repayments. Every inducement is held out to members of societies to repay to the best of their ability in consideration of which fresh finance is promptly made available not in excess of the repayments. Due care is taken to see that the burden of debt instead of increasing is gradually reduced from year to year. Extensions for the payment of the balance of the loans are allowed where repayments are made on this basis. Last year the rate of interest for first class societies was reduced to 7 per cent. and the Board have under consideration proposals for giving the benefit of the reduced rate to a wider circle of societies. In addition, the Bank has fallen in with the scheme adumbrated by the Registrar to permit societies to give a special rebate to members of societies this year on condition that satisfactory recoveries are received by way of interest and principal. The Bank has agreed to sanction special rebates up to one per cent. in various areas including the Deccan Canal tract. Had it not been for the accumulation of overdue interest in the Deccan Canal tract the Board would have been in a position to go even still further in these directions.

The Bank provides informally arrangements for giving practical training to the office and field staff of central and urban banks.

The Bank's Agreement with Government prescribes that after the Bank has paid to its shareholders a dividend at the rate of 6 per cent. surplus profits, if any, have to be shared equally after every three years between the members and borrowing societies. Contributions to the Reserve Fund too are to rank as payment to shareholders. The borrowing societies get a rebate out of the share of the profits on the basis of the interest paid by them to the Bank. Since the formation of the Bank right up to the year 1930 rebates amounting to Rs. 1,87,900 have been allowed to borrowing societies having been equivalent in some trienniums to a reduction by over one-half per cent. on the rate of interest. The rate of dividends paid by the Bank which was 6 per cent. since the commencement and slightly higher for 10 years had to be brought down to 4 per cent. last year. The reasons for the reduction are :

- (i) accumulation of surplus balances for which remunerative investment could not be secured ;
  - (ii) increased provision against doubtful debts ;
  - (iii) growth of unpaid interest, necessitating provision against the same out of the profits.
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## **Appendix VIII.**

### **AN ACCOUNT OF THE SCIENCE COLLEGE CO-OPERATIVE STORES, TRIVANDRUM.**

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The Stores was registered on 4-8-1107. The turnover for 1109 is above 11,000 rupees and that is enough to show the real progress and the great possibilities.

#### **THE SECRETARY'S VIEWS ON THE CO-OPERATIVE STORE MOVEMENT AMONG STUDENTS.**

##### **How to get more members.**

Every big school or college can afford to have stores to the best advantage of the students. By propaganda our store can get more members. The college magazine may be used for propaganda. The departmental officers and non-official workers may be persuaded to come in touch with the store. If our store is placed in an independent room accessible to students even outside college hours larger sales can be effected. Many schools and colleges have not got the store because the beneficent results of this non-credit activity are not placed before the students or the teachers either by the official or by the non-official workers.

##### **How to sell more things.**

Now we sell text books, note books, stationery of all kinds, locks, soaps and sports goods. We can sell the following things also. (1) Umbrellas (2) Shoes (3) Furniture (4) Lamps (5) Clothings. The system will be complete if the store can run a hotel and supply lodgings.

Now we supply contingency articles for the college. The college library is furnished with books through us. If the apparatus and chemicals for the laboratory are purchased through the stores by the College authorities the financial position of the store is sure to become stronger quickly. When the Government is the purchaser it may be provided that the Stores may be given advance with the necessary safe guards by the Principal.

##### **How to make more profit.**

The profit, if at all to be made, is to be distributed among the students themselves. I am aware that an opinion prevails in some quarters that the societies need not make any profit and the articles must be sold for the lowest possible price. There is also the view that a small distinction in price may be made among member purchasers and non-member purchasers. These views are good so far as they go and appear to be theoretical but however, are worth trying by the different stores. If there are efficient honorary workers and no room rent expense and if indent system is followed, there will be no harm in selling things at cost price.

### The secret of our success.

We give no room rent and there is no establishment charge worth considering. A student in the B. A. Class was working as a salesman on a nominal honorarium of Rs. 5 per month. A college peon is given Rs. 2 per month for doing general store services like sweeping and clearing parcels. With the increase of business, the store has been able to pay recently Rs. 15 to the student salesman who has now become a graduate and yet likes to stick on to this original work. One of the members of the staff is in close touch with the dull details of everyday transactions and as long as the above facilities continue to exist success is imperative.

### Possible difficulties and practical solutions.

1. *Dead Stock*—This is the danger to book-trade. It is sure to affect every co-operative book stores. Prominent Book sellers do not sell on consignment or commission basis. They give some discount which usually go up to 15 per cent. but insist on cash payment. After great difficulty we were able to get a month's credit, but that does not really solve the dead stock problem. The indent system is the only solution, but it was found impracticable especially in the case of non-subject books, which are of different editions and of varying values. Further, this requires the complete co-operation from all teachers of the institution.

2. If the college authorities purchase laboratory articles through the store, the store gets some profit. The profit which will otherwise go to a stranger will then go to the stores. The cost for Government may then be considerably less, but then a difficulty crops up when the Government is the purchaser. The Government is not a member and therefore not entitled to the profit of the store though it is the biggest consumer. This difficulty was solved by us in the following way. We requested the Government through the principal to enable the principal to become a member in his individual capacity, so that the credits earned may be ultimately given in favour of the Government.

3. The initial difficulties of organising and running a store are by far greater. Therefore it is necessary that in the initial stages for one or two months atleast the help of some one who has worked out a successful store is obtained. A gradual spreading of the movement among schools and colleges may come when the subject of co-operation are dealt in Teachers' Conferences by successful workers.

4. *Minors as members*—A minor cannot be a member. Especially in the High Schools many students are likely to be minors. We have admitted minors under the category of associates. They are entitled to all the privileges of members excepting voting.

5. *Competition from book sellers*—Book sellers single-handed and jointly try their best to thwart the college store. It is a natural attack. Their ways are tempting but unfair. Only those students who have actually fallen into their clutches will realise their dirty tricks. Details

are obvious and too many to be stated. The way to get out of the difficulty is to explain to the students the traps of the ordinary book seller and the advantages of the co-operative store.

Some of the fundamental questions relating to store, namely,

1. To sell for credit or cash
2. To sell to members only or not
3. To sell below the market price or not
4. To order wholesale or retail or on indent otherwise and
5. To rotate the working capital in what period, were discussed by me with my friend Mr. E. R. Subramoney Iyer—The President of the Local Co-operative Union. In the course of the talk he drew my attention to a pamphlet on the subject by Mr. J. T. Donovan, the Registrar of Co-operative Societies in Bengal.

Sd.

*Ex-Secretary Co-operative Stores, Science College.*

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## APPENDIX IX.

EXTRACT OF G. O. R. O. C. No. 1917/33/DEVPT.,  
DATED 2ND JULY 1933.

5. As regards the functions of the Protector, in the beginning he will be generally responsible to look after the welfare of all the depressed classes in the State, including the Paravas and Arasars of the coast. It will be his duty to propose and to adopt measures for the amelioration of their moral and material condition. More particularly he will have to deal with the following matters :

1. *Land.* One of the most important functions of the Protector will be the selection and assignment of lands for the landless among the depressed classes. Some lands have already been reserved for them ; but there is a complaint that the reservations made are not fair, that the lands selected are generally unsuitable for habitation or cultivation and that they are inaccessible and far removed from places where the people generally have their work. It will be the duty of the Protector to inspect these areas to see if the lands are suitable and adequate and to revise the list of such lands, rejecting unsuitable areas and adding those which he considers as suitable.

The Protector should encourage the forming of settlements of the depressed classes in places where sufficiently extensive blocks of land can be set apart for them.

He will have no power of registry himself but he should be the medium of communication with the Land Revenue authorities in this matter and should constantly bring pressure to bear on the latter so that the registries may be expedited. In cases of differences of opinion between the Protector and the Land Revenue Officers in regard to the registry of any particular area, the Protector will place the matter before Government.

2. *Co-operative Societies.* The Protector will take steps to organise co-operative societies of the depressed classes for the following purposes :—

- (i) Co-operative house-building.
- (ii) Sinking of wells, construction of approach roads, etc.
- (iii) Cottage industries such as spinning and poultry farming.

He should submit proposals to Government regarding the method and extent of Government assistance to be given for the above purpose.

3. *Education.* Although practically all the schools in the State have been thrown open to the depressed classes, owing to their extreme poverty they are for the most part unable to take advantage of the existing facilities. They have got very real difficulties in the observance of the school regulations regarding time of attendance, dress, etc.

It will be the duty of the Protector to make suggestions on these questions to the Director of Public Instruction,

4. *Employment.*—It is necessary that the qualified members of the depressed classes should obtain free admission to the public service. This is not merely for the purpose of securing employment for them, but also to give the communities a sense of self-respect and a feeling that they have a share in the administration of the country. The Protector can be very helpful in this matter. He should keep a register of candidates qualified for employment in the public service and should try to secure appointments for them by recommending their applications to Heads of Departments.

## APPENDIX X.

### BRIEF STATEMENT OF THE WORK DONE BY THE PROTECTOR *re* ASSIGNMENT OF LAND TO DEPRESSED CLASSES.

Each Depressed Class family may be assigned 3 acres of land free of tharavila (ground value). Out of the 30 Taluks in the State, 26 Taluks have lands earmarked in them for assignment to depressed classes, on concessional terms-free of tharavila. The total area so set apart was 15322.24 acres at the end of 1108 M. E.

Complaints were frequently made to Government and to me that the lands were unsuitable for habitation or cultivation, or situated in malarial or otherwise unhealthy quarters. One of my duties is to inspect earmarked lands with the Tahsildars of the respective taluks and to reject unsuitable ones and to add to the list other suitable lands.

Applications for assignment of land are usually made to the Tahsildars direct, who are the registering authorities. Where the registry is delayed or objected to by the Revenue Department, the matter is often brought to my notice by the parties concerned. In such cases as demand a local inspection of the sites by me, the sites are personally inspected and the applications rejected if the sites cannot possibly be registered due to some reason or other. In cases where the applicants have a just claim for the land applied for, the Revenue Officers are induced to register the land in favour of the applicants. In cases of differences of opinion between the Land Revenue Department and myself, the matter has to be brought to the notice of Government for final disposal.

Officers of the Revenue are competent to register lands on concessional terms from outside the earmarked area as well. Applications for such lands also are received and dealt with by me as stated above.

During the current year (1109 M. E.) earmarked lands in the following taluks were inspected:—

Taluks.	Area ear- marked.	Area found suitable.	Area rejected.	Area pro- posed to be added in the list.
1. Vilavancode ...	*1137.95	*1092.3	45.92	...
2. Nedumangad ...	422.61	284.62	137.99	201.74
3. Mavelikara ...	112.71	112.71	Nil.	111.92
4. Pathanapuram ...	1094.16	226	680.41	230

\* Includes 1063.64 acres of Kani land, the question of the availability of which is under dispute.

An area of 187'75 acres has not been inspected in the Pathanapuram Taluk.

No separate record is being maintained by the Revenue Department of the registry of lands relating to applications recommended by me and to those directly obtained by them. I am, however, maintaining a list of applications for assignment of land received by me. The number of applications received till now from the very commencement is 85. Some are pending local inspection, a few have been recommended to Revenue Department for favourable disposal, while a few others are pending the receipt of further details of the land applied for. 87'23 acres were assigned during the first half year of 1109 M. E. The number of applications remained to be dealt with during that half year was 447. This includes 210 applications that were pending at the end of the previous year and 237 received during the half year. Of these, 124 were disposed of by registry of the sites and 99 by rejection of applications for various reasons, such as the following.—

1. Lands being comprised in Grazing blocks and therefore not available for registry.
2. Applicants being not members of depressed classes.
3. Applicants possessing other lands and therefore not eligible for further concession.
4. Non-payment of the tax within the time prescribed.
5. Lands forming part of unsurveyed minor circuit numbers.
6. Full particulars as to the address, etc., not being furnished by the applicants.

Besides these there would be other technical difficulties also.

## Appendix XI.

### EXTRACT FROM THE ADMINISTRATION REPORT OF THE LAND REVENUE DEPARTMENT FOR 1108 M. E. REGARDING THE APPLICATION OF LANDS FROM THE MEMBERS OF THE DEPRESSED CLASSES.

(iii) Applications for lands from members of the Depressed classes :— Including 157 applications pending at the beginning of the year, there were 735 applications for disposal during the year against 773 in 1107. Of these 523 were disposed of leaving a balance of 210 against 616 and 157, respectively, in 1107. The percentage of disposal was 71.4 against 80 in 1107. Of the applications disposed of, registry was sanctioned in 321 cases and refused in the remaining 204 cases. The subjoined statement furnished particulars by Divisions of the applications disposed of and the area brought under registry during the year.

Division.	Number of applications.			Balance.	Area assigned.	
	For Disposal.	Disposed of			Acre.	Cents.
		Sanctioned	Rejected.			
Trivandrum	187	37	45	105	47	38
Quilon	394	239	106	49	133	58
Kottayam	137	45	38	54	26	59
Deviolam	17	..	15	2	..	..
<b>Total</b>	<b>735</b>	<b>321</b>	<b>204</b>	<b>210</b>	<b>207</b>	<b>55</b>

A total extent of 207.55 acres was assigned during the year to 321 applicants against 312.11 acres and 283 applicants in 1107. Out of the area thus assigned, 94.52 acres were from the earmarked area and the balance 113.03 acres from outside the earmarked area.

The total area ear-marked for registry in the names of the members of the depressed classes in all the Divisions together at the end of the year was 15,347 acres and 16½ cents. It was 15,600 acres



and 89½ cents in 1107. Differences are noticed in the figures furnished from all the Divisions. They are explained below —

Division	Area earmarked for assignment to members of depressed classes.				Difference.	
	1107		1108			
	Acre	Cent	Acre	Cent	Acre	Cent
Trivandrum	6,833	81½	6,086	32½	247	49
Quilon	5,591	56	5,533	1	58	55
Kottayam	3,087	48½	3,036	91	50	57½
Devicolam	588	3	60	92	102	89
Total	15,600	89½	1,537	16½	253	72½

The difference in the Trivandrum Division is stated to be due to the exclusion of 243.09 acres from the list to the Nedumargad taluk (242.93 acres as per Land Revenue Commissioner's No. C. 1573/32, dated 21-3-1933 and 16 cents as per G. O. Dis. No. 330/33, dated 15-3-1933 being the rectification of mistakes found out during the inspection of the Taluk by the Land Revenue Commissioner in 1106) and 4.40 acres from the list of the Chirayinkil taluk as per the sanction of the Dewan Peishkar. In the Kottayam Division, the decrease accounted for as follows :—

	Acre.	Cent.
1. Registered on recovery of tharavila from ear-marked area in Vaikom taluk ...	9	75
2. Registered to members of poor families from the ear-marked area in Vaikom taluk ...	...	17
3. Transferred to poramboke for the purpose of a road in the same taluk ...	...	25½
4. Area assigned to members of other communities from the ear-marked area in Kunnathnad taluk ...	30	19
5. Area deducted in that taluk in Kanni 1108 ...	2	51
6. Area set apart for Va'ians wrongly included the list of Shertasi taluk and hence deleted since Va'ians are not a depressed class ...	9	94
<b>Total</b> ...	<b>52</b>	<b>81½</b>

	Acre.	Cent.
7. Excess area found after the survey records were received back finally checked in the Muvattupuzha taluk	... 2	24
Net deduction	... 50	57½

The decrease in the Quilon Division is the net result of an addition of 2.46 acres in Pathanamthitta taluk during the year and decreases in the following taluks being due to rectifications of mistakes detected during the year :—

	Acres.
1. Kunnathoor	... 6.38
2. Ambalapuzha	... 49.57
3. Karthikapalli	... 5.00
4. Pathanapuram	... 0.06
Total	61.01
Net decrease	... 58.55

The excess in the Devicolam Division is reported to be due to the rectification of the mistakes in the entries in the Taluk Register in Devicolam taluk to an extent of 107.85 acres and also to the transfer to poramboke for purposes of a road of aggregate extent of 4.96 acres Peermade taluk.

Out of the ear-marked area, a total extent of 3,505 and 85 cents has been brought under registry up to the end of 1108. The corresponding figure for 1107 was 3,454 acres and 46½ cents and if the extent assigned during 1108 from the ear-marked area, viz., 94.52 acres, is added to the above figure, the total extent at the end of 1108 would be 3,548 acres 98½ cents. There is a difference of 43 acres and 13½ cents, which is accounted for as follows :—

*Trivandrum Division.* An extent of 47 acres 11 cents in Nedumangad taluk registered from outside the ear-marked area was wrongly included in the figures furnished last year. This mistake has been rectified in 1108.

*Kottayan.* An extent of 1.82 acres in Vycome taluk and another extent of 2.15 acres in Minachil taluk already assigned to members of depressed classes from the ear-marked areas were left out of account and the omissions have been detected and supplied during 1108.

The area assigned up to the end of the year from outside the ear-marked area was 3,068 acres 76½ cents. Thus the total area assigned to members of depressed classes from both within and outside the ear-marked areas was 6,574 acres 61½ cents. Statements Nos. 13 and 14 appended give Taluk-wise particulars of classes and the area assigned to them during and up to the end of 1108 from and outside the ear-marked areas. The total areas assigned to members of the various denominations of depressed classes are as follows :—

*Name of the Class.*

		<i>Area assigned</i>	
		<i>Acre.</i>	<i>Cent.</i>
Pulaya	...	3,920	55.270
Paraya	..	767	74.933
Kurava	...	649	57
Sambavar	...	750	13.070
Velan	...	...	68
Kani	...	205	74
Aiyanavar	...	3	...
Vedan	...	83	42
Uliadan.	...	13	6
Arayas	...	177	22
Muthuvans	...	3	49
<b>Total</b>	...	<b>6,574</b>	<b>61.328</b>

## Appendix XII.

### NOTE BY THE DIRECTOR OF AGRICULTURE AND FISHERIES RE CO-OPERATIVE ACTIVITIES BY HIS DEPARTMENT.

No. H. N. 01.

Office of the Director of Agri. & Fisheries,  
Trivandrum, 16th July 1934.

From

The Director of Agriculture and Fisheries,  
Travancore.

To

G. K. Devadhar Esq., M. A., C. I. E.,  
President of the Travancore Co-operative  
Enquiry Committee, Trivandrum.

Dear Sir,

With reference to your D. O. Dated 17th May 1934 asking for a brief note on certain points in regard to the Co-operative activities of the three branches of my Department, I have to state as follows :—

#### 1. Co-operative marketing of coconut and its products.

There are, at present, no organisations, in the State, for the marketing of coconuts on co-operative basis. Such agencies are, no doubt, very helpful, but people have not so far understood the principles of co-operative marketing. Attempts have been made to start such organisations, but so far the idea has not found favour with coconut cultivators in general. The usual practice of owners of coconuts is to sell them to coconut dealers who convert them into copra and sell it in the Cochin or Alleppey market. The husk is sold separately to dealers in husk or sold along with the nut to coconut merchants who either soak them in brackish water themselves or dispose them of to the husk dealers.

The majority of the owners of coconut gardens are poor or middle class people. Their financial position is generally poor and they make both ends meet with great difficulty indeed. They invariably receive money in advance from coconut merchants and square up accounts when they sell their nuts to them. If agencies could be organised with facilities for advancing small sums of money to needy owners of coconut gardens, such agencies will be a real boon to them. Provision may be made to render financial help to such agencies.

#### 2. Co-operative Warehouses.

There are no Co-operative Ware-houses. There is no co-ordinated action in the disposal of coconut and its products. In almost every village there are coconut merchants who buy the nuts either for ready cash or by part payment of price in advance. They convert the nuts into copra and sell the stuff at Alleppey or Cochin from time to time. The purchase of coconuts and the sale of copra are individual concerns,

The chief products of the coconut are coconut oil and coir. The copra purchased is converted into coconut oil and punnac by Mill owners in Cochin and Alleppey. They are sold locally and exported to British India and to foreign countries. Like the coconut dealer there is the coir dealer. He also sells his stuff in the Alleppey or Cochin market. Business, therefore, on all coconut products is carried on individually and, therefore, the necessity for co-operative ware-houses has never arisen.

### 3. Improvements of all kinds of fishermen's Societies for the three classes of fishermen.

The three classes of fishermen are (1) the coast fishermen (2) the sea faring Araya fishermen and (3) the Vala fishermen. There are about 51 Co-operative Societies owned by these three classes, nine owned by coast christian and Araya fishermen and 42 owned by Valas. The difficulties experienced by all these societies are more or less similar *viz.*, (1) difficulty to procure sufficient funds for fish trade and for the purchase of fishing implements and (2) inability to repay loans taken from these societies, for want of sufficient means.

#### COAST FISHERMEN AND THEIR SOCIETIES.

The majority of coast fishermen are christians and Arayas. But in some parts sea fishing is carried on by Mahomedans also. The Church exercises very great influence on the coast christian fishermen and therefore, any new movement can spread among them with the support of the Church only. For some reason or other the fact remains that the Co-operative movement has not spread so much among the coastal christian fishermen as among the Valans or Arayans. It will be seen from what is stated above that of the 51 Co-operative Societies owned by the fishing communities only 9 are owned by the coastal fishermen. All the same, difficulties do exist and suitable measures have to be designed to remove these so as to enable them to reap the maximum benefit out of their trade and industry.

As a rule the boats and nets used for sea fishing are costly. A big haul net and boat may cost to the tune of two to four thousand rupees. Such nets are seldom launched by single individuals as single individuals cannot afford them. There are several efficient fishermen who, if provided with funds, may be able to launch such and less costly fishing gear. The existing societies among them may be given financial aid for such purposes. The societies may give loans to individuals or groups of persons on collateral security and on the security of the boats and implements purchased.

The funds provided to these societies may also be utilised by them for fish trade which is now monopolised by middle-men who carry on profiteering trade with the stuff purchased from the members of these societies. These middlemen invariably take from 50 to cent per cent profit which ought to go to the members themselves if the trade is carried on by the societies. The finances of the societies are generally poor and the members thereof are mostly indebted to the middlemen in

their locality. The circumstances of the fishermen are generally such that they are found to be eternally indebted to the middlemen. The first and foremost thing required is to relieve these fishermen from their clutches. The members of the societies should be provided with sufficient funds so as to enable them to discharge their prior debts and to start their fishing industry and fish trade with renewed strength. Financial help may be rendered to these societies towards this object, either by Government or by the Central Co-operative Bank.

#### THE VALA CO-OPERATIVE SOCIETIES.

The situation of the Vala Co-operative Societies also is, in effect, the same. The difficulties, the Valas undergo in the matter of financial support for the purchase of fishing implements or for fish trade, are practically the same as those experienced by coastal fishermen. There are 42 Co-operative Societies among the Valas, nearly one for every village. That is to say, almost every Vala is a member of one or other Co-operative Society. Almost every member has availed himself of the opportunity to take a loan. Every member, therefore, is in debts. The Valas also have to reckon with the inevitable middlemen to whom, as in the case of the societies, most of the Valas are indebted. The only possible relief for them also is what was indicated above *Viz.*, that either Government or the Central Co-operative Bank should come to their rescue in order to save these societies and the Valas from their present situation. The economic depression has aggravated matters.

With a view to get relief from the oppression of the middlemen, the Vala Co-operative Society No. 256 at Aroor started trade in prawns with merchants in Cochin and Rangoon. It was found that the method resulted in more than cent per cent profit. But the price due to the members on account of the stuff supplied by each, is received in full for their own private expenses with the result that nothing is left behind to discharge their debts to the middlemen or to the society. It is here that each member requires external help. The loans advanced to each member on collateral security and on the security of implements may be utilised for repayment of prior loans and the loans may be recovered by the society from the price of the prawns supplied by each member for direct sale with Cochin and Rangoon. Now after one full year's work the society mentioned above is not functioning. The middlemen discomfited at their trade being started by the co-operative Society, naturally began pressing the members who had taken advances of money from them. They are thus forced to give the middlemen their prawns. It is to enable them to gain relief from the middlemen that Government or the Central Bank should step in.

Encouraged by the work of the society mentioned above, another society (No. 1951) of Aroor West started business in the same line and has been working since the past one year and more. It is also threatened with the fate of the above society as the difficulties the two societies are labouring under are exactly similar, Consequently the same remedies are applicable to both.

Of the 42 Vala Co-operative Societies, which have been carrying on credit business so far, the societies mentioned above alone experimented on the direct trade system and it has been proved beyond a doubt that the direct trade system on co-operative basis brings in more profits to the fisherfolk than is the case when they do business with their middlemen.

All the other Vala Co-operative Societies can likewise do business and give better profits to their members. But most of these societies are not functioning properly and some of them are practically at a standstill. All of them were started by the Fisheries Department and are worked chiefly by the Head Masters of the Fishery Schools and their assistants. They have not been able to bestow their undivided attention of these societies. The Co-operative Department and the Taluk Co-operative Unions have also been doing their best to improve the condition of these societies as they have been doing in the case of other non-sectarian societies which are also beset with peculiar difficulties.

It may be asked in this connection whether it is not advisable to leave the entire control and supervision of the Vala Co-operative Societies to the Co-operative Department which has been solely created to deal with the co-operative movement. In answering the question the chief point to be borne in mind is that the object of organising these societies is the economic improvement of the Vala community and this end, it is to be hoped, is better worked out by a department which could exercise a certain amount of authority over the Valas who are at once illiterate, ignorant and absolutely foreign to civilized notions. The Fisheries Department is charged with certain amount of authority over the Valas and is also concerned with their social and economic improvement. The Co-operative Department has no direct administrative control over the Valas and, therefore, will not, in practice, be able to effect as much improvement in their social and economic affairs. As a matter of administrative expediency, I am decidedly of opinion, that the control of these societies should be left with the Fisheries Section of my department.

For the better management of these societies, I would also suggest the appointment of two or three separate officers. They may be given a scale of pay of Rs 25-5/3-40, a P. T. A. of Rs. 15 per mensem. Each may be given charge of 14 Societies. These persons may be selected from among the Head Masters of the Fishery Schools who have been doing work in the line for the last several years and who are already under the control of the Fishery Inspector, Vaikom.

When the societies have improved, the direct trade system in prawns may be started opening depôts in important centres so as to facilitate business. These depôts may be under the supervision and control of responsible officers whose duty should be to store prawns under hygienic conditions and secure as best price as possible for the same,

**4 & 5. Co-operative Dairy or Milk Supply Societies  
and Co-operative Cattle Breeding Societies.**

Under present conditions cattle breeding is not a profitable occupation in Travancore. This is due entirely to unfavourable climatic conditions and the inadequacy of pasture lands. Local cattle are poor both in regard to working capacity as well as milk yield. Till they are improved by selection and grading up and by crossing them with superior strains imported from outside it is not advisable to start co-operative societies for cattle breeding.

**6. A Society for the Department of Agriculture and Fisheries.**

There are in every Taluk Co-operative Societies for the Government Servants there. My departmental staff is already obtaining the benefit of these societies. These agencies may be sufficient for general financial support for the staff of my department.

**7. A Co-operative Milk Supply Society for Trivandrum.**

An attempt was made to organise private agencies for the supply of pure milk in the town of Trivandrum. The Inspector in charge of the Cattle Farm, Trivandrum, made a special study of conditions in the town. It is found, as the result thereof, that cheap milk notwithstanding adulteration, is more popular than pure milk which of course, is more costly. Large quantities of milk are consumed by tea and coffee shops which generally care more for cheapness than for quality and unless organised milk supplying agencies also resort to unwholesome practices, such agencies will not be able to compete with retail private dealers. The Food adulteration Act has been passed but it is not being enforced. Conditions might improve in the event of the Act being brought into active operation.

I remain, Dear Sir,  
Yours sincerely,

(Sd.) Director of Agriculture and Fisheries



## Appendix XIII.

### AGRICULTURAL INDEBTEDNESS IN THE NORTH-WEST FRONTIER PROVINCE.

*"The worst policy towards debt is to ignore it and do nothing."*

*(Royal Commission on Agriculture.*

*"We are of the opinion that in view of the importance of the subject, the Governments concerned should explore the possibility and desirability of undertaking legislation to secure the settlement of debt on a compulsory basis".*

*"The case for a simple rural Insolvency Act should be considered in every Province".*

*(Recommendations of the Indian  
Central Banking Enquiry Committee)*

Rural indebtedness and village reconstruction are the most pressing problems of the day, and are receiving all India attention. They are so closely inter-connected that they can be considered as one and the same problem.

The peasant proprietor, in whatever part of the world he lives, is justified in borrowing :—

- (a) for reasons beyond his control, *i. g.* against the loss of his crops or plough cattle by disease or other calamity, and
- (b) for land improvement.

In India beneficial borrowing on these accounts is comparatively small, whereas harmful borrowing is extensively practised for the following reasons :—

- (1) Wasteful methods of agriculture.
- (2) Ingrained improvidence.
- (3) Extravagance on marriage and other ceremonies.
- (4) Small size of holdings, aggravated by fragmentation.
- (5) The presence of the money lender and his vicious system of business, which encourages loans for unproductive purposes.
- (6) Expansion of credit.

It will be seen that the problem is one of providing credit for productive and necessary purposes ; shutting off credit for unproductive purposes ; teaching the villager to avoid extravagance, waste and the fragmentation of holdings, muzzling the money lender.

The enumeration of the causes of borrowing illustrates the close inter-connection of the two problems of indebtedness and village uplift. The first four causes can only be secured by education in the widest sense of the term. The last two can be remedied by Government action.

It is the law court\* which has enabled the money lender to exploit the extravagance, improvidence and waste of the villager and also the expansion of credit due to the rise in the value of land in the post war years.

It is therefore to legislation that recourse must be made to remove the unfair advantage that the money lender has been enjoying and to restrict the credit of the peasant.

At the same time an alternative source of credit must be provided for the legitimate and productive needs of the agriculturists.

It is the purpose of this note to suggest how the problem can be tackled.

The remedies put forward will no doubt be dubbed as "Revolutionary". In 1880, Mr. Thornburn, Deputy Commissioner, Dera Ismail Khan, published "The Mussalman and the money lender" in which he showed, how the land of the peasant was being taken over by his creditor. He suggested as a remedy, legislation preventing the peasant from alienating his land. His proposals met with little attention. They were probably classed as dangerous and unorthodox. Nevertheless twenty years later, the Land Alienation Act was passed, but not till many thousands of acres had passed hands.

The North-West Frontier Province has a population of 2½ millions of whom 300,000 are land owners. The debt secured and unsecured of these land owners is estimated at 10 crores†. The yearly interest actually paid on these debts is 1·2 crores or six times the land revenue. The gross income from the land might be put at 6 crores. Land Revenue and abiana represent 6 per cent of the gross income and interest to the money lenders 20 per cent. There is thus left a balance of 74 per cent. for the agriculturists.

The contention on which this note is based is that the annual payment of over a crore of rupees as interest is out of all proportion to the services rendered by the money lenders.

The remedy now put forward is that Government should found an Agricultural Bank with branches in every tahsil; legislate to allow of the money lenders debts being compounded on a reasonable basis, pay the money lenders the value of their compounded debts in Bank shares and introduce further legislation for the purpose of:—

(a) Recovery of the services of the loan as an arrear of land revenue.

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\* In no other country of the middle east where the same conditions obtain as in India, viz. an ignorant, thriftless and extravagant peasantry, has the money lender been allowed to exploit these factors to the same degree. In Persia, Iraq, Afghanistan the problem of rural indebtedness has never attained the same dimension as it has in India under the British Rule.

† The debt of tenants and agricultural labourers is estimated at 1½ crores. The problem will be considered separately.

- (b) Denying the money lenders recourse to the courts for further recoveries from an agriculturist on any subsequently contracted loan.
- (c) Making it obligatory for insurance companies and joint stock companies to invest a proportion of their funds in debentures to be floated by the Central Agricultural Bank.

To turn to the practical implications of the proposals. The first thing to decide is how much the agriculturists can pay towards the repayment of their loans. It has already been mentioned that out of the gross produce no less than 20 per cent. goes on interest charges. It is suggested that this might be reduced to  $6\frac{1}{2}$  per cent. or twice the land revenue. Translated into actual amounts, it will mean that the cultivators will have to find 40 lakhs instead of 120 lakhs as at present. They should be able to pay this amount with comparative ease.\*

The next question is the rate of interest the agriculturists should pay.

The Co-operative Societies lend at 12 per cent., which would seem little better than the rate which the money lenders "get" as opposed to "charge" on a capital of which perhaps 50 per cent. represents compound interest.

Two per cent. over the bank rate should give ample margin for working expenses. Government can now borrow money at  $3\frac{1}{2}$  per cent. and so the Zamindars would have to pay  $5\frac{1}{2}$  per cent. plus say another 1 per cent. for bad debts and revenue remission.

Land revenue is a first class security. It is contended that if the peasant was freed from debt he could and would pay three times the present land revenue, which would be a great alleviation of his present burden. With recoveries treated as an arrear of land revenue security would still be first class and would justify the Province borrowing from the Central Government at the same rate of interest as for loans of a productive nature.

There is now the question of amortization. The Co-operative Credit Societies limit the period of a loan to a maximum of two years. The Co-operator argues that with an uneducated and unbusinesslike peasantry the benefits obtained by a loan are quickly forgotten and only the burden remembered, with consequent difficulties as to repayment.

These arguments apply to loans bearing heavy interest, e. g. 12 per cent. With  $6\frac{1}{2}$  per cent. interest plus 2 per cent. for amortization, the burden would be much reduced and, in view of the wide spread nature of reform, the benefit would be too much a matter of common knowledge to be forgotten. In support of this statement the case of the Irish Land Act could be quoted where the period of redemption was 60 years. Many of the Irish farmers, who are now paying their instalments cheerfully and regularly were not born when the original obligation was contracted, but it was a landmark in Irish history and the fact is common knowledge,

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\*This would be no more than the "Ushr" sanctioned by Muhammadan Law.

It is therefore suggested that the period of the loan should be 32 years which would require an amortization charge of 2 per cent.

The next point to be considered is the figure at which the money lenders claim of to crores should be compounded. To do so it is first necessary to form some estimate of the amount of working capital that the agricultural bank would require.

The debt due to the money lenders is made up of three components :—

- (1) Short term credits to finance seed grain and urgent household needs. This may be placed at about 30 per cent, of the whole debt.
- (2) Intermediate term credits chiefly for purchasing cattle, estimated at 15 per cent.
- (3) Long term credits. This represents mainly an accumulation of compound interest, which the peasant can never hope to repay. The proportion of this is 55 per cent.

In liquidating the money lenders' debts, it is impracticable to differentiate between the various components and this involves the difficulties that separate provision will have to be made for short and intermediate term credits.

It is exceedingly difficult at this stage to estimate the extent of the provision needed. Perhaps the best estimate can be found from an examination of the workings of the Co-operative Credit Societies in this Province. In the latest report available the loans taken amounted to Rs. 25 per member. On this basis the total required for the Province would be 75 lakhs.

The figure cited is however conjectural. A careful economic survey of the Province is required to arrive at definite conclusions. For the purpose of this note the working capital has been put at one crore. The main reason for placing it at so low a figure is that the Zamindars' financial status would be greatly improved by the relief afforded to them from the main burden of debt.

It has been assumed that the proprietors can pay 40 lakhs a year for the services of the loan on the basis of interest of  $3\frac{1}{2}$  per cent, management expenses 2 per cent, amortization 2 per cent, bad debts 1 per cent, or  $8\frac{1}{2}$  per cent, in all. It has also been assumed that a working capital of one crore will be required. The charges on the one crore will absorb 8½ lakhs, thus leaving 31½ lakhs, which can be devoted to the running expenses of the bank, interest to money lenders on their bank shares and repayment of the share capital to the shareholders. The components of this 31½ lakhs will be :—

	Lakhs.
Interest at $3\frac{1}{2}$ per cent.	... 13
Amortization at 2 per cent.	... 7.4
Overhead expenses at 2 per cent.	... 7.4
Reserve fund for bad debts 1 per cent.	... 3.7

\* Long term credits are given to agriculturists for period varying from 30 years in Poland up to 75 years in France.

An interest charge of Rs. 13 lakhs capitalised at  $3\frac{1}{2}$  per cent. comes to 3.7 crores.

The money lenders' claim of 10 crores might therefore be scaled down to 3.7 crores. Compounding will have to be done by arbitrary, but commonsense methods. The guiding principle will be the debtor's ability to pay.

It must be remembered that a large portion of money lenders transactions have little relation to fact. It is impossible to trace back the growth of the transactions. The usurer encourage his victim to leave the capital untouched until compound interest has raised it to a figure which the debtor is unable to pay. A position is thus reached where the debtor becomes the milch cow of the money lender and automatically passes on any surplus over and above required for mere subsistence. The loan has lost its characteristics as a business transaction and remains merely a key to the pressure of the law court.

Many of the figures contained in this note are conjectural as no economic enquiry has been carried out in the North-West Frontier Province, as in all other provinces. Such an enquiry is an essential preliminary to any serious consideration of these proposals. The result of the enquiry might show that a portion of the debtor proprietors are not in a position to pay three times the revenue or there might be other factors, which would make it difficult to recover the suggested 40 lakhs. If this was the case, it might be necessary to compound the money lenders claim at a lower figure than 3.7 crores.

As already mentioned the money-lenders would be paid in bank shares. If they chose to hold them they would receive  $3\frac{1}{2}$  per cent. and recover their capital in 32 years. Alternatively they could realise their shares in the open market.

By the arrangements proposed, it will only be necessary to approach the Central Government for a loan of one crore to provide for working capital and the expenses of the banks foundation.

One of the great problems of the Zamindars is that of marketing. It is calculated that he has to pay some 15 per cent. for services, which should not cost him more than 5 per cent. The proposed agricultural banks could assist by taking over the Zamindars grain as a payment on account of revenue. It is in regard to the payment of the land revenue that the indebted cultivator suffers most, as he has to sell part of his produce as soon as it is harvested and the forced sales tend to depress prices. The proposal is by no means novel. Many agricultural banks in Europe deal in grain as a normal part of their business. In Egypt the Government goes further. It undertakes to gin cotton and sell lint. It offers facilities for storage and makes advances at reasonable rates against the produce stored. In the Punjab the Imperial Bank and others such as the Allahabad, Punjab National, etc. have for some years been making advances against grain and cotton in every large market. As much as a crore has at times been out on loan. The banks have built godowns of their own and in their places hired them,

In this Province the adoption of this procedure would be specially facilitated as the troops in the three Districts of Peshawar, Kohat and Waziristan consume a quantity of staple grains whose value considerably exceeds the revenue of the Province.

It is unnecessary to draw attention to the great popularity of any proposals, which would enable the Zamindars to pay their revenue in kind.

Consideration must now be given to the main spring of the whole system, namely, the agricultural banks. On their efficiency and honesty the success of the venture will depend.

The most important duties of the bank will be to check excessive borrowing and loans for unproductive purposes and to ensure prompt and punctual repayments.

The proposals allow for overhead charges of Rs. 9 lakhs or 2 per cent. on the amount of money on loan. This agrees with the actual practice in the case of the 15,000 Co-operative Credit Societies in the Punjab. However, in view of the onerous duties of the banks to see that the increased credit facilities are not abused (in the Punjab owing to the presence of the money lender it has been found that 80 per cent. of co-operators are potential abusers), it might be advisable to increase the allowance for management from 2 per cent to 2½ per cent or even 3 per cent.

It is estimated that at least 80 village banks will be needed, which gives an incidence of one per 35 villages. Of the 300,000 agriculturists it is expected that 250,000 will deal with the bank. This would give each bank 3,000 clients.

The problem of finding persons with the requisite knowledge character and integrity is a formidable one.

It would be essential to provide the necessary education and training facilities. In the Punjab a new subject has been started in school and college known as Rural Science. It embraces Agriculture, Animal Husbandry, Co-operation, Hygiene and other matters affecting the village life. The schools and colleges of this Province might adopt the subject and add to it the science of banking\*.

There are numbers of young men, with high educational qualifications, who cannot find employment. The creation of the proposed bank would go a long way to give them a career.

The necessary training will of course take some years and if an earlier start is contemplated the superior staff would have to be recruited from Europe on short term contract.

The present revenue establishment costs over four lakhs. The salaries of the proposed bank establishment will be paid out of the 9 lakhs, representing 2 per cent. on the money on loan.

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\* A portion of the loan of one crore would be utilized to providing the necessary facilities for teaching Rural Science at the Islamic College.

It would seem only logical to amalgamate the two cadres with mutual benefit to both. The conditions of service could then be substantially improved.

A training in the subjects contemplated in the new Rural Science curriculum would obviously be an asset to the Naib Tahsildar and future Extra Assistant Commissioner who in the beginning of their service would gain experience of banking and co-operation as well as of revenue work. It would probably be best to allow the members of the department to elect after a suitable period, for service on the banking or revenue side, much in the same way as the selection between judiciary and executive is now made in the Indian Civil Service.

It is contended that a combined revenue and banking organization built up in this manner, and which the special training and education recommended, would prove a powerful weapon for the spread of knowledge and the regeneration of village life.

Progress in the order of "Five Year Plans" should be possible whereas, with the present nibbling methods, it will be in the order of generations.

The problem of the tenant and the agricultural labourer has not so far been considered. Their indebtedness viz.  $1\frac{1}{2}$  crores is only a sixth of that of the landed proprietors. The majority of them are tenants and might therefore be treated as revenue payers their debt compulsorily compounded and the services of the loan recovered like arrears of the land revenue. As regards the farm labourers and village menials it would seem that their problem can only be tackled through the co-operative movement financed by the bank.

It is now time to examine the many criticisms to which the proposals lay themselves open.

The official mind with its "play for safety" complex will be immediately alarmed by the prospect of the State as a money-lender. Will not the political agitator use this as a stick with which to beat Government? Might he not succeed in turning against Government the resentment now felt against the money-lender?

Such arguments will not bear examination. If this measure is for the good of the people the anxieties of the bureaucracy for their own comfort should not be allowed to stand in the way. It is perhaps one of the most damaging criticisms of British rule that it is afraid to tackle social reform for fear of rousing popular feeling.

The money-lenders will say that the measure is one of expropriation, almost amounting to robbery.

Their paper claims will, it is true, be reduced by about 60 per cent. but it should be borne in mind that the present debt has grown up from very small beginnings and that there are many examples of wide spread eclipses of income for the public good on a greater scale than the one now contemplated.

An objection that is sure to be raised is, to use the words of the Linlithgow Commission, that "The problems of the agricultural debt are not to be solved by the provision of cheap and abundant credit".

There is not so serious an objection to cheap credit as to abundant in the sense of indiscriminate. But the present proposals are specially designed to restrict credit and ensure that the accommodation afforded is properly applied.

The case of the agricultural bank of Egypt will probably be quoted as an example of the dangers of cheap and abundant credit. The bank cannot be blamed for the difficulties encountered. Its constitution, gave it no power to make an enquiry into the character of the borrower or the actual application of the money.

Admittedly credit given to the peasantry is only beneficial if controlled, but the proposed bank will be so constituted to ensure this control.

It will probably be pointed out that the village money lender at all events knows his customers and often lends on character. The proposed bank will not have this personal touch and cannot hope to know its clients sufficiently to ensure that the loans are not abused. Moreover the village money lender is readily accessible and gives prompt accommodation, whereas taccavi loans issued by Government, in spite of their low interest are unpopular, because of the inevitable delays in their distribution. The agricultural bank, *visa vis*; the money lender will, it is argued, labour under the same disadvantages.

In reply to it may be pointed out, that agricultural banks have succeeded in other parts of the world and there is no valid reason why they should not meet with equal success in this country, provided their organization and personnel are arranged on sound lines.

The difficulty which the bank will experience will not be in regard to long term credits for the liquidation of the money lender's claims, but in providing the short and intermediate terms credits on a sound basis. This is a problem which requires anxious thought. It can probably best be solved on co-operative principles. *i. e.* by the bank not dealing with individuals, but with groups, whose individual liability is unlimited. The Indian Central Banking Enquiry Committee recommended that the Co-operative Society should confine themselves to dispensing short and intermediate credit and the long term credit should be provided by land mortgage banks.

The orthodox view is that any restraint imposed on the money lender results in more onerous terms for the borrower. According to this theory the problem of indebtedness in other eastern countries such as Persia, Iraq, Turkey, etc. where the money lender does not receive the same assistance as he does in India should be comparatively worse. The reverse is however the case.

It may be objected that with the small sums involved and the multiplicity of clients, the bank cannot afford to lend at the interest rates suggested. It has already been pointed out how the 15,000, Punjab Co-operative Societies overhead charges are recovered by a 2 per cent. charge on the loans given. Moreover those societies do not make use of the revenue staff.



The cost of the land revenue collections is at present about Rs.  $1\frac{1}{2}$ \* lakhs. To collect three times the amount would involve a comparatively small increase in staff. The 2 per cent. charge will amount to about Rs. 9 lakhs. A proportion of this sum will have to be ear-marked for strengthening the land revenue establishment.

It has already been mentioned that more detailed enquiries may show the necessity of enhancing the charge of 2 per cent. One method of doing so, without imposing any greater burden on the peasant, will be to lengthen the period of amortisation.

Exponents of the co-operative system will no doubt argue that co-operation is the only means which will teach the villager and give him the necessary self-control, without which he will continue to indulge in excessive borrowing, remain careless about repayment and agree to high rates of interest. They will go on to say that the peasant requires education to know the right use of money rather than more finance. These arguments apply to present conditions when the peasant is exposed to the demoralizing temptations of the village money lender. Muzzle the latter by denying him the assistance of the law and the objection loses most of its force.

It may be said that the improvident and thriftless will still have recourse to the money lender, who, in the absence of security, will charge still higher interest. Admittedly money lenders will be found who will still lend money, but they will be much reduced in numbers. It is generally admitted that as a result of the loss of security following the Punjab Land Alienation Act, the dealings of the Hindu money lenders were considerably curtailed. Legislation making agricultural debt irrecoverable through the courts will act in the same way and tend to dry up credits.

The co-operative movement with its high rates of interest is only a palliative which attacks the symptoms of the disease and not its roots. If a man is stung by a snake the treatment is two-fold. The first and most important is to apply a ligature and deal with the poison itself. Secondly the general symptoms of the poisoning are treated. The agriculturist has been stung by the law courts, it is up to Government to get rid of the poison. The Co-operative movement only teaches the peasant, how he can try to become immune to it.

Lastly there is the question of where the money is to come from. Government has spent tens of crores, unproductively as far as dividends and the repayment of capital are concerned, on rescuing the Bannu and Dera Ismail Khan Districts from the clutches of the Masuds and Wazirs. It is now a case of six months Waziristan expenditure to free the whole Province from the clutches of the money lenders. Moreover it is a sum, which will in 32 years be repaid with full interest, whereas in the case of Waziristan, the capital and interest are gone for ever.

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\*One-third of cost of revenue establishment plus "panjotra" has been taken. Revenue establishment collect 18 lakhs in addition as abiana.

The proposals put forward cannot fail to capture the imagination of the people of this Province. In addition to giving a new life to the Zamindar they will provide a career to many of the educated youths, who have little hope of applying the learning and knowledge they have acquired.

The money lender is the inveterate enemy of better living in the village. Firmly entrenched everywhere, he lives and flourishes by encouraging waste and extravagance. He is the first and main obstacle to progress. The proposals now put forward aim at substituting for his malign sway the benign influence of the Agricultural Bank with its message of thrift and economy. In other words instead of the peasants money being used to promote their demoralization, it is to be employed for their betterment.

E. NOEL, LIEUT—COLONEL,  
*Director of Agriculture and Allied Departments,  
North-West Frontier Province.*

Peshawar :  
Dated the 27th January 1934.

Director of Agriculture and Allied Departments,  
North-West Frontier Province.

## Appendix XIV.

*Copy of a letter D. O. No. 354, dated 18th November 1933 from F. L. Brayne, N.G., I.C.S., Director Reconstruction, Office of the Commissioner, Rural Reconstruction, Punjab, Lahore, to G. K. Devadhar, Esq., M.A., C.I.E., President, Servants of India Society, Poona No. 4.*

Dear Mr. Devadhar,

Many thanks for your letter and congratulations. I do hope we should be able to get a move on and personally I think we shall, as every one seems ready to co-operate and to be convinced that the time has come for large-scale action.

As for your queries about the place of co-operation in rural reconstruction I enclose a pamphlet which will, I think give you most of the information at my disposal. I enclose one or two other things as well to give you an idea of what is in my mind.

We have got better-living societies in the Punjab of various kinds and I imagine that you got the details of them direct from our Co-operative Department. You have marked questions 8, 9, and 10 as well as 7. Question No 8 of course I cannot answer with reference to your State and, in a general way I consider that there is scope every where for better living societies. As for question No. 9 I feel that co-operation should tackle the best material possible at first and not necessarily go for the worst people the down and outs. If it can succeed in organising and improving the most promising material first, impetus thereby is gained and you will be able to tackle even harder cases. But, I think, if it starts on the harder cases and neglects the best material, even the best material will deteriorate while it is waiting to be improved and worked upon; and the task of reclaiming the worst material will be all the harder as they will have no successful institutions to look to for inspiration, etc., As for question No 10 it must depend entirely on the amount of capital, labour and skill put into the land. People can starve on ten acres and be well off in a quarter of an acre.

Next questions you have marked are 153 to 156. One of the biggest things the State can do is to change the mentality of people towards debt. If they can fill the people with horror of debt and with a determination at all costs to get rid of debt and never dare to get into debt or increase their debt, if they can possibly avoid it, a big step will have been taken towards debt redemption. At present the mental outlook of the people towards debt is that they were born in debt and they will die in debt and is no use bothering and the amount of the debt does not matter very much. Consequently they cheerfully increase their debts and run into debt for entirely inadequate

reasons. If all the debts were removed to-night, people would begin again tomorrow to incur new debts and, until this mental attitude is changed, no scheme of redemption can be really successful. Punjab Committee has sat and I understand that legislation is contemplated and the details are now being thrashed out. I presume your Committee has already received the printed report. I fancy that the combination of conciliation committees and some form of summary insolvency proceedings are the main ideas of any scheme of redemption. Whether Government can put down hard cash to liquidate the debts when the insolvency proceedings or the conciliation committees have reduced them to their minimum I do not know. One big difficulty of debt redemption is that, if the money-lenders were all suddenly repaid their debts, what will they do with their money? There are not sufficient industrial investments to absorb it and they must find outlet for the money somewhere. Debt redemption must therefore go hand in hand with the development of other enterprises whether roads, railways, canals, electricity, well sinking, afforestation, bund building, etc., etc., and all other profitable outlets for capital. At present whatever is done in this direction is usually financed by Government. If Government suddenly finances debt redemption and sinks all its valuable resources in long term low interest loans to zamindars, the money-lenders' capital would have to finance the development of the country. One way of limiting the interest would be to legislate that when a suit for money was lodged, the account should be gone into from the very beginning and the excess of all interest payments over a certain fixed maximum should be deducted from capital with effect from the date on which they were made—that is to say, if a man lent Rs. 100 at 40 per cent. interest and the maximum interest allowed was 10 per cent., when the matter came into court, if he had paid the first year's interest of Rs. 40, Rs. 10 will be credited to interest and Rs. 30 to reduction of capital, so that at the beginning of the second year the capital of the loan would be reduced to Rs. 70. If he paid another Rs. 40 the second year, Rs. 7 will be credited to interest and Rs. 33 to deduction of capital. So that the capital at the beginning of the third year was only Rs. 37, and if he paid his interest for the fourth year, the debt would be practically wiped out and the money-lender would get no decree at all.

Another method which, I believe, is likely to be seriously considered in the Punjab is the old Hindu principle that more than double the debt can never be claimed and therefore all debts can be redeemed at double the original loan.

One of the principal difficulties, however, in all debt transactions is the refusal of the debtor himself to pay up. When he wants money, particularly for unproductive purposes like litigation or social ceremonies, he is prepared to sign any paper he will admit the receipt of treble the cash which he actually gets, and thereby all efforts to help him are rendered useless.

Here again the mentality of the people requires radical change. Rural Reconstruction programme should in time change the villagers' mentality by teaching him the value of self-help and making himself carry out many simple reforms and teaching him to live and farm more sensibly.

Your next questions are 176 and 177. The advantage of co-operative societies, if properly supervised, is their permanence and the fact that the members are bound to carry out any reforms which the society has imposed upon itself. The disadvantage of the society is that it can only reform its own members and no man can be compelled to be a member and, therefore, unless the whole village and all castes and tribes, join it, it can never administer the village, nor can it dictate to a whole tribe any reforms in its social customs unless the whole tribe are its members.

There is a lot to be said for setting up administrative panchayats in every village to do the simple things which are necessary for health and comfort of the villager, but there is room for both working together, and the pioneer would be the co-operative society, and if the reform which it was advocating was sufficiently obvious to every one, the panchayat might make it compulsory for the whole village.

It is probably advisable that credit societies should be kept separate from general uplift societies, as credit is a difficult and complicated subject to handle and if it gets mixed up with other things, the principles of proper credit might get forgotten and the society fail. There is no real reason why credit societies should not insist upon all its members being also members of an uplift society so as to make certain that their money is properly used and they are definitely bent on self-improvement. As you will see from the given pamphlet, my idea is that uplift should come first and credit second, the uplift being the preparation for the credit.

Your last question is 206. I certainly think a training institute is valuable and, in addition to teaching co-operative principles, rural reconstruction should be taught and also methods of publicity so as to make certain that the co-operative staff knew how to teach and how to broadcast their information and also how to put right the simple defects of village life.

I hope this note will be of some use. It is purely my private opinion. It is written in rather a hurry, as I am very busy in getting my show running. I should be glad to answer any other questions which you like to ask me.

Yours sincerely,  
(Sd.) F. L. BRAYNE.

## Appendix XV.

### DRAFT RULES SANCTIONING GRANT-IN-AID TO CO-OPERATIVE SUPERVISING UNIONS.

With the object of maintaining, extending, improving and encouraging non-official participation in the Co-operative movement in the State through local Supervising Unions and Federations, Government are pleased to make an annual allotment of a sum for distribution as grant-in-aid to such institutions as will satisfy the following specific conditions among others.

1. Grants will be sanctioned only to institutions registered under the Co-operative Societies Regulation X of 1939.

2. Every Union applying for a grant must have at least 25 Societies affiliated to it. This would not, however, stand in the way of an union with a less number of affiliated societies obtaining grant-in-aid if in the opinion of the Registrar, the area is backward and that the work of the Union would facilitate and help the organisation of more societies.

3. In every case grant will be given solely on consideration of the merits of the particular institution.

4. Grants will be paid to recognised Unions only towards the pay of Supervisors employed for purposes of the supervision of affiliated societies.

5. The grant to any one Union shall not exceed 75 per cent. of the pay and allowance which the Union sanctions to the Supervisor or Supervisors employed.

6. A Union applying for grant should undertake to

(a) Submit an annual budget of receipts and expenditure to the Registrar of Co-operative Societies and agree to be bound by the budget as approved by him.

(b) Appoint as Supervisors only persons as are certified to be competent by the Registrar.

(c) Avoid the introduction of political, religious or other controversial subjects in its purview,

(d) Confine its activities as prescribed in the by-laws aimed towards the government of affiliated societies as also to the organisation of fresh societies.

(e) Submit all periodical returns and reports as may be prescribed by the Registrar, and

(f) agree to refer all questions of disputes or interpretation to the decision of the Registrar whose decision in all such cases shall be final.

7. It shall be competent to the authority sanctioning a grant to reduce or withdraw the same at any time if in his opinion the institution is not working properly or is engaged in activities which cannot be deemed to be legitimate or proper.

8. All applications for grants should be made in such forms and manner as may be prescribed by the Registrar.

9. Distribution of grants to the various unions will be made every year by the Registrar as soon as information as to Supervision Fund leviable by unions from affiliated societies is available.

10. Grants sanctioned under these rules would be claimed on bills drawn by the local Inspector of Co-operative Societies and countersigned by the Registrar or as prescribed by the Account Rules.

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## Appendix XVI.

### EXTRACT FROM THE MACLAGAN COMMITTEE REPORT RE: PRIMARY SOCIETIES.

As the primary society is the foundation of the whole superstructure of the movement, the principles that should govern its formation and conduct are of vital importance and we give below a long extract from the Report of MacLagan Committee which defines the conditions necessary to make a society truly "co-operative" satisfying the usual canons of a proposition which is business-like in character. The Committee observes as follows: -

#### **Conditions necessary to make a society co-operative.**

The society to be fully co-operative must fulfil many conditions. The theory underlying co-operation is that weak individuals are enabled to improve their individual productive capacity and consequently their material and moral position, by combining among themselves and bringing into this combination a moral effort and a progressively developing realisation of moral obligation. The movement is essentially a moral one and it is individualistic rather than socialistic. It provides as a substitute for material assets, honesty and a sense of moral obligation, and keeps in view the moral rather than the material sanction. Hence the first condition obviously is that every member should have a knowledge of the principles of co-operation, if this co-operation is to be real and not a sham. In the formation of a society the first essential is the careful selection as members of honest men, or at any rate of men who have given satisfactory guarantee of their intention to lead an honest life in future. As regards the dealings of the Society, it should lend to its members only and the loans must in no circumstances be for speculative purposes, which, so far from encouraging thrift and honesty, have exactly the opposite effect. Loans should be given only for productive purposes or for necessaries which, as essentials of daily life, can fairly be classed as productive. The borrowers should be required to satisfy their fellows that they are in a position to repay the loans from the income that they will derive from their increased productive capacity, or that by the exercise of thrift they can effect a margin of income over expenditure which will suffice to meet the instalments of their loans as they fall due. When a loan has been given, it is essential that the committee of the society and the other members should exercise a vigilant watch that the money is expended on the purpose for which the loan was granted. If it is improperly applied, it should be at once recalled. It is further advisable to add to the general supervision of the society the special supervision of individual members, by taking personal sureties in the case of each loan. In the event of any default by the borrower an instant demand should be made on these sureties. In the more general matters of the society's business there should, of course, be a committee of management with a



president and a secretary all of whom, except those who perform purely clerical duties and have no voice in the management should be members of the society and give their services to it gratuitously. At the same time the ultimate authority should never be delegated to the office bearers, but should be retained in the hands of the members, who must continue to take a practical interest in the business of the society. With this object the constitution should be purely republican; each member should have one vote and no more in the general meeting and all business should be transacted with the maximum of publicity within the society. For example there should be kept in some place open to the inspection of every member a list showing the loans issued to every member, the names of his sureties and the amount of the loan still unpaid, and each member should be required to know generally how this account stands: general meetings should be frequently held at which the accounts and affairs of the society are fully discussed and explained. The express object of the society should be the development of thrift among its members, with the hope too that this idea of thrift will spread in the neighbourhood. To effect this object loans must be given only when they are really necessary and desirable. Further the development of thrift and of a proprietary interest in the Society should be aided by efforts to build up as soon as possible a strong reserve fund from profits. The society must also be encouraged to obtain as much as possible of its capital from the savings which its teaching and example have brought about among its members and their neighbours. With all these must go the elementary business principles of honesty, punctuality, proper accounts, diligence and payment when due. To ensure all this there must be adequate control from within, increasing vigilance and supervision by the office bearers and a continuous effort by members in learning the principles of co-operation, in meeting frequently, in watching others, in working hard and observing thrift, and in punctual repayment of their own loans, as they fall due.

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## Appendix XVII.

### THE WHY AND THE HOW OF CO-OPERATION.

*Extract from a book called the Federal Farm Loan System by  
Herbert Myrick.*

#### Co-operation required.

For farmers to unite in little local societies for the better marketing of their mortgage credits implies more of mutual confidence and less of mutual suspicion. Such union means united effort among individuals; and joint service, voluntarily performed and necessarily persisted in, reacts beneficially upon the individual. It tends to bring out those social, ethical and spiritual attributes which add so much to the joy, the glory, and the usefulness of life. The co-operative spirit may be better sensed than described like love, it can be felt rather than expressed.

The fact that the plan of the proposed reconstruction of Farm realty credits is based largely upon the coming together of ten or more individuals, in a united group proves that one of the underlying principles of the Federal Farm Loan Act is the encouragement of the co-operative idea. This principle was epitomized years ago in the author's book "How to co-operate" as follows:

"The true way out of the evils that now afflict both producers and consumers is through an agency which already exists. It is right at hand. Its ways are the method of peace. This agency requires no favoured legislation, no political revolution, no social overthrow. It builds up instead of tearing down. Yet its success has been abundantly demonstrated under the most adverse circumstances. It is as permanent as a human institution may be. It supplies its own capital, insures its own property, and increases in practical beneficence with age. Thoroughly Christian in nature and application, no phase of belief can take exceptions to it. Nor does it antagonize the reforms in politics and Government and taxation in land or finance or transportation that are now so prominent in the public mind.

"In one sense independent of all these, in another view it is indispensable to reform that is to be of lasting benefit to the whole community. Yet it is insensely practical, perfectly adopted to country, town or city, within the reach of all grades of people and thoroughly suited to the varied needs and capacities of producers and consumers in all the great vocations of life. Moreover, it interferes with no reasonable effort to ameliorate the conditions of the society, but extend to such the hand of fellowship. Above all, it in no possible way antagonizes any farmers' secret orders or open organisations, and in no manner interferes with trade unions or labour associations. Yet it is an agency through which all such orders organisations unions and associations may immensely stimulate and perpetuate their usefulness."

"The true way out is summed up in the one word Co-operation".

*The advantages of Co-operation* in general as expressed in the work referred to, apply with peculiar force to the mobilization of farm credits:

1. The greater advantage of co-operation is that it enables "the common people" as Abraham Lincoln used the term to help themselves.

2. It promotes thrift, sobriety, morality, neighbourliness, kindness, courtesy, intelligence, selfthing and good citizenship.

3. It can adopt itself to secure its advantages to "all sorts and conditions of men, including men of various nationalities."

4. It interferes with no private rights or individual opinion.

5. It substitutes the beneficence of co-operation for the warfare of competition.

6. It pays labour fairly, adds to savings and yields a reasonable hire to capital.

7. It enables the people to govern and divide their earnings instead of having capital rule industry and absorb the profits thereof.

8. It converts the love of money and the power of the "almighty dollar" into the greatest of human agencies for the amelioration of society.

9. It "begins in mutual help, with a view to end in a common competence."

10. It avoids the fallacy of equal division of unequal earnings, but rewards according to merit.

11. It means "concert for the diffusion of wealth."

12. It is not philanthropy, neither is it mendicant, servile or offensive, yet possesses the spirit of charity without sacrifice of practical utility.

13. "It touches no man's fortunes; it seeks no plunder; it causes no disturbance in society; it gives no trouble to statesmen; it need enter no secret associations; it contemplates no violence; it subverts no order; it envies no dignity; it expects no gift nor asks any favour; it keeps no terms with the idle and it will break no faith with the industrious".

14. It uses circumstances to advance its principles instead of wasting energy to advance its principles against circumstances.

15. It insures against mistakes by educating co-operators to a clear idea of what they are doing, uniting such thought with action.

16. It gives men and women a knowledge of business they could not otherwise obtain.

17. It enables men to get out of debt and to keep out of debt and correspondingly alleviates other forms of distress.

18. It creates a field for individual energy and security for its reward while avoiding the warfare of competition.

19. It is really the only efficient way in which the masses can advance.

20. It promotes sound sense, good temper and goodwill.

21. It reduces expenses, bringing producer and consumer together, giving the former a fair profit, while furnishing the latter at a reasonable price articles which are honest in quantity and quality.

22. It is equity in business, and it makes equity pay.

23. It is a definite, practical thing, all of whose principles and parts can be brought into view and understood at once.

24. It recognises capital as an expense, whose hire is to be paid, but after this (like other expenses) is met, "labour by brain or hand is the sole claimant or profits."

25. It delivers the public from the middlemen, capitalists, and monopolists who would make the labour work for least and the consumer pay the utmost.

26. It makes saving attractive, easy and inevitable without self-denial or effort on the part of the individual. And finally, to quote more fully and literally its distinguished apostle (Holoake): "Co-operation was born of the feeling that at best unmitigated competition was but an organised war and though war had its great conquests its bards, its proud associations and heroic memories there was murder in its march; and humanity and genius were things to blush for, if progress could not be accomplished by some nobler means. What an enduring truce is to war, co-operation is to the never ceasing conflict between Labour and Capital—it is the Peace of Industry."

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## Appendix XVIII.

### LETTER FROM THE REGISTRAR OF CO-OPERATIVE SOCIETIES, MADRAS.

D. O. No. F. 3587/34

Office of the Registrar of  
Co-operative Societies,  
Madras, Dated 29th June 1934.

Dear Mr. Devadhar.

*Subject*:—Travancore Co-operative Enquiry Committee—information regarding staff for liquidation and execution work.

*Reference* —Your D. O. dated 24-6-34 to Dewan Bahadur Devasikhamani Mudaliar.

I have not yet received a copy of the Administration Report of the Bombay Presidency for the year ending 31-3-34 and I am therefore unable to know exactly the information that you require. I presume that you wish to have particulars regarding the staff sanctioned for liquidation and execution work and the procedure followed for executing the decrees and awards of co-operative societies.

2. In this Presidency the Co-operative Department has undertaken from about November 1933 the execution of decrees etc., held by co-operative societies under section 28 of the Madras Co-operative Societies Act 71 of 1932. Government have framed a set of rules prescribing the procedure to be followed by officers of this Department entrusted with the work. A copy of the Rules framed by the local Government is enclosed. Rule XXII of the Rules deals with the procedure. Government have sanctioned a staff of 23 Junior Inspectors and seven Sub-Deputy Registrars for this work and the cost of the staff has to be met from the fees collected from the co-operative societies for the execution of decrees sent up by them. I enclose a copy of the Registrar's circular prescribing the fees.

3. There are at present 1,387 societies under liquidation and Government have sanctioned a staff of 43 Junior Inspectors to attend to the work in these societies. The staff is unable to cope with the work in some districts and in such cases, the services of the Administrative Inspectors are being temporarily utilised for liquidation work without detriment to their regular duties.

4. The system now in force is still on trial and is too soon to say whether it will put an end to the complaints of delays; but it can be said that the progress so far has been encouraging.

Your sincerely,  
Sd/- T. AUSTIN.

G. K. Devadhar Esquire. M. A , C. I. E..  
President, The Travancore Co-operative Enquiry Committee,  
Padmavilas, Fort, Trivandrum.

## Appendix XIX.

COPY OF A LETTER NO. 9194/C. S. DATED THE 29<sup>TH</sup> JUNE 1934 FROM GULAM MOHADIN MEHKRI, Esq., B. A. LL. B., REGISTRAR OF CO-OPERATIVE SOCIETIES IN MYSORE, BANGALORE TO G. K. DEVADHAR Esq., M. H., C. I. E., PRESIDENT, TRAVANCORE CO-OPERATIVE ENQUIRY COMMITTEE, TRIVANDRUM.

Sir,

With reference to your letter dated 24th June 1934, re : Special Liquidation Officers and Special Agency for the recovery of dues to Co-operative Societies, I have the honour to state as follows :—

*Liquidation Officers.*— No special staff has yet been appointed for liquidation work. A proposal has been made to the Bangalore Central Co-operative Bank and the Apex Bank to make contributions towards the pay of a staff of two Inspectors to be appointed as Official Liquidators as the societies to be liquidated, are those heavily indebted to these two Banks. The question will be further considered on receipt of replies from these Banks.

2. *Special Agency to recover Co-operative Societies dues:*—According to the Co-operative Rules, the decrees granted in favour of Co-operative Societies, have to be sent for execution to the Deputy Commissioners of Districts or in the case of employees of Government, to the Heads of Offices concerned, or to Civil Courts, if the plaintiff societies so desire. If the number of decrees for execution in any particular area is heavy, the Revenue Commissioner appoints Special Revenue Inspectors and recovers 2½ per commission on the amounts realised on account of this special agency. A copy of the Government Order on the subject is enclosed for information.

I have etc.,  
(Sd.)  
Registrar.

## Appendix XX.

LETTER FROM THE REGISTRAR OF CO-OPERATIVE  
SOCIETIES, BOMBAY.

No. G. E. N. 140 of 1934.

From K. L. Panjabi, Esquire, I. C. S.,

Registrar,

Co-operative Societies, Bombay Presidency,

Poona No. 1.

To.

The President,

Travancore Co-operative Enquiry Committee.

Trivandrum.

Poona No. 1, The 6th July 1934.

Sir,

With reference to your letter dated 24th June 1934, I have the honour to inform you that we have in this Presidency two special agencies *viz.*, (1) The special Liquidation Officers and (2) The special Recovery Officers. The duties of these two classes of officers are distinct. The former are entrusted with liquidation work and are appointed in districts where the number of societies in liquidation is large, and experience has shown that this is the only method of ensuring prompt and systematic disposal of the cases where the work is heavy. The cost of the establishment is met out of the liquidation fees recoverable under section 50 (1) of the Act.

2. As regards the Special Recovery Officers referred to above, I enclose herewith a copy of Government Resolution, Revenue Department, No. 3482/28 dated 13th February 1932 under which the scheme for the recovery of Co-operative Societies was first approved by Government. The scheme is still in its experimental stage. The appointments of the Recovery Officers are made from amongst the members of the regular district revenue establishment and they are also invested with powers under sections 152, 154 and 156 of the Land Revenue Code. As regards the cost, it is recovered from the defaulters of the societies by a levy of surcharge not exceeding 5 per cent on the dues recovered. I enclose herewith a copy of the rules framed under section 183 of the Land Revenue Code which authorise the recovery of this surcharge.

I have the honour to be,

Sir,

Your most obedient servant,

(Sd.)

For Registrar, C. S.

## CO-OPERATIVE SOCIETIES.

Appointment of Special  
Recovery Officer for dues of—

Government of Bombay,  
Revenue Department.

Resolution No. 3482/28.

Bombay Castle, 13th February 1932.

Resolution :—The scheme proposed by the Registrar of Co-operative Societies for the recovery of the dues of co-operative societies was discussed at a conference held at Bombay in the beginning of December 1931 and the Government of Bombay are now pleased to direct that.—

(a) recoveries of the dues of co-operative societies should be effected by the appointment of Special Aval Karkune who should be under the control of the Collectors and should serve in one or more talukas according to the amount of arrears to be collected ;

(b) Collectors should pay special attention to the satisfactory recovery of the dues of co operative societies, but the extent to which recovery measures should be pushed is left to their discretion in each district ;

(c) the cost of the recovery officers should be recovered by levy of a percentage charge on the societies according to the dues recovered. To give effect to this, the Registrar should be requested to submit for the approval of Government the necessary draft rule under the Co-operative Societies Act.

(d) the Collectors should supply the Registrar of Co-operative Societies with monthly statements of recoveries effected by the Special Recovery Officers under them.

2. The above scheme should be tried as an experimental measure for a period of one year from the date of the issue of these orders, after which the Registrar should report to Government as to the working of the scheme and any modifications therein that may be necessary.

By order of the Government of Bombay

(Transferred Departments)

(Sd.) H. V. R. IENGAR,  
Under Secretary to Government.



Copy of the rules framed under Section 183 of the Land Revenue Code.

Expenses of Sales.

(Section 183)

1. In the case of immovable property the expenses of a sale shall be taken to be eight annas or 1/32nd of the amount, if any realised by the sale whichever is greater.

2. (i) In the case of moveable property the expenses of a sale shall be taken to be actual cost of removal, maintenance, guarding and custody of the property together with such other incidental expenses as may be necessary for the purposes of the sale.

(ii) The amount to be recovered in each case shall be calculated in the following manner, either by the official conducting the sale or by the Prant Officer as the Collector may direct :--

(a) for the pay and travelling allowance of officers and men engaged exclusively on the work of attachment and sale and the running cost of a motor car or other vehicle used for transport of the staff or of the attached property,

(b) for the removal of the live-stock or property to be placed where it is to be kept in custody for seven days, its maintenance, guarding and custody till arrival thereat ;

(c) for the maintenance, guarding and custody of the property at the place where it is to be kept in custody for seven days;

(d) for the maintenance, guarding and custody of the property at the place where it was attached or elsewhere ;

(e) for the maintenance, guarding and custody of the live-stock or property during removal to the place where it is sold and for such removal ;

The above rules shall also apply to sales which have not been completed owing to the arrears due having been paid on or before the date fixed for the sale.

3. The amount to be recovered on account of the cost of special staff engaged on the work of recovering co-operative societies' dues shall not exceed five per cent. of the dues recovered.

By order of the Governor in Council

(Sd.) S. N. COVERNTON,  
*Secretary to Government.*

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