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

**1934**



**TRIVANDEUM :**  
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**1935.**

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 1.**  
**GENERAL.**



# CHAPTER I.

## INTRODUCTORY.

### GOVERNMENT ORDER CONSTITUTING THE COMMITTEE.

This report is the result of the enquiry instituted by the Government of His Highness the Maharajah of Travancore in their G. O. R. Dis. No. 2907/32/Devpt., dated the 25th December 1932 quoted below :—

### PROCEEDINGS OF THE GOVERNMENT OF HIS HIGHNESS THE MAHARAJAH OF TRAVANCORE.

- Read :—(1) Letter No. 5732, dated the 1st February 1932, from the Registrar of Co-operative Societies.
- (2) Letter R. O. C. No. 560/32/Devpt., dated the 9th May 1932, to the Registrar of Co-operative Societies.
- (3) Letter No. 1903, dated the 10th May 1932, from the Secretary, Central Co-operative Bank Ltd., Trivandrum.
- (4) Letter No. 11442, dated the 5th June 1932, from the Registrar of Co-operative Societies.
- (5) Letter No. 1650, dated the 27th September 1932, from the Registrar of Co-operative Societies.
- (6) Letter No. R. O. C. 560/32/Devpt., dated the 24th November 1932, to the Registrar of Co-operative Societies.
- (7) Letter No. 4371, dated the 2nd December 1932, from the Registrar of Co-operative Societies.

The Co-operative Societies Regulation was passed in 1089 and it is now about 19 years since the movement was introduced into the State. Periodical surveys and stock-taking are essential for directing the movement into healthy channels and formulating a constructive programme for its further development on sound and accepted lines. In British India, just ten years after the establishment of the movement, its development and defects were subjected to thorough examination by an expert committee presided over by Sir Edward Maclagan. The Provincial Governments in British India and Indian States like Mysore felt the need for such an examination and appointed committees of enquiry. The Oakden Committee of the United Provinces, the King Committee

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of the Central Provinces, the Townsend Committee of Madras, and the Calvert Committee of Burma are instances in point. Mr. Vaidyalingom Pillai, the late Registrar of Co-operative Societies, urged the need for constituting a committee for examining the working of the societies in the State. The Banking Enquiry Committee also recommended that a comprehensive enquiry by a committee into the position of the co-operative movement in the State should be conducted without delay. The Secretary of the Central Co-operative Bank has also urged the necessity for the same.

Order thereon R. Dis. No. 2907 of 32/Devpt., dated, Trivandrum, 25th December 1932.

His Highness' Government have carefully considered the question and have resolved to appoint a Committee of Enquiry consisting of:—

**President.**

G. K. Devadhar Esq., M. A., C. I. E., President of the Servants of India Society, Poona.

**Members.**

1. M. R. Ry. Rao Saheb Dr. N. Kunjan Pillai, Avl., M. A., B. Sc., Census Commissioner.
2. M. R. Ry. M. Govinda Pillai, Avl., B. A., Registrar of Co-operative Societies.
3. M. R. Ry. Rao Saheb T. Padmanabha Rao, Avl.
4. K. K. Kuruvilla Esq., M. A., B. D.
5. M. R. Ry. K. C. Karunakaran Avl., B. A., B. Com, Member, Legislative Council.
6. M. R. Ry. M. N. Narayana Menon Avl., Member, Legislative Council, Kottayam.

M. R. Ry. M. Govinda Pillai, Avl., B. A., Registrar of Co-operative Societies will be the Convener of the Committee.

**The Terms of Reference are:—**

1. to examine the progress made in the co-operative movement in Travancore since its start;
2. to enquire into its present position and lines of development and to make recommendations;
3. to examine the practice and organisation of the financial system of the movement and to make recommendations;
4. to make recommendations in regard to propaganda, supervision and control of societies and finance; and
5. to examine the position in regard to distribution, production, sale and other co-operative non-credit activities and to make recommendations.

Besides these, the Committee will consider the revision of the existing Regulation X of 1089 and prepare a draft bill, along with their report, embodying the amendments recommended. The Committee is also requested to consider the following matters and others relating to co-operation that may be referred to it by Government from time to time :—

- (a) the framing of rules for the award of grants to Co-operative Supervising Unions ;
- (b) the organisation of house-building co-operative societies ;
- (c) the provision of adequate facilities for short and long term credit to agriculturists
- (d) the establishment of licensed ware-houses :
- (e) the desirability of reconstituting the State Land Mortgage Bank under the Co-operative Societies Regulation :
- (f) co-operative work among members of the depressed classes ;
- (g) recommendations of the Banking Enquiry Committee regarding co-operation ;
- (h) development of weavers' co-operative societies ; and
- (i) delay in the execution of awards through the Land Revenue Department.

It is expected that the Committee will start work early in January 1933 and conclude its labours by the end of June 1933. The Committee will have to do some touring work within the State for inspecting typical societies and, if considered necessary, for the examination of witnesses.

The following staff is sanctioned for the Committee .—

One Secretary on Rs. 150 per mensem.

Two clerks—one on Rs. 70 and one on Rs. 40 per mensem.

One shorthand typist on Rs. 40 per mensem.

Two peons on Rs. 9 each per mensem.

The Government trust that all persons official and non-official and all co-operative societies will afford every facility to the conduct of the enquiry by the Committee.

(By Order)

K. GEORGE,

*Chief Secretary to Government.*

**Additional terms of Reference by Government.**

2. Certain other matters mentioned below were also referred to the Committee for their opinion :—

- (i) The following resolution passed by the Economic Development Board at its meeting held on 25-3-1929 :—

“In the interests of the development of cottage industries in the State the Board would request Government to reconsider their decision and place at the disposal of the Central Bank a sum of Rs. 25,000 at least for the distribution of loans to non-credit co-operative societies of artisans and craftsmen. The Board is definitely of opinion that the proper development of cottage industries is not possible without financial assistance being rendered to men engaged therein by Government.”

- (ii) The following resolutions passed at the All Travancore Co-operative Conference held at Neyyattinkara on 14-5-1108 —

(1) “The Government be pleased to fix the annual grants to local supervising unions equal to such amounts as are collected by them every year as supervision fund in order to render their work more useful to societies.

(2) “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 to the cost ; and this conference requests the Devadhar Committee to make detailed recommendations.

(3) “This conference is of opinion that rules should be drawn up to provide for the regular grant of loans by Government for house building operations, covering the rate of interest, the period of repayment and the amount of interest.

(4) “This conference recommends the speedy formation of Co-operative Dairy Societies in municipal areas and urges the municipalities to give all facilities for such societies.

(5) “That Government be pleased to exempt co-operative buildings within municipal areas from the payment of municipal taxes.

(6) “This conference repeats the prayer contained in resolutions passed at the previous conferences requesting Government to issue orders that municipal funds and security funds may be permitted to be deposited in co-operative banks.

(7) “This Conference repeats for the favourable consideration of the Government the prayer contained in a resolution passed at the Sixth All Travancore Co-operative Conference held at Quilon to declare the International Co-operators’ Day as a general holiday in order to afford facilities both to the official and the non-official co-operators to participate in the function.”

- (iii) Notification No. 264 issued under the Government of Madras Order No. 932/Devpt., dated the 1st August 1933, issuing Rules under the new Co-operative Act.
- (iv) Extracts of a letter from the Honorary Secretary, Travancore Chamber of Commerce, suggesting that the formation of co-operative societies for the collection and marketing of coconuts and their produce should be encouraged.
- (v) A representation from Mr. K. V. Joseph, Pottakulam House, Kanjirapally, urging the need for the introduction of certain legislative measures for affording relief to the agriculturists from the prevailing economic distress.

Most of these are covered by the terms of reference contained in the G. O. quoted above.

#### **The Questionnaire.**

3. The Committee started work soon after its appointment. The first meeting was held on the 29th December 1932. The Secretary to the Committee was appointed on the 30th December 1932 and he took charge of his office on the same day. During the first week of the Committee's sittings they were engaged in framing a questionnaire. This was published in the Government Gazette in English on the 17th January 1933, in Malayalam on the 24th January 1933 and in Tamil on the 31st January 1933 (Vide Appendix I). Copies of the questionnaire were issued to all co-operative institutions and a large number of prominent individuals connected with the movement in the State and also outside. 2,200 copies of the questionnaire were distributed through the agency of departmental inspectors, supervising unions and banks and 660 copies were issued to individuals direct from the Committee's office. 25 copies were also sent to prominent co-operators and co-operative institutions outside the State. In all 127 written answers to the questionnaire were received of which 3 were from gentlemen outside the State. Of these answers 37 were from societies, 6 from banks, 12 from supervising unions, 13 from inspectors in the department and 59 from other individuals. Besides the above the President sent round some copies of the questionnaire to a few select persons, official and non-official in British India and Indian States, and gathered much valuable information on specific points awaiting solution by the Committee.

#### **Cause of Delay.**

4. Soon after the issue of the questionnaire the President left for Poona on the 6th January 1933. Owing to very serious illness which compelled him to undergo a major operation and as a consequence to remain as an inpatient in two hospitals in Poona and Bombay for a period of nearly three months and for convalescence for over four months in Poona under medical advice, he could not return to Trivandrum till the middle of December 1933. He, however, wrote to the Government of his helplessness under peculiar circumstances

and advised them that the Committee's work] need not be held up on account of his absence and that it might be proceeded with with a Vice-chairman appointed in his stead and also in accordance with a programme provisionally chalked out by him.

#### **Appointment of Vice-Chairman.**

5. The President's proposal was submitted to Government who in their G. O. No. 872/33/Devpt., dated 13-5-1933 approved of it and appointed Rao Sahib Dr. N. Kunjan Pillai, member of the Committee, as its Vice-chairman and directed that the work of the Committee should be regulated by him without prejudice to his own duties as Land Revenue and Income Tax Commissioner. A programme of the Committee's itinerary was accordingly drawn up and the Committee began their tours for the examination of witnesses in the mofussil on the 20th of May 1933. No continuous tours could be undertaken by the Committee as the Committee's Vice-chairman could not afford to be absent from headquarters for any length of time. Besides, the tours occasionally had to be abandoned or postponed due to very heavy floods. Still the Committee had completed 3 tours in North Travancore and one in South Travancore, when Dr. Kunjan Pillai was appointed Chief Secretary to Government. This made it no longer possible for him to serve on the Committee and Government, therefore, appointed in G. O. R. O. C. No. 4935/33/Devpt., dated 2-10-1933. M. R. Ry., Rao Saheb T. Padmanabha Rao. Avl., member of the Committee, as Vice-chairman and Mr. A. Gopala Menon, M. A., B. Com. (London) Ag. Principal, Arts College, Trivandrum to succeed him as member on the Committee. By the end of October 1933 the Committee finished the work of collecting evidence in the mofussil. During the absence of the President, the Committee was on tour for 35 days in all and visited 26 centres (Vide Appendix No.2) and examined 615 witnesses. They also inspected a few typical co-operative institutions in the places they visited.

#### **President resumes charge.**

6. The President returned to Trivandrum on the 14th December 1933 to resume his work on the Committee. From that date to the 14th of February 1934 he remained here except for a brief period of two weeks' absence in Madras where he had to preside over the Indian National Social Conference on the 29th of December 1933 and in Cochin where he had to go and perform the function of opening the Fifth All Cochin State Co-operative Conference on the 5th of January 1934 at Irinjalakuda, to which all the members of the Committee were invited and which was attended by several of them. On the 14th of February 1934 the President again left Travancore on a journey to Delhi, Bombay, Bhavnagar, Poona and Sangli among many other places he had to visit in his long tour. This journey was undertaken by him mainly in the interests of this State. It was supported by Government and it also accorded with a recommendation of the Travancore Chamber of Commerce. During this tour Mr. Devadhar attended at

Delhi, as a member the meetings of the Advisory Board of the Imperial Council of Agricultural Research and carried on much useful propaganda in high official and non-official circles in Delhi in favour of the coconut industry in this State which has been badly hit by the, so to speak, killing competition of Ceylon. During his stay in Bombay he had a discussion with the Director of the Tata Oil Mills Co., on the subject of the improvement of the coconut industry and the note the company has very kindly supplied him on the subject is printed as Appendix No. 3. He then went to Bhavnagar where with the help of his friend Sir Prabhaskar Pattani K. C. I. E., President of the State Council and others, he was able to study on the spot the practical working of the scheme of debt redemption as attempted in that State. We quote in Appendix No. 4 a very brief summary of the scheme of redemption of agricultural indebtedness in the Bhavnagar State and an important letter by Sir Prabhaskar in reply to the President's request to answer a few questions in the questionnaire dealing with the problem of rural and agricultural indebtedness. The President further made similar enquiries wherever he had to go in connection with his other work such as Gwalior, Nagpur, Sangli and a few other important towns in some of the leading States and Provinces in British India of similar attempts made and are being made during the last few years. The President returned from his tour in Northern India to Travandrum on the 24th April 1934 and did not leave the State till the Committee's work was finished and the report was submitted to Government.

#### President's All Travancore Tour.

7. Soon after the President's return to Trivandrum on the 14th December 1933 he began the examination of witnesses that were left for him in Trivandrum. He also planned an All-Travancore tour to study for himself the working of typical co-operative institutions in the State acting on the advice of the Committee. Some of the members of the Committee accompanied the President to a few places. The tour was accomplished by him during intervals when there were no sittings of the Committee for examining witnesses. The examination of witnesses in Trivandrum continued off and on till the 2nd week of May 1934. During this period the Committee examined in all 43 witnesses in Trivandrum of whom 23 were non-officials and 20 officials. Among them were several Heads of Departments, prominent lawyers and about half a dozen ladies.

As stated above the President also visited most of the important centres in the State and examined in detail the working of as many as 100 typical societies. These included the Central Co-operative Institute, the Central Bank, 11 taluk banks, 1 urban bank, 12 unions, 2 banking unions, 1 insurance society, 4 departmental benefit funds, 9 Government servants' societies, 2 employees' societies, 4 fishermen's societies, 4 depressed class societies, 4 women's societies, 2 stores societies, 2 school stores societies, 4 societies of weavers and

artisans, 11 communal credit societies and 16 non-communal ones, 1 house-building society, 2 poultry societies, 1 health welfare society, 1 village improvement society and 1 society for co-operative joint cultivation.

During these tours the whole Committee was not required to accompany the President. These visits were made by the President mostly alone and only rarely accompanied by the members of the Committee. In the third week of December 1933, the President accompanied by two members visited the Punaloor Paper Mill to study the possibilities of organising societies for industrial labourers, visited the Malayala Manorama Press at Kottayam in January 1934 to study the working of the society for the Press workmen there, where he advocated the formation of a distributive store and inclusion of women therein. Moreover, he visited a few coir factories in Paravur, Alleppey and Shertallai, visited the Central Bank office and the bank building, visited the office of the Registrar of Co-operative Societies, attended a meeting of the State Land Mortgage Bank and of the Co-operative Insurance Society in Trivandrum, visited the Village Panchayat and Bench Magistrate's First class court in Trivandrum, saw the working of the Co-operative Home and the Humanitarian society, attended the last annual general body meeting of the Central Bank and the general body meeting of the co-operative Society at Suchindram. The President paid two long visits to the Martandam Y. V. C. A. Rural Uplift Centre, and saw the work of egg marketing. He also visited several societies in the interior that had constructed small buildings of their own with the help of contributions from their members. Besides, the President visited certain other institutions such as the Trivandrum Permanent Fund, the Central Institute of Commerce and Co-operation, the Vanitha Samajam, the Hindu Mahilamandiram, the Carpentry and Smithery School, the Quilon Bank at Quilon, the Alleppey Government School of Commerce, etc., and attended certain functions like the All-Travancore Co-operative Conference at Neyyattinkara, a meeting of the Economic Development Board at Trivandrum, a meeting of the Travancore Chamber of Commerce and the Alleppey Chamber of Commerce at Alleppey. With a view to explore the possibilities of introducing the co-operative movement among the hillmen inhabiting the State forests, the President also visited the Kallar and Kulasekharom markets and gathered much useful information regarding the conditions of marketing of hill produce by these backward people. The President visited also the factories of Quilon and Alleppey, saw many rubber and tea plantations in the taluks of Peermade and Devicolam where a large number of labourers are employed and interrogated their employers as to whether the movement could not be introduced among them with advantage to both. Further, he carried on a deal of correspondence with some of them regarding the promotion of welfare work on co-operative basis.

The President concluded his itinerary by the second week of May 1934. Between the 14th and the 30th of May 1934 the draft recommendations of the Committee were framed and they were discussed and



passed by the Committee at several meetings in the 1st week of June. The remaining weeks were devoted to the drafting of the report, and the report in its final form was read and passed at a meeting of the Committee held in the 2nd week of July 1934. During his stay in the State the President was frequently requested to open or preside over Taluk Conferences and he addressed public meetings of co-operators at Trivandrum, Kottayam, Thiruvalla, Quilon, Chengannoor, Muvattupuzha, Nedumangad, Kuzhithurai and Kazhakuttam. On the 5th of June 1934 he was invited by the Women's Council of Help (of which Her Highness the Junior Maharani is the Patron) and he addressed a public meeting of the ladies of Trivandrum on "Women and Co-operation."

The period allowed by the G. O. constituting the Committee for the submission of the Report was only six months. But owing to circumstances mentioned above sanction had to be asked for its extension at various stages up to the 15th of July 1934.

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## CHAPTER II.

### A FEW SALIENT FACTS.

#### Physical Features.

Travancore is situated at the south-west extremity of the Indian peninsula and is protected on one side by the Arabian Sea and on the other by the long chain of Western Ghats. It is triangular in shape with its apex towards the south at Cape Comorin. It measures 174 miles in length and from 30 to 75 miles in breadth and covers a total area of 7,625 square miles.

#### Comparison of Travancore with other Provinces or States.

2. In point of area Travancore occupies the nineteenth place among Indian States, while it comes third in respect of population. Hyderabad is eleven times as large as Travancore but it is only thrice as populous. Mysore, Gwalior and Ceylon are four times as extensive but the number of their peoples is only one and one half, three fourths and nine eighths respectively of that of Travancore. Baroda which is slightly larger in area has only less than one half of its population. In revenue Travancore ranks after Hyderabad and Mysore.

#### A land of enchantment and enlightenment.

3. To an outsider, Travancore is undoubtedly one of the most picturesque portions of the Indian peninsula. Lord Curzon who visited Travancore in 1904 observed that "in the whole of India there is no State with greater fertility of resources, with more picturesque surroundings, with ampler opportunities for work, with richer prospects of development." The outsider from the North or the East Coast who leaves behind him a weary length of arid and sunburnt wastes, will on entering this land be delighted with the refreshing contrast of its blue lagoons and ever green landscapes, whether it be the hill ridges that line its eastern borders or the more fertile plains and valleys covered with dense vegetation or the main coast line with its broken and craggy hills that jut out into the sea amidst palm groves that fringe the coast. To the outsider Travancore is certainly a land of enchantment and enlightenment.

#### Villages along roadside.

4. Another peculiar feature which again one notices is the almost complete absence of the type of villages with which one is familiar in British India consisting of a cluster of houses grouped together in one spot with large areas of uninhabited land surrounding it. On the other hand here in Travancore small little homesteads invariably surrounded by gardens or fields are found scattered over the whole land so as to make the State look like a continuous garden city. One of the

striking scenes which meets one's eye when one sees this land first is the continuous line of houses, shops, schools and places of worship on either side of the road along which one's bus or car carries him fast. Moreover each dwelling house will have its own small compound full of useful green trees and some crops. One cannot fail to be impressed with the schools that are neither few nor far between found dotted all along the roads in every nook and corner of the State. It is impossible to forget the sight that greets one's eyes and arrests one's attention even in country parts of the large "bunches" of children,—boys and girls—with their happy looks and bright faces dashing fast to schools to receive instruction in Vernacular or English with books and slates in their hands and with also a brass vessel in which is carried the noonday lunch. This would show how the school going population is provided with a big net work of schools to spread universal literacy all over the land. On mornings of Sundays, if one happens to be touring in villages in parts of Central Travancore, one is sure to come across knots of men and women who are hurrying with their bibles in one hand and children in the other, beautifully decked in silver white, though throughout the week engaged in field work. But while it is true that Travancore is both a land of enchantment and enlightenment, one has at the same time to admit that it has yet to become a land of bigger enterprise. The steadily growing change from agricultural life to the industrial life slowly discernible in the rest of India, has not yet found its counterpart or proportionate response in the general life of the State as a whole and the vast majority of its population is still wedded to the old and time-honoured industry of agriculture.

#### Administrative Divisions.

5. The State is divided into 4 administrative divisions and 30 taluks. The taluk is divided into pakuthies which form the unit of administration. There are 433 pakuthies in the State distributed over the 30 taluks. The pakuthi is again sub-divided into small units known as karas which correspond to the village in other parts of India. The total number of karas in the State is 3936, and the average extent of a kara is about 2 square miles.

#### Natural Divisions.

6. The State can be divided into 3 natural divisions according to its physical features:—(1) *The Sea Coast or Lowland Division* consists of flat stretches of low lands lying along the coast at sea level covered by dense coconut topes or plantations and extensive paddy fields and a continuous chain of lagoons with bars connecting them with the sea. These lagoons which are connected by canals provide cheap and easy means of communication along the entire littoral. No extremes of temperature are known in this area. The rainfall here varies from 35 inches in the extreme south to 110 inches in the extreme north. In this tract we come across a vast and most

picturesque area which is water-logged and which can only be compared to Venice. Children here go to school in small boats which they themselves ply and members of co-operative societies situated in this area have necessarily to use boats to go to the neighbouring houses or markets. This is a most charming spot, one of the most interesting scenes in India. We shall deal with its problems in other places in this report dealing with land improvement. This whole tract is called Kuttanad and it is here that the well-known punja cultivation which is a problem is carried on by a large number of landholders.

(2) *The Midland Division* consists of the hinterland lying between the mountainous region to the east and the sea coast. This area is higher in elevation and is dotted over with low hills and valleys which are mostly converted into paddy fields. The hill slopes are cultivated with cocoanut palm, in some places areca trees, tapioca, pepper, rubber, ginger and other dry crops. Rainfall in this region ranges from 55 inches to 140 inches.

(3) *Highlands Division.* This contains a long range of mountains of varying altitudes intersected by deep ravines and valleys whence the great rivers take their source. This area is mostly covered by thick virgin forest full of bamboos up to a certain height, very good teak and other valuable timber, but portions have been opened up for tea, rubber and cardamom cultivation on a very large scale. There is an English company that enjoys what is called a concession of a very large acreage under tea and has about 1,30,000 acres under its management. In these parts there are nearly 75 such plantations for hill produce of which 61 are for the cultivation of tea alone. It is an extensive area. Rainfall in this region is generally high ranging from 110 inches in the south to an average of 200 inches in the north.

#### **Population and its rapid growth.**

7. According to the Census of 1931 the population of Travancore which has doubled itself in the last fifty years, is 5,095,973. Of this total number 3,134,888 are Hindus including the Hindu depressed classes numbering about 9 lakhs, 1,604,475 Christians including the Christian depressed classes numbering about 8 lakhs and 3,53,274 Muhammedans. It is of interest to note that out of the total Christian population in India more than one fourth are to be found in the State of Travancore alone. The depressed, Hindu and Christian and backward classes together number 1,787,380 *i. e.*, nearly 18 lakhs or 35 per cent. of the population. The density of population is 688 per sq. mile in the State as a whole and it is as high as 1,482 per sq. mile in more populous areas.

#### **Spread of Literacy.**

8. In point of literacy Travancore is far ahead of all other Provinces and States in India excepting Burma and Cochin. About 41 per cent.

of her male population and 17 per cent of her female population above five years are literate. The State is spending on education every year on an average of something from Rs. 45 lakhs to 50 lakhs which is about 20 per cent. of her gross revenue and which is comparatively speaking the highest figure in India. The educational institutions in the State number a little over 4000 and it can be said that there is a school for every kara in the State.

#### **General Economic Condition.**

9. Land is the most important form of wealth in Travancore and agriculture is the main industry of the people. One finds that in large areas especially in the more populous districts there is greater density of population than the land can support. The evils of fragmentation of holdings are evident everywhere. The process of fragmentation has been considerably accelerated recently by the passing of Regulations providing for the partition of Tarwads (families) of the Nair, Ezhava and Nanjinad Vellala communities with the result that the vast majority of agricultural holdings has been rendered uneconomic. Such a rapidly growing phenomenon would soon necessitate the organisation of co-operative joint cultivation or co-operative consolidation of small holdings. It is estimated that 95 per cent of agricultural holdings in the State are uneconomic and the average indebtedness of a farmer is Rs. 32. This points to the urgent need for the development of commerce and industry to supplement the meagre agricultural income of the ryot and the present drop in prices has brought down suddenly the prices of land and crops as well. As already pointed out above the large majority of the population are still dependent upon the industry of agriculture, upon the production of agricultural wealth and incidentally upon the simple manufacture of its products. The only industry that is carried on on a large scale is the coir industry and this is confined to the coastal region as the required facilities are absent elsewhere. A large number of women find employment in this trade. Dr. Kunjan Pillai in his Census Report of the State for 1931 observes "that industrialisation at a more rapid pace will alone enable the country to provide means of subsistence to the growing population which could not possibly be absorbed by agriculture developing as it does rather slowly under many limitations and handicaps." It may be observed here that industrialisation may prove an unmixed blessing only if it is undertaken and organised in the true spirit and according to correct principles of co-operation.

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## CHAPTER III.

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### BRIEF SUMMARY.

Deviating slightly from the practice which is usually followed in such reports, we propose to give for the benefit of the readers a brief summary of the various chapters grouped into several parts in which the Report is divided. First we shall refer to the enquiry the conduct of which was left to us. We feel that there should have been an enquiry of a similar nature about the end of 1924, *i. e.*, ten years after the starting of this movement in the State.

#### Stock taking of 20 years' work.

2. In British India at any rate an exhaustive survey of the movement was entrusted in 1914-15 to the MacLagan Committee, soon after 10 years of the inauguration of the co-operative movement. Such an investigation ten years ago would have prevented in time those defects which it would take long now to remove. Thus, broadly speaking, the stock-taking of the movement from 1914 has been attempted by us so as to bring within our purview the growth of the last twenty years. The carrying out of the various recommendations made by us in this Report necessarily contemplates a period of five years. To achieve these results, we feel so much time would be quite necessary. Government will have to supply the sinews of war to work those reforms which we have advocated.

Though we believe that self-help and self-reliance, especially in the case of a movement like the co-operative are its main characteristics, we have felt it absolutely necessary to emphasize the need for greater State aid than what was hitherto made available by Government. We have mentioned that many of the grave defects could have been avoided if the State had provided long ago more men and more money in the shape of officers and liberal grants to secure better and closer participation on the part of the non-official workers in promoting the movement along sound lines. We have shown that, owing to the spread of a higher degree of literacy among the men and women of the State, there is proportionately a much larger percentage of population of the State brought within its fold by the movement but nowhere are the people so ill-served in respect of co-operative work as we have noticed here. This was mostly due to the neglect of co-operative education which is the root of the co-operative growth. We believe the soil here is as good as anywhere else; only it has not been properly treated, ploughed, manured and watered. We have shown that in other advanced Provinces in British India and Indian States their Governments have spent on co-operative work far more money than is the

case in Travancore. We do not desire to charge the Government with miserliness.

#### **Co-operation a factor of Adult Education.**

3. We know full well the State is spending here on the education of boys and girls something like 20 per cent of its income. Our only regret is that it has not been similarly liberal in respect of schemes for the education of its adult population especially in rural parts. The co-operative society, in our opinion, is a very potent means of adult education suited to the modern times and it requires today a much higher scale of expenditure than the present rate to secure its proper growth.

The present decadent condition of the co-operative work here may be due to a large extent, in common with other provinces of the country, to the world-wide economic depression as the most powerful external cause, but we do not feel that that is the only cause that is responsible for the decay and deterioration of the plant. For we are told that in the western countries notwithstanding the economic depression the co-operative movement has continued to give proof of the vitality demonstrated by figures published in the year Book of the International Labour Office for 1932. Thus for the loss of vitality of the movement here, we have searched for internal causes which are too numerous to mention.

#### **Support from outside models.**

4. We have throughout our Report referred to these causes suggesting measures for their eradication. In support of our suggestions we have freely drawn upon the information available from other sources in British India and Indian States where we have seen much better results obtained by the Governments of the respective States with the help of its official agency and the non-officials' co-operation. Proper encouragement on the part of Government would have brought forth the best available talent and sacrifice on the part of the people to labour cheerfully in this field. Proper and systematic training in the fundamentals of co-operation would have resulted in the right kind of co-operative spirit. It would have surely prevented the movement here from being "unco-operative". It would have directed it into proper channels to make it business-like so as to make it conform to the well-accepted canons of co-operative business.

Here members would have then not mixed up co-operative ideas with joint stock notions. One of the very common errors in co-operative transactions is the mixing of the short and long term credits and a strong temptation not only to utilise the co-operative society to borrow but to borrow far more for unproductive purposes and less for productive purposes. We have noticed that the credit-worthiness of the poor agricultural co-operators has not grown and he has not been enabled to utilise the movement for his good to the fullest extent. This unfortunate state of affairs engaged our serious attention and we have suggested remedies to cure this evil.

On the assumption that Travancore has the necessary man and woman power as also the intellectual equipment coupled with zeal for public work, integrity and sacrifice, we have very strongly advocated the policy of associating in a larger measure and in a closer relationship the men and women of this State with the department in all its aspects and phases.

#### **Co-operative Army.**

5. We feel that a body of 2,30,000 co-operators in the State (including therein an unusually large percentage of women) is no small accession of strength and following to the movement here. This is a large army of soldiers out to fight the demon of poverty and misery of the poor masses of the State. It needs very badly a large body of trained and well disciplined officers who must be found by the State to marshal and mobilize the people's strength. In the interest of the growth of the business habit among the people we have advocated a policy for the State to follow in regard to co-operative development; we have stated that whenever people are anxious and keen on running institutions of their own on co-operative lines and following strict co-operative practices and principles, the State should show them encouragement and not thwart their advance along right lines to serve the community at large by strengthening its economic basis to enable it to meet its various needs itself. That in our view is a case for Government cheerfully to appreciate and to assist. We have, therefore, taken it for granted that the resources of Government would be available for the steady and sure development of the co-operative movement along right lines and with due regard to safety.

#### **Land Mortgage Banking.**

6. We have advocated the slow introduction of the land mortgage banking system and have made very definite suggestions with regard to the all absorbing problem of the redemption of rural or agricultural indebtedness. We have tried to help the debt burdened co-operator by suggesting remedies to reduce his economic pressure and we have shown the direction both to the people and Government how best to pool their resources of men and money to bring relief to the oppressed. We have not fought shy of admitting the need of some kind of control and supervision by Government over the management of affairs of co-operative institutions for the development of which Government have voluntarily made many concessions and would be prepared, we believe, to show a much higher measure of state aid whenever a case is made for it. While, therefore, advocating the need of Government help in regard to both men and money we have not failed to urge that people should bear cheerfully their share of burden on the principle that *the state helps those who help themselves*. There are innumerable cases in which large classes of people like the depressed classes (among both the Hindus and Christians) have to be lifted up to breathe fresher air and to rise to the full stature of their height. We have appreciated the work of the numerous classes of teachers, but we have appealed to them



to lead the movement and not to act otherwise. We have not been slow to appreciate the great and noble services of a highly intellectual class of our citizens, the lawyers ; but we have by means of suitable changes in the legislation shown that simplicity and elasticity formed the main characteristics of co-operative enactments all the world over and the intention of the early framers of the Indian Co-operative Act. We have not antagonized the money lending class, we only suggest the justice of levying a suitably moderate rate of interest in our recommendations dealing with the establishment of what are described in the Central Provinces as Debt Conciliation Boards we have indicated the nature of the task of redemption of the very poor agriculturist's indebtedness, which is a veritable mill-stone round his neck, by showing how the Bhavnagar scheme has worked satisfactorily.

#### **Appeal to Women.**

7. So far as women are concerned we have appealed to them to come into the movement in larger numbers and to introduce the element of thrift in the movement, discourage unjustifiable expenditure, and to promote the habit of productive use of the money borrowed from the co-operative society. The Registrar of the Punjab in his report makes the following observations about women's co-operation: -

"The lesson of thrift cannot be made effective among men until it is learnt also among women."

#### **Strengthening the staff.**

8. We have urged the importance of making the Co-operative Department a major department and to bring its staff in line with other departments that are major. We have similarly suggested the need for raising the status and the pay of the Registrar and his staff. We have made recommendations for the augmentation of the staff for various types of work for which a need has been established ; we have also made it clear that no satisfactory results would flow forth if Government are unable to meet the demand for workers and the financial resources.

#### **Advisory Board.**

9. We have also suggested that to make the Registrar's work more fruitful he should have ample time to devote to the work of organization with the whole-hearted support of the leading workers in the movement whose advice would be available by suggesting the formation of an Advisory and Consultative Board to assist the Registrar but in no way to lessen or lighten his responsibility which must be solely his. The composition of this Board is left to Government to fix and theirs shall also be the task to secure men of wide experience and ripe judgment coupled with self-sacrifice to work on it. We have pleaded for efficiency on the basis of sound and systematic training for all workers enlisted in the movement so as to enable the departmental staff to render efficient and responsible service to the people. We have appealed to Government to render help to the movement which its importance first deserves and then demands. We have not advised Government to take up more responsibility and control than what, in our opinion, is justifiable and

necessary for them to feel the safety of their investments though the movement ultimately has to become democratic and popular.

#### **A minister's difficulty.**

10. We have not been materially swayed by the difficulty of the Swarajist Minister of the Central Provinces Mr. Chhaparde when he half seriously put the question to the Amraoti Conference of the most leading co-operators in the country and asked the conference to consider the question of the "benevolent dictatorship" of the Registrar. He observed "we have tried a kind of democracy in this movement and we might as well try a benevolent dictatorship to a certain extent for a time and see if we cannot improve upon the things as we find them. We all know that there are societies which persistently refuse to adopt disinterested advice given to them. The societies should be made more efficient by external pressure exerted on them. For instance, servants who have been found incapable of carrying out their duties and inefficient in administration should be liable to have their licenses cancelled, and it should not be within the competence of an objectionable servant to keep himself in office by gaining favours, strategies or otherwise. The management of a society should be liable to be superseded, if they are found to persist in mismanaging their affairs. This is calculated to secure uniformity and discipline. Allow me to bring to your notice that similar and such like powers have been granted by the Madras Legislature, and they are under contemplation of the Bihar and Orissa Government, on the recommendations of a popular committee."

#### **The mistaken distinction.**

11. We are of opinion that we are not such lost souls yet though it must be admitted that there is need for revision and reconsideration of the relative responsibility of each factor that has contributed to the weakness of the superstructure which must be strengthened. We have not shelved the responsibility but have tried to solve the difficulty. We have tried to suggest ways and means to obliterate the unfortunate distinction that has come to be made between the so-called officials and non-officials. Emphasis on such a distinction may have no meaning and justification in a State like Travancore unless we are told that a servant of Government in his own country develops the mentality of a foreigner. Rao Bahadur K. V. Brahma, C. I. E., the well-known co-operator in Berar, in his welcome speech to the All-India Provincial Co-operative Banks and Institutes' Conference, strongly criticised this wrong mentality. He said "I strongly deprecate the frame of mind which distinguished the official from the non-official. I feel that we must all be one fired by the same spirit to do good to the poor agriculturists on whose well-being depends the happiness of India and in whose prosperity lies the flourishing condition of the high and the low".

#### **Debt Conciliation Boards.**

12. In our anxiety to reduce the burden of the agriculturists' indebtedness we have tried to diagnose the disease and gauged the

vitality of the patient, and believe that we have not shifted the burden of their debts to wrong shoulders. We have left it to the composite boards of officials and non-officials to decide with proper guidance from the State when the time comes. Moreover, to provide for the creation of greater confidence in the minds of the public here and give them the feeling of safety and soundness of our proposals, we have thought it very desirable to provide for Government some degree of definite powers of supervision and control of the societies, their finance and their working as a result of some tendencies we have noticed and which we felt, were better restrained and corrected from now. Besides we have to express our views on this question as it formed the subject matter of a special term of reference. It is believed that such powers of supervision and control yielded to Government is in no way inconsistent with the spirit of democracy as it is understood at present in the West.

**“Free Institutions not incompatible with strong executive action.”**

13. In this connection Mr. Harold Butler, Director of the International Labour Office of the League of Nations at Geneva observes in his Report for the year 1933, as follows:—

“From the experiments already made, however, one further inference of some importance may be drawn, namely, that planned economy and an organised industrial system do not necessarily require a special type of political constitution for their realisation. Every piece of legislation under whatever form of Government involves some interference with individual liberty in the general interest, but, as innumerable instances have proved in the past, such interference can be introduced by consent as well as by compulsion. As has already been shown in the cases of Australia, Great Britain and the United States, very far-reaching measures have been taken for directing and organising the economic life of the community by democratic Governments and by the use of democratic procedures. These instances encourage the belief that the necessary degree of order and public control can be achieved by means of free discussion and agreement as effectively as by other methods. It may be that a prolonged political education is required before democracy becomes capable of imposing the self-discipline required, but past history, both of war and peace, affords ample proof that free institutions are not incompatible with clear policy or strong executive action.”

**Membership of Imperial Council of Agricultural Research.**

14. In view of the growing importance of the improvement of agriculture in the State and specially knowing how other Indian States, like Hyderabad, Mysore, Baroda, Bhopal and Cochin have benefited by the membership of the Imperial Council of Agricultural Research, we have endeavoured to suggest that the State should enlist itself as a member of that Council as also of the Imperial Council of Industrial Research newly proposed to be started by the Government of India. We feel

that the membership of both these bodies would result in great good to the improvement particularly of the coconut both on the agricultural and industrial sides.

#### **Central Coconut Committee.**

15. We have, however, to suggest that when and if there comes to be appointed by the Government of India at the instance of the Imperial Council of Agricultural Research - a body like the Indian Central Cotton Committee for the betterment of the coconut industry under the title "Central Coconut Committee", the State should join it. We would go very much further. Considering that more than one third of the total area under coconut cultivation in India lies in Travancore (*viz.*, 5 lakhs of acres out of a total of 14 lakhs for the whole of India of which 1,200,000 acres are in Malabar or the West Coast) the State should take a leading part in bringing into existence *The Central Coconut Committee* and pay gladly its quota or impose the levy of a small fee like the levy on Tea in India and Ceylon. The following figures relating to acreage under coconut will be useful. (1) India 14,00,000, (2) Philippine Islands 12,00,000 (3) Dutch East Indies, 10,00,000, (4) Travancore 5,00,000. We are much oppressed by the feeling that there is comparatively little activity here in Travancore. Ceylon which has an acreage of about ten lakhs has moved heaven and earth but here throughout the length and breadth of this State there has been inaction.

#### **Reserve Bank.**

16. Another very important suggestion we have to throw out to the State is itself to become a shareholder of the Reserve Bank which will soon be set up in British India by the Government of India. If ever it becomes possible for the Indian States to be linked even financially with the rest of India through the Agricultural Branch of the Reserve Bank, it should be possible for the State's Bank or the Central Co-operative Bank also to be benefited by any financial help it would require for the satisfaction of the agriculturists' needs through a debenture scheme in which possibly the credits of both the Government of India and the Government of Travancore might be united so as to admit the State's debentures when and if issued as Trustee securities under the Indian Trust's Act.

#### **Pan Kerala ambition.**

17. There is another matter of domestic interest to the people of Travancore to which we refer here though we have not made any definite recommendations as it did not come within the purview of any of the terms of reference to us by Government, but the matter has been discussed by several Co-operative Conferences both here as well as in Cochin. There is the spirit of provincial patriotism slowly surging all along the West Coast or Malabar. We would like to welcome it in the realm of wider co-operative activity for which there is a crying need in this part of the land. There is another matter of some importance to which our attention has been drawn and we would like to support the

idea and it would tend to bring the Travancore co-operators in touch with this, according to Gladstone, great "man-making" world movement which can claim more than 6 lakhs of co-operative organisations in its fold with a total membership estimated at 15 crores and which has at its command a very vast amount of working capital flowing through the veins of this great co-operative brotherhood. There is thus a demand voiced by the co-operators here from several platforms to have a public holiday called the *International Co-operators' Day* on the first Saturday in the month of November every year. This idea has been also supported by the Amraoti Conference of an all India significance which was held towards the end of June last. We would like to suggest in this connection that the Trivandrum Co-operative Institute here should utilise this day for holding large gatherings for propaganda purposes with the help of local co-operative organisations through its divisional and taluk branches, the supervising unions.

#### Financial aspect of proposals.

18. In the concluding portion of the Report we have added a full list of the several recommendations made by the Committee both to the Government and people and we have also suggested the appointment of a temporary officer called the Reorganisation officer to work under the Registrar and to give practical shape to those reforms advocated in this Report. We have of course suggested to Government some extra expenditure at the early stages and if Government were to accept our recommendations which we would strongly urge them to do, these will involve an expenditure of both non-recurring and recurring character spread over a period of five years to see the full effect of these proposals. There will be some outlay in the early stages which would be of the nature of long term investments in the case of co-operative colonies for the depressed classes. But barring the last mentioned class we have generally made our proposals with regard to the Government grants conditional, i. e., on the basis of 3 rupees to one rupee, considering both the neglect and starvation of some of the activities under the Co-operative Department. Roughly speaking and on the scale on which Mysore spends on this department the Travancore State according to the table given in Appendix V may have to treble its present expenditure of Rs. 63,000 but we have actually put it nearly at double the present scale of expenditure of the Co-operative Department of the State. While Mysore spends Rs. 0-14-9 per member of the society, Travancore spends only Rs. 0-4 4 per member. The table will give the reader a full idea of the comparative expenditure by the several Governments. There are other Provinces where even more than Re. 1 is spent by the Government on this department. Punjab spends Re. 1-6-0, while Madras spends Rs. 1-1-7 and the neighbouring State of Cochin spends per member Rs. 0-12-5.

We have in the course of the Report tried to deal with all the questions or terms that were referred to this Committee and a complete list of these would be found in our first Introductory Chapter.

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## CHAPTER IV.

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### BRIEF HISTORY

#### Introduction of the Co-operative movement.

The origin of the co-operative movement in Travancore is to be traced to the Co-operative Societies Acts of 1904 and 1912 of British India. But the circumstances which led to the enactment of co-operative legislation in British India were very different from those which led to it in Travancore. In British India successive Famine commissions had stressed the necessity of devising measures for rescuing the agriculturists from the grip of professional money-lenders, against whom there were several complaints of a very serious nature resulting in very violent disturbances in the Maharashtra Deccan of the Bombay Presidency. These agrarian riots in the Deccan attracted the notice of the Government of Bombay as also of the Government of India and the first measure of agrarian relief that was passed by Government was what is very popularly known as the Deccan Agriculturists Relief Act in about 1880 which had to be now extended to the whole of the Presidency and, what is more interesting, its provisions have been copied in several parts of British India and by several Indian States. Other agrarian measures followed soon in its wake to fill up the deficiencies noted in its working. Two enthusiastic Indian civilians had started in the United Provinces and the Punjab a few societies on the model of the German co-operative societies without any legislative or Governmental aid. The Government of Madras had by this time published a monumental report in two volumes by Mr. (now Sir) Frederick Nicholson on co-operative and land mortgage credit in Germany to which country he was specially deputed by Government for making a special study. Lord Curzon's Government, therefore, had as a result of this wide spread demand for agrarian relief, appointed a small and influential committee under the chairmanship of Sir Edward Law to advise as to whether co-operative societies of the western type could with advantage be introduced into British India. The Committee, while strongly recommending their introduction, were of the opinion that special legislation to aid it was necessary and included in their report a draft bill, on which the Co-operative Credit Societies Act of 1904 was based.

#### Sources of Credit other than Co-operative.

2. There were two possible sources of credit available to the indigent agriculturists, viz., (1) the "astute" money lender and (2) the system of tagavi or taquavi loans from Government. There were no joint stock banks in existence in rural parts of British India at that time.

But here in Travancore there did exist a class of money-lenders called the 'Hundi merchants' not very numerous, and a few others as well who supplied the credit needs of agriculturists to some extent. Their rates were comparatively high ranging from 12 per cent to 24 per cent which in a few cases went up to 40 per cent. Besides, their methods of calculation were not quite straight but dubious. This is a common feature with all money lenders as is amply borne out by the Simla Traders' Association very recently in their reply to an official letter from Government calling for their views on the Punjab Relief of Indebtedness Bill now before the Legislative Council of the Province. The President of the Association in the course of his letter says:— "The money lenders are so astute that they will always be able to devise a method of getting over the provisions of the Bill and defeat its purpose." But that is only by the way. Some of the joint stock banks lent money at somewhat similar rates and sometimes at even lower rates on the pledge of jewels; but their help is not suited to the seasonal requirements of the agriculturists, for the bank's investments are only for short periods and these banks would not care to get their capital locked up. Moreover, there does not seem to have existed here the system of taquavi agricultural loans by Government in active operation to be used as an important and potent factor of help to the agricultural classes from the State as the present system seems to have been brought into vogue by Regulation IX of 1094, five years after the introduction of the Co-operative Societies Regulation No X of 1089. Thus, with the growing recognition of the importance of the agricultural industry and its varied needs there was no corresponding improvement in the provision for facilities that were made available to the poor farmers to get cheap and facile credit. Not that there were no joint stock banks here. There is a very large crop of them in this State probably the largest in the whole of India, speaking broadly. We would illustrate this point better by quoting two important facts to show that even though these banks existed they were not suited to satisfy the needs of the small agriculturist. For instance, the President was told in the course of his tours that at Thiruvella there existed about 42 joint stock banks or their branches and within the radius of a mile from Chengannoor there were about 13 joint stock banks. But these were beyond the reach of the small farmers.

#### **Co-operative system better suited.**

3. It was thus being slowly realized even here as elsewhere that the only method best suited to meet the agriculturists' needs was the co-operative system; and that might be one of the reasons which must have impressed the late Sir P. Rajagopalachari who was the first Registrar of Co-operative Societies, Madras Presidency from which place he came to Travancore as Dewan in 1907. After a good deal of discussion in the Press and the Council a measure came to be introduced

in 1087 M. E. (1912 A. D.). It took the ultimate form of a Regulation called the Co-operative Societies Regulation X of 1089 and was passed in 1089. ( 1914 A. D ) just towards the end of his administration as Dewan. We have mentioned this fact as an important landmark in the history of this movement in the State.

#### **Introduction of Co-operative system in Travancore.**

4. In Travancore, it was neither famine nor usury, nor a healthy desire to emulate British India that was the immediate cause of the introduction of the co-operative movement. Mention has been already made of some of the predisposing causes.

During the seventh session of the Sri Mulam Popular Assembly in 1911, a representation was made regarding the mis-management of joint stock companies, in which it was urged that they should be brought to some extent under Government control in the interests of the public. While declining to interfere with joint stock companies, the Government, however, directed in G. O. No. 235, dated 7-12-1911, the Legislative Department to take steps for the enactment of a Co-operative Societies Regulation on the British Indian model. A Bill was drawn up, put through the various stages and passed by the Legislative Council on the 3rd March 1914 and received the assent of His Highness the Maharajah on the 4th April 1914. The first Registrar, the late Mr. C. Govinda Pillai, B. A., B. L., was appointed in November 1914 and after undergoing training in Madras for some months began his regular duties in August 1915. The Rules under the Regulation were published on the 17th November 1915 and the first society *viz*., the Trivandrum Central Co-operative Bank Ltd. was registered on the same day.

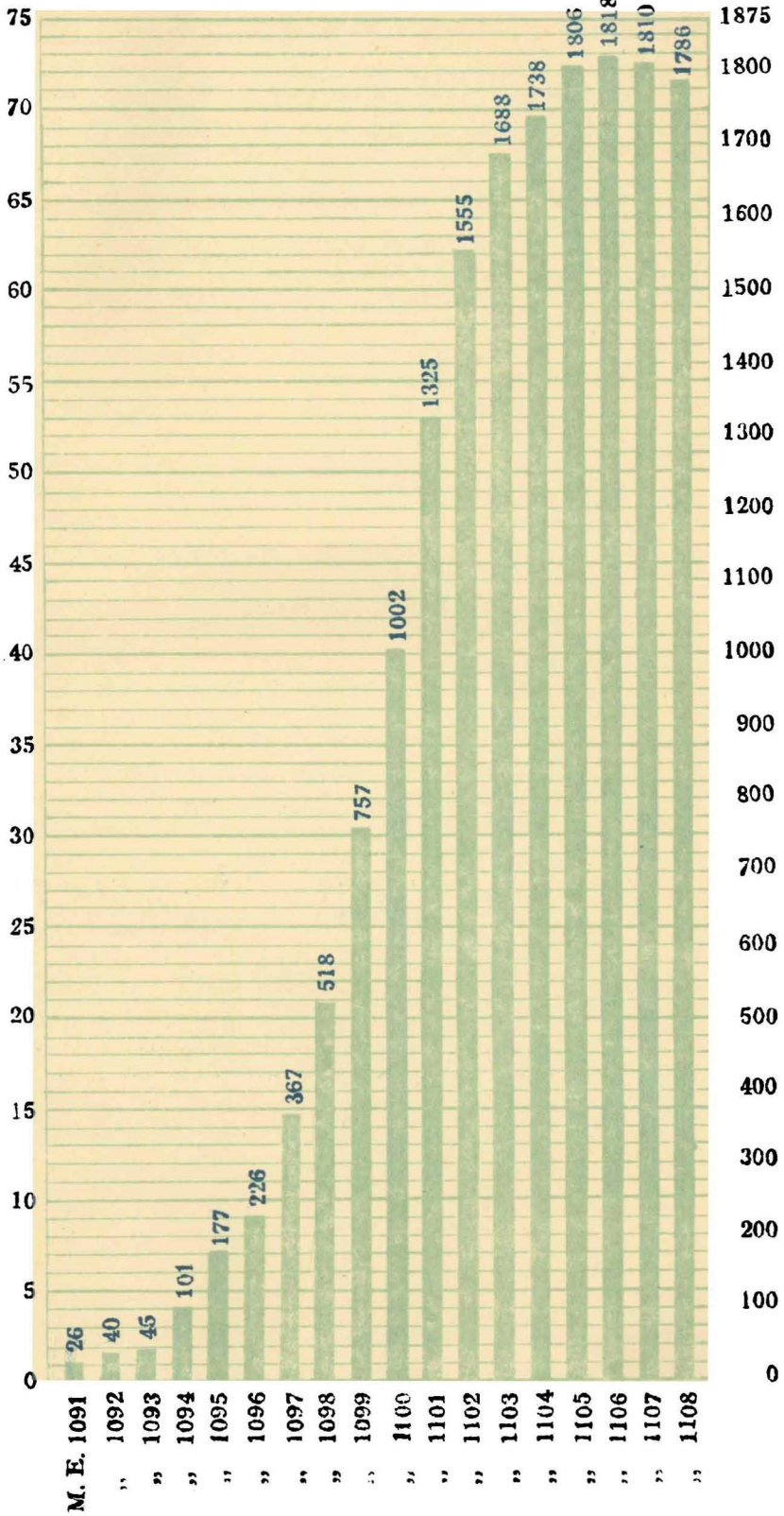
#### **Rapid Progress.**

5. Before the year (1091 M. E) ended 26 societies were organised, of which one was the Central Bank, 18 were agricultural and 3 non-agricultural credit societies, and 4 distributive societies, including the one at Trivandrum known as the Trivandrum Co-operative Distributive Society Ltd., No. 4. which continues to be the biggest of its kind in the State. The bylaws of these societies were naturally framed on the Madras model. The credit societies were organised with a nominal share capital of Re. 1 per share to be paid in full on admission. The profits were all carried to the Reserve. But after two or three years the Central Bank was found unable to finance the new societies and, therefore, the value of the share of the primary societies was raised with provision to pay it in easy instalments. The paid-up share capital grew and with it the demand for dividends. The indivisibility of profits which was the necessary concomitant of societies with unlimited liability basis had, therefore, to be given up. In the early years of the movement the Registrar and the staff attended to the propaganda work. The line of least resistance was



# NO. OF SOCIETIES

*1 Small Division = 25 Societies*



always followed and where there was hesitation or unwillingness at attempts in the direction of organisation were dropped. The necessity of exercising great caution in the organisation of new societies till those already started were on a sound and business-like footing was impressed upon the Registrar by the Government from the commencement of the movement and the Registrar seems to have strictly followed these directions. The increase in the number of societies was not, however, accompanied by a proportionate increase in the staff of field inspectors. Supervision and audit work took much of their time. Roughly six months out of twelve had to be strenuously devoted to the rectification of societies by the eradication of evils and improvement of defects already noticed. Thus, very little time was left that could be devoted to propaganda work of a sustained and systematic character. With a view, therefore, to delimit the activities of the department to the statutory requirements of the Regulation and to enlist non-official workers to undertake endeavours for promoting propaganda, organisation and supervision, a Supervising Union was registered in the year 1097 (1921-22). This was the first organised beginning of non-official help in the form of Supervising Union. The encouragement given by the Government in the shape of subsidy to the extent of three-fourths of the pay of the supervisors accelerated the development of these unions. Within five years from the date of the formation of the first union, the number of unions reached the figure of 26. Two more unions were subsequently registered, bringing practically all the taluks of the State under the influence of these unions. The fact is worth noting here in passing that till some years back Government used to pay a total contribution of Rs 5,000 to a dozen unions; but although their number has been more than doubled the contribution of Government towards their maintenance has not only not increased but has been very much reduced, to the great deterioration and detriment of the movement. In addition to these unions three Honorary Organisers were appointed in the year 1099 with provision to claim travelling allowance for their journey. Their number was subsequently raised to twenty, but the discontinuance of travelling allowance put a strain on their enthusiasm for the work and this class of workers has now been finally abolished. The unions and the honorary organisers did much in their own way to organise fresh societies and their number rose from 367 in 1097 to 1688 in 1103, the average rate of increase per year being more than 200. The present unsatisfactory working of the societies has mainly to be attributed to this hasty multiplication unaccompanied by regular propaganda and systematic education. The Registrar was forced to cry halt since, and within two years fresh registration of societies was practically put an end to.

#### **Uneven Distribution of Societies.**

6. It will be seen from the accompanying map of Travancore published by the Co-operative Department in its last Annual Report

to show the distribution of co-operative societies in various taluks of the State that the societies were not evenly distributed among them. For instance in the taluks of Shencottah, Thovala, Thodupuzha Pathanapuram and Kottarakkara, the number of societies is not proportionate to their area and population. In some of the taluks in the central and northern divisions there is a society for every one and a half square miles and for a population ranging between 1700 and 2000. Attempts should therefore be made to increase the number of societies in the backward taluks so as to bring them on a par with the taluks which are co-operatively advanced.

#### Communal Societies.

7. One of the striking features of the co-operative movement in the Travancore State is the existence of communal societies. At the end of 1108 M. E. there were 715 of them distributed among the different castes and communities as follows :—

<i>Caste or creed or community.</i>	<i>No. of societies.</i>
Nairs	183
Christians	137
Brahmins	2
Ezhavas	95
Vellalas	11
Fisherfolk	28
Arayas or Valas	66
Artisans	31
Cheramars	102
Sambavars	23
Muslims	12
Weavers	10
Miscellaneous	15
<b>Total</b>	<b>715</b>

The tendency to form communal societies is discernible even from the first year of the movement, for out of the 26 societies registered in that year 3 were communal ones. The partiality for communal societies became so manifest in the subsequent years that in the year 1100 (1925) the Registrar had to issue a circular to all the inspectors, unions and honorary organisers, exhorting them not to countenance the organisation of communal societies. The circular became the subject matter of severe criticism in the Legislative Council

and fierce controversy in the Press; and though the principle was accepted by that august body still there are no distinct signs that the zeal for exclusive and communal societies has waned. Such was also the case in the beginning in some other provinces of India but with the surging wave of broader nationalism this tendency is now on the decline. Besides, the present policy adopted by the department to discourage their organisation or registration is more or less justified by the views held by a large number of witnesses examined by the Committee. This policy is further strongly supported by the late Dewan Bahadur L. D. Swamikannu Pillai, the second Registrar of Co-operative Societies in Madras, in his presidential address to the 3rd All-Travancore Co-operative Conference held at Trivandrum in 1924.

To the organisation of separate societies for poor people like the different castes of fishermen, depressed classes and even the artisans, however, no objection need be taken. But not so with the Nayars, Christians, Brahmins, Vellalas and Ezhavas who are pretty well advanced in education. Exclusiveness of membership is repugnant to the spirit and principles of co-operation and the sacrifice that the Government make in the shape of remission of stamp fee, income-tax, etc., are not intended to benefit any particular class or sect of people at the cost of the general tax-payer. The department should, therefore, set its face resolutely against this unwholesome tendency.

#### **Preponderance of Credit Institutions.**

8. The second special feature in the growth of the movement in Travancore, in common with other parts of India, is the predominance of agricultural credit societies. This is as it should be. The majority of the people live upon agriculture: and credit forms today their principal need; consistently with this knowledge the co-operative department could not be said to have lost sight of the great need and importance of non-credit development. Several distributive societies were organised, but all except one or two met with colossal failure. The attempt made to improve the lot of the weavers by the joint purchase of yarn and sale of their produces through a central agency started at Trivandrum proved abortive and the one formed at Colachel for similar purpose, though now working, has not come up to the expectations entertained. The Travancore Central Produce Co-operative Society formed at Alleppey with the object of storing and exporting cocoanut and its products such as copra, coir, mattings &c., belonging to its members, was not able even to start work in spite of repeated attempts made by the department, the local and neighbouring unions and other non official workers. The results in other directions were equally unsuccessful. We are of opinion that the existing staff available for such work is quite inadequate to cope with the problem and in order to meet the need for such important development, Government must soon take up the question of supplying more men for work in this field with experience and technical knowledge, and unless that is done we do not think that anything substantial can be achieved by the

department. Thus, the growth of the movement from year to year is shown in the table given below :—

TABLE I.  
*Growth of Societies.*

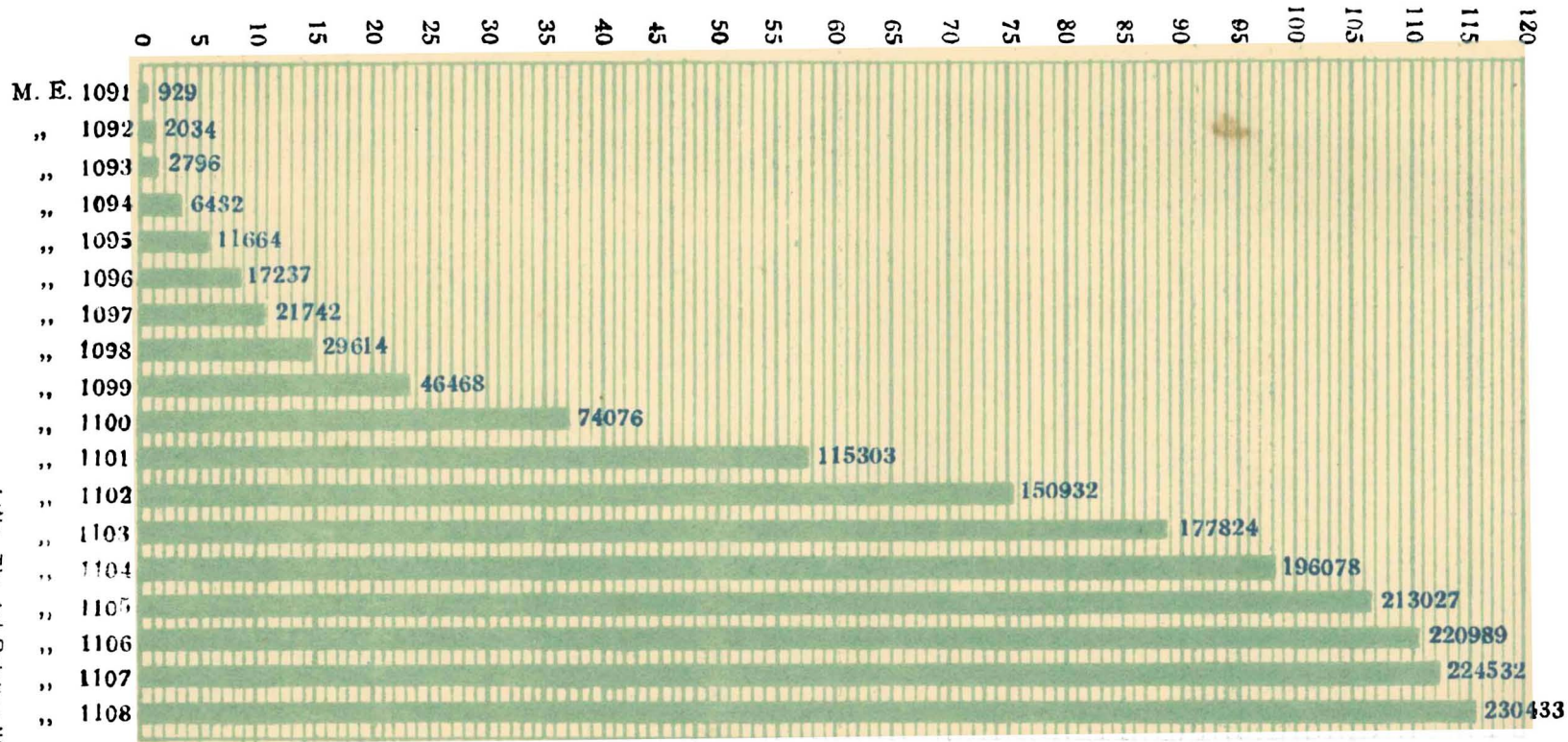
Year.	No. of Societies	No. of Members.	Working Capital	Reserve Fund.
1091 M. E. (1915-16)	26	929	74,986	261
1092 „ (1916-17)	40	2,034	1,37,122	2,042
1093 „ (1917-18)	45	2,796	1,50,527	4,933
1094 „ (1918-19)	101	6,432	1,87,896	8,030
1095 „ (1919-20)	177	11,664	2,59,060	15,648
1096 „ (1920-21)	226	17,237	3,37,921	23,793
1097 „ (1921-22)	367	21,742	4,16,434	33,646
1098 „ (1922-23)	518	29,614	5,61,216	44,608
1099 „ (1923-24)	757	46,468	8,33,116	69,404
1100 „ (1924-25)	1,002	74,076	16,72,659	1,02,560
1101 „ (1925-26)	1,325	1,15,303	23,89,392	1,56,770
1103 „ (1927-28)	1,688	1,72,424	42,59,281	2,98,806
1104 „ (1928-29)	1,738	1,96,078	52,75,865	4,25,649
1105 „ (1929-30)	1,806	2,13,027	63,74,901	5,62,900
1106 „ (1930-31)	1,818	2,20,989	69,33,897	7,25,616
1107 „ (1931-32)	1,810	2,24,532	77,38,633	8,90,351
1108 „ (1932-33)	1,786	2,30,433	85,21,518	9,41,891

**Comparatively High Membership.**

9. The total number of members in 1108 (1932-33) in all societies was 2.30 lakhs which comes to 4.5 per cent of the population of the State. How it stands compared with some of the British Provinces and Indian States is shown below :—

(The figures are taken from the latest issue of Statistical Statements relating to the Co-operative Movement in the whole of India published by the Government of India for the year 1931-32.)

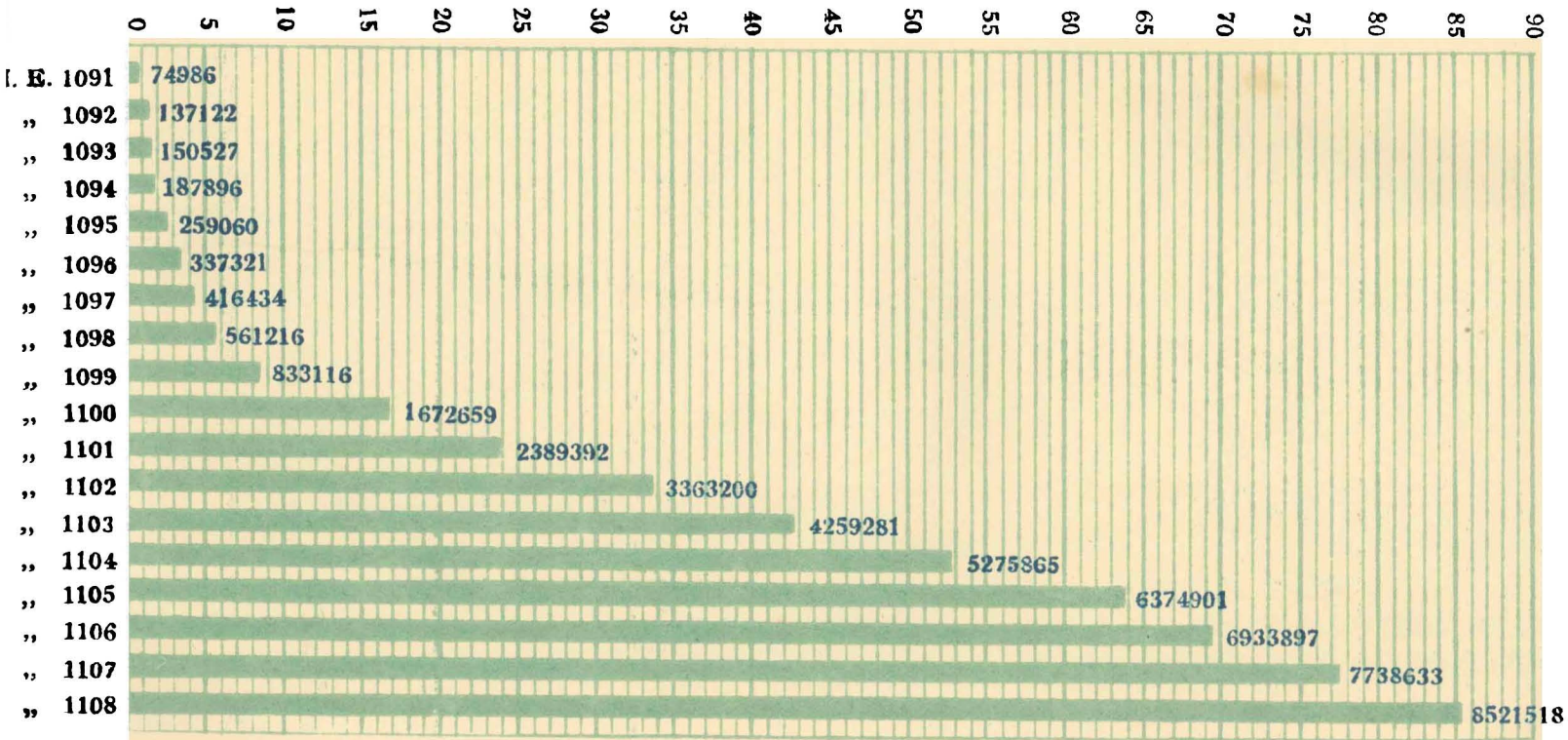
**NO. OF MEMBERS**  
*1 Small Division = 2000 Members*



*Litho, The Art-Printing Works.*

**WORKING CAPITAL**

*1 Small Division = Rs.100000*



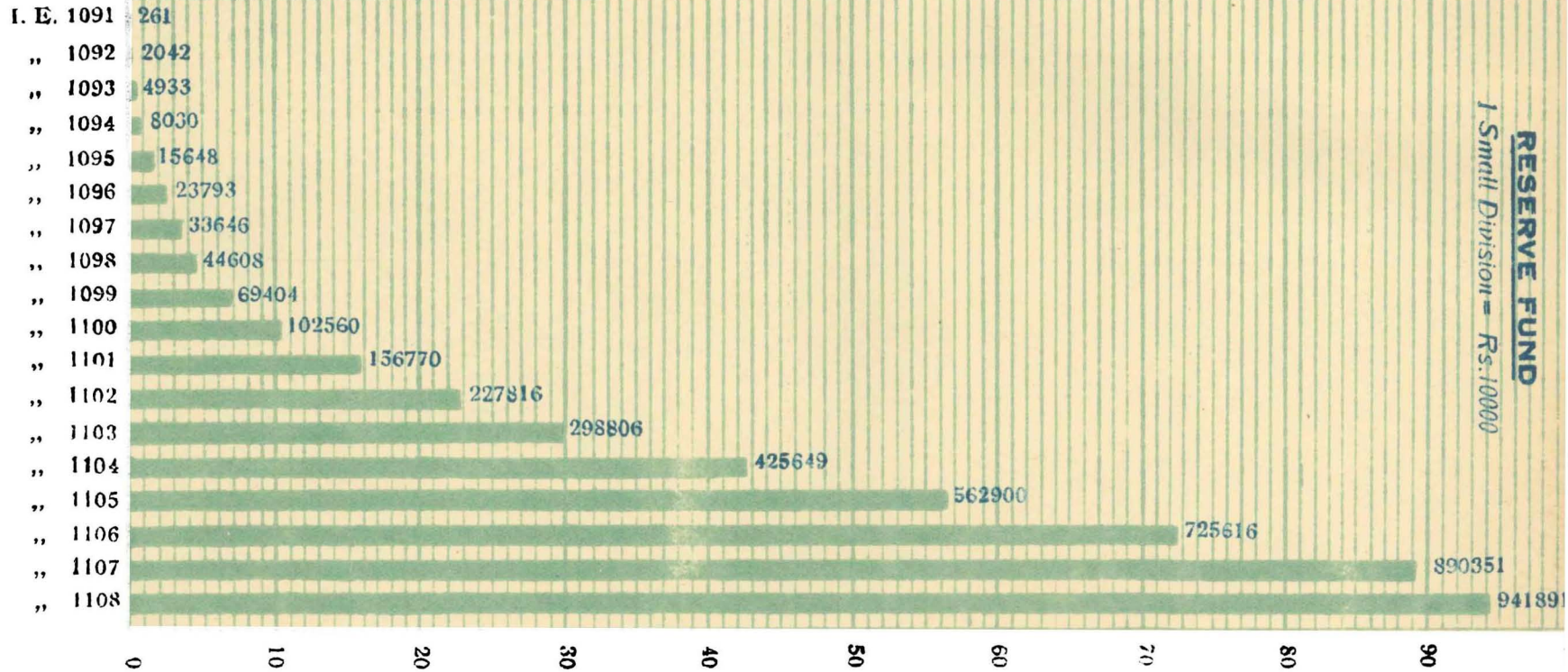




TABLE 2.

Province or State.	Population in millions.	Total No. of societies.	No. of Societies per 10000 inhabitants.	Total No. of members in primary societies.	No. of members of primary societies per 1000 inhabitants.
Bombay	21·9	5,878	26·8	568,173	25·9
Madras	46·7	14,539	31·1	939,058	20·1
Baroda	2·4	1,063	43·3	38,232	15·9
Mysore	6·6	2,181	33·0	139,547	21·1
Cochin	1·2	246	20·5	24,992	20·8
Travancore	5·1	1,818	35·6	222,334	43·6

The average membership per primary society was higher in the State than in other Provinces and States as will be seen from the following table. To further illustrate this point we would like to add that in some parts of this State there are societies in villages in which the membership sometimes goes up to even the figure 600 and it is seriously questioned how the essential of mutual knowledge could be secured in such cases.

TABLE 3.

*A comparative Statement of membership in primary Societies for 1931-32.*

Province or State.	No. of primary societies.	Total membership of primary societies.	Average membership per society.
Bombay	5,740	568,173	98·9
Madras	14,075	939,058	66·7
Baroda	1,056	38,232	36·2
Mysore	2,167	139,547	64·4
Cochin	245	24,992	102·0
Travancore	1,789	222,334	124·3

From these figures the conclusion may well be drawn that so far as the number of societies and their membership are concerned the position of Travancore may look somewhat satisfactory; but in respect of working capital in the movement the position is by no means encouraging, as will be seen from the figures given in the following table. It has been constructed from the figures given in the Statistical Statements published by the Government of India, referred to above. In our table we have eliminated the duplication of figures by omitting loans and deposits from societies, and have taken into calculation the real working capital in the society.

TABLE 4.

State or Province.	No. of Members.	Share Capital.	Deposits from Members.	Deposits from Non-members.	Government Loan.	Reserve Fund.	Total working Capital.	Working Capital per member
	(1000)	(Rs. 1000)	(Rs. 1000)	(Rs. 1000)	(Rs. 1000)	(Rs. 1000)	(Rs. 1000)	Rs.
Bombay	538	18,652	29,609	29,688	50,34	11,174	94,157	175
Madras	939	23,635	8,913	55,831	34,50	14,028	1,05,857	113
Baroda	38	637	1,132	1,471	5,41	1,047	4,823	127
Mysore	140	4,976	3,663	2,858	3,90	2,580	14,467	103
Cochin	25	321	319	371	26	349	1,386	55.5
Travancore	222	3,465	678	1,022	45	775	5,985	27

N. B. In the above table large sums are noted to have been advanced by Government for long term purposes to societies like House Building Societies, Takavi Loans, and other non-credit developments.

**Comparatively low Working Capital: No credit, no debt.**

10. From the above table it will be seen that while the working capital per member was Rs. 175 in the Bombay Presidency and Rs. 127 in Baroda and more than Rs. 100 in Mysore and the Madras Presidency, it was only Rs. 27 in the State of Travancore; while in the small neighbouring State of Cochin it was Rs. 55. In other words, the member of a society in Travancore is financed by it to a very much less extent than is the case in British Indian Provinces or in progressive sister Indian States. It may sometimes be argued to explain this phenomenon that the societies or its members were above want. But from our intimate knowledge of their low economic condition the proper inference would be that there are some difficulties in the way of members getting adequate finance from their society. This may be due either to a very large membership and very limited working capital or unwillingness to allow the members to borrow on the part of rich members on the managing committee of the society owing to the fear of unlimited liability, or it may be due also to the truth of the dictum "debt follows credit." On this point the Bhavnagar Khedut (villager) Debt Inquiry Committee, observes on page 4, Section 1 of the Report on Redemption of Agricultural Indebtedness in Bhavnagar State :—

"Further, paradoxical as it might seem, the Committee came across numerous cases of Kheduts (farmers) being free from debt, not because they had no pressing need to borrow, but because they were so poor and their credit so low that no sowcar (money lender) would care to lend them any money. The truth, of the dictum 'debt follows credit' has been often noticed. But the reverse proposition is not always true. On the contrary, lower and less credit only spells the imposition by the sowcar of harsher and more usurious terms for his loans. But extreme poverty and total absence of credit, while they accentuate the need of borrowing, often result in freedom from debt, thus partially establishing the reverse dictum "no credit-no debt." This paradoxical phenomenon of Kheduts being free from debts because none would care to lend them, should further warn us, against basing any general inference of economic wealth and prosperity on the fact of 55 per cent of Kheduts being classed as debt-free." Thus the deficiency in Travancore in respect of deposits from members and non-members, compared with the other States and provinces in the above table is very noticeable. While in Bombay, Madras, Baroda and Cochin these deposits exceed the owned capital plus the reserve fund, from one to three times, in Travancore they are only two-fifths of the owned capital. These points become even clearer when we restrict our comparison to the working capital of the members of agricultural societies only, for whose benefit mainly the movement has been introduced in the different provinces and States in India. The following table is constructed again from figures taken from the Statistical Statements for 1931-1932. In this table owned capital represents the share capital and the reserve fund and borrowed capital represents loans or deposits from members, non-members, financing banks or other societies and Government.

TABLE 5.

*Working Capital of the Agricultural Societies.*

Province or State.	Population in Millions.	No. of agricultural societies.	No of members in agricultural societies. (in 1000 nearest).	Owned (Share Capital plus Reserve Fund)	Borrowed.	Owned per Member.	Borrowed per Member.
				(Rs. 1000)	(Rs. 1000)	Rs.	Rs.
Bombay	21.9	4839	322,000	10,189	23,908	31.6	105.3
Madras	46.7	12560	675,000	14,085	45,195	20.9	67.0
Baroda	2.4	871	25,000	854	2,710	35.4	108.4
Mysore	6.6	1774	72,000	2,263	3,045	31.4	42.3
Cochin	1.2	140	12,000	246	532	20.5	44.3
Travancore	5.1	1412	165,000	2,633	842	16.0	5.1

**A Case for Close Enquiry.**

11. Thus, it will be seen how exceedingly small is the borrowed capital per member of an agricultural society in Travancore as compared with any other State or province in the table.

It cannot be said that conditions are so different in this State of Travancore that deposits would not be forthcoming here in the same degree as in other States and provinces. If there had been a greater demand for finance from the primary societies, we believe the flow of deposits into the financing banks and the societies could have been easily stimulated. That should certainly be expected where subscriptions to chitty funds amount annually to several crores and where joint stock banks are perhaps more numerous than anywhere else in India. We are, therefore, obliged to conclude that either the members are unwilling or are not allowed by the managing committee, as we have been told by some witnesses, to make as much use of the society as their confreres elsewhere in India do. This aspect of the movement requires the most careful consideration of the official and non-official co-operators in the State.

**PART II.**  
**FINANCIAL CHAIN.**

## CHAPTER V.

### THE FINANCIAL CHAIN

#### THE TRIVANDRUM CENTRAL CO-OPERATIVE

##### BANK Ltd., No. 1.

##### History and Growth.

The Trivandrum Central Co-operative Bank was the first co-operative society to be registered in the State. It was registered on the 23rd November 1915, the day on which the Rules under the Co-operative Societies Regulation X of 1089 were published. Its main object was to finance the primary societies when they came into existence though like other sister institutions elsewhere, it was also intended to serve as a balancing centre for the surplus funds of its constituent members and to grant cash credits along with loans to affiliated societies. The fact that its organisation took place prior to that of any primary society obviated the necessity of Government making direct loans to primary societies when they were started later. During the first two years the Travancore Government advanced a sum of Sircar Rs. 50,000 to the Central Bank at 5 per cent to be repaid in four annual equal instalments to enable it to finance the primary societies. In spite of this aid from Government and the fact that some very prominent non-officials were associated with its management from its very inception, the Bank made little progress during the first six years. In the year 1096, the sixth year of its existence, it had only 116 individual and 81 society members, who between them had taken up only 372 shares of the value of Rs. 100 each out of the 1,000 shares with which the Bank was started. These members had paid Rs. 19,640 as share capital. The total amount of fixed deposits from members as well as non-members then was a very poor sum of Rs. 500 and that of current deposits only Rs. 1,191; while the working capital including the Government loan stood at Rs. 82,404.

2. But after Mr. Vaidyalingom Pillai took charge of the department as Registrar in 1097, and with the election of Mr. (now Rao Saheb) T. Padmanabha Rao as President of the Bank, it started on a more vigorous career and showed remarkably rapid development. Eleven years later *i. e.*, at the end of 1108 (1932-33), its membership consisted of 2,692 individuals and 698 societies, who had taken 5,343 and 2,003 shares respectively, and had paid up Rs. 1,08,810 and Rs. 42,370 respectively as share money. The improved financial position of the Bank enabled it to repay the Government loan before the appointed time for its repayment. Its working capital had by that time risen to more than Rs. 20 lakhs of which Rs. 14.32 lakhs consisted of deposits from individuals. They are shown below classified as deposits of various kinds from members and non-members.

<i>Kind of deposit.</i>	<i>Members.</i>	<i>Non-members.</i>	<i>Total.</i>
	Rs.	Rs.	Rs.
Fixed	6,98,052	2,90,977	9,89,029
Current	2,01,279	1,69,969	3,71,248
Provident	5,867	13,190	19,057
Savings	29,968	23,885	53,853
	9,35,166	4,98,021	14,33,187

Considering, however, the development of such institutions in other parts of India and Indian States, one should have ordinarily expected to see much bigger growth and more varied lines of activities: we shall, however, refer to these points at a later stage in this chapter. Some of the Urban Banks in Bombay show transactions similar in bulk and greater in variety. The reserve funds of societies invested with the Bank amounted to Rs. 2,03,411, while Rs. 3,462 represented other funds of societies with the Bank.

#### The Ideal of a Central Bank.

3. The ideal of a co-operative central bank as is being daily realised is to have its membership composed entirely of societies or institutions financed by it. In the opinion of many it should now be confined only to them. But more particularly that must be the case with an apex bank which will have only central financing banks as its members. The Trivandrum Central Co-operative Bank is really in the position of an apex bank now, and we are, therefore, of opinion that its membership should be confined to the taluk banks and other affiliated financing institutions. This principle is now being increasingly recognised all over India and its spirit is slowly being put into practice where it did not already exist. Almost all co-operative central banks and also the apex banks, though they retain the membership of individuals for their help and guidance in a number of ways do not grant them loans except on the security of their deposits, just as in the case of non-members. In this connection we may quote Sir Lallubhai Samaldas, Kt. C. I. E., our veteran co-operator, from his presidential address at the VII All-Travancore Co-operative conference held at Neyyattinkara in December 1932: "I find from my experience of somewhat similar institutions in my Presidency that advances to individuals and to societies do not generally go well together and apart from this theoretical objection it is recognised that this type of intermixture of business breeds, sooner or later, a conflict of interests which is detrimental to the movement." We do recognise, however, that if the interests of the Bank are not to be prejudicially affected, a considerable length of time should be allowed for the attainment of this goal. The taluk banks should be given sufficient time to enable them to replace the share capital now contributed by individuals and primary societies should they be keen on realizing that ideal. We think that a period of 15 years in this case would not be unreasonably long for the purpose of achieving what in the system of Federal Farm Loans in

America is styled as "Retirement of Shares." We, therefore, recommend that hereafter no individuals should be admitted as members and that the existing individuals and primary societies should be gradually eliminated from membership in about 15 years. One fifteenth of the number of shares held by them at present may be eliminated annually by voluntary surrender or the drawing of lots, the Bank paying in full the paid up value of those shares together with any dividends that may have accrued up to the date of payment. A provision similar to this is contained in the bylaws of the Mysore Provincial Apex Bank for the elimination of preference shares held by individuals. The primary societies and individuals so eliminated would be able to join taluk banks and urban banks in their respective areas and obtain from them the services they were getting from the Central Bank. If however there be any areas where such banks do not exist, the Central Bank should take steps for their organisation in those areas.

#### **One man, one vote.**

4. Under the present bylaws society members of the Bank are allowed as many votes as they have taken shares, while individual members have only one vote each, irrespective of the number of shares held by them. Originally the individuals and the society members were on a par, each having one vote only. The change was made 3 or 4 years ago probably for the purpose of counteracting the preponderating influence of individual shareholders at the general body meetings and this system is in vogue even now. Plural voting, whether by individuals or by societies, is against the spirit of co-operation, because "a co-operative society is an association of individuals with equitable participation and control; it is not a union of capital, but of persons; hence an essential element in any true co-operation is that one man should have one vote only, and this is regarded by nearly all authorities on the subject as a fundamental principle." This principle has now been incorporated in the newly amended provincial Acts of Bombay, Burma and Madras and a like amendment has been suggested by us in Section 13 of the Travancore Co-operative Societies Regulation X of 1089. We, therefore, recommend that the bylaws of the Central Bank that provide plural voting should be suitably amended. One of us accepting as he does the principle, feels however that in the Central Bank the present system of plurality of votes for the society members must continue till 50 per cent. of the individual members are eliminated.

#### **Election to the Board of Management.**

5. The present Board of Management consists of 21 members of whom 7 represent individuals and 14 societies. The election takes place once in 3 years, the individuals and the societies electing their representatives separately. Though this practice has been in vogue for several years past, its correctness was questioned at the last annual general body meeting of the Bank when elections fell due. It is amusing to note here in passing that its sittings lasted for full 25 hours



spread over three days and this suggests the urgent need for framing bylaws to regulate elections and the conduct of annual general meetings. We are of opinion that the present practice is sound and should be continued. It must be admitted, however, that the bylaw is not free from doubt, and we, therefore, recommend that it be so amended as to make it clear that election of the representatives should be at the meeting of the general body by each group of voters recording their votes separately. Each group should be exclusive and no member should be allowed to exercise votes in more than one capacity at the same time. There is need for rules to govern the conduct of elections being made under the Regulation and for subsidiary rules for elections in institutions of the type of central banks.

#### Composition of the Board.

6. In this connection we think it desirable that a change in the composition of the Board of Management should be effected so as to introduce an element of nomination by the Government to remove any deficiency of communal or regional representation. This may also be of help to obtain when need be, financial aid from Government and to create a higher degree of confidence in the minds of the investing public. We are aware that it is against the spirit of co-operation to stress communal or other differences, nor is it in strict consonance with the spirit of advancing democracy in co-operation here or elsewhere. Still, nowhere has the need for official association or the right of Government to control or supervise the growth of the movement been denied altogether. With the unfortunate growth of communal consciousness prevailing all round, it is our belief that the provision for the removal of any such deficiency in representation, would tend to lessen rather than enhance communal bitterness and secure greater sympathies and co-operation on the part of the general public and Government. The object, in our opinion, is best served by the power of nomination being vested in Government, which is bound to take a deep interest in so important a limb of the co-operative movement as the Central Bank in Travancore. There are precedents for such nomination by Governmental authorities to the boards of management of central banks both in British India and Indian States, *e. g.*, Bombay Presidency, United Provinces, Bihar and Orissa, Bengal and Mysore. What we recommend is that the Board should consist of 3 elected representatives of individuals, 9 elected representatives of society members, and 3 persons nominated by Government from among the members. It is very usual in Madras for the Provincial Co-operative Bank to send a copy of the agenda for monthly meetings to the Registrar with a view that he might attend the meeting and he is often invited to do so. Moreover in Mysore, "both the Apex and the Land Mortgage Banks invite the Registrar and other officers of the department occasionally to attend their Board Meetings. The Deputy Registrar invariably attends the meetings of the Executive Council of the Land Mortgage Bank as also the Board meeting." We understand that a similar practice existed here until very recently and we trust that it would be resumed again.

**Distribution of seats.**

7. In this connection we have one more suggestion to make in regard to the need for giving separate representation to the various types of societies grouped separately. It is, therefore, recommended that the number 9 which comprises the representatives of the society members, should be distributed as follows in proportion to their importance, status and numbers.

1. Ta'uk Banks and Banking Unions	...	4
2. Urban Banks	...	1
3. Non-credit societies	...	1
4. Primary agricultural credit societies that are still financed by the Bank	...	3
Total	...	<u>9</u>

**Retirement by rotation.**

8. It is also desirable that the system of retirement by rotation be introduced, so as to secure a certain degree of continuity of personnel and policy in the management of the Bank. We suggest that each year one representative of individuals and 3 representatives of societies should retire. During the first two years the persons to retire may be determined by the casting of lots. The Government nominees should retire once in three years. The persons who retire should be eligible for re-election. The necessary provision for retirement by lots should be made in the bylaws.

**Paid Secretary.**

9. In our opinion the Bank has reached a stage of development when it should have the services of a capable paid secretary who will not be subject to the vicissitudes of elections. This is not merely an idle imagination. In his article on the "Future of the Sugar Industry in Madras" recently published by the *Madras Journal of Co-operation* in its issue of April 1934, Mr. Ramdas Pantulu of Madras utters a caveat that the successful management of business conducted by institutions of a big size should not be left exposed to the whims and fancies of popular elections and there must be continuous and constructive policy.

The practice of paying the secretary a decent amount as honorarium is prevalent in a large number of institutions, which, however, are gradually adopting as a better method the system of a payment of a regular salary, and it is on that ground that we have made this recommendation. In the early days of a central bank a person of influence and standing in public life, such as only an honorary secretary can be, is not only desirable but even necessary for the bank to take root and grow. But when it is well established, as the Trivandrum Central Co-operative Bank is, a well qualified paid secretary becomes essential to carry on efficiently its daily business and the pay must be a very decent amount. The paid secretary will naturally have no seat on the Board

of Management and no vote. This would protect him from having to take sides with parties. But it is his duty as secretary to attend every meeting of the Board and of its sub-committees and to help them with all available information and to draw up the minutes of meetings. His position would be analogous to that of a chief executive officer in a city Municipality. One of us however feels that the paid-secretary should have a seat on the executive committee with power to vote. The appointment of a secretary of an institution of this nature is considered, we are told, by the adjoining State of Cochin so very important from the point of view of the interest of the State that the Secretary of the Cochin Central Co-operative Bank at Trichur is to be recommended by the Board and the Registrar and to be approved by the Dewan of the State. When the Bank has a paid secretary, there is no need for a separate treasurer. The Secretary and cashier should be required to furnish adequate security. Cash documents and other valuables should be kept in a proper safe or strong room with double keys, one of which should remain with the President, or in his absence with the Vice-president, and the other with the Secretary.

#### Idle money.

10. At the end of 1108 M. E. only about Rs. 12 lakhs out of a working capital of over Rs. 20 lakhs had been absorbed by the members of the Bank (individuals and societies), and about 8 lakhs was invested with banks and the Government at rates of interest lower than those paid by the Bank for the deposits. These surpluses have been a common phenomenon in all banks in the country today, especially co-operative banks. This evidently is the result of shrinkage of business in primary societies. Members are afraid of borrowing because of falling prices and the management of banks are also very cautious in granting loans. A part of this 8 lakhs would no doubt have to be kept in a fluid condition, but the greater portion has been unprofitably invested. This state of things had been in existence though not to the same extent in 1105 M. E. (1930 A. D.) when the Travancore Banking Enquiry Committee wrote their report. They recommended a cautious reduction in the Bank's rates of interest on deposits, which advice has lately been followed. Still, compared with the rates obtaining at present in the apex and central banks at Madras and elsewhere, there is room for further reduction because owing to a lack of suitable facilities for investment of surplus funds with the richer section of the public, much money is available to lay which could be got even in spite of lowering slightly the rates of interest. We are informed that the question is receiving the early consideration of the directors. It may also be necessary to refuse deposits altogether as is done by the Madras Provincial Co-operative Bank and several other commercial banks of standing. There is no doubt the fear that if deposits are once refused they will find their way to other banks from which they may not come back when wanted. But the experience of well-established co-operative banks goes to show that the confidence of the public is only enhanced by the refusal of deposits and that there is really not much ground for entertaining that fear.

### The main functions of an Apex Bank.

11. The Central Bank is now issuing loans to individuals, primary societies including urban banks, taluk banks and banking unions. It is thus combining in itself the varied functions of a primary society, a central bank and an apex bank, which in our opinion is highly undesirable. In the year 1108 M. E. (1932 A. D.) the Bank issued 518 loans amounting to Rs. 3,26,621 to individuals only 31 loans amounting to Rs. 42,080 to primary societies and 45 loans amounting to Rs. 1,29,350 to taluk banks and banking unions. The total amounts outstanding at the end of that year were Rs. 5,05,319 from individuals, Rs. 4,82,355 from primary societies and Rs. 2,07,776 from taluk banks and banking unions. It cannot be said that at any time the Central Bank lost sight of the fact that its primary object was to finance societies and not individuals. Still, if it began to issue loans to individuals even from the outset, it was with a view to avoid any portion of its funds lying idle. While the Bank enjoyed public confidence in a growing degree and deposits flowed in an increasing volume, the demand for loans from the co-operative societies did not increase in a similar proportion. The Bank was, therefore, naturally tempted to expand its business with the individual members. These members were drawn not only from Trivandrum but from all over the State. To find an outlet for its capital the Bank issued loans to individuals without any restriction of area of operation. It had to do so for another reason. It had not included in its programme the financing and developing of non-credit activities to any large extent with the necessary precautions as is done by the apex banks of Bombay, Mysore and the Punjab, but had restricted its transactions mainly to credit dealings alone. There might have been some justification for the Central Bank giving loans to individuals in Trivandrum when that city had only societies for particular classes of persons and no urban bank. But that also is not the case now. The practice recently introduced of the Central Bank issuing loans to individuals in all parts of the State is likely to stand in the way of the development of primary societies and of financing institutions. When confronted with the problem of surplus funds it would have been better if the Central Bank had stimulated the development of primary societies and helped the individual applicants for loans through them. We feel, therefore, no hesitation in repeating our recommendation that the Central Bank should, as soon as possible cease to give loans to individuals especially in areas where well-managed urban banks exist or could easily be promoted with its help. Similarly, when a taluk bank or a banking union has been organised for a particular area the Central Bank should cease to give loans to primary societies in that area.

### Rates of Interest.

12. We consider it important that the rates of interest charged on loans to individual members should be uniform in all societies, so that there may be no unhealthy competition among them. At present while the primary societies including urban banks charge an interest

at 10½ per cent on loans to individuals, the Central Bank charges them only 8½ per cent resulting in persons who are already members of the Trivandrum Urban Bank and other primary societies joining the Central Bank also, in order to get the benefit of its cheaper money. There is thus an unhealthy competition set up between those societies and the Central Bank. We believe the primary societies are getting loans at the same rate of interest from the Central Bank as from the taluk banks and the banking unions. We, therefore, recommend the following schedule for rates of interest for different classes of societies in a tabular form:—

Class of society.	Borrowing Rate.	Lending Rate up to			Remarks.
		Individuals.	Taluk Banks.	Primary societies.	
	Up to				
Central Bank ...	5 per cent.	10½ per cent.	7 per cent.	8½ per cent.	
Taluk Bank ...	7 ..	10½ ..	...	8½	
Primary societies ..	8½ ..	10½ ..	...	...	

#### Reduction in the rates of interest by way of relief.

13. Owing to the prevailing economic depression and the consequent unemployment of money, however, the Central Bank is now able to get deposits at a much lower rate of interest than in former years, and, therefore, there is naturally a demand from primary societies and from their members for a corresponding reduction in the rates of interest charged to them. This problem is not peculiar to this State. There is a nation wide demand for definite relief being granted to agriculturists in view of the prevailing fall in prices of agricultural produce. The A. I. India Registrars' Conference which met in Delhi in January 1934 discussed this problem at length and suggested two remedies:— (1) extension of the period of the loans of co operative societies over a longer period with smaller instalments and (2) reducing the rate of interest. In view of this suggestion we would like to recommend to the Board of the Central Bank a graduated reduction of the rate of interest in the following wise:—

- (1) 6½ per cent to societies that are not in arrears to the bank;
- (2) 7 per cent to the societies that are two years old and that belong either to A or B class, in whose case the arrears from members do not exceed 10 percent. of the demand and the society should not be

in arrears to the Bank in excess of 5 per cent and the assets as per revised valuation of this Bank should at least be 12 times the amount of the total borrowings from the Bank.

(3)  $7\frac{1}{2}$  percent rate in the case of societies which are at least of two years' standing and are either in "A2" or "B2" class the arrears from members of the society be not in excess of 25 per cent of the demand of the society, and, as per revised valuation of the assets of the society by the Bank, these should at least be eight times the total borrowings from the Bank.

(4) 8 per cent. to all societies.

This is in response to the general demand based upon the most depressing economic situation prevailing in the country as a whole today. We may, however, suggest to the Bank as an alternative the grant of a rebate of  $\frac{1}{2}$  to 1 per cent on all instalments of loans which are punctually repaid. The necessity for allowing a fair margin for taluk banks and primary societies to meet their working expenses and to build up their reserve funds has compelled us to refrain from making a general recommendation as to further reduction of the rates of interest charged.

#### **Direct sanctioning of loan applications.**

14. It is the practice at present here for the Registrar to recommend applications for loans from primary societies to the Central Bank and to the taluk banks and banking unions. There was some justification for this practice in the early days when the number of societies was small, and the Registrar and his staff were in close touch with the societies, and the supervising unions had not come into existence. Such justification no longer exists. Nor is the Registrar's recommendation of the same value as before, since he and his staff's contact with societies is less frequent now than it was before. On the other hand, a considerable amount of delay is naturally caused while the loan application waits with the Registrar, which, being fruitless, is rather irritating. Also the sense of responsibility of the supervising union is weakened when it is not the sole recommending authority. We, therefore recommend that in areas where the supervising unions are functioning satisfactorily the Registrar need not recommend the loan applications of societies. We should like to point out in this connection that the recommendations of the supervising union or the Registrar, however valuable they may be, should not be treated by the Central Bank and the other financing institutions as more than recommendations. They do not absolve the managing committees of the Central Bank and other financing institutions from the duty and the responsibility of carefully scrutinising the loan applications and getting any additional information that may be required through their own field staff or by other means.

#### **Short and Intermediate credit.**

15. The Co-operative Enquiry Committees appointed during the last ten years by different Provinces and States in India have criticised

in strong terms the utilisation by Central Banks of deposits received for less than three years for giving loans to societies for periods, ranging from five to ten years, as unsafe, unscientific and unbusiness-like. The Travancore Banking Enquiry Committee has similarly condemned this practice and has recommended that "the loanable capital in the Central Bank should be classified into short, medium and long term according to the purposes for which loans are required and the issue of loans adjusted accordingly". We agree with this recommendation so far as the short and medium term loans are concerned. As for long term loans to agriculturists, which form the subject for a separate term of reference to the Committee from Government, we consider that these should be left by the Central Bank to be dealt with by financing agencies such as the Land Mortgage Banks, even if the Central Bank were in a position to advance loans for long periods. The authorities of the bank generally agree with the above view and from the bank's present dealings there does not seem to be any ground for criticism; for while it had Rs. 3,87,299 available for long term loans being mostly the owned capital, it had lent only Rs. 1,6,434 for loans extending over a period of five years. Still in our opinion the most suitable institutions for the granting of long term credits are the Land Mortgage Banks. This being another independent term of reference to the Committee, we have recommended their establishment in suitable areas in another chapter and have described therein the necessary details regarding their formation.

16. Taking note on the one hand of the fact that most of the deposits with the Central Bank are for short periods of three years and less, and on the other of the fact that they are generally renewed, we consider that the maximum period of a loan should ordinarily be six years. Short term loans may be defined as those which are taken for current agricultural purposes and are repayable in full out of the next harvest. The period may vary from one to two years. Other loans for productive or unproductive but necessary purposes which can only be repaid in periods of not less than six years are such as could be paid out of the savings of agriculture or trade; and these may be defined as medium term loans. In our opinion the main purpose for which the co-operative credit societies exist is primarily to advance short term loans. But to a smaller extent they may also issue medium term loans after satisfying the current needs of members for such purposes as purchase of cattle, sinking of wells, building of small houses, etc. It is best to recognise candidly that the co-operative societies are not suited to redeem heavily indebted persons from the clutches of the money-lenders for which purpose machinery similar to what has been found suitable in Germany, America, etc., must be adopted. Here we should like to suggest that the Central Bank should maintain separate registers for short and medium term loans.

The Travancore Banking Enquiry Committee was in favour of the Central Bank advancing short and medium term loans as well as long term loans. It, therefore, naturally recommended that a portion

of the Bank's capital might be made available for long term loans. We have already expressed our view that long term loans are not suitable for ordinary co-operative societies and banks, and that they should, therefore, form the business of a special agency, viz., the land mortgage bank. It thus follows that in our view no funds of the Central Bank should henceforth be given out as long term loans, and as this point was overlooked even here as in Madras and to some extent elsewhere, a large portion of the capital in the movement has been applied towards the clearance of prior debts and not to immediately productive purposes, and on that account, the profits of the cultivators have been less and some of the real urgent needs must have been starved.

#### **Fuller Provision of overdrafts.**

17. The Bank now enjoys an overdraft of Rs. 50,000 with the Government, given on the security of its deposits with the Government. We should strongly recommend that it should be made available even without the security and if such an arrangement with the Treasury be not possible Government might as well arrange for the same with the branch of the Imperial Bank at Trivandrum. Considering the small extent to which the system of agricultural loans by Government has been availed of by the agriculturists, our recommendation to Government is that they should place at the disposal of the Central Bank a fairly large portion of the money allotted every year to be paid to members of societies on proper recommendation and good scrutiny for purposes of granting medium term loans for agricultural improvements on the joint recommendation of the Registrar and the bank as is the case in Bombay.

Some of the co-operative conferences held in the State and the Economic Depression Enquiry Committee have recommended that the resources of the Central Bank should be supplemented by Government with its funds. As the Bank, however, has now invested its surplus funds outside the co-operative movement even at unfavourable rates of interest, we do not think that at present any help from Government is needed. But that is a source from which it should have the right to expect it in times of stringency. Should an occasion, however, arise, the Government should deem it a matter of duty to enlarge its overdraft provision, so as to satisfy the special needs of the bank.

#### **Fluid Resources.**

18. The Maclagan Committee whose invaluable report was published so long ago as 1915, pointed out prominently the need for maintenance of adequate fluid resources by all co-operative banks receiving fixed, current and other deposits. Thus, in British India rules have been laid down with regard to the standard of fluid resource being maintained by the central and other bigger urban banks, and every quarter a statement has to be submitted by the Registrar to Government showing which of them have failed to do so and for what periods. It is a wonder to us that hitherto no standard of fluid resource should have been fixed by the department for the co-operative banks in the State.



We, therefore, recommend that the system obtaining in Madras be adopted here as the Madras model has generally been followed in this State. Regarding the form of fluid resources the Madras Government have laid down that it should consist of (1) cash balance, (2) the undrawn cash credit with the Imperial Bank and (3) 80 per cent of the market value of Government securities held by it as published in the daily papers from day to day. As to the standard, the Townsend Committee have recommended that it should form 30 per cent. of fixed deposits falling due in the next six months, or 50 per cent. of the fixed deposits falling due in the next 30 days whichever is from time to time the higher; 50 per cent. of the current deposits and 25 per cent of the savings deposits.

#### **Provision for Supervision.**

19. The Central Bank has under its management a supervision fund, made up, to a small extent, of contributions paid by the borrowing societies and to a much larger extent of a portion of interest earned by the Bank itself on its lendings and of a part of the interest allowed by it on the reserve funds of the societies. In 1108 the fund so collected was nearly Rs. 4,000 out of which, however, only about Rs. 1,500 was spent chiefly on the maintenance of two supervisors. The Bank has accumulated so far more than Rs. 17,000 as the unspent balance of its supervision fund set aside from year to year. As we have said elsewhere the supervising unions and the Travancore Co-operative Institute are languishing for want of funds and in other places central banks readily share a part of the expenditure incurred to maintain the supervising agencies. We, therefore, strongly recommend that the bank should make adequate grants to the most deserving of the supervising unions and in any case spend the whole amount of the fund for the purpose for which it is raised from year to year. We are told that there is no provision in the bylaws for such expenditure and we suggest that the bank bylaws be suitably amended.

#### **Common good fund.**

20. We strongly recommend that the Bank should at once start a common good fund by setting apart for that purpose a sum even exceeding  $7\frac{1}{2}$  per cent of its net profits every year. It is undoubtedly strange that while most of the other societies in the State have instituted the common good fund, the premier society of Travancore should have failed to do so by getting its bylaws suitably amended. In the neighbouring presidency of Madras, the institutions of which have largely influenced the growth of co-operative movement in this State, a large number of prominent co-operative banks like the Madras Provincial Co-operative Bank, the Coimbatore District Central Co-operative Bank, the Salem District Co-operative Urban Bank, and other institutions spend every year considerable amounts of money on co-operative education, propaganda and on rural reconstruction from their common good fund. In Bombay, according to the Report of the Registrar of Co-operative Societies for the year ending 31st March 1932, the Institute sanctioned donations of Rs. 38,150 made by

261 societies for promoting education, sinking wells, and providing medical relief, etc., under section 42 of the Bombay Co-operative Societies Act of 1925. The Provincial Co-operative Bank spends a substantial amount of money for larger purposes. In this connection it has to be borne in mind that the Trivandrum Central Co-operative Bank has as its first object the organisation and development of co-operative societies in the State. If it should achieve this object in any appreciable degree, it must have a source from which it can spend money on co-operative organisation, education and propaganda. We would even support in addition, in the interest of the movement, the holding of conferences of co-operative taluk banks, banking unions, and urban banks to discuss points of disputes or difference and general policy regarding the finance of the movement, being in the forward position of an apex bank. With the common good fund thus instituted and the supervision fund separately created, we believe the Bank would be in a stronger position to undertake the important primary functions.

#### **Dividend Equalisation Fund.**

21. As a result of the recent circular of the Registrar (No. 157 dated 5-10-1928) regarding the calculation of the net profits of societies, it is very likely that in some years the Bank may not be in a position to declare the maximum dividend allowed under the Rules. Though we are of opinion that the tendency among co-operators to expect large dividends in addition to other benefits that have been derived from the movement should be discouraged, still if there is a considerable shortage of dividend in any year, we are in favour of its being made up in subsequent years when the profits allow of it. Such procedure, as the Townsend Committee have rightly pointed out, will give an incentive to the collection of overdue interest.

#### **Examination of Loans.**

22. In the larger interest of the co-operative movement in the State, we would like the Bank to have a detailed examination conducted into the loans granted by the primary societies, either affiliated to it or indirectly financed by it through the taluk banks or the banking unions. For such examination the help and co-operation of the department, the taluk banks and the unions should be enlisted. It should show what proportion of the money that has been lent out could be expected to come back easily and what proportion with difficulty. With the hearty co-operation of all the agencies concerned it should not be difficult to institute such an investigation. The information so gathered would give a good data for the future improvement of the societies and would also enable some kind of relief being given to the societies by getting some of their long term loans, given for the clearance of prior debts, transferred to the primary land mortgage societies, which we have proposed to be formed in suitable areas. By this means a nucleus of sound business would also be secured to the primary land mortgage societies.

### Non-borrowing.

23. Moreover, we are strongly of opinion that the Central Bank which holds the purse strings of the whole movement should carefully examine the problem why such a large percentage as 50% of the societies do not as a rule borrow. We shall mention an instance which will illustrate this point and throw a good deal of light on the general position of the credit movement as a whole. In the taluk of Thiruvella we were told that there were 124 societies and that all of them were affiliated to the Taluk Bank. Of these as many as 74 societies did not take any loan in 1108 from this financing agency, and of the remaining 50 societies as many as 63 percent were in arrears. The reason that 50 percent of the societies are not well conducted is not sufficient explanation for this state of things. Again, out of some 670 primary societies affiliated to the Central Bank only some 30 took loans from it in 1108. If there is any institution that should concern itself immediately and directly with the investigation and the solution of this problem, it is the Central Bank. In Bombay and Madras the central banks are tackling this problem.

### To find out what clogs the channels.

24. The Central Bank may be compared to a reservoir, the societies to be irrigated and the members of societies to the fields to be irrigated. At present though the reservoir is full of money and the fields are parched and crying for finance, there is something choking the channels which prevents the flow of money. That is what requires to be found out and removed. The point becomes clearer when it is remembered that the Central Bank is obliged to invest outside the co-operative movement a very large proportion of the money collected by it. If on close enquiry the Bank discovers that the heart of the movement is sound, it should liberally finance the individual members through their societies, with the special sanction of the Registrar as is done in Bombay. There, special sanction is given to a society to give loans in excess of the individual borrowing power provided the members are thoroughly solvent, in order to prevent them from going to sowcars.

### Organisation of new Taluk Banks.

25. In areas which are not at present served by taluk banks, the Central Bank, with a view to stimulate local initiative and enrich the co-operative spirit, should actively assist in the organisation of taluk banks provided there is a sufficient number of societies to justify one. If even with a little sacrifice on the part of the Central Bank and the societies no taluk bank could be organised, then the Central Bank should start with the approval of the Registrar a branch of its own with a local advisory committee. But it is always in the ultimate interests of the movement to promote local enthusiasm, self-help and initiative and these are better secured by starting taluk banks than by opening branches of the Central Bank.

### Some Reforms effected and to be effected.

26. After carrying out the preliminary investigation with a view to purging the movement of its undesirable elements the bank should launch on a comprehensive policy of all-round development. We are happy to learn that the general body of the bank has already passed and approved a scheme of a Provident Fund for the bank employees by which to every anna contributed by the staff every month per rupee of salary received, the bank proposes to add one anna and to allow interest on the whole amount at a reasonable rate. We would, however, like the bank to revise the scale of the salaries of its employees and also give them more efficient training. The bank should employ gradually a staff of its own trained inspectors to supervise the various kinds of work it is called upon to finance, and it must also recognise its direct responsibility for the supervision of the societies financed by it. By spending a small amount of Rs. 7,000 in improving and augmenting the accommodation in its present building, which is now most centrally and prominently situated, it has not only added to its tangible assets but has made a substantial addition to its *name* by coupling it with a very decent *habitation*, as Shakespeare would like to see coupled.

### Some suggestions.

27. We would here suggest that the name of the bank be changed into the Travancore Provincial Co-operative Apex Bank or the Travancore Co-operative Central Bank as it serves more the whole State than the city of Trivandrum. There is one more feature of its working which deserves commendation. In allowing the Central Co-operative Institute and the Hindu Vanitha Co-operative Society to occupy between them the whole of the ground floor of the newly constructed portion, the bank has shown the way of helping co-operative institutions in their early career till they are able to stand on their own legs. We are sure that the increased accommodation now given to the Institute will make its reading room as well as the Rao Sahib Padmanabha Rao Library more popular than hitherto. The public spirit of Mr. Padmanabha Rao who set apart the fees and allowances earned by him from the bank for the creation of this library is commendable, and we trust that the bank will maintain it as an up-to-date institution worthy of itself and of Trivandrum by voting annually a decent contribution to build it. We would also recommend that the building with all its properties should be insured against fire, as is generally done by all public institutions owning properties in buildings and other articles. One of our recommendations would be that as far as possible the work of the bank should be done at regular sittings or meetings of the Executive Committee or the Board of Management irrespective of the fact whether there is a sitting fee or not, though we would like to see as an ideal that the workers that serve an institution of the status of the Central Bank are not influenced by consideration of financial gain. It is false economy, for though a higher scale of expenditure does not invariably guarantee a higher degree of efficiency, it

does in any case secure a higher degree of punctuality and attendance and better consultation. We think it advisable that the staff of the bank and of the department should as far as possible have co-operative societies of their own in common with other departments and should not join any other credit society for the purpose of taking loans. The bank might take of itself the power of borrowing up to 10 times the share capital plus the reserve fund, because when the movement grows strong and the societies become active and ready to spend more money on really productive purposes by borrowing from the bank, this provision would stand it in good stead. There are precedents outside for this enhanced limit.

#### **Bombay Model.**

28. For the information of the co-operators in the State, who expressed a clear dissatisfaction at the one-sided growth of the movement here and in order to make our meaning clear when we advocate for the bank the gradual adoption of a more comprehensive programme of its legitimate functions, we give in an appendix to this report a summary of the working of the Bombay Provincial Co-operative Bank, prepared by it for submission to His Excellency Lord Brabourne, Governor of Bombay, who paid a visit to the Bank as well as to the Provincial Co-operative Institute on the 13th of April 1934, these two being the two biggest limbs of the co-operative body in the Presidency, the third limb being the Co-operative Department. It will afford a good model for the Trivandrum Central Co-operative Bank to follow and it may select according to the needs of the State those fields the investment in which would be at once safe and profitable. If the Central Bank adopts the model of the Bombay Provincial Bank, it may be enabled, when the time for the celebration of its Silver Jubilee comes, to show, like some of its sister institutions, a more varied, useful and serviceable record of results than it at present can claim to have done.

## CHAPTER VI.

### TALUK BANKS AND BANKING UNIONS.

#### THE OPERATIONS OF THE TALUK BANKS.

In 1108 there were 13 Taluk banks and 3 Banking Unions. Like the Trivandrum Central Bank, the taluk banks have admitted both individuals and primary societies to membership and are issuing loans to both of them. The total number of individual members was 12,920 and that of societies 869. The paid up share capital contributed by them was Rs. 6,48,516. The loans issued during the year (1108) to individuals amounted to Rs. 4,96,627, while those to societies amounted only Rs. 1,02,329. The taluk banks are thus combining in themselves the functions of financing institutions and of primary societies, and are serving much more as the latter than as the former.

#### Gradual Transformation.

2. As we have stated in connection with the Central Bank, this combination or overlapping of functions is detrimental to the development of primary societies and should cease to be as early as practicable. The taluk banks should exist and function only as financing institutions of their affiliated societies as has already been observed in the case of the Central Bank as an ideal to be aimed at or a goal to be reached early. But we are conscious of the difficulties that would obstruct the path of quick transformation. We have, therefore, thought it fit to recommend that only a limited number of individuals should be admitted into membership, not for their share money so much but for the very valuable help they would be able to render in guiding and working the banks. We, therefore, recommend that as soon as possible the taluk banks should confine their business to the financing of primary societies alone. We have already in the chapter on the Central Bank indicated the stages by which the process of transformation should advance. But when this metamorphosis takes place, most of the individuals will naturally withdraw their share capital and it may not be feasible either to allow them or force them to do so at once. But it should be possible to eliminate in about 5 years all the individuals who would like to withdraw or who are in excess of the number needed for the service of the banks. The method of elimination which we have recommended for the Central Bank may be adopted by the taluk bank also. If within this period of five years this change is to be effected the condition precedent should be for the primary societies to be able to replace the share money of the individual members by successive stages.

**Primary Societies to borrow from one financing Agency.**

3. As we have stated above, only 869 societies have joined the taluk banks and banking unions out of 1719 primary societies working in the State. At the same time the Trivandrum Central Bank had as many as 677 primary societies affiliated to it. Many of these societies, we have noticed in the course of our tours, are affiliated both to taluk banks and the Central Bank and what has surprised us most was to be told that they borrow from both of them according to their convenience. The primary societies cannot be expected to care very much for the taluk banks, when they are permitted to be affiliated to and borrow directly from the Central Bank. We, therefore, are strongly of opinion that primary societies in areas covered by taluk banks and banking unions should be required to borrow only from them and not direct from the Central Bank. The loans now taken by primary societies from the Central Bank should all be transferred to the taluk banks or banking unions as the case may be in whose areas the concerned primary societies are situated, and it would naturally follow that with the transfer of loans by the Central Bank the shares of the indebted societies should be transferred to the taluk banks or the banking unions.

**Transfer of Societies' Reserve, loans and shares.**

4. At present a part of the reserve fund of the societies affiliated to the taluk banks is invested with the Central Bank and in some co-operative conferences resolutions have been passed urging its transfer to the taluk banks. This is only reasonable and should be effected without delay. The transfer of the loans, shares, and reserve fund is so important for the development of the taluk banks and banking unions that we consider the department should actively help in the matter and see that the contemplated transfer is brought about within a year.

**The Financing Bank must satisfy itself regarding the solvency of the borrowing Institution.**

5. The present practice is for the Registrar to recommend the loan applications of primary societies to the taluk banks and the loan applications of the taluk banks to the Central Bank. In the case of applications from the taluk banks, the Registrar's recommendation may be dropped altogether; and in the case of applications from primary societies, it may be dropped where the supervising unions are working satisfactorily. But our advice is that as the recommendations of the unions have no force of a guarantee as regards the safety of the loan, the financing bank should, with the help of its own staff employed specially for the purpose of preliminary investigations, when some hesitation or doubt is felt in sanctioning the loans, satisfy itself with regard to the solvency of the borrowing institutions, as the ultimate responsibility for the repayment of the amount advanced rests with the financing banks and not with the supervising unions that make the recommendation.

### **Close study and contact for expansion.**

6. The taluk banks should come into closer touch with the Central Bank on one side and the primary societies financed by them on the other they must learn to study the requirements of and obligations to the one and the needs and difficulties of the other ; our impression is that there is not at present that degree of touch among these different links of the financial chain which alone will make it strong. Just as we have recommended to the Central Bank that it should establish a closer touch with the taluk banks by means of circulars and occasional conferences called to study their needs and receive suggestions, similarly the taluk banks should in their turn try to come in much closer contact with the primaries affiliated to them and make them more potent links capable of satisfying the needs of their members.

### **Guidance in developing Non-credit Activities along with Credit.**

7. They should lead them into more fruitful channels whereby more productive activities of non-credit description could be undertaken by them in their limited sphere with the help of the finance that could be made available for expansion in one of the very desirable and justifiable channels such as crop advances on the pledge of produce which is sometimes taken up by a separate agency of the character "of a loan and sale society" as described in Madras or Purchase and Sale society as styled in the Punjab and in Bombay. The movement is slowly developing along this line in almost every important province in India, because it is being daily realised that credit represents a part much smaller than their other agricultural needs and relief in other directions must be made to flow though slowly in the beginning. This is now a field for legitimate development and naturally the lead must proceed from the higher links which are naturally in a stronger and better position. In our opinion it is the duty of the department in initiating or helping genuine attempts made in this long neglected direction.

### **Banking Unions.**

8. There arrived a stage in the development of the co-operative movement when societies grouped themselves into various types of unions sometimes for composite purposes, and the banking unions form one of such types. These differ from the taluk banks in that they have no individuals as members and they do not, it goes without saying, issue loans to individuals ; and besides, these undertake the supervision of the societies affiliated to them in addition to financing them. Of the 3 banking unions on the register we have seen only one, — the Kottayam banking unions — working satisfactorily but the other two are not functioning properly, having failed to satisfy the expectations that this type of institution raises and, therefore, are likely to be liquidated in the near future. The banking unions of the pure type do not appear to be very successful on this side. In Madras they have admitted individuals to membership and become indistinguishable from the ordinary



central banks. In Mysore where they are called the Federal Co-operative Banking Unions and number six according to the Registrar's latest report, "action is being taken to wind them up."

9. We would therefore recommend that no new banking unions should be encouraged. There are in Baroda a few of this type but in the Punjab there are in all to-day 65 banking unions with 3,045 societies affiliated to them. They have no individuals as members and rank third in the chain of agricultural and even non-agricultural finance, the first being the Punjab Provincial Bank, Lahore and the second the Central Banks numbering about fifty. But that is a different story. Anyhow it seems this soil here has not suited the growth of the banking unions and that is how we have been obliged to make a recommendation against their fresh start.

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## **PART III.**

### **PRIMARY SOCIETIES.**

## CHAPTER VII.

### PRIMARY SOCIETIES.

By primary societies we mean all societies the membership of which is confined to individuals. It is usual to divide these societies into two classes, agricultural and non-agricultural, and again to subdivide each of these two classes into credit and non-credit societies. At the end of 1108 there were on the register in all 1786 societies, of which 18 had not started work. Of the remaining 1768 societies, 1719 were primary societies which may be classified as follows :—

Agricultural.	}	Credit only	... 1391	} 1405
		Credit with production and sale	. 10	
		Other types	... 4	
Non-Agricultural.	}	Credit only	... 272	} 314
		Credit with production and sale...	14	
		Distributive societies	... 17	
		Other types	... 11	

In the following pages we shall deal with these different kinds of societies one after another.

### AGRICULTURAL CREDIT SOCIETIES.

#### Organisation.

2. The State having taken the initiative in introducing the co-operative movement in the year 1089 M. E. (1914 A. D.) and a Registrar having been appointed to be in charge of it as a separate department, it was natural that the organisation of societies should be rapid. From the figures given above it will be seen that within 18 years as many as 1391 agricultural credit societies had started work in the State. The rapid organisation, though only similar to what happened in British India, offers a striking contrast to the slow growth of similar institutions in Germany, the land of their birth, under the personal guidance of the father of the rural credit movement—Raiffeisen. His first society was started in 1849 and in the next 19 years only three more could be ushered in. It was in 1874, *i. e.*, 25 years after the first society was started that his societies became widely known and not till 1880 did they begin to multiply perceptibly. (See Wolff's *People's Banks*, pages 114-16).

#### Disappointment at the results.

3. This slow growth enabled a good tradition and sound practice to grow up, and the rapid multiplication of societies which took place

ater did not impair their efficiency. It need hardly be said that the case has been sadly different in Travancore like some other provinces in India where the progress of the movement is judged not by the quality of the societies and their work but by their numbers, membership and working capital. Broadly speaking, neither the material nor the moral results that are generally expected to flow forth from such a movement have shown themselves in this State and the disappointment was frankly expressed before us by many witnesses.

4. There is nothing special in the soil or climate of Travancore which deprives co-operation of its beneficent properties, nor do we feel pessimistic like one or two leading workers in the field of co-operation who are reported to have stated that Southern India did not afford a very congenial soil for the growth of co-operative effort. On the contrary our belief is that with the greater spread of literacy and the large measure of natural and quick intelligence, there is a splendid opportunity for the movement to shape such valuable human material into very progressive co-operators. We have the instance of Sind. Prior to 1915 it was generally believed that the movement of co-operation would not thrive there but the results of the organisation that was set up has falsified the foreboding and Sind is now one of the spots in the Bombay Presidency where the movement has achieved valuable results. Hasty organisation, lack of education in co-operative principles and business methods and the absence of selection in human material are the chief causes, however, for the sterility of the movement in this State. This came to be wisely and clearly recognised by the department some years ago and, therefore, a definite policy of consolidation and rectification was rightly substituted for that of expansion: and as a result of this change of policy, very few new societies came to be registered in recent years. This, in our opinion, would lead to a stagnation of the movement. We, therefore, recommend that expansion and consolidation should go hand in hand with sufficient preliminary work of propaganda and education and that particular attention should be paid to the organisation of new societies in taluks where the number of societies is very much below the average, as we have pointed out in Chapter 4.

#### **Neglect of Education at the Start.**

5. The Regulation imposes upon the Registrar the duty of satisfying himself before registering a society that it is organised not only according to co-operative principles but on sound business lines. This duty has not been attended to in the past as much as one would wish. The Registrar and his staff practically took no part in educating members in co-operative principles before or after registration. Thus, the present position is largely due to the early neglect of the root of the tree, resulting naturally in the unhealthy growth of its branches. Take care of the roots and the tree will take care of itself. This is a universal law which has to be respected here as elsewhere. We, therefore,

wish to emphasize that the Registrar and his staff should assure themselves before registering a society that its members have fairly understood co-operative principles, that it is organised on sound and business-like lines and that there is need for it in the place. One of the dictums of Wolff is that "Co-operation will thrive in places where there is need for it."

#### **Leadership.**

6. Another great need of the co-operative society is leadership. No society is likely to work successfully and satisfactorily which does not command among its members one or two truly public spirited, capable and enthusiastic persons who join the society not so much with a view to benefit themselves as to benefit the whole village, that is, men possessing the spirit of Raiffeisen in the language of Sir Frederick Nicholson. Putting himself the question in his famous report, whether societies of the German type were suited to the Madras Presidency, and whether they would produce results similar to those seen in Germany, he gives a clear and affirmative answer—provided suitable leaders are found to guide and conduct each society, men who are of the village, who in social position and understanding are better than the ordinary people and who are desirous of serving them. In his opinion such leaders are available in Indian villages, but they should be discovered. In fact, he summarised his whole report in the two words, "Find Raiffeisen," meaning by Raiffeisen men having the spirit of Raiffeisen. His advice was 'Find Raiffeisen, organise a society and leave it in his charge.' But our official and non-official organisers of societies have not had the patience to find Raiffeisens, and, therefore, it is not surprising that our societies are not producing the material and moral results expected of them. Another important point about which the Registrar should assure himself before registering a society is, whether it has proper men to guide it and work it.

#### **Probationary Period.**

7. The practice has recently been adopted in some cases of asking the applicants for the registration of a society to work it informally for a few months before it is registered. We consider this a very good practice and recommend its application to all cases. The period of such probation may be fixed at six months.

#### **Communal Societies.**

8. We have already expressed our disapproval of communal societies. We consider that in future no communal societies should be registered. At the same time an attempt should be made to amalgamate the existing ones, so that there will be only as few societies as possible in a kara (village) and these will be open to all communities, it being also one of the aims of a co-operative society to build up true citizenship with the help of a community of economic interests.

#### **Restricted Membership.**

9. From Table 3 given in Chapter 4, it is seen that the average membership of a society in the Travancore State is much higher than

elsewhere. The Maclagan Committee have expressed the opinion that a rural credit society with more than a hundred members will become unmanageable. In Travancore, due to the greater density of its population compared with the rest of India, the average membership of rural credit society is 117 at present, while there are many societies comprising in their areas of operation three or more karas and having more than 200 members. We recommend that such societies be split up so that each society will have only one or two karas as its area of operation and its membership be restricted to 200, which we consider should be the maximum membership; otherwise one of the essentials, *viz.*, mutual knowledge "which is so very necessary as a concomitant of good and successful work" will be lacking in its organisation. We have restricted the membership in a society to 200 on the basis of adequate business to make it self-supporting, according to present transactions. If a society at its general body meetings resolves to restrict its membership still further, it could do so provided it does not convert itself into a purely communal organisation and has sufficient funds to meet its expenses. We, may however, in passing mention that the membership of a primary society in other provinces is very much smaller than the figure we have fixed here. For instance in the Punjab it is 33, in Bombay nearly 105, in Cochin it is 93 or according to the Registrar's Report 104.6 and in the Bengal Presidency it is 34.6 and in Mysore it is 66.2.

#### Shares.

10. In 1108 the share capital of the agricultural credit societies amounted to Rs. 21.20 lakhs, which, divided among 1.62 lakhs of members, gives an average of Rs. 13 per member. Unlike in other States and Provinces, share capital forms in Travancore nearly 60 per cent of the working capital of the agricultural credit societies. This, as we have pointed out elsewhere, is due to working capital per member being extraordinarily small. The share capital is now thought of chiefly as the basis for a member's borrowing notwithstanding the unlimited liability character of the society. It is also used as a device for augmenting the capital of the society. A member ordinarily takes only one share when he joins the society, but when he wants a loan he takes the requisite number of additional shares to qualify him for the loan. Share capital in our opinion is a very good form of thrift though it is withdrawable. As an investment it enjoys the privilege of being exempt from attachment for debts, an advantage which is not as much understood as it should be. Every member, therefore, should be encouraged to take as many shares as he can up to the maximum permitted by the bylaws and to pay every month an instalment of share capital, even though it be only a small amount of annas four, irrespective of his wanting to borrow from the society or not.

#### Deposit as Index of Success.

11. One of the most important objects of a society is to encourage the habit of thrift among the members, and, therefore, every facility

should be afforded to them in the bylaws to pool small savings in the form of current, recurring, savings or fixed deposits. But unfortunately this aspect of the movement is altogether neglected by the societies and the members have come to look upon them only as lending institutions. Neither the department nor the supervising unions seem to have done anything to remove this wrong impression. This we think is very unsatisfactory. One of the ways of measuring the true success of a society is to gauge the amount of deposits which it is able to obtain from its members. We have, therefore, no hesitation in recommending that some system of compulsory deposits should be introduced in all societies as is done in some parts of the Bombay Presidency and in the State of Cochin; and these may be specifically utilised for clearance of members' prior debts. This object may be achieved in a number of ways. It may be done either by requiring the members to buy additional shares from time to time till the maximum allowed by the by-laws is reached, or even by compelling them to make regular recurring deposits, however small the amount be, or by taking over the management of coconut trees, etc., or by introducing the home safe deposits or by some other means. When we visited the Karamana Co-operative Society we were very much pleased to see that 137 home safe deposit accounts have been opened with the society and more than Rs. 300 collected. The society supplies the members with a strong handy wooden box suitable for the purpose. Next to encouraging deposits from members, every effort should be made by a society to obtain deposits locally from non-members. These local deposits from members and non-members would tend to stimulate the interest of local people in the society and are conducive to its efficient management. Every effort should, therefore, be made to attract as much local money for a society as possible with the necessary safeguards and within the limits of its borrowing capacity.

#### **Conditional Entertainment of Current and Savings Deposits by Primary Societies.**

12. Though in the model bylaws of unlimited liability societies provision is made for their receiving current and savings deposits from non-members as well as from members, we think that the ordinary unlimited liability societies as they are now conducted are unsuited for the purpose since they would not be able to maintain the requisite standard of fluid resource. We, therefore, recommend that they should not ordinarily be allowed to receive them, especially from non-members. But in cases where the societies are well developed and the Registrar is satisfied that they would be able to maintain the required fluid resource, he may permit them to receive current and savings deposits.

#### **Responsibility for Deposits.**

13. With regard to fixed deposits care should be taken to see that they are received in suitable amounts and for suitable periods, so that the societies may not find it difficult to repay them when they mature. It is not advisable for societies with a working capital of less than

Rs. 5,000 to receive large amounts as fixed deposits. For them Rs. 200 may be recommended as the maximum for a single deposit. When bigger amounts are offered they should be broken up into small amounts and accepted for different periods. Ordinarily the minimum period for a deposit should be one year, though in special cases the managing committee of a society may accept a deposit for a shorter period.

#### Interest on Deposits.

14. The maximum rate of interest now allowed on fixed deposit is 7 1/2 percent. We understand that some societies represented to the Registrar that they were unable to attract local deposits at this rate of interest on account of the competition of local joint stock banks which offered higher rates. They suggested that the maximum should be raised to 9 per cent but the Registrar rightly did not approve of it. Though it would not be advisable to have a very hard and fast rule about the rate of interest on deposits, still it should, under no circumstances, exceed the rate at which the society can get a loan from the financing bank to which it is affiliated.

#### Individual Borrowing Power.

15. Under the present byelaws a member is allowed to borrow five times the value of the share or shares subscribed for by him. Considering the risk that a member undertakes in joining an unlimited liability society, we are of opinion that he should be allowed to borrow ten times the value of the shares subscribed for by him.

#### Cash Credit.

16. Complaints are very common regarding the delay experienced by members in getting loans. A certain amount of delay is inevitable as loan applications have to be sanctioned by the managing committee which only meets at intervals. We have elsewhere pointed out that the main object of a co-operative credit society should be to supply a member's current needs. In meeting them the avoidance of delay is particularly desirable. Well managed and financially strong societies may, therefore, be permitted by the Registrar to allow cash credit to deserving members on the basis of normal credit statements prepared and submitted by them.

#### Loans for Productive Purposes.

17. In 1108 out of Rs. 9.46 lakhs given out as loans to members, a sum of Rs. 3.99 lakhs was shown as lent for productive purposes and Rs. 5.47 lakhs for non-productive purposes. Such items as cultivation, purchase of cattle, payment of sircar kist and *michavaram*, food, education, etc., are considered productive; while clearance of prior debts and payment of *Sthridhanam* are the main unproductive items. The object of a primary society should be to make available short term productive loans, and, therefore, we recommend that the major part of its funds should be utilised for giving loans for productive



purposes and that only a comparatively small part should be made available for the clearance of prior debts and if members be very eager to have these cleared up as a necessary step for increasing their productive capacity as also their repaying capacity, they should be taught to build up such capital out of their own savings either compulsory or voluntary.

#### **Responsibility of Managing Committees.**

18. In sanctioning loans to members we have noticed that the managing committees do not at all seem to recognise their responsibility of making sufficient enquiries in regard to the purposes of the loans and the amounts actually required. This in our view is a fruitful cause of the heavy arrears that we find in most of the societies. The absence of very careful scrutiny encourages members to take loans even when they are not absolutely needed. The purpose of every loan should, therefore be scrutinised, criticised and verified by the committees before the loans are sanctioned. Where loans are granted for the clearance of prior debts, the societies should insist on the members producing records for having discharged their prior debts. For this purpose the appointment of a standing sub-committee to enquire thoroughly into the purposes to which the loans are put and to watch over the utilisation of the sums lent seems to us very advisable in all credit societies. *Strict enquiry* should be made by the inspecting and supervising officers of the unions in addition as to whether loans are properly used, and all cases of misuse should be promptly reported to the supervising and financing agencies and also to the Registrar for disciplinary action provided for in the byelaws. Binami transactions also should be similarly scrutinised and wherever possible reported.

#### **Short and Medium Term Loans.**

19. The present byelaws, following the changes introduced in those of the Madras Presidency after the Townsend Committee's Report was published, make a distinction between 'short' and 'long' term loans. Short term loans are described as those that should be repaid from the next harvest, the maximum period permitted for them being 18 months. The purposes for which these are considered suitable are sirkar kist, land rent, cultivation expenses and household necessities. All other purposes, including the clearance of prior debts, are brought under long term loans but the maximum period allowed in such cases is ordinarily only three years, and including extensions, four years. We think three years is too short a period for the repayment of loans taken for such purposes as well-sinking or house-building and recommend that it should be raised to five or six years to make the instalments smaller. We are not in favour of calling these loans 'long' term loans. That expression is generally used for loans which extend beyond ten years and which, as we have recommended elsewhere, should form the business of land mortgage banks. We would recommend the use of the expression 'medium term loans' in the place of the present

'long term loans.' The main purpose of a credit society as we have observed before should be the provision of short term credit. And loans for the clearance of old debts, unless they are small sums, should not be given by them.

#### **Crop Loans.**

20. In British Indian Provinces and some of the States loans are freely given on the security of harvested crops in order to enable the members to withhold their produce from the market for a short time so as to realise a fair price for it. These crop loans should be introduced in this State also. But care should be exercised by the managing committee to see that the crop is properly secured and kept under safe custody and not more than 60 per cent. or 70 per cent. of the estimated value of the crop should be advanced as loan, provision being made in byelaws for the realization of the margins when prices suffer a steep fall and for the storing of the produce in a safe and secured building, the whole of it being insured, for which a small charge should be made.

#### **Forecast.**

21. The delay experienced by societies in getting loans from the financing institutions would be considerably minimised if the following procedure were adopted. The borrowing societies should carefully estimate in advance the credit requirements of each of their members for current agricultural purposes. These estimates should be totalled up and be forwarded to the union and to the financing bank so that the credit-worthiness of the societies may be fixed by them after due examination and scrutiny of these estimates by their respective staff. If this is done before the loan application is actually sent up, there should be very little justifiable delay in sanctioning the loan.

#### **Remuneration to Secretary.**

22. Under the present byelaws of unlimited liability societies, the Registrar has the power to sanction, on the recommendation of the general body remuneration to the secretary or any other member of the committee for the clerical work done by him. No remuneration is payable to the secretary, whatever his services may be, when the society employs a clerk to do scriptory work. In the case of limited liability credit societies, bonus is permitted to the secretary, out of the profit of the society, though he may not be doing any scriptory work. We consider it desirable to put the secretaries of limited and unlimited societies on a par in this respect. We, therefore, recommend that a bonus not exceeding 20 per cent. of the profit be paid to secretaries of unlimited liability societies also which employ clerks.

#### **Time-barred Loans.**

23. It is a very common thing for managing committees to allow loans to become time-barred either by ignorance or by wilful negligence and it is obvious that such neglect results in great loss to the members

of the society, who have accepted unlimited liability. It would be only fair, therefore, to make the managing committee responsible for any loss caused by their own neglect. We, however, think that it should be made incumbent upon the supervisors and auditors to draw their attention in due time to such loans as are in danger of becoming time-barred; though the ultimate responsibility in our opinion should rest with the managing committee themselves.

#### **Property Register.**

24. During our inspections we found very few societies which had kept complete and correct register of properties of their members carefully revised and brought up to date. It is needless to emphasize the importance of the property register in the successful and safe working of a primary co-operative credit society with unlimited liability. The Registrar should see that every unlimited liability society regularly maintains its property register up to date.

#### **Prosecution.**

25. We have been informed that though there have been many cases of misappropriation, no steps have been taken to book the culprits. The result of such inaction on the part of the department must be thoroughly demoralising and very detrimental to the efficiency of the movement as a whole. There should be no hesitation, therefore, to prosecute the delinquents in such cases and bring them to book and make them realise the enormity of their wrong doings.

#### **Dormant Societies.**

26. The number of dormant societies is growing from year to year. Thus, at the end of 1108 (1932-33) as many as 599 societies were dormant *i. e.*, they did absolutely no work. A good many of these societies would have been cancelled if the Registrar had more hands to attend to the work of liquidation. But the continued existence of such societies is a menace to the health of the other societies, and therefore, we recommend that such dormant societies which could not be rectified within two years should be cancelled.

#### **Kettuthengu.**

27. In the taluks of Vaikom, Shertallai and Parur, several societies we have noticed, have introduced a very interesting device by which they take over the management of some of the coconut trees of their members, market the produce and credit the income against the loans that may be due from them, or in the absence of loans as deposits from them. This system has enabled many members to clear off their debts to the society. We, therefore, recommend that it be adopted wherever possible.

#### **Buildings.**

28. A society which has a building of its own, whether it be small or large, rouses a degree of pride and interest in its members and inspires confidence in non-members. It is, therefore, very desirable that

societies which can afford to have their own buildings should be encouraged to secure them. We are glad to observe that, in the course of our tours, we have come across many societies even in small villages that have put up buildings neat and tidy and have given in them shelter to many useful public institutions like libraries and reading rooms and sometimes a night school as well. They should not be permitted, however, to use their general funds for putting up buildings. But a portion not exceeding 50 per cent. of the reserve fund may be permitted by the Registrar to be utilised for the construction of a suitable building, provided the following conditions are satisfied —

(1) The amount of the reserve fund is not less than 10 per cent<sup>t</sup> of the working capital;

(2) the amount permitted to be utilised for the building from the reserve funds does not exceed 50 per cent. of the estimated costs of the buildings; and

(3) the balance is raised by donations or by a building fund set apart year by year or by some other means except borrowing.

#### Use of Common Good Fund.

29. Many societies even here as in the Punjab have undertaken with the help of their common good fund, slowly built up by their annual contributions at the rate of  $7\frac{1}{2}$  per cent. (though in Bombay it could go up to 20 per cent.) of the net profit, the promotion of many a useful local activity to enlist popular sympathy: and this tendency deserves encouragement, because it makes co-operative transactions more popular and helps the growth of public spirit and encourages the habit of sacrifice among members by means of smaller dividends.

#### Grain Banks.

30. In 1108 M. B. there were 6 grain banks. These differ from the ordinary credit societies in that their working capital consists both of money and grain. They are thus not purely grain banks. The first grain bank was started in 1099 with only 18 members. The number of banks gradually grew to 6 in 1106 and has been stationary since then. In 1108 they had 630 members, a share capital of Rs. 4,455 and 2,572 paras of paddy and a working capital of Rs. 9,959 and 2,777 paras of paddy. There is nothing to show that their working is more satisfactory than that of other credit societies. A few grain banks are found in several of the British Indian provinces and States but nowhere can they be said to have made a striking progress. Apparently even in small villages money is found to be a more convenient basis for credit than grain and there does not seem to be any bright future for them.

## CHAPTER VIII.

### AGRICULTURAL NON-CREDIT.

#### Need for investigation of failures.

Though a purely non-credit agricultural society was organised for the first time only two years ago, non-credit activities of different kinds have been undertaken from the very beginning with varying success by the agricultural credit societies. The policy followed seems to have been to utilise one society for several purposes rather than to have separate societies for different purposes. The activities started were very useful and the fact that some of them waned after flourishing for a time should lead the Registrar to investigate thoroughly the causes for the failure.

#### A Variety of attempts made.

2. We give below a brief account of the various co-operative activities in this category with some observations regarding their breakdown.

##### (a) Production, Purchase and Sale.

The first agricultural society that combined production, purchase and sale with credit was the Krishnapuram Lakshmilasom Co-operative Society No. 3, registered in the year 1091. It prepared copra from the coconuts of its members and marketed it at Alleppey. It also did the soaking of the coconut husks, but owing to the violent fluctuations in the price of copra and coir yarn which took place on account of the Great War the society incurred heavy losses and the work came to be suspended indefinitely. Nevertheless other societies attempted similar activities in succeeding years. And when in later years of the War foodstuffs and the other necessaries of life became scarce and profiteering had to be prevented, Government gave special encouragement to co-operative societies to take up distribution work. More and more societies undertook this work and in 1097 as many as 52 societies were engaged in it. But when conditions gradually returned to the normal there was not the same need for this kind of co-operative service and it was given up. The Thrikkadavoor Society, however, continues to have good sales. In 1108 its sales exceeded Rs. 50,000, which is very creditable considering the present low prices of goods and the fact that its store is located in a rural area. Judged by the experience of other parts of India there is very little chance of success for rural stores. But the indent system of purchases which has operated well in a few societies could be tried with a fair prospect of success in rural societies, and we therefore recommend that system.

##### (b) Soaking of Coconut Husks.

This is the first process in the coir industry. Coconut husks are kept under the brackish water of the lagoons from 6 to 8 months and then taken out and beaten with a heavy stick for obtaining fibre. The

husks are bought from different parts of the State by persons who are engaged in soaking them. They sell them, after the soaking period is over, to the people who are engaged in coir making and earn a fair margin of profit. When co-operative societies were organised in the lagoon area they naturally thought of the soaking of husks and of selling to their members as the majority of them were engaged in the coir industry. In 1108, 13 societies were engaged in this activity though in 1101 the number was 18. It is undertaken as a source of profit to the society and not with a view to benefit the individual members. The purchasing members do not get any bonus. If the system of giving bonus to members be introduced, we think that more members would join the society and that they would take keener interest in its working. The adoption of the co-operative method should be encouraged at every stage of the coir industry.

**(c) Kettuthengu.**

This is a system under which the member of a society hands over the management of a certain number of his cocoanut trees to the society. The society sells the cocoanut and credits the amount realized to the account of this member; and by auctioning them, the society is able to realise a higher price for them than the members individually would have been able to do. The advantage to the society is that it makes the collection of loans and deposits easy. In 1106 the system was prevalent in 63 societies, but on account of the fall in the price of cocoanuts their number fell to 46 societies in 1108. This very interesting system enables the societies to undertake the joint sale of cocoanuts of their members. The system should be introduced in all societies in the cocoanut areas. The societies should combine, eliminate middlemen and prove to the satisfaction of the members the advantages of joint sale. Some system of payments for services has to be devised, if the work should grow in volume and endure.

**(d) Manure Agency.**

Some societies have been selected by the Agricultural Department as its agent for the sale of manures. The object is to popularise the use of manures among the agriculturist members, but incidentally the societies obtain a commission on the sales. In 1100, 14 societies had taken up the agency, but in 1108 their number dwindled down to 7. The Director of Agriculture and the Registrar of Co-operative Societies should together investigate into the cause of the loss of popularity of the manures prepared by the Agricultural Department. The societies should also be taught how to prepare the manures themselves.

**(e) Agricultural Demonstration.**

Demonstrations in the use of improved ploughs, seeds and manures under the direction of the Agricultural Department was taken up enthusiastically by a number of societies in 1102 and 1103. In subsequent years, however, the enthusiasm waned, probably owing to the

fall in the prices of agricultural produce. In 1108 only one society was conducting agricultural demonstration. The results generally have not justified the undertaking of these efforts.

(f) **Seed-bulls.**

In 1104 eight societies were maintaining seed-bulls but only one or two of them could get grants from the Agricultural Department the number decreased in later years. In 1108 no bull seems to have been kept by any society and it is a matter of vital interest for the community to have this question properly examined by both these departments.

(g) **Lease of gardens.**

In 1100, three societies took 37 gardens of their members on lease. The idea was to improve the yield of the gardens by the application of manures and to obtain better prices for the produce by marketing it in bulk. In 1104, one more society undertook this work, but the results do not seem to have been encouraging. One by one the societies dropped the idea. In 1108 there was no society doing this work. The lease of gardens facilitates joint sale and the elimination of middlemen. But remuneration should be provided for workers as an inducement for their steady and continuous service.

(h) **Taungya cultivation.**

Under this system societies undertake to clear forest lands selected for teak plantations, plant them with the seedlings supplied by the Forest Department, weed and hand over the area to that department after two years. In return they are allowed to raise two crops of hill paddy intervened by one of gram. In 1101, 16 societies had undertaken this cultivation and it was estimated by the Forest Department that the societies obtained nearly a lakh of paras of paddy for distribution among their members and that this reduced the import of foreign rice into the area. The gain to the Forest Department was not less striking, for by this system the cost of plantation was reduced from Rs. 20·9 to Rs. 1·9 per acre. But on account of the failure of some societies to plant the seedlings in time, the Forest Department is reported to have been put to some loss and gradually it withdrew its patronage and in 1108 there was only one society enjoying the contract. This kind of cultivation is certainly advantageous to the members. The Co-operative Department, which recommends the societies for this work, should make itself morally responsible for the fulfilment of the contract and make suitable arrangements through its inspectors. In his evidence before us the Conservator of Forests promised to show every consideration to these societies which were reported to be doing very good work at one time even according to the report of the head of the department.

(i) **P. W. D. Contracts.**

In 1101 a society took the contract from the Public Works Department for restoring an irrigation tank that had long been breached and

silted up. It did the work to the entire satisfaction of the department so that contracts for road repairs were given to societies in subsequent years. In 1104 eleven societies obtained such contracts, the work being valued at nearly Rs. 25,000. In the next year, the Registrar reported that the enthusiasm evinced during the two previous years had cooled down, owing to some extent, to the delays in final measurements and payments. In 1108 only two societies were reported to have obtained such contracts. These contracts are not taken up with a view to benefit the members directly. If their object was to find employment for their members, as in the case of labour societies of Madras, it would have been otherwise. When labour societies are organised and where labouring classes preponderate in a society, the Registrar may encourage their taking up these contracts. We do not recommend it in other cases as it would be unsuitable to the members.

#### (j) Arbitration.

A very useful kind of co-operative service done by many societies in some years was the settling of disputes among their members by means of arbitration and thus decreasing litigation. Even non-members are reported to have sought their services in this direction. Arbitration seems to have been first begun in 1099. In 1100 it was taken up by 25 societies. In 1101 the number increased to 81 and in 1104 to 91 societies. There was a sudden inexplicable drop thereafter and in 1108 only 9 societies were engaged in it. Why it lost its popularity after 1104 should be enquired into by the Registrar. Encouragement to revive arbitration should be given to societies in which capable and impartial men are available for such work.

The byelaws of all credit societies contain among other objects, in addition to the provision for credit, the joint purchase of domestic requirements, the joint sale of produce, the owning of agricultural implements for giving them to members on hire, the promotion of thrift, etc. But most societies confine themselves to the provision of credit. This narrows a member's contact with the society and lessens the chance for mutual beneficial influence. An attempt should therefore, be made to start various non-credit activities in every society, of course, after duly ascertaining what the most urgent needs of the members are. Non-credit work demands more capacity than credit work. Small sub-committees may be formed to look after each activity. Some system of payment to the chief worker out of the profit of each activity should be devised.

#### (k) Poultry Farming and Bee-keeping Societies.

The Registrar's report for 1108 speaks of 3 poultry farming societies of which only one, that at Marthandom, is reported to be working well. It had a membership of 57 and a share capital of Rs. 316. Its work was confined to issuing loans to members for the purpose of rearing



fowls of an improved breed. The society is located in the Y. M. C. A. Rural Centre and is conducted under its auspices. The Rural Centre has done very commendable work in promoting poultry keeping and bee keeping in the area. It also collects eggs and honey and cashew-nuts from some 400 poultry keepers and others, markets the eggs after proper grading, paying for them a price higher than what the members would locally obtain. The marketing, however, is not done through the co-operative society. The vast majority of those whose eggs and other products are marketed are not members of the co-operative society. The society cannot indeed be said to be exerting any considerable influence on the poultry keeping and bee keeping industry. The association of the Co-operative Department and of non-official co-operators with the Y. M. C. A. Rural Centre, should in our opinion, be much closer. While the State has recognised the value of this centre by making to it an annual grant of Rs. 3,000, co-operators have not yet sufficiently realised the potentiality of this centre for building up very useful subsidiary cottage industries. This state of things must be completely changed. Poultry keeping and bee keeping should be brought under suitably constituted poultry farming and bee keeping societies and a union of them should be formed for giving technical advice and for managing the sale of eggs and honey. We are sure the Y. M. C. A. will most heartily co-operate in this endeavour. Then other areas will follow their example at Marthandam and Ramanapuram near Coimbatore with the result that beekeeping and poultry keeping will become well established cottage industries in the State.

We would like to see that members who bring their produce of various kinds for sale here get greater benefit and we have no doubt that the Y. M. C. A. would see to it by charging no commission whatsoever and would distribute a fair share of all the net profit to their members and other suppliers in proportion to the goods they supply to this centre especially when it is being so very liberally assisted by the State. Similar work started by any other organisation should receive support from Government.

#### (1) Vasumathy Karshika Co-operative Society.

In the beginning of this section we have stated that a purely non-credit agricultural society was started two years ago. It is the Vasumathy Karshika Co-operative Society the object of which is joint cultivation and colonisation. It has taken land on lease, from the Government and a loan from the Central Bank. It is, however, still too early to express an opinion about its working and we have discussed in detail our suggestions with regard to its working and improvement in our chapter No. 21 on Rural Reconstruction Societies and Co-operation.

(m) **The Coconut Industry and Co-operative Movement**

We have been asked to make recommendations regarding the development of the coconut industry through co-operative societies by a term of reference. We have been favoured with a very informing and weighty note on the subject by Mr. J. A. D. Naoroji, Director of the Tata Oil Mills Company Ltd., Bombay, which we have published as an appendix to this report. We do not wish to repeat the information contained therein, but should like to urge that the note do receive the most careful attention of the Government and the public interested in the improvement of this industry. Coconut cultivation being in the hands of small cultivators in the State, there is plenty of scope for co-operative organisation of both the copra and coir industries at every stage of their production and marketing. But this organisation cannot be successfully brought into existence without the appointment of a special staff and without liberal financial aid from the Government. The importance of the industry to the State is such that there ought to be no hesitation in incurring whatever expenditure may be necessary. Some years ago the Travancore Central Produce Co-operative Society was registered to promote the co-operative marketing of copra and coir. The attempts to start it on work has not hitherto been successful, but if a fresh attempt be made with special help from Government as we have recommended below we think it will have a fair chance of success. Our recommendations are :—

- (1) The service of a competent officer of the Co-operative Department should be given free for the first two years ;
  - (2) A loan equal to the subscribed share capital should be advanced to the society by Government and
  - (3) A grant of Rs. 2,500 should be made to meet the initial expenses and the rent of godown for one year.
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## CHAPTER IX

### NON-AGRICULTURAL

#### A large variety.

In 1108 M. E. (1932-33) there were 290 non-agricultural societies which were engaged in credit alone and 14 societies which combined credit with production and sale. Many of them were societies of castes and communities not engaged in agriculture, such as fishermen; some were communal societies in urban areas, some consisted of the employees in Government factories and municipalities and only 15 of them were urban banks.

#### Recommendations of general application.

2. The observations and recommendations made by us in respect of agricultural credit societies are equally applicable to the credit societies of non-agricultural communities in rural areas. Many of our recommendations will also be applicable to other non-agricultural societies except those of the recommendations that relate to maximum membership, splitting up of societies, the current, saving and fixed deposits, forecasts, crop loans, bonus to secretaries, property register etc.

#### Some types of Non-credit Development.

3. We shall deal below with a few important aspects of development attempted by some of the societies in the category.

#### Urban Banks.

In 1108 there were only 15 societies classified as urban banks. The working capital of none of them has reached even a lakh and the total working capital of all of them was only about Rs. 4 lakhs. Compared with the urban banks of other States and Provinces, those in Travancore are certainly very weak in transactions, finance, wider outlook and service though not so in their membership, unlike Bombay, Punjab, Madras, Mysore and even Cochin. In Bombay these Banks rose from 91 to 102 and had at their command nearly 4 crores of rupees and the Registrar in his latest report observes as follows:— "The urban credit movement on the whole has been a success in this province and shows signs of progress on sound lines." He further adds that many urban banks have new buildings of their own in which reading rooms and libraries for the benefit of members are provided. If there had not been so many communal societies here and if the Trivandrum Central Co-operative Bank and the taluk banks had not been issuing loans to individuals who are their members, urban banks would have had a better chance for development. When, however, as strongly advocated by us, the financing banks confine their activities to the granting of loans to the primary societies only in the near future, we may expect the urban banks to grow more strong and do their work more vigorously. Still there is need for special propaganda and organisation in many towns of industrial and commercial importance. In order to

vrage the banking habit, urban banks should give facilities to their members and even to non-members to open current and savings deposit accounts. But care should be taken to maintain a proper standard of fluid resource and to examine the financial results of such accounts from time to time. The interest allowed should be moderate and calculated on lowest monthly balances.

To achieve that end, *viz.*, a good banking habit, these societies, especially the urban banks, should try to introduce among their clients the cheque system which would prove of much benefit to its drawer and also to the party in whose favour it is drawn. In Bombay this habit is daily growing strong and to-day cheques worth lakhs of rupees issued by the co-operative banks are in circulation. When once the habit catches, it is sure to bring the co-operative movement in much closer contact with the other sources of finance in the money market.

The practice prevailing in some societies of closing accounts only at the end of the month is deprecated. They should be closed and the cash balance shown each day.

Monthly trial balances and monthly statements should be prepared and sent to the Registrar and to the financing bank, if any.

#### **Societies of Government Servants.**

4. In 1108 there were 39 societies consisting exclusively of Government servants. Of these societies 34 were purely credit institutions, 4 were benefit funds of the family benefit funds type as in Indore and the fifth one combined credit with a benefit fund. The total membership of these societies was about 15,000 and their working capital came up to Rs. 3½ lakhs only. Some of them are organised according to departments but others are regional. Though these societies enjoy an advantage over others in that the amounts due to them from their members could be collected direct from their salaries as in Bombay, we have in many cases found that the percentage of overdues in them is not smaller than in other classes of societies. We are sorry to observe that the object with which the Government servants join the societies seems to be not so much to learn and practise thrift and economy, as to have greater facility for borrowing. Being enlightened, comparatively well placed and well educated section of the community, it would be naturally expected of them that the Government servants would consider it their special duty to set an example to others in the practice of thrift and other virtues that are associated with the principle or name of co-operation, and also in the matter of good management of their societies; but the members of these societies for the Government servants seem to be the readiest and most thriftless borrowers in the co-operative movement. Some of them borrow not only from these particular societies but also from others, frequently three or four credit societies. The recommendation that we have made earlier that no person should be allowed to borrow from more than one society, applies with particular force to societies in urban areas like those of Government servants.

It should be a strict rule of the Co-operative Department that no one belonging to it shall be a member of a society unless it be a society intended exclusively for the employees of the department. Such prohibition obtains in Madras and some other provinces and is necessary if the staff of the department should discharge their duty properly towards the societies. Such societies prove a great source of economic strength to members as would be clearly seen from the following description of similar societies in Bombay :—

#### **Salary-Earners' Societies.**

The Salary-Earners' Societies have proved remarkably successful and their popularity is increasing every day. The facility for recovery through the pay sheet which does not expose the member to the temptation of with-holding his repayment, though not strictly co-operative, is yet proving a great boon in disguise. The provision of compulsory thrift is being insisted upon, the subscriptions in this respect being proportionate to the earning of the member. The G. I. P. Railway Employees' Co-operative Credit Society Ltd., Bombay, is the most outstanding example of such society with a working capital of nearly Rs. 50 lakhs.

#### **Benefit Funds.**

6. Five of the 39 Government Servants Co-operative Societies have started benefit funds to provide for the contingency of death or retirement. One of them, the Travancore Educational Department Co-operative Benefit Fund Society, had enrolled in 1108 as many as 4743 members. We have every sympathy with the objects of these funds, but doubt very much whether the lines on which they are working are sound and businesslike. In his report for 1108 the Registrar of Co-operative Societies states :—“These Benefit Fund societies have received a set back from the decision contained in G. O. No. Fl. 155, dated the 26th January 1933, making it compulsory on the part of all new entrants into Government service since Meenam 1107 to join either in the State Provident Fund or in the State Life Insurance.” The same view was urged before us by the representatives of these funds, who wanted an option to be given to the Government servants to join these benefit funds or the State Provident Fund or Insurance Scheme. We were not convinced by the claim made by these representatives that under their scheme a subscriber would be benefited to a greater extent than under the Government Provident Fund or Insurance scheme. We know several thousands of Government servants have joined these funds. We recognise that there is an element of sacrifice in the benefit that are held out to members by their funds, but to make their work sound and free from any doubt which is sometimes expressed about their working and their method of calculation, we recommend that these funds should (1) secure the benefit of medical examination in admitting members, (2) get their tables examined by actuaries, (3) get an advance payment from members to enable the management to pay at once the money, whenever there is a call, by deducting the same from the advance, to be replenished by the subscribers from time to time; and (4) to

obtain from the Registrar sanction to open credit side on condition that members of their funds do not join any other co-operative credit society for borrowing. If these conditions be observed there would be no element of speculation in their transaction as sometimes complained of generally.

#### **Teachers' Societies.**

7. In 1108 there were 4 Teachers', 5 Municipal employees' and 3 Factory employees' societies. The Teachers' societies had a membership of 285 and a working capital of Rs. 8,902. We believe that many of these members are also members of Government servants' societies and local societies. If our recommendation that a person should not be allowed to borrow from two or more societies is accepted, we expect the need for these societies will not exist and the loans due to them will be transferred to other societies.

#### **Municipal Employees' Societies.**

8. Out of 19 municipalities in the State only 5 have societies for their employees. There is thus scope for more societies. The menial servants of municipalities have comparatively steady and good incomes but are generally addicted to drink and thriftless ways of life. They could benefit very much from co-operative societies, provided the presidents or chief officers of the municipalities take a genuine interest in the well-being of their servants and guide their respective societies. Often these societies are left to be managed by maistries and subordinates and the members improve neither morally nor economically. They only learn to borrow more than formerly and to become defaulters. They should find one or two proper guides for each of these societies. Thus, the sympathetic working of institutions of this nature has enabled members to get rid of many social evils from which they suffer and when properly conducted they serve the purpose of better living societies as in Gujarat and several municipalities in Bombay.

#### **Factory Employees' Societies.**

9. The 3 factory employees' societies had in 1108 a total membership of 277 with a working capital of Rs. 10,774. There were in that year about 150 factories of which 31 had more than 100 employees. These factories include oil mills, tile factories and tea and rubber estates which afford much scope for the organisation of societies. But factory employees' societies have very little chance of success unless the management help the societies in various ways. It is natural for employers to be suspicious of any kind of organisation among their employees as likely to lead to future troubles. But if the aims and objects of the co-operative movement are properly explained, they will soon realise that the societies will promote harmony and not strife between the management and the employees and their support for the societies will be forthcoming. But any propaganda among employers should be done by persons of good status and with tact. The Registrar himself should attend to it, seeking wherever possible the help of Dewan Peishkars and other high placed officers of the State. The object of these societies should be more the promotion of thrift and the purchase of articles on the indent system than giving loans.

**Artisan Societies.**

10. In 1108 there were 28 societies of artisans with 2203 members and a share capital of Rs. 21,535. These are mainly societies of Viswakarmas who are goldsmiths, bell-metal workers and carpenters. These societies function only as credit societies. It is desirable that they should also help the members in the sale of their goods. Co-operative societies are at present allowed to send the goods of their members to the Sales Depôt of the Industries Department at Trivandrum, but a commission of 12½ per cent is charged on the sale. We are of opinion that no commission should be charged on these goods. It naturally takes some time for these goods to be sold and in the meantime the artisans must get finance to maintain themselves and to go on with their work. The financing banks should assist them in this respect, but in case they do not do so, the Government should place an adequate amount at the disposal of the depôt out of which advances may be given to the societies to the extent of 60 or 70 per cent of the estimated value of the goods admitted into the depôt. It should be made clear to the societies that the goods are only received for sale and are not in any sense purchased by the depôt.

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## CHAPTER X.

## NON-AGRICULTURAL NON-CREDIT.

## Weavers' Societies.

In 1108 there were 14 non-agricultural credit societies which were also engaged to some extent in the non-credit activities of production and sale. Almost all of these were weavers' societies. Generally speaking the weavers form the second most numerous occupational class in India, the first being the cultivators. In the Travancore State, however, it is not so, there being in 1931 only 14,636 persons for whom weaving was the principal occupation, and 1588 others who had it as a subsidiary occupation. The high hopes entertained at one time of the co-operative movement being able to help largely this class have not been realised in any part of India to any appreciable extent, though some weavers' co-operative societies in different Provinces and States have been fairly successful, as for instance, in the Punjab, Bombay, Madras, Bengal, Mysore and Cochin. In the co-operative year 1932-33 there were in the Punjab 200 weavers' societies, in Bombay 53, in Madras 28, in Bengal 330, in Mysore 69 and in Cochin 3. In some of the Provinces depôts are maintained with Government assistance even by non-official organisations like the Servants of India Society which has one at Calicut in Malabar. The worker in charge of it writes: "The Weavers' Societies as usual caused us no end of trouble. Persistent efforts to secure a grant from Government to run a sales depôt proved successful during the year and a grant of Rs. 400 per annum was sanctioned. The Depôt also acts as the agency for the sale of products of other co-operative organisations charging a small commission. In order to meet the demand for *mundus* of a bigger size, the members were induced to use the fly shuttle slay. After all, six of them agreed and fitted up their looms with fly shuttle slays. Their income has increased; even then others are slow to realise the value of improved methods. Joint purchase of yarn and rice continued. The question of clearance of prior debts remains to be solved." On account of the difficulties experienced by these societies and of the handloom weavers generally, the Government of India has come forward with a sum of Rs. 5,00,000 to be utilised for the improvement of the handloom industry. We would consider it advisable that the Government of Travancore should also come to the help of the handloom weavers after studying the various impediments in their way.

2: The chief difficulty of the handloom weavers all over, however, has been to find a steady market for the cloth woven by them. They have in the first place to meet the competition of the mills which produce cloth more cheaply. Then there are the fluctuations in the prices of yarn and cloth. The societies which have shown some success are those which were able to secure big orders from Government or some other help or which were not required to face the competition of the mills partly on account of the swadeshi or hand made cloth movement



or the specialised nature of the cloth produced by their members. And the success has not been steady in any case. The attempts made by several societies to obtain yarn in bulk and distribute it among their members have generally failed, after initial success in some cases, owing to the fluctuations in prices. If there were big consumers' organisations in the country, they would have been a help to the weavers' societies. We may hope that the new attempt of the Government of India, already referred to, will help the weavers' societies, as far as possible. We would recommend that the departments of Government, such as the Forest, Excise, Police and Military should be advised to make purchase of goods they require from these societies. Here we have to content ourselves with saying that the recommendations we have made in an earlier part of this report regarding the artisans' societies are fully applicable to the weavers' societies, which indeed ought to have been included among the artisans' societies by the Registrar in his annual report.

#### **Distributive societies.**

3. In 1108 there were 18 distributive societies, or stores as they are popularly known on the register, of which one had not started work. The Registrar's report gives a few particulars regarding their working. Their total purchases are reported to have amounted to Rs. 1,68,988. Only one of them seems to be really working well— The Trivandrum Co-operative Distributive Society Ltd., No. 4 which we are told had started work as an unregistered society even before the passing of the Travancore Co-operative Societies Regulation of 1914. It has always been the biggest and the best managed among those started in the State. Its purchases were nearly equal to those of all the other 16 stores put together,— Rs. 81,713 out of Rs. 1,63,988. It has a building of its own, has seven branches and a good reserve fund : and has recently introduced a provident fund scheme for the benefit of its staff, under which the store contributes an amount equal to that paid by the employee every month and allows interest at the rate of 6 per cent.

#### **Stores would succeed more in Urban areas than rural.**

4. The organisation of stores has been attended to from the inception of the movement in the State. In the first year no less than four were started but only one of them has survived. It is perhaps true of the whole of India that failures have been more frequent among stores than among the other classes of societies. In the present circumstances it is impossible to expect in India the kind of success that stores are having in England, from where the idea has been borrowed by all countries. The margin between the wholesale and retail prices is much greater there than in this country. Nothing like the 'dividend' that is distributed there can therefore be expected here. While in England the store movement is a movement of the working classes people, it is one of the educated class in India. Here stores are likely to succeed only in big towns which have a large educated population. It is only the educated

men who appreciate here the services rendered by the co-operative stores. Often has he to entrust purchases to servants or others. He is in need of a place where the quality, price and measurements of articles will be entirely reliable. He is prepared to supply the capital for it and give some of his spare time for its management. So he organises the store or joins it. The "dividend" is bound to be meagre and uncertain in India. The usual dividend in the Triplicane Stores, Madras, in the years in which it was declared has been only about a quarter of an anna in the rupee, whereas in England it is about 2 s. 6 d. in the pound. Those who are attracted by the hope of the dividend will sooner or later lose their enthusiasm. If the dividend has been considerable and certain, the poorer classes would have joined the stores in larger numbers.

#### **Its benefits Direct and Indirect.**

5. But the usefulness of the co-operative store should not be judged by the direct benefits it confers on its members. Its best service lies in the wholesome influence it exerts upon the retail bazaar men. They keep the prices at the level of the store and deal more honestly with their customers when they are competing with the store. But on days on which it is closed they put up the prices temporarily. The indirect public service thus rendered by the store is worthy of better appreciation both by its members and by the public.

#### **Simple system of accounts.**

6. The system of account keeping now prevalent in the stores is much too elaborate and costly. It is designed with a view to account for the least quantity of every article. In practice, however, the intended accuracy is nowhere attained and it is suggested that efforts should be made to bring the system in line with the practice followed in countries where the movement has prospered. All attempts should be made to simplify the present system, so as to make it very useful and serviceable.

#### **Sales to Non-members.**

7. At present the byelaws of store societies here do not permit the sale of articles to non-members, but as a matter of fact sales to non-members are very considerable. They buy in the names of members known to them and the benefit of the rebate, if any, goes to the members. We suggest that the sales as well as payment of some dividend to non-members may be permitted by the byelaws. On producing the receipts for purchases, each non-member should be credited with the proportion of the dividend permitted by the byelaws, and on the amount so credited becoming equal to the value of a share, he should be made a member. This will at least secure to the society the part of the rebate payable on the sales to non-members, which now goes undeservedly to the members in whose names the purchases are made. Then again the adoption of this system would reduce the working cost and enable the store to have a much larger turn over,

### Buying Clubs.

8. The Trivandrum Distributive Society should in our opinion take a more active part, in collaboration with the Travancore Co-operative Institute, in doing propaganda regarding the store movement. We should think it would be able to help in various little ways the inexperienced mofussil stores. Until the time comes for the organisation of a separate wholesale distributive society for the State, the Trivandrum Distributive Society may examine, by calling conferences and by other means, the chances as to what extent and in respect of what articles, the various stores could pool their orders and make purchases with its help in the State on the indent system. The lead in all such matters, of development and in bringing the producer into touch with the consumer should be given by the Trivandrum stores. Other stores may try purchases on the American Indent system of Buying Clubs.

### Limited Credit.

9. We are of opinion that well-managed stores may grant credit facilities to the extent of 50 per cent of the paid up shares held by their members by making suitable byelaws within certain limits, for instance, for one month only, with or without deposit against purchases, without granting them any rebate as allowed in the case of cash purchases &c., as is generally practised in Mysore stores. Such credits should be given with two sureties in each case and not in excess of three times the share capital. Such a system had been tried with success in Mysore. We are glad to observe that recently the Registrar has registered a store society with provision in the byelaws for credit sales with suitable restrictions, for the employees of the Pallivasal Hydro-Electric works, and that this store was opened by Sir Muhammad Habibullah the Dewan of the State.

### School and College Stores.

10. There are five students' co-operative stores in the State, four of them attached to the High Schools at Quilon, Kottayam, Mavelikara and Karuvatta and one to the Science College at Trivandrum. The Madras Presidency has 80 students' societies, while in the Bombay Presidency "the school boys' societies have increased to 707 from 700 and continue to provide good training for future members of societies." This is the proper way to look at them. There were in the Punjab 150 unregistered school supply societies with 26,320 members and a turnover of 2½ lakhs of rupees. Cochin has 5 very well managed students' stationery societies including the store society in the Maharaja's College at Ernakulam. Though in the majority of cases these students' societies are not registered regularly, still they are well served by the Co-operative Department in their respective areas as if they were registered. Their object is the supply of books, stationery and some other articles of daily use like sports materials, soaps, &c. Not only do they confer a not inconsiderable economic benefit on their members directly, but have their indirect uses also, to which reference is made in detail elsewhere, in keeping down the prices of the articles. Moreover, they afford no small help in

giving the boys and girls a very valuable practical training in public work, business management, and the co-operative method. They constitute a very valuable field of recruitment for future co-operative workers as well.

#### **Science College Store, Trivandrum.**

11. In an educationally advanced State like Travancore, therefore, the scope for the systematic organisation of stores as a side activity like the debating club in schools and colleges, is immense. The store in the Government High School in Quilon which is already doing good work could be made more useful to poor boys if only the teachers do more systematic propaganda among their own students. The success of the Science College Store during the two academic years that it has worked should prove an inspiring model or example not only to other colleges and schools in the State but outside also. During the first academic year its sales amounted to over Rs. 6,800 and the net profit to a little over Rs. 650. In the second academic year, the accounts of which have been audited but the Registrar's audit order has not yet been issued, the sales exceeded Rs. 9,000, and we may expect a proportionate increase in the net profits also. The members of the College staff have taken a genuine interest in the store as a side activity of the College and hence its remarkable success. It offers part time employment to some poor students without prejudice to their studies and regular College work. We know that the store needs still further assistance from the department in the direction of a special place, and the ex-secretary who has submitted a very useful note to us in this subject, Vide Appendix No. 8, has some very valuable ideas for developing the spirit of self-help among the students, by starting a co-operative hostel attached to the College, especially for the benefit of those who come to Trivandrum to join the College from the country side. This is a proposal worthy of consideration by the department. Moreover the store can maintain a stall in charge of some member in the students' hostel maintained by the department. A portion of its net profits could certainly be utilised in helping poor deserving students as is done by the Sydenham College Stores, Bombay. It should be possible for every college and high school, if not every middle school, in the State to have a store of its own as an object lesson for which the teachers would be required to make some sacrifice. There is, in the Cochin State, a Co-operative Home conducted by the students of the Sanskrit College at Thripunithura.

#### **The Indent System.**

12. Where Stores are not feasible or are not needed, the indent system of purchases may be tried by which is meant the pooling of the requirements of a group of persons and purchasing them in bulk. By this system the members of the group get all the advantages of a store in respect of the articles indented without any overhead charges. We recommend this as a useful form of non-credit activity to all well managed credit societies.

13. The Parassala Brahmanajena Co-operative Credit Society, one of the best managed co-operative societies in the State, has been very successfully carrying on for several years the indent system of purchases. Its example should prove inspiring to other credit societies.

#### **The Trivandrum Co-operative Insurance Society.**

14. To the best of our knowledge there are only four co-operative insurance societies in the whole of India. Their offices are at Calcutta, Bombay, Madras and Trivandrum respectively. The Trivandrum society was started on the 14th May 1932 and in about 9 months it sold 2260 shares (of the value of Re. 1 each) and issued 172 policies of the aggregate value of Rs. 80,150. This should be considered fairly satisfactory progress for the first year. Then was published the Government decision throwing open the State Life Insurance Scheme to the general public. Seeing that the rates of Government tables were somewhat lower than those of the society in the case of endowment and that the Government could offer other advantages which the society could not afford to do, the directors convened a meeting of the general body on the 5th March 1933 and recommended to it the winding up of the business of the society.

#### **Deputation to the Dewan.**

15. But the general body did not accept the recommendation, and knowing that the Government have been changing their policy in this behalf from time to time thought it best at that time to appoint a deputation to wait upon the then Dewan Mr. T. Austin, I. C. S., now the Registrar of Co-operative Societies, Madras Presidency. The deputation waited upon Mr. Austin on the 5th April 1933 and urged that the Government should :—

- (1) suspend their insurance public branch, or
- (2) allow an overdraft to the Insurance Society of Rs. 10,000 or
- (3) issue policies only for sums exceeding Rs. 1,000; and failing these courses,
- (4) to take over the society with all assets and liabilities.

Of these only the last alternative was considered by the Government and they proposed certain terms, which, however, were not acceptable to the Directors of the society.

#### **Registrar's Intervention to Save the Society.**

16. They, therefore, called another meeting of the general body to consider the reply of the Government. This meeting resolved upon winding up the society and requested the Registrar to take the necessary steps. He, however, did not want to do so without giving a chance to the general body to reconsider its decision. On his own initiative he called a meeting of it on the 24th October 1933. At this meeting, the general body reversed its former decision and appointed a new Board of Directors to continue the work of the society. The Registrar also issued a circular to all societies to take shares in the Insurance Society and popularise it amongst their members.

### The Deadlock.

17. The work of the society has come practically to a standstill<sup>1</sup> after the Government decision to throw open their insurance scheme, not only to their servants but also to the public. Though the Government decision was bound to affect the society to some extent, we think it came to a standstill more on account of the directors losing heart and becoming paralysed than on account of the policyholders' unwillingness to continue their policies. New proposals are not coming in and of the 172 policies that were issued during the first year only 38 are now (June 1934) reported to be kept in force. It would be a great pity if the society ceased to work. While quite a large number of Indian and Foreign Joint Stock Insurance Companies are finding new business in the State, in spite of the Government scheme, we do not see why the Co-operative Insurance Society whose tables are more favourable than those of most of them should not be able to get new business in an adequate measure. No business concern would be able to make any headway in any business, if its directors lost heart or allowed themselves to be paralysed in the manner in which the directors of the Insurance Society have done.

### Well-Started.

18. We have no doubt that the society has been so far organised and started on sound lines, and that it can work in the same successful way in which the Bombay Co-operative Insurance Society which is now extending its sphere of operation and the South Indian Co-operative Insurance Society in Madras are working, provided the co-operative societies in the State take a reasonable amount of interest in its working, and men of energy and enthusiasm come forward to work for the society as has been the case in respect of both these directions in the two Indian provinces mentioned above. If these two simple conditions are not satisfied the society is bound to be liquidated. But we hope it will not be found necessary as there is such a wide field for the expansion of such business and we would advise the directors to study the methods of work of the two above mentioned successful insurance societies and, if necessary, employ one of the men trained by them.

### Claims upon Government.

19. Being a co-operative society engaged in an important and difficult form of non-credit activity, and having the Registrar as one of its directors it has a special claim for consideration at the hands of the Government. We recommend that the society be provided with an overdraft of Rs. 10,000. Following the principle which Government have adopted in the case of the State Aided Bank of Travancore, we also recommend that the Government should provide the running cost of the society for seven years subject to a

maximum of Rs. 2,000 a year. The Government should not also accept policies of Rs. 1,000 and less, if they could not altogether in deference to the wishes of the general body of shareholders avoid competition with a well conducted private agency by restricting the operations of its insurance scheme to its own servants as appears to be their original intention from the history of this activity in the State.

**The Trivandrum Co-operative Home.**

20. This interesting society started work in 1108. Its object is to afford co-operators, their relatives, and friends boarding and lodging facilities during their sojourn in Trivandrum. It has rooms and a restaurant branch. During 1108 it incurred a net loss of Rs. 784. But we think that it be removed to a more convenient locality and be centrally situated and given wide publicity to its non-sectarian character and that it adopts up-to date methods of work. It will no doubt attract more business and make good its losses, and ensure success in the future. This Home can certainly do the work as the Y. M. C. A. Hostel is doing and there is wide scope for the extension of such work.

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## CHAPTER XI.

### A FEW MORE TYPES OF NON AGRICULTURAL NON CREDIT.

#### Co-operative Dairy and Cattle Breeding Societies.

The problem of the supply of pure milk and its by-products to the people has always been engaging the thoughtful attention of the educated classes. Travancore which is comparatively poor in respect of her cattle ought to tackle this question successfully. The ordinary use of milk by the general public in the State is, as a rule, very restricted. On account of the dearth of milk and its comparative high price, the ordinary man considers milk to be a luxury in life. It is the town-dwellers who mostly use milk, and even in their case, they are handicapped very seriously for want of reliable milk supplying agency.

#### The Milk problem.

2. Under the existing circumstances we think that the problem has to be tackled on a co-operative basis at least in the towns. When the quality of milk is below the standard, the health of the people is bound to be seriously affected. In order to guarantee good supply of milk and also to ensure the health of the people, it is highly necessary that co-operative dairy societies should be started in suitable centres in the State, especially in municipal areas with the help of these local bodies and the Health and the Agricultural Departments.

#### Bengal leads the way.

3. These societies may be of two kinds, that is to say, the organisation of producers and that of consumers of milk. In Bengal when the milk problem was first of all taken up by the Co-operative Department, societies of producers *i. e.*, goals (or milkmen) were organised in the villages *i. e.*, in areas corresponding to karas in Travancore in and around the city of Calcutta; and milk was brought in trains to the city. In order to market the milk thus collected in Calcutta, a Milk Union was started in the heart of the city. Since the starting of the Calcutta Co-operative Milk Societies' Union, the progress of the milk co-operative societies scattered round about Calcutta has been phenomenal. The rural society is the unit of production, and the Milk Union is the distributing centre. We are informed these societies are centres of rural reconstruction and cattle improvement. When the Milk Union was started the Calcutta Corporation advanced to the Union a loan of Rs. 50,000 without interest which the Co-operative Union was in a position to return after some years. The Union runs an up-to-date dairy factory with the scientific apparatus for pasteurisation and sterilisation of milk. The President and the Convener of our Committee have visited it while in Calcutta. There is now in that province quite a wide net work of 267 societies with a turnover amounting to several lakhs and they have generally earned profits,



#### **Need for Organisation of Milk Societies in Travancore.**

4. In Travancore, we strongly recommend the organisation of milk societies in suitable centres preferably in the outlying villages surrounding the different towns. Such societies may be federated together into distributing agencies in the towns. We are of opinion that it will be a very costly experiment to install up-to-date dairy machinery and plants in every town. If circumstances be favourable an attempt may be made in this direction in the city of Trivandrum where the Government or the municipality should come forward with financial assistance. If a loan of Rs. 25,000 can be advanced by Government on 3 per cent interest for a period of 15 years, a modest dairy factory may be started in Trivandrum provided the other essential facilities of grazing land and fresh water supply be within easy reach. With regard to the ordinary milk societies it would be quite sufficient if they can collect good milk and bottle them with cleanliness and observe all the necessary modern hygienic precautions and distribute the same to the members and other consumers. The system of coupon tickets for the sale of milk may be adopted with advantage in the towns. Attempts in this direction on somewhat similar lines have been going on in Madras with the enthusiastic support of Rao Bahadur (now Dewan Bahadur) Devisikamoni Mudaliyar, Joint Registrar of Co-operative Societies in Madras.

#### **Attempt at Nagercoil proved abortive.**

5. Here in Travancore there is at present only one Co-operative Dairy Society registered at Nagercoil, but this concern has not started work owing to the gradual extinguishment of the initial enthusiasm of the promoters. We are definitely of opinion that for the successful working of such societies, whatever the department or the Government might do in securing large acreage of grazing land, and a plentiful water supply, the people concerned ought to take the lead and enlist popular support where it is originally absent.

#### **Cattle Breeding.**

6. Immediately and closely connected with the improvement of the problem of milk supply is the question of the improvement of the breed of cattle. Unless the breed of cattle is improved the economic resources of a country cannot be materially augmented. Travancore which is essentially an agricultural country like the rest of India ought to devise ways and means to improve this great industry. For cultivation of land good and strong buls are necessary. The existing breed of animals is very poor. If improved ploughing of land is recommended with the use of the Meston or the Rajah ploughs, the existing buls are not strong enough to pull them. If the breed of cows should improve there must be good stud bulls of Karachi, Scindi or Hissar breed for crossing purposes. It is generally beyond the financial capacity of the ordinary ryots to maintain such animals. It is therefore highly essential that cattle breeding co-operative societies should be started in villages as is being done in the Punjab and other places where good stud bulls are supplied free of cost by Government to such societies.

The Common Good Funds of societies should be so ordered as to be made available for the use of such societies. In the divisions of Gujarat and Karnatak in the Bombay Presidency, this work is pushed on very vigorously by some societies with the help of Government and charitable agencies like the Pinjrapols, the latter being mostly patronised by Jain and other merchants all over the Presidency. If Government feel difficulty of supplying good seed bulls, on the score of additional expenditure for the appointment of separate trained officers, we would even go to the length of suggesting the imposition of a small additional tax on cattle brought into the State through the frontier stations. Any way cattle improvement is a vital problem which has to be faced boldly by the people with the help of Government by forming co-operative societies.

#### **Central Produce Society, Alleppey.**

7. When the question of co-operative sale is considered, we are compelled to advert to the Central Produce society at Alleppey. This society which was registered with the object of pooling together for marketing the agricultural and other products of members did not start work. The aims and objects envisaged by the society are very lofty but these have not unfortunately materialised and shown any practical results. The obstacles in its way are said to be: -

- (1) Want of financial aid,
- (2) Absence of guidance of an officer exclusively for working up the society,
- (3) Unfavourable market conditions, and
- (4) Absence of feeder societies.

8. Alleppey, the central emporium of trade and commerce in the State, is the best suited place for the location of this central society. But the society in order to succeed, ought to take up the business in all seriousness and carry on the work. It is the duty of all societies to take shares and contribute towards building up the capital. Government subsidy may then be expected. If the society would do this much they can indent on the services of a special officer from Government to look after the working of the institution.

Apart from the Central Produce Society which will do well to specialise in certain commodities such as pepper, copra and coir, other sale societies may be started in suitable centres for the co-operative marketing of the other principal crops of the State. We are at one with the valuable suggestion made by Sir Lalubhai Samaldas of a central place to which similar societies may be affiliated. We are of opinion that at least three officers specially trained in marketing should be put in charge of the marketing societies. The services of men already working in the department with agricultural qualifications may be profitably availed of. In Bombay, there are in many districts cotton sale societies; besides there are others that sell jaggery (Gul), tobacco, chilley, mango, paddy and arecanut. They numbered 36 in 1933 and had

a large turnover. In Madras there were sale societies for cotton, paddy, groundnut and cocoanut and a large variety of them in Mysore and the Punjab and the results in these places are well worth studying for starting similar work here.

#### **Improved Farming.**

9. Better business, better farming and better living are the three most important avenues of development opened to the rural co-operative movement. In order to achieve the objects of Better Farming Societies for use of improved manures and scientific cultivation of lands such societies may be started as in the Punjab. The solitary experiment at agricultural Farming is now being done by the Vasumathy Karshika Co-operative Society at Kadakkal. We would recommend the co-ordination of activities of the Co-operative and the Agricultural Departments for the formation and working of such societies. Agricultural regeneration of the State is long overdue. We think nothing can better solve this problem than co-operation in these directions.

#### **Poultry Societies.**

10. At present there are only 3 such societies of which two are dormant though organized by the Poultry Assistant belonging to the Agricultural Department. The Y. M. C. A. Rural Reconstruction Centre at Marthandam has demonstrated with the financial aid from Government that in order to supplement the meagre income of the agriculturists cottage industries like bee-keeping and poultry rearing will prove of great use. In localities where conditions are favourable such societies may be started with advantage and the services of the Government poultry assistant fully utilised; and it is hoped that Government should make such assistance available to societies working in similar lines.

#### **Irrigation Societies.**

11. The irrigation problem falls under one of the following classes :—

- (1) Conservation of water for irrigation ;
- (2) Works undertaken with the object of protecting certain tracts from floods including embankments for flood protection ;
- (3) Construction of dams and canals ;
- (4) Drainage schemes for improvement of agricultural and sanitary conditions of stagnated areas.

Co-operative effort at irrigation can be successfully made in specific areas of the State. In the taluks of Kalkulam and Vilavancode there are many old tanks which can be repaired and made useful. Excavation of once useful tanks which were given up may be undertaken by societies. Co-operative societies organised for irrigation purposes, will have to work in close co-ordination with the department of minor irrigation in the State.

### Land Improvement Societies.

12. While dealing with the subject of irrigation societies we would like to emphasize the need for Government aid on a large scale to co-operative societies formed for the purpose of improvement of land and protection from floods. In this connection, our attention has been drawn to the recommendations made by the Travancore Banking Enquiry Committee in Chapter 6 of their report relating first to the large area of paddy fields near Quilon covering about 30 thousand acres which yield good crop but which could be made to yield two good crops if these fields could be well protected by means of a dam to ward off the damage which is caused by floods in the Ithikara river and by the inflow of brackish water from Paravur backwater. If this be not remedied not only the one crop gets damaged by the inflow of salt water but this affects the next year's cultivation also. If the owners of these paddy fields organise themselves into land improvement co-operative societies, Government should afford special facilities for the land improvement. If the loans at present granted under the Agricultural Loans Regulation be not adequate, we would recommend that Government should help such cultivators with loans of longer duration.

Moreover we are informed that similarly a bigger area covering over 2 lakhs of acres of paddy land is under a vast sheet of water in a water-logged tract called Kuttanad. The draining of the water of such an extensive area requires a huge co-operative effort on the part of the ryots and the cost of cultivation every season is estimated at Rs. 10 to Rs. 15 lakhs. We recommend to Government that if a co-operative project for the cultivation of this area be launched into existence by the proprietors, who at present cultivate these paddy fields with the help of Government loans called Punja Loans, by forming themselves into a co-operative society for the purpose of land improvement and joint cultivation so as to fix the bunds and bale out water, Government should finance such societies with long term loans.

We have also observed that this region is subject to chronic floods resulting in complete submergence of the whole area including house-sites under water and rendering the very existence of the local settlers extremely precarious. During these floods which are recurrent and periodical, the vast majority of people in this area have to spend even for some weeks on boats till the waters subside and the house emerge into view from underneath. The creation of dwelling sites which will not be liable to submergence is a problem both urgent and difficult. We consider that Government should encourage and substantially finance co-operative organisations or enterprise started with the object of building house sites in this area, and we also appeal to the jennies of the locality, to co-operate with their tenants and render them sympathetic assistance in this matter as these cultivators have been serving them for generations past.

### House Building.

13. Co-operative house-building has to be popularised in the State. The work of constructing houses for the fisherfolks on the sea-coasts at Quilon is the only attempt made in the direction so far. We are of opinion that the house-building problem can be taken up and worked out in the towns where overcrowding and unhygienic life of the population have in reality created or necessitated a demand for better housing arrangements. There are different methods of house-building on co-operative basis to be availed of. We are strongly of opinion that an attempt should be made in Trivandrum by the educated middle classes to find out a convenient and extensive open site in the suburbs of the city, and lay out a scheme for constructing decent small cottages the cost to range from Rs. 3000 to Rs. 7000 or thereabout. Financial help for such a scheme will have to be afforded by Government as is done in Bombay and Madras where Government have lent several lakhs of rupees on easy terms. The Sind Central Co-operative Bank has set aside a sum of Rs. three lakhs for such help. There is a remarkable growth of such societies in several big cities and towns in Mysore, Bombay, Gujarat, Sind and the Madras Presidency.

14. We are told that vast areas are available for building very decent houses or cottages for the well-to-do people near Pallivasal in the vicinity of Munnar. We recommend that the Travancore Government following the good example of other progressive Governments should make long term capital available for the purpose spread over a period of 40 years at rates of interest not exceeding half a per cent more than that paid by Government on savings deposits. Suitable byelaws can be secured from Madras and Bombay where such societies of special types have progressed well.

#### Fishermen's Housing society at Quilon.

15. The conditions of life of the poorer classes like the fishermen and garden coolies are far from satisfactory both in respect of their economic and housing needs and hygienic habits. The housing conditions of these people are very deplorable. With a view to alleviate the sufferings of these classes of people at least to some extent, it would be really beneficial if suitable sites are selected for colonisation purposes and small cottages suited to the conditions of life of the people of the poorer class are constructed thereon, the amount spent thereon to be repaid in small instalments. But the houses must not be too costly. At Quilon they are built pucca and their rents are beyond the capacity of these poor fishermen. When these people are thus given a habitation it would be possible to organise their labour and production through co-operative societies. The depressed classes of the State who like helots of ancient Greece are set adrift in this country can be brought under the benefits of organised and disciplined economic and industrial life when they are settled down in this manner. It is high time that co-operative societies begin to tackle this problem.

### Rural Reconstruction Societies.

16. So much is said from every platform about the pressing need of the improvement of rural parts that it needs no repetition to prove that it is a most vital problem demanding all round solution even in Travancore, though the conditions of village life here are very much different from those of British India. Here the people live in houses or huts scattered all over the country in the midst of the rich evergreen, the foliage and the verdure and drink the sweet waters from the natural fountains flowing from the sides of the hills. Barring the few towns in the State the hygienic life of the ordinary man in the country is guaranteed by bountiful mother nature. Still, the problem is there. Though the population of the State has doubled itself during the last half a century, the land has not proportionately grown under cultivation nor has the production increased in that proportion. To such a people rural reconstruction activity cannot but be of immensely great use. In particular centres there is great scope for such activities and rural reconstruction work must be taken up by societies. The work of rural uplift done by the Sriniketan Department of the famous Viswabhārathi at Bolpur in Bengal or the industrial beehive created by His Holiness Sāhebji Maharaj of Dayalbagh near Agra are a few examples worthy of emulation. In Travancore, where suitable facilities exist the above mentioned institutions may be profitably copied. There is only one rural reconstruction society in Travancore, and this is the one recently started at Thozhukal near Neyyattinkara. Since this society is working under the joint auspices of the two or three nation-building departments of the State, it is worth while watching its progress by co-operators.

### CENTRAL CO-OPERATIVE INDUSTRIAL BANK.

#### Industrial Societies.

17. The problem of finding adequate finance for the existing weavers societies, is the same as the one that faces other non-credit societies engaged in different activities. The best course we would recommend is the establishment of a *Central Co-operative Industrial Bank*, if it be quite necessary to do so when the existing co-operative banks are unequal to the task of financing them. It should receive financial help from both the Government and the Central Bank. The Central Industrial Bank can, as we have referred to it already, open a sales depôt to which finished goods may be sent by societies. The Bank may appoint separate officers under them to supervise the working of such societies and study their needs.‡

Apart from the existing non-credit societies, we also recommend the formation of societies for the development of small cottage industries specially suited to this State.

#### Coir making.

18. Coir industry is a very important industrial enterprise in the country. In a country with the great abundance of coconut trees and

the products thereof, it is very necessary that co-operative effort should be made to build up the industry by its improvement effected with the help of research to be carried on with the aid of the Imperial Council of Agricultural Research. One or two conferences have seen the need to advise the Government to join the Imperial Council as a member. We gladly recommend it to Government to join that august body as member soon and also the Central Coconut Committee if and when it comes to be constituted. What is needed is scientific improvement on a large scale of the methods of coconut production and its marketing. The department should get one of its own men trained under the Central Marketing Officer working under the Imperial Council in the branches in Provinces. The different varieties of cocoanut fibre twisted into yarn find a ready market. The well-known "Anjengo" and "Alapadan" varieties are unrivalled in excellence. The present business of coir industry is in the hands of private traders and private agencies. The actual producer will have to pass through a number of middlemen before he can have a glimpse of the consumer. Naturally the margin of profit which the producer has to allow on his goods before these find their way into the market is alarmingly great. If the existing state of things are not remedied the actual producer will only be steeped in economic bondage and debts. We, therefore, recommend that co-operative societies be organised for the producers and these societies carry on dealings with the help of a central agency like the Alleppey Central Produce Society. The State should be prepared to render all assistance to these co-operative societies by securing for them the benefit of grading, standardization and marketing.

#### **Other Cottage Industries.**

19. Societies may be organised with advantage for a variety of cottage industries such as bell-metal, palmyra tree products (jaggery included), rattan works, screwpine, mat weaving, sericulture, embroidery work and basket making. As we are of opinion that an Industrial Bank is essential to the successful working of industrial societies, we believe that these societies will derive ample support from that bank.

#### **Manure Supply.**

20. One of the primary needs of the agriculturists is good manure for cultivation. Complaints are heard that the manures supplied by the Agricultural Department are either beyond the reach of the ordinary ryot, or that they are comparatively expensive. It would be, we think, to the advantage of the ryots to get into touch with their real needs and organise special co-operative agencies for the manufacture and supply of suitable manures through credit societies. We are told many societies attempted this work but were not able to keep it up. The ordinary manures such as burnt-ashes, cow dung, fish-manures etc., used by the cultivators are not supplied regularly in big quantities according to their needs by many agencies. It is neither conservatism nor unwillingness on the part of the agriculturists that disinclines them to use improved manures; what stands in their way is the absence of any suitable agency to approach them in their own

homes. Fish guano or fish manures are obtainable in plenty on the sea coast and if co-operative societies should collect together these manures and bring them to the fields or the door of the ryot, nothing will ever prevent him from making use of it.

These manure societies may also stock cheap and useful agricultural implements and other labour saving appliances and sell or supply them on hire to the cultivators who are their members charging a small fee.

#### **Other types tried in the Punjab.**

21. Yet further fresh fields for co-operative activities are those afforded by Better-living, Thrift, Land Revenue Redemption, Crop-Failure and Silt Clearance societies. Those societies will be able to improve the general life of the people to a very large extent. We are of opinion that purely thrift societies would be of immense advantage to the depressed and other backward classes. Travancore where the ordinary ryot has to depend entirely on the mercies of the monsoon rains for his agricultural operations and as a consequence crop failures are not infrequent, crop failure societies can to a very great extent alleviate their hardships. Similarly in Travancore arrears under land revenue due to the Government constitute a very common feature, and endless auctions of lands are found to be taking place for recovery of dues under kists to Government. We are definitely of opinion that societies may be formed for payment of land revenue as is done in the Punjab to save the poor ryots from the menace of attachment and sales of their lands for kists due to Government. The industrial workers in factories, the labourers in plantations offer fresh fields for organisation in their midst, but they can only succeed if the employers of labour who are interested in welfare work for them are sufficiently keen, sympathetic and enthusiastic.

#### **Lime Shell Society.**

22. At Kumaramangalam lime shell collectors attempted to organize the industry, and themselves formed into a co-operative society for the purpose. This non-credit society has unfortunately been in a decadent state during the past few years. The system and rules adopted by the Fisheries Department regarding the issue of licenses for collecting shells have contributed to the difficulties of the society. In view of the broader and larger question it should, we think, be possible for the Agricultural Department to render practical help to the society.

23. From what has been said in the foregoing paragraphs it will be inferred that there is ample scope in the State for co-operative activities in different spheres of human life other than mere credit, which can successfully be harnessed and yoked to co-operation. In the modern complex economic development of their life if the advantages of co-operation could be realised fully by the people, such co-operative activities will have to be fostered and developed. A great accession of strength accrues to the movement by the organisation of such societies. The field is quite unlimited but we have only noted a few of the leading non-credit features germane to the subject of enquiry.

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## CHAPTER XII.

### WOMEN AND CO-OPERATION.

In Travancore there are today five women's co-operative societies actively working. These societies are of recent origin. There were some earlier societies for the fisherfolk women on the sea-coast at Trivandrum and some for the women of the fisherfolk classes called "Arayas" of Karunagapalli, Karthigapalli and Ambalapuzha. All these societies were purely credit societies. Women who joined these societies did so without a correct understanding as to the objects and aims of these societies. In the flush of initial enthusiasm at the idea of getting loans, these poor women were very enthusiastic about their societies which they generally called four anna "Chitties" floated by Government for their benefit, though we were informed that some of them had begun to realise the results of the habit of thrift by the improvement effected in their economic life. Gradually the working of these societies deteriorated until at last they became quite moribund. For want of proper guidance and supervision over these societies, the provision of which is one of the very essentials of their success, they had to be ultimately wound up. Women who are more fitted to exercise their inborn habit of thrift and effect savings were not trained and disciplined to do that kind of work, because these societies were mainly credit societies.

#### Women on Managing Committee.

2. We understand that at present the five societies working exclusively for women are at Trivandrum, Adur, Parur, Ambalapuzha and Muvattupuzha. It is seen that these societies have not been shown under a separate group in the administration report of the department. We suggest that it will be better for the department to do so hereafter as is being done by the Punjab, United Provinces, Bengal and Mysore. The Bombay Registrar mentions the part women play in promoting propaganda among them. The Girgaum Branch of the Bombay Provincial Co-operative Institute has two ladies on its managing committee and a lady is the Honorary Auditor. In the Punjab women are office-bearers of some of the societies even in the interior and we are glad to notice in this State some societies have begun to admit women on their managing committees. We, however, find that these existing societies in the State have a total membership of 628, and a total paid up share capital of Rs. 9,207. They have borrowed from the Central Bank in all Rs. 1,864 while the total amount of loans issued to their members is Rs. 10,344. The members have made very small deposits, the total amount being Rs. 712. Some of these societies had originally somewhat ambitious plans of noncredit work but we are

sorry to observe that most of these non-credit activities dropped down, and the main activity which these societies now can claim is *credit*. While going into the details of the varied activities that have undoubtedly done much useful work for their members, we notice that two very useful forms of activity were carried on by the Trivandrum Hindu Vanitha Co-operative Society Ltd., and the Adur Sri Chithara Vilasom Vanitha Co-operative Society. The former society was originally conducting the business of stocking paddy and getting the same husked into rice by poor women. This activity had to be suspended, we are told, on account of the absence of a market to sell rice. The society in addition to its credit branch is interesting itself in other non-credit activities also. It is conducting a weaving school to which a monthly grant of Rs 12 is given by the Industries Department. Girls are given training in the art of weaving in this school and they are sent up for weaving examinations. Though this Institute is not conducted as a commercial proposition, the society has been supplying to the Government General Hospital bedsheets, towels, and other woven fabrics on a contract system for the past three years. It is gratifying to learn that this society composed mostly of educated women is now taking a lead in the matter of opening a ladies co-operative store in Trivandrum very shortly.

#### **The Adur Women's Society.**

3. The Adur Vanitha Society started a weaving branch and also a store but owing to the lack of public patronage these two branches were given up. It is now doing a very useful work by purchasing milch cattle and giving them to the members, the cost whereof being collected by convenient instalments. In this way the society is affording a means of livelihood to many poor women. The members who are thus cow-owners, it is reported by the Secretary of the society, find many difficulties to market milk and milk products to their best advantage. The society is working in an up-country village town and as such the marketing of milk is really a problem. The president of the society has a scheme in view to collect the milk and its products from the members and to make arrangements to market them in bulk in the neighbouring towns.

#### **The Parur Women's Society.**

4. The Mahila Society at Parur seems to be doing comparatively good work. The Secretary in her report says "it is true that the society has not been able to carry on any other activity besides issuing loans though it is proposed to extend its work in other useful directions as well."

#### **Women Co-operators in Countries Abroad.**

5. It should not be a matter of surprise if we recommend that the Co-operative Department and the public should bestow greater attention on the expansion of the movement among women. They will be a

great prop to support it. We have to take a leaf out of the book of women's co-operation in England and other countries and try as far as possible to emulate their example. We may in this connection refer in passing to some of the achievements of women co-operators abroad in this direction. The work of the International Women's Guilds in England and Ireland and the women's guilds in Denmark are excellent examples of what women have achieved through co-operation and the folk High Schools in Denmark. It has been found by experience that in England women who work as wage-spenders form the core of the consumers' movement. In Switzerland, the organisation of peasant women into co-operative societies chiefly for the purposes of production and marketing of vegetables, eggs, fruits, poultry, etc., has substantially improved their economic condition.

#### Indian Women.

6. In the British Indian Provinces, especially in the Punjab, United Provinces, Bengal and Bombay, women have been co-operatively organised through the efforts of the department for stimulating thrift and savings, to facilitate production and sale. In the Punjab there are about 150 thrift societies for women, and there is a separate staff of one inspectress and several sub-inspectresses to supervise the working of such societies. In the administration report of the Co-operative Department in the Punjab for 1933, the Registrar says, "The lesson of thrift cannot be made effective among men until it is learnt also among women." This proposition, it is seen, has been wholeheartedly endorsed by the Ministry in the Punjab. In the United Provinces there are lady supervisors specially trained for work among ladies. In Bengal there are women's societies conducting store business. In Bombay too, there is considerable activity in this direction.

#### In Travancore.

7. The women of Travancore who are comparatively more enlightened and advanced in respect of literacy than women in other parts of India, barring Cochin, ought to take, we think, a greater interest in co-operative activities. In his presidential address at the VII All Travancore Co-operative Conference, Sir Lallubhai Samaldas emphasized the necessity of popularising the movement among women in the State. He cited the example of educated Gujarathi women in Bombay who successfully made the pioneer attempt at combining swadeshi and co-operation, and observed that their example should find emulation especially in regions like Travancore where women's education has made remarkable strides.

8. We think that it is high time to popularise the movement among women by all possible means. A definite programme of work may be chalked out for them and the work of organisation and supervision of these societies may be effectively taken on hand by the department with the help of a staff of special inspectresses and women propagandists as we have suggested elsewhere in this Report. We would suggest

first the organisation of thrift societies as the best suited form of co-operation for women. Home safe boxes may be introduced in societies. Women inspectors and propagandists who are duly trained in co-operative work ought to be sent to the rural areas to conduct propaganda and organise societies for the promotion of thrift, cottage industries, milk-supply, coir-making or twisting, husking paddy, etc. There are in Travancore more than 406,000 women of various classes engaged in all kinds of industries. In Bengal and Bihar and Orissa, the wives of some of the Governôrs there interested themselves in encouraging cottage industries by getting depôts opened in the capital towns of these provinces. We think it would be a great benefit to womenfolk if they are co-operatively organised for production and sale of the products manufactured by them in rural parts. Women ought to be encouraged to take greater interest in co-operative stores that are already in existence. We think that the proposed Ladies' Store to be opened at Trivandrum under the auspices of the local Vanitha Society in the newly extended Central Bank building would afford facilities for the marketing of all kinds of finished articles, which women individually or through their societies, might collect and forward from all parts of the State. We are confident that by the opening up of new vistas of development of co-operation by actively associating women with the movement, a bright future is in store first for the economic emancipation of women and generally of the poorer section of the masses.

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## CHAPTER XIII.

### STUDENTS AND CO-OPERATION.

#### Their Growth.

In Travancore there are at present four High School Co-operative Stores and one College Co-operative store. The High School Stores Societies are working in the Quilon English High School, the Karuvatta Nair Service Society's English High School, the Mavelikara B. H. High School and the Kottayam M. T. High School. The only co-operative store for a College is working in the Maha Raja's College of Science at Trivandrum. It is a pity that there should be no store movement encouraged in the two first grade Colleges of Arts for Women and Men in Trivandrum—a defect which has been explained to the managers by our President in the course of his addresses there. Besides, co-operative education has a great value in the study of the social and economic life of the community. The five students' stores are engaged in the work of stocking all sorts of students' requirements such as books, stationery articles, note-books, games and sports materials, etc. and selling them to the members. The stores societies in the High Schools are carrying on business within a restricted sphere but they are found to take interest in these societies. The Science College Co-operative Stores is one of the biggest under this category and it is reported that during the last academic year they carried on sales to the extent of Rs. 9,000. Though these societies are often-times subjected to the adversities of the market fluctuations and competition from private booksellers, they have succeeded to keep their own ground unaffected, because the students have proved loyal to their societies. It is an undisputed fact that besides the benefit of rebates or bonuses on purchases to which these pupils and students would be entitled, they also gain considerably by purchasing their requisites from their own society.

#### Profits used for social service purposes.

2. The profit or bonuses accruing to the members can be utilised for helping poor students in their scholastic career. In the course of working such independent stores by students they will be afforded an opportunity to acquaint themselves with such abstract terms as "purchase," "profit," "bonus," etc., and thereby study practical lessons of life during their student days.

#### Travancore Teachers' Association.

3. In dealing with the store movement among students, we are forced to refer to the Travancore Teachers' Association Co-operative Society, Ltd., at Trivandrum which was started through the enthusiasm of some teachers and professors for purchasing text books

and standard publications and selling them to the different schools and colleges. After a period of two years' careful working this society has come to grief and is about to be wound up. The chief causes for the unsuccessful working of this institution were the apathy of the teachers, the absence of encouragement from the heads of different schools and colleges, and the competition of private book-sellers and in some cases of teachers themselves. We think that such societies designed to work as a central institution should have the support of feeder societies to keep them going. We are of opinion that when the various schools start independent stores societies they can conveniently be linked to a central organisation.

#### **Development of such institutions outside.**

4. Apart from the Store Societies for students we think it would be also feasible to start thrift or compulsory savings societies in schools and colleges for the benefit of the teachers and the taught as is being done in the Punjab and Bombay with the help of a large number of children's societies. We have made some suggestions in this behalf elsewhere and we trust they would prove useful. In order to inculcate the principles of co-operation among students in the various scholastic institutions, we think that it is necessary to provide suitable changes in the curricula of studies to provide for the study of co-operative subjects.

#### **Their Educational Value.**

5. The Education Department should prescribe books on co-operation as a compulsory study in high schools. Such a secondary course of study will enable the pupils to pick up the rudimentary principles of co-operation, and this theoretical knowledge coupled with the practical experience in the working of the co-operative stores would benefit the future generation to become ideal co-operators. In this connection one cannot escape noticing the fact that co-operative movement in Travancore which has been developing for the past 19 years, has not touched the educated classes to the extent that one would desire. It is very important that the young minds of the school going boys and girls should be properly trained in the principles of this great movement, because the students of today are the citizens in the making of to-morrow. The great importance of training students in co-operation cannot be explained in more impressive terms than those of that veteran co-operator Mr. C. F. Strickland of the Punjab. He says:

"It is highly necessary and desirable that each boy or girl in the school should understand the main principles of co-operation because it stands for self-help, thrift and economic emancipation of the masses. This is the only kind of organisation from which the poor can derive lasting advantage, and it is the only means to improve the condition of the masses. It offers the best prospect of escape from economic servitude, and is a panacea for all rural ills. It cheapens and vastly betters supplies, increases return, ensures a certain market,

strengthens human power and ability for productive labour, and its indirect effects are diffusion of practical knowledge, remarkable educational capacity, stimulation of thought, all very important for young students."

Viewed from this standpoint it is needless to stress the importance of such societies among students! The Punjab has started students' co-operative stores in many of her scholastic institutions. In Bombay, co-operative stores are started and conducted for the benefit of students. In Mysore there are about 18 co-operative stores for students. The students' store movement has spread to Cochin also where there are four such societies, the most important being the one at the Maharaja's College at Ernakulam.

We are, therefore, glad to recommend the organisation of students' co-operative stores or societies in the different high schools and colleges of the State. We would naturally expect the hearty co-operation of the teachers and the taught and more especially the living interest of the respective heads of schools whenever such enterprises are started.

We also hope that the Director of Public Instruction will be pleased to extend his patronage and help to all such societies started in high schools and colleges of the State. When such societies are organised in plenty and the students brought within the orbit of co-operation, the business aspect of life can be explained to the young boys in a simple way through co-operation. The habits of thrift, self-help, economy and cash purchases can be impressed well on the supple minds of the younger generation. It will afford a training ground in business organisation to the students, and teach them the principle of combined and concerted action to achieve a common purpose. When students and teachers are thus brought together it will tend to foster a feeling of brotherhood and we feel that a common bond of co-operative spirit de corps would be created between the students of today and the citizens of the morrow in this way.

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## CHAPTER XIV.

### CHITTIES.

The reports of the Registrar of Co-operative Societies from the year 1100 onward mention the management of chitties among the activities of co-operative societies. In his report for 1101 the Registrar wrote :—

“57 societies are conducting chitties for the benefit of the members. The collection during the year was Rs. 64,804 (26,286) and Rs. 48,785 (20,131) was disbursed. These chitty transactions are very common in Travancore. It is, therefore, that societies are adopting them more and more. The societies take the parts of the foremen (munnals) in the ordinary chitties conducted under the Chitties Regulation III of 1094. The profits that would accrue to the foremen lapse to the societies and they under the rules framed for the purpose distribute moiety *pro rata* among the subscribers to these transactions”.

2. The growth of these transactions is shown in the following table :—

Year.	Societies.	Collections.	Disbursements.
1100	24	26,286	20,131
1101	57	64,804	48,785
1102	81	1,16,864	1,50,568
1103	105	1,51,421	1,23,818
1104	166	2,15,611	1,85,661
1105	151	2,48,083	2,19,633
1106	147	2,30,481	2,03,694
1107	156	2,27,665	2,19,091
1108	128	1,91,282	2,03,296

After 1104 the growth has been arrested and there has also been fall in the transactions owing to the economic depression. In fact a few societies have found it necessary to suspend the chitties for varying periods.



3. The Travancore Banking Enquiry Committee have said :—  
 "The Chitty is perhaps the most popular institution in the country for the investment of savings and for obtaining loans." They found that at the end of 1104 there were 9,931 live registered chitties involving a total capital of Rs. 236 lakhs. That is to say, most of them being chitties with six monthly instalments, the members of the chitties had undertaken to save and distribute as loans among themselves that amount of money every six months. The same committee also noted that in addition to the co-operative societies as many as 166 joint stock banks were conducting chitties in 1104 as an easy means of mobilising fluid capital.

4. The prevailing economic depression has hit the foremen and other members of chitties very hard. Members have defaulted and a very large number of suits have been filed in the courts. At one place we were told by a legal practitioner that more than 60 per cent. of the suits in the local Munsiff's Court were due to the chitties. A good many of the arbitration references with the Registrar in recent years are also due to the chitties. By detailed calculations, the Travancore Banking Enquiry Committee have shown that while the foremen of the chitties decidedly benefit by them, the majority of the other members do not. The chitty is a very crude form of banking. Both for savings and for loans the co-operative societies offer far better means. The present crisis has brought to light the defects of the chitty system. We recommend that no encouragement should be given to chitties of big size by co-operative societies as we had evidence in favour of such a recommendation.

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## CHAPTER XV.

### THE DEPRESSED CLASS SOCIETIES

The number of societies under this category at the end of 1108 was 191, consisting of 102 of Cheramars, 23 of Sambavars, 23 of Arayas and 43 of Valas. We have dealt with the Araya and Vala societies in the next chapter and the following paragraphs, therefore relate only to the Cheramar and Sambavar societies.

#### **Failure of the Joint Cultivation of Punja Lands.**

2. The first co-operative society organised exclusively for the benefit of the members of the depressed classes was registered in the year 1092 M. E. (1916-17). The main idea of the organisers was joint cultivation of punja lands taken on lease from the neighbouring landlords. On the security of the landed properties of the president—a rich philanthropic Ezhava gentleman who joined the society with a view to ameliorate the condition of the members—a loan of Rs. 1,000 was taken from the Central Bank to meet the initial expenses such as, the purchasing of bulls, ploughs, etc. Out of this sum, a few members were also helped with small loans to begin trade. But unprecedented floods in two consecutive years soon after the starting of the work, followed by the death of the cattle put an end to the enterprise. The money taken for trade was also lost for want of experience and the impecunious condition of the members did not permit a fresh start. This failure gave a set back to all undertakings on a large scale and the future societies were registered for credit purposes only.

#### **Repeated Failure suggested Probation.**

3. In the year 1100 the number of these societies reached 94, but their working condition was so hopelessly bad that the Registrar had to restrict further registrations. All new applicants were asked to work the societies on probation for periods ranging from 3 to 8 months and they received all the attention from the inspectors, which registered societies get. If the working during this period was found to be satisfactory and if sufficient assurance of steady work was obtained, the registration was ordered. But in spite of the restriction so imposed, the strength of these societies went up to 146 in 1105. The number, however, came down to 125 at the end of 1108 as the result of the cancellation of a few thoroughly useless ones. Their total membership was 8,956, their share capital was Rs. 58,392 and the reserve fund Rs. 14,630. The total number of members of depressed classes in all the societies in the State stood at 11,052.

### **Their Woeful Condition.**

4. Almost all these societies are in a dormant condition and we are, therefore, of opinion, that for some time to come no new credit societies for depressed classes ordinarily should be organised. The consolidation and rectification of the existing societies should receive the special attention of the department. The woeful condition of these societies has to be attributed to several causes. The majority of the members are extremely poor and illiterate, and those among them who possess landed property are few; they have no sources of fixed income. The wages earned are hardly sufficient to make both ends meet, while sometimes the best portion of the wages earned is spent on drinking in some cases. The standard of literacy of those who could be called literate has hardly reached the level required to make them good secretaries. The admission of higher caste people as members for being elected as presidents or secretaries was found, we are told, to be unsatisfactory after long experience. The societies became either a one man's show or money was misappropriated by cooking up the accounts. The appointment of group secretaries was then thought of, and the Government were pleased to sanction five such secretaries as an experimental measure on a pay of Rs. 12 each per mensem for a period of three years. The secretaries were selected from the depressed classes themselves and each was placed in charge of 7 to 12 societies. As far as we can see we do not find any improvement in the societies entrusted to them and we have, therefore, no hesitation in recommending the abolition of these appointments. But we think that provision has to be made by Government to render some financial aid to the secretaries who attend to the work of these societies. Even among these classes school masters would be available on a small pay. In Mysore the Government placed in 1932-33 a sum of Rs. 1,000 at the disposal of the Registrar for the development of depressed classes societies. Out of this a sum of Rs. 900 was ear-marked for paying bonuses to secretaries. He disbursed a sum of Rs. 855 to the secretaries of 43 deserving societies, the pay ranging up to Rs. 3 per month. A similar course may have to be adopted here.

### **Outside Experience Encouraging.**

5. But the condition of societies belonging to classes known as the depressed classes and the other backward classes like the Bhiils and the aboriginal tribes bordering on the verge of civilization is not so hopeless in Bombay and in Mysore. In Bombay during the year ending March 1933, the number of societies for the depressed and the aboriginal classes was 101 with 7,163 members, Rs. 4,20,804 as working capital and Rs. 82,025 as reserve fund while the Bhiils who mostly live either in jungles or forest lands have for their improvement 108 societies with 4,947 members, Rs. 3,41,382 as working capital and a sum of Rs. 59,561 represents their reserve fund. It is interesting to note here in this connection that a great deal of interest was shown in

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the organization of the co-operative movement for the benefit of these classes by Government and local bodies like the municipalities in Gujarat and other parts of the Bombay Presidency. The active workers in the Provincial Co operative Bank and the members of the Servants of India Society through its local centres at Bombay and Dohad in the District of Panchamahala, took keen interest in regard to their development. The following remarks of the Registrar would be found inspiring and reassuring:—"There is an all-round increase in the number of societies of members, in working capital, and reserve fund. Considering the backward nature of these classes, progress must necessarily be slow. Depressed classes and members of aboriginal tribes are also freely admitted in village societies." Mysore more or less has a similar story to fill us with hope for the steady betterment of these societies. The Mysore Registrar in his latest Report says:—"There were at the beginning of the year 262 depressed class societies. Two societies were registered during the year and the registration of 14 societies was cancelled. Thus, there were 250 depressed class societies on 30th June 1933. They had a membership of 6,060, a paid up share capital of Rs. 42,223, and a total working capital of Rs. 1,18,143, as compared with 6,378, Rs. 48,176, Rs. 1,18,616, respectively at the close of last year. They held deposits aggregating to Rs. 4,119 as against Rs. 2,976. During the year they transacted business to the extent of Rs. 1,02,224, and earned a net profit of Rs. 2,123 as against Rs. 1,01,993 and Rs. 2,553, of the previous year. The working capital per head of membership comes to Rs. 19'6 as against Rs. 18'6 of last year. The increase is due to reduction in membership. Out of the funds at my disposal a loan of Rs. 550 was sanctioned to one depressed class society during the year. The total amount of loans outstanding with the depressed class societies was Rs. 50,184 out of which Rs. 25,465 was overdue from 76 societies." Thus the examination of the detailed working of such societies in an important province like Bombay and an important State like Mysore which is not very much bigger in size than that of Travancore in point of population fills our hearts with hope.

#### **Societies for the Hill Tribes,**

6. The success of working the Bhil and other aboriginal societies in Bombay should give a new orientation to the officers of the Co-operative and Forest Departments of the State in regard to the need and usefulness of such work for all the hill tribes such as Kani residing in forest areas. These tribes live on their own settlements for a period of about six years under the protection of the Conservator of Forests who is their Protector. If these officers make a small beginning of co-operative work to teach these tribes the principles of the movement slowly and introduce thrift, self-help, self-consciousness and temperance as well by starting small societies at their weekly markets at places like Kallar, Kulasekharam and Kadakal, the ordinary goods which these hill-tribes produce could fetch better prices than at present; and thus, through the medium of these societies worked with the help of the

subordinate staff of the Forest Department and teachers employed in special schools for them, this heaven could be introduced into their still and placid life.

**No use for separate Unions for them.**

7. The present arrangements for the supervision and inspection of these societies do not at all seem to us satisfactory and we have reason to fear that they are neglected to a culpable extent. Just like other societies, the inspections of these societies are done at intervals of six months or so, and the audit is done either by the inspectors or the honorary auditors. The majority of these societies have not joined the local supervising unions nor do the majority of the unions care much for their affiliation. We are not, however, in favour of separate unions being organised for them, as that would tend towards their complete isolation from other societies. The department should see that they join the unions which have jurisdiction over their areas. In Mysore the Registrar recently proposed the amalgamation of the depressed classes societies with those of the higher castes and the Government of that State have approved the proposal. The Protector of the Depressed Classes here was also in favour of the idea when we put it to him. We are, however, of opinion that the stage has not been reached in this State for such amalgamation. The higher castes would be unwilling and the legitimate needs of the depressed classes members would be neglected. It is true, no doubt, that in the societies visited by us which had admitted depressed classes members no such complaints of neglect were made. But it is one thing when they form only an insignificant percentage of the membership and quite another when their proportion is considerable. While these societies should get from the unions at least the same amount of supervision as other societies get, they, however, need something more. We are of opinion that these societies as also the societies for Arayas, Valas and coast fishermen should be placed under the charge of the Protector of the Depressed Classes and that he should be given a staff of Inspectors, each being in charge of not more than 30 societies, for their efficient supervision, inspection and audit.

**Basis of Liability may be limited.**

8. The basis of liability adopted in all these societies is unlimited; but we do not see any special advantage to the depressed classes in having adopted this type, as most of them have no property. The unlimited liability has further frightened those few who have lands of their own from joining the society and to a large extent deprived the co-operation of the well-to-do among them. The number of societies which have taken loans from the Central Bank is not many and the loans taken are limited to the amount of the paid up share capital and the reserve fund.

**A Separate Financing Agency more desirable and useful.**

9. We, however, very strongly feel that much greater financial aid is essential to improve the lot of existing societies. If the Central Bank

or the taluk bank or the banking union in a particular area cannot be persuaded on business consideration to render this aid to the extent they want, the department should help in the organisation of a fresh co-operative bank on the model of the Madras Christian Central Bank which should be thoroughly non-sectarian and philanthropic in outlook. If the organisation of such a separate bank became necessary, we recommend that it should receive a deposit from Government bearing some proportion to the share capital contributed and the reserve fund invested in it by the depressed classes societies. Government should also be ready in the interests of good work to find a portion of its expenses, say, one-third of the cost of management during the first five years. In the constitution of such a bank provision should be made for the nomination of 3 directors by the Government. We discussed the feasibility of starting such a bank with the President of the Cochin-Travancore Board of the Harijan Sevak Sangh. He has assured us of all possible help from his Board and believes that such a bank will be a good success. If similar organisations come forth to start work on these lines, Government should assist them on the same scale.

#### **Registrar as the Protector of Depressed Classes.**

10. In G. O. R. O. C. No. 1665/1923, Revenue dated the 29th March 1924, Government appointed the Registrar of Co-operative Societies without prejudice to his own duties, as the officer entrusted with the work of watching the interests of the depressed classes relating to the assignment of land on concessional terms. In pursuance of the directions contained in the G. O. referred to above, the then Registrar submitted a scheme to Government containing his proposals regarding other functions which, he thought, he could usefully perform in the interests of the communities entrusted to his care. No orders were passed by Government on these proposals and the Registrar had to contend himself with recommending applications to the land revenue officers from the depressed classes for assignment of lands. The necessity for the appointment of a full time Protector was pressed on the attention of the Government by the representatives of the Sri Mulam Popular Assembly and as the result of their representation the Government in their G. O. R. O. C. No. 1917/32/Devpt., dated the 2nd July 1932, sanctioned the creation of a place of an Assistant to the Registrar of Co-operative Societies to be in charge of the work of the Protector of the Depressed Classes. A copy of the G. O. defining his functions is attached as Appendix No. 9.

#### **The Present Protector and his Main work.**

11. A careful examination of the work hitherto done by the Protector of Depressed Classes discloses that he is handicapped in several ways in the discharge of his duties; and even the main work of getting lands assigned to the depressed classes is retarded by extraordinary delay and apathy on the part of the land revenue officers. He received from the commencement 85 applications from the depressed class people committed to his care and many of these were referred to Government after investigation and the total number of acres assigned by Government for such purposes amount to 87.28 during the first half of the year.



### **The Improvement in his Status and Pay.**

12. We append herewith a brief statement of the work done by the Protector of the Depressed Classes in regard to assignment of lands to the depressed classes (Appendix No. 10). From the administration report of the Land Revenue Department we find that a good deal of such work is being independently attended to by that department and the appended extract from its page 20 and the two tables on page 21 give a very clear idea of that department's activity in the State (Appendix No. 11). But his present rank and pay as an officer of the third grade does not give him a status and position to correspond with the heads of such departments as Education and Land Revenue as equals. Naturally, therefore, his correspondence carries less weight with these officers, thereby defeating the very object of his appointment. This opinion was also expressed at one of the recent taluk co-operative conferences by the accredited representative of the depressed classes who is a member of the Assembly. Moreover, the Protector is also placed at a disadvantage in respect of other works for want of a field staff. After a careful consideration of the whole question we have come to the conclusion that the Protector of the Depressed Classes should be an officer of the first rank and that the Registrar of Co-operative Societies should be the Protector of Depressed Classes without prejudice to his own duties. He should have an Assistant Registrar and a staff of inspectors, as we have mentioned in a previous paragraph, to assist him in the several duties enumerated in the G. O. referred to above. Promotion of thrift, social, hygienic and educational reform and development of cottage industries and the marketing of their produce should receive the personal attention of the Assistant Registrar.

### **Co operative Colonies for the Depressed Classes.**

#### **A SCHEME.**

13. We have received a memorandum from the President of the Cochin-Travancore Board of Harijan Sevak Sangh, on the organisation of co-operative colonies for the depressed classes in this State. His proposal, in brief, is to start three co-operative societies in each taluk for providing them with house sites, buildings, wells and employment during the season of unemployment. The total number of societies to be started is 100, each society providing for 100 families and the total number of families to be settled thus comes to 10,000. To each family is to be assigned 25 cents of land in suitable areas or places not far from their work, if these be available and it is also to be given Rs. 25 for house building, Rs. 50 for a well, and another Rs. 25 for starting some industry such as kitchen gardening, weaving, poultry-farming or basket and mat-making. The Sangh will be prepared to co-operate with the Government in this work, if a separate branch of the Co-operative Department is constituted to control and supervise the societies. Provision has to be made for 10 inspectors each getting Rs. 35 plus Rs. 15 T. A. Five of these officers should be placed under the President of the Sangh provided this philanthropic organisation

undertakes to contribute one-third of the salary of these officers, the remaining two-thirds being found by the Government. According to an estimate prepared by the President, the total cost of the scheme will be a capital expenditure of Rs. 11,25,000 and a recurring expenditure of Rs. 4,000 per year. He proposes the spreading of the capital investment over four years and the making of the investment a charge on the Devaswom Fund.

#### **A revised modest scheme of colonisation.**

14. We have carefully considered these proposals bearing fully in mind the heavy expenditure involved on them. But considering that these people form a very considerable proportion of the population of the State and taking into account the very poor and backward condition in every respect in which they are situated today, we are strongly of opinion that any expenditure incurred by the State in the interest of its ultimate national well being and for the betterment of this class by providing them with co-operative societies, uplift centres, well planned colonies, cottage industries, etc., would be a very justifiable investment especially when these classes and their needs have been neglected so long in the past. In our opinion, therefore, at least ten such colonies might be started immediately, each consisting of twenty families and each family should have at least 25 cents of land, two cows, a small cottage, some 25 cocoanut trees and at least some betel creepers, etc. All these will cost between Rs. 200 and Rs. 250 for a family. Thus one colony would cost between Rs. 4,000 to 5,000. The cost of the ten colonies would be only Rs. 50,000 and this could be recovered with a nominal rate of interest in 12 to 15 years at the most by instalments at the rate of Rs. 2 per mensem from each family. Though diffidence is expressed in some quarters as to the feasibility of recovering this advance even at the uniform rate of repayment of Rs. 2 per mensem per family, the Committee hope that the introduction and development of cottage industries in addition on a co-operative basis, would create a source of income which would facilitate regular payment. The note printed as Appendix No. 12 gives details. A definite effort should be made by both non-officials and officials of the department to create a demand for the products of such co-operative cottage industries by organizing and exhibiting them in suitable places and thus to create markets for them. Even if there be some risk involved in the matter of the recovery of the money to be invested, Government should be prepared to take the step; for it is not right to start with the assumption that families settled in such self-contained colonies would not be able to repay at all. It all depends upon demonstrating to the people settled in the colony that it is worth while even as a business proposition to refund Rs. 2 per mensem per family in return for land, cattle etc., which becomes its own at the end of 15 years of regular payments. The Harijan Sevak Sangh is prepared to take up the supervision of a few of these colonies and the department is expected to make the full use of their offer of services and of similar other organisations who are prepared to render similar help.

**Voluntary Institutional Work.**

15. Our belief is that for sometime to come regular institutional work done for them, by them and among them will be a solvent of many of the ills from which they are suffering and Government would do well to help people who are already working in this field.

**The Example of Cochin.**

16. The population of the so called depressed classes proper in the State as per the census of 1931 exceeds  $6\frac{1}{2}$  lakhs or  $\frac{1}{8}$  of the whole population of the State and the annual expenditure we recommend for the establishment of colonies is only Rs. 50,000. This sum we consider is not at all too large, when we compare it to the sum of over Rs. 80,000 spent by Cochin, a neighbouring State only little more than  $\frac{1}{5}$  of the size of Travancore in respect of population and having only about half the number of depressed classes for the purposes enumerated above. Mysore spends a very large amount on the betterment of the condition of these people by means of education, hostels for boys and girls and in many other ways, and the co-operative societies that existed for them there numbered 262 at the end of December 1933.

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# CHAPTER XVI.

## FISHERMEN'S SOCIETIES.

### Three Classes of Societies.

The fishermen's societies in Travancore are of three classes, *viz.*, those of the Arayas, of the Valas and of the coast fishermen or Mukkuvans, the first two communities being Hindus and the third Christians. From the economic and educational points of view all the three classes are more or less alike. The majority of them have no lands of their own and dwell in huts put up in other peoples' compounds. The wealth that they can boast of consists of their nets and boats only, and the number among them who actually possess these implements is very limited, the others being their dependents. According to the last Census, literates among the Arayas were 27·8 per cent, while those among the Valas and coast fishermen were 15·9 per cent., and 14·4 per cent., respectively.

### The nature and scope of their growth.

2. As per the latest report of the Registrar there were at the end of 1108 (1932-33) 23 Araya societies, 43 Vala societies and 28 coast fishermen's societies. A statement of their working capital, share capital etc., for the last 3 years is given below :—

Year.	No. of societies.	No. of members.	Share Capital.	Working Capital.	Reserve Fund.
<b>ARAYAS.</b>					
1106	24	3,015	27,740	43,859	7,140
1107	24	1,983	27,346	45,804	8,551
1108	24	1,971	25,416	40,704	8,031
<b>VALAS.</b>					
1106	43	3,073	24,592	34,561	4,327
1107	43	3,110	24,813	34,022	4,761
1108	43	3,106	24,758	33,098	5,532
<b>COAST CHRISTIAN FISHERMEN.</b>					
1106	28	2,777	31,978	57,582	6,423
1107	28	2,578	31,231	44,515	6,669
1108	28	2,117	27,698	62,197	7,360

### All-round Deterioration.

3. The first Araya society was registered in the year 1093 (1917-18) and the number at the end of 1104 was 26. No fresh societies were registered thereafter, but three were cancelled. Deterioration has set in, in these societies. Though their number has remained constant, their membership, working capital and share capital have steadily gone down, and the few societies that we visited have told us an woeful tale. The first Vala society was registered in 1094 (1918-19) and the second in 1095. The rapid growth of these societies began only from 1098 when the Fisheries Department began to take an interest in their organisation. Including the one registered in 1103, their number reached 43 at the end of that year. No new societies have been registered since then. In these societies also there is a tendency towards deterioration, though not to the same extent as in the Araya societies. In the early years a few societies took up the work of soaking coconut husks for retting : but on account of the drop in the price of coir, this activity was given up by them. A few societies have secured the lease of fishing in the backwaters and one or two societies are conducting fish markets. Though the Fisheries Department, through its Continuation School Headmasters, is supervising their work, it is regrettable to notice that they have not shown the stability that was expected of them.

### Appeal to the Roman Catholic Clergy.

4. The coast fishermen's societies entered the field in the early part of 1092 and five societies were registered before the close of the 3rd year. The last society was registered in 1105 bringing the total number on the rolls to 28. In point of working, these societies are in no way better than the other two classes. Some of them are long standing defaulters to the Central Bank. In the case of these Christian societies we had expected much better results, because of the special advantage they possess in being able to get guidance and supervision from their parish priests. We had talks with several members of these societies, and they all assert that if only their clergy would take an interest in the societies they would considerably improve. They have the whole Church organisation at their back and if the clergy could only know how their brethren in the Roman Catholic countries of Europe try to promote the social and economic welfare of those who are committed to their care, things would vastly improve.

### An inspiring example.

We are very happy to add here for the information of our friends the Roman Catholic clergy to whom we have addressed a special appeal, that at Ranchi, the summer headquarters of the Government of Bihar and Orissa, there is a very prosperous co-operative institution called the Chota Nagpur Catholic Co-operative Credit Society, one

of the aims of which is "social uplift." Rev. C. Vanhoutte, S. J. the Director of the society ends the conclusion of his Report for 1933 as follows:— "Let all remember that the society is the work not of one man only but of a body of men and of Catholic men, animated by the same spirit of brotherly love, so tersely expressed in the motto of the great Belgian Co-operative Boerenbond: 'Each for All and All for each.' We, therefore, strongly appeal to their natural leaders and spiritual guides to assist in their economic betterment along co-operative lines. We came across a few good leaders but they are few and far between.

#### **The Fisheries Department to Mother all.**

5. The Fisheries Department which is in charge of the Vala societies, curiously enough does not pay any attention to the working of the Araya and Coast fishermen's societies, though the members of these societies are engaged in the same trade, some fishing in the backwaters or the lagoons and the others in the open seas. The explanation offered for this indifference is that the organisation of societies among the Valas would facilitate the collection of the license fee levied for fishing in the inland lakes. But this explanation does not strike us as very convincing. Since all these classes equally require the services of the Fisheries Department for the development of their occupation and trade, we recommend that the Fisheries Department should be given the charge of socio-economic work among the Araya and coast fishermen's societies also, in addition to the Vala societies. There should be at least four supervisors under the Fisheries Department to look after the moral and economic welfare of the members, and also to promote non-credit activities as suggested below.

#### **Need for clearance of Fishermen's Prior Debts.**

6. Another matter that strikes us as being very necessary for the improvement of these societies is their direction towards non-credit activities. The fish now caught is sold, in the majority of cases, then and there, to avoid putrefaction. The method of salt curing is known to many but to those who knew it, the cost of salt is prohibitive. Fish-curing yards should therefore be established in as many centres as possible, and the members of the societies should be induced to take their fish to the yards for being salted. The fish that is now salted or dried is taken to foreign markets such as Madura, Tinnevely, Burma and Singapore by middlemen merchants, and the whole profit accruing from the trade goes into their pockets. The first attempt of these fishermen's societies in the direction of non-credit activities should, therefore, be the joint sale of their catches either as raw or salted and dried fish. We were told that such an attempt was made by a Vala society by some 23 of its members in Aroor and that they were able to secure more than twice the price that the other members got. But on account of the threat administered to them by the local merchants to file suits against those who were indebted to them, the experiment could not be continued in the following year. It is really regrettable

that the difficulty of rescuing them from these middle men should stand in the way of successfully carrying out a scheme which would considerably improve their economic condition. We were told that a sum of Rs. 1,000 would have sufficed to clear all their prior debts, and we, therefore, strongly recommend that the Government should advance a sum of Rs. 1,000 as a loan to this society, or to any other society which is in a position to carry out the experiment successfully, at a nominal rate of interest. This state of debt bondage is common with almost all craftsmen, and unless such help from Government is forthcoming any departure on their part from their time-honoured practice could not be expected.

#### **Purchase of nets and boats.**

7. As important as joint sale is the stocking of nets and boats to be made available to the members for hire, as is done by agricultural societies with regard to implements such as ploughs. As we have pointed out above, only very few among them have nets and boats of their own. The stocking of them by the society not only obviates the necessity of individual members possessing them, but it gives a freedom for all alike for their use. The society would further be in a position to pay cash for the purchases it makes and this also we think would be an indirect saving to the members.

#### **Conditions elsewhere not better.**

8. Considering the condition of societies for these classes in two provinces of India with a long sea-board *viz.*, Madras and Bengal, we have no reason to despair. In Madras there were 30 societies with no encouraging record of success but there is hope for them. In Bihar and Orissa the condition of the fishermen's societies is hopelessly disappointing. In Bengal there were 106 societies with a membership of 3914 in the year ending June 1933. The condition of fishermen's societies in the adjoining State of Cochin is worth noting. The Registrar mentions in his report for the last year that the number of these societies was reduced from 8 to 7 and that all the members belonged to the Vala community. Their working was not unsatisfactory inasmuch as they showed steady progress in many respects. The number of members, the working capital and the total transactions of these societies stood at 238, Rs. 34,119 and Rs. 85,441 respectively as against 208, Rs. 25,861 and Rs. 44,700 respectively in the previous year. The reserve fund stood at Rs. 6,771 against Rs. 7,115 in the previous year, and he concludes his paragraph on this topic by saying—"Experience shows that these societies are as difficult of improvement as the societies for the depressed classes." The Cochin Census Report on page 132 states:—"This comparative preponderance of industrial population in these two States (Travancore and Cochin) is due not to the infertility of the soil or its unsuitability to agriculture, but to certain natural advantages possessed by them which have diverted a larger proportion of people than in most of other parts of India from agriculture to industrial occupations. Among these may be mentioned the existence of a large extent of back-waters and

canals teeming with fish life and providing occupation to a large number of fishermen, fish-curers and dealers, and boat and bargemen." According to the Travancore Census Report of 1931 the number of males engaged in the occupation of fishing was 35,204, while that of females engaged in it stood at 2,916 giving a ratio of 83 females for 1,000 males. The corresponding figures for Cochin were 8,275 males and 1016 females with a ratio of 123 females per 1,000 males. Thus it will be seen that there is a vast field for developing co-operative work among the fishing population in these two States of Travancore and Cochin.

#### **Supplementary Occupation.**

9. Fishing, like agriculture, cannot be carried on throughout the year. We may repeat that there will be plenty of time hanging in the hands of fishermen during the monsoon season and as an occupation during this period we would recommend net-making and weaving. The object in teaching them weaving is not to change their calling but to enable them to weave the cloth wanted for their own domestic use. This would effect a considerable saving for each family.

#### **Better provision for audit and supervision.**

10. The inspection and audit of these societies are conducted by the unions and the department. We are not satisfied with the amount of attention bestowed on these societies either by the unions or by the department. We feel that better inspection and better audit are required for their proper growth and that separate inspectors, having some training in fishery work, should be appointed at the rate of 30 societies per inspector. We see a great future for this industry with the help of the co-operative movement.

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## CHAPTER XVII.

### RURAL RECONSTRUCTION AND AGRICULTURAL COLONISATION.

#### Importance of the problem.

The problem of rural uplift has been of late engaging the attention of great thinkers and economists all over the country. The time honoured prosperous villages of India which were centres of self-contained rural life are no more so today. With the advent of modern civilisation the people began to desert their villages and flock to cities. As a natural consequence of this, the claims and needs of men and women who feed the nations and stand at the foundation of its greatness and progress were neglected. The rural communities were thus left in the lurch uncared for. In India, which is a big country of villages, this policy reacted adversely on the rural population. The mode of life in the cities tended more and more towards epicureanism, whereas the rural farm-life aimed at austerity and simplicity. The modern man who views the life in cities as the perfection of human achievement is oblivious of the hard realities which exist in and around his very existence. He pauses not to explain a series of discrepancies such as the co-ordinate development of wealth and pauperism, of wealth and crime, of high standards of life and abject penury. Though the problem of the peasantry is growing more and more acute, a proper solution has not hitherto been found out to remedy this state of affairs.

#### British India and the States

2. It is evident from the above that the condition of the masses of the rural population is far from satisfactory throughout the British Indian Provinces and States. What is too true of other parts of India, is also true of the State of Travancore though we would accept certain conditions only with qualification. The work of rural uplift or to be more scientific, rural reconstruction has been suggested by some as a great remedy for the rural ills. It was the late Mr. C. R. Das who first expounded a definite scheme of rural reconstruction. Attempts were made by others in different Provinces to achieve the rehabilitation of rural life through uplift work. Praiseworthy beginning in this direction was made by Sir Frederick Sykes, the Ex-Governor of Bombay, leaving the most precious legacy of his work to be accomplished by his successor Lord Brabourne. In this connection the work achieved by Sir Daniel Hamilton at Gosaba in the Sunderbans is worth studying.

The Government of the Punjab have taken a decisive step in this matter by the appointment of Mr. F. L. Brayne of Gurgaon fame as Director of Rural Reconstruction Department. Several non-official members in the United Provinces, Central Provinces and Madras have brought bills to secure legislative help for rural reconstruction. We would in this connection refer to the most practical work done in this direction by the Sriniketan Department of Sir Rabindranath Tagore, Shantinikethan in Bengal. There, young bands of men and women are given training in rural reconstruction work and sent to the villages for carrying on work there. The Sriniketan is, so to say, a beehive of industrial and agricultural pursuits such as weaving, dyeing, spinning, dairying, poultry, handicrafts, agricultural demonstrations and so forth. Rural workers are trained in this institute and sent out for rural uplift work. The success of the rural welfare work depends upon the right kind of workers who would be available for the task. His Excellency the Viceroy Lord Willingdon says :— " To my mind the main obstacle to this advance and progress lies in the psychology of the rural worker himself owing to the custom and habit of caste and traditions that have governed his life and actions for generations. "

The problem of rural reconstruction has been sought to be solved on the basis of co-operative effort in some Provinces and States like Baroda, Mysore and Hyderabad. We are aware of the success achieved in this direction to a certain degree at Alamuru in Andhra Desa, Elur in Salem and Satyamangalam in Coimbatore. In Salem it was due to the untiring efforts of Dewan Bahadur R. Ramachandra Rao, Ex-Registrar of Co-operative Societies in Madras, that substantial progress was made in this direction. As a result of the close study of such work elsewhere, we are constrained to observe that unless such activities are taken up by the co-operative societies with State aid separately and carry them with a settled scheme and a definite plan, they are foredoomed to failure because efforts of individuals are generally found to subsist only as long as they themselves are there.

#### In Travancore.

3. In Travancore there is to some extent the necessity for rural uplift activities and it can best be accomplished by the Co-operative Department with the active support of the other nation building departments. We understand that a recent attempt at rural welfare work on a co-operative basis has been started by the Registrar of Co-operative Societies by organising a rural welfare society in Thozukal, a village in the taluk of Neyyattinkara about 13 miles from Trivandrum. This society is said to have secured the hearty co-operation of the Departments of Agriculture, Industry and Public Health. We do not hazard to pass an opinion on the working of this society since the

society is now only in its infancy. We have no hesitation, however, to recommend that a special staff should be made available to the Registrar of Co-operative Societies to undertake and carry on rural reconstruction work in different parts of the State, by taking the co-operative work in the village or the kara as its nucleus as suggested by the Registrar, Mr. K. L. Punjabi of Bombay. We also recommend to the societies to devote for such work 10 to 15 per cent of their annual profits according to their capacity. We think that in order to benefit the rural population it is necessary to encourage the organisation of co-operative village reconstruction societies in suitable and select villages. Each such village must be made a self-sufficient and self-contained unit of administrative life with facilities for carrying on agricultural pursuits. We would suggest the organisation of one thrift society, one better living society and one primary credit society for each such village. The principles of better living would enable the members to curtail wasteful and unnecessary items of expenditure on social and religious ceremonies the thrift society would inculcate in the members the habit of thrift and enable them to put by something for the morrow, and the credit society would help the members in carrying on their agricultural and vocational occupations by financing them. If all these can be taken on hand and accomplished simultaneously on a co-ordinated basis, co-operation may then be said to have been responsible for the ushering in of a new dawn of all-round prosperity to the teeming peasantry of the State. We would in this connection suggest that for carrying on the activities outlined above, six villages be selected, after careful investigation conducted by the Co-operative Department, for the introduction of rural uplift work.

#### Unemployment.

4. We are glad to refer to another field for expansion of co-operative activities somewhat akin to rural reconstruction. We think that the present economic depression and the problem of unemployment have necessitated a change in the outlook on life. We are positive in the belief that unless fresh avenues of economic development are explored and the mobilisation of human strength secured under a definite and settled plan of action, the co-operative movement will not be able to render any substantial help to the poor ryots to tide over their present hardships. We, therefore, would suggest the formation of colonisation societies. The landless and the comparatively poor who have their asset in their skill for human labour, should be brought together and admitted into such societies, and unoccupied lands should be taken up for carrying on joint cultivation and colonisation. In suggesting this novel method of activity which is to be organised on a co-operative basis, we are led to detail the objects and the working of the Vasumath Agricultural Co-operative Society at Kadakkal.

### Vasumathy Agricultural Society.

5. This society was first started in Karkadagom 1107 with the main object of carrying on agricultural farming on a co-operative basis, and starting an agricultural colony in which equal opportunities of service and self-help will be offered to all the members including facilities for industrial pursuits. The colony would aim at the material, moral and intellectual betterment of the members. The ambitious ideas underlying the scheme are intensive cultivation of land on a co-operative basis, collection and sale of articles on co-operative principles, conduct of a self-contained industrial colony wherein all the members will have to live subject to the discipline and rules of life to be laid down therefor, and the uplift of the depressed classes by admitting them as members of the colony on equal terms with the higher classes.

### Criticism.

6. This society is now cultivating nearly 40 acres of marshy land in Dalikarikom lying within the reserve forest of Kulathoopuzha. The society entered into an agreement with the Forest Department and the main conditions are that the society should pay a nominal lease amount to Government every year, that they ought to carry on cultivation satisfactorily for 5 years after the expiry of which period the land will be assigned in favour of the society as a whole. The society cultivated paddy. For the further improvement of the land it is necessary that the surrounding parts to the extent of 2 chains or about 15 feet on each side should be assigned to the society. It is reported that the society has expended about Rs. 5,000 on the clearance of forest and cultivation and that out of this an amount of Rs. 2,000 was borrowed from the Central Bank. Apart from the cultivation of lands at Dalikarikom, the colony at Chithral where the members are proposed to be settled or colonised has not become a "fait accompli". The moving spirit in the whole scheme appears to be obsessed with the ambition to introduce many activities such as dairying, weaving, rattan works, basket making, ayurvedic pharmacy &c., in the proposed colony. There is also an idea, we are told, to pool together the agricultural and industrial produce of the members and market them to their best advantage. The work of reclaiming the down-trodden classes is also included as one of the items of activities and a Kani school is being conducted now, and the foundation for a Harijan Sevaramam and a Prayer Hall has been laid by our President Mr. Devadhar.

Ambitious as the scheme looks and handicapped as the society is for want of sufficient funds, we fear that the very laudable scheme would entail failure, if practical aspects of the question are not tackled. We have no doubt that if the proposed model colony and agricultural development on a co-operative basis prove successful, it would really set a very good example for others in different parts of the

State to follow. Lest failure and disaster should overtake the society which has such very good and laudable objects, we would advise the promoters to confine their attention to one item of work and strain every nerve to make that a success. When success in one particular sphere of work is achieved, it will then be time to contemplate the extension of their activity to other fields. The members of the society should be trained in such a way as to grasp correctly the implications of the work they have now undertaken. The benefits of the scheme must be driven home to their minds. We think that in such novel co-operative enterprises the initial capital ought to be secured ere launching on new schemes of development. After this new colony society proves that it has really achieved something without Governmental aid, it would be only in the fitness of things on the part of Government then, to extend substantial financial aid to the society and give it every encouragement.

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**PART IV**  
**LONG TERM FINANCE.**

## CHAPTER XVIII.

### REDEMPTION OF AGRICULTURAL INDEBTEDNESS.

#### Pivotal problem.

The indebtedness of the agricultural classes is a universal phenomenon and the problem is one of the oldest that has troubled administrations all the world over. In ancient Greece and Rome, indebtedness entailed servitude, vestiges of which custom are still found in the arrest and imprisonment of judgment debtors. Throughout recorded history, debtors and creditors appear to have always been in need of protection from the usurer. That indebtedness has been in existence from time immemorial is borne out by reference to the Bible, the Koran and the laws of Manu. Oriental countries like China, Japan, Egypt and Turkey were not free from this disease causing economic dislocation.

#### The extent, scope and remedial measures taken all the world over.

2. For generations past the problem has received the continuous and anxious consideration of civilised administrations of the world. Every suggestion that has promised success has been carefully examined and many have taken concrete form in legislative or executive measures. Thus the Farm Relief Act of the United States of America provided for the issue of 4½% Federal Land Bonds. Italy converted agriculturists debts into 35 years mortgages with annual payment for interest and redemption not exceeding 7½%. Germany enabled debtors to appeal for assistance to the State for clearing debts contracted before 1931. Austria protected by special law encumbered properties from forced sale. Australia and Canada have empowered the Supreme Court to compose the debts and to reduce the interest rate. Several States of Australia have restricted by legislation the right of selling mortgaged property. New South Wales has passed the Moratorium Act by which the creditors cannot demand principal or interest without the permission of the court so long as the present level of prices lasts. By another Act passed in December 1931 South Australia has laid down that debtors should not be forced to pay their debts for the next two years. Manitoba has appointed a Debt Adjustment Commissioner. Courts are established in Holland to negotiate between agricultural debtors and creditors. Certain heroic measures were attempted in Rumania, U. S. A. and Yugoslavia also. But these attempts failed to secure the desired objective. They only proved that any interference with economic laws was almost as difficult and dangerous as interference with the laws of Nature.

#### Its time honoured existence in India.

3. Nor is indebtedness a new problem in the economic life of the Indian peasant. "Indebtedness has always been with us at no time known to history was the Indian agriculturist free from debt," (Dr. P. J. Thomas). The writings of Munroe, Elphinstone and others make it clear that there was much debt even at the beginning of the British rule so much so that it may easily be remarked that borrowing and continuously living in debt are well known facts. Indebtedness has been increasing in large proportions since the days of the writers above mentioned and more especially during the last half century. "Rural

indebtedness in the country is so widespread that on an average over forty per cent of the population is indebted and the total amount of indebtedness is variously estimated between 800 and 1000 crores. The interest charges alone on this debt are estimated to amount to about 70 crores per annum. It is also observed that the volume of indebtedness is steadily on the increase."

**Rural Indebtedness Estimated in India stands at 900 Crores of rupees.**

4. The Royal Commission on Agriculture in India summed up the position in these words:—

"It is more than probable that the total rural indebtedness has increased in the provinces whether the proportion it bears to the growing assets of the people has remained at the same level, or whether it is a heavier burden or a lighter burden on the more prosperous cultivator than of old, are questions to which the evidence we have received does not provide an answer." The Central Banking Enquiry Committee after consolidating the figures collected by the provincial committees, estimated the total rural indebtedness of India at rupees 900 crores. Details about this figure with the estimated values of total production of various provinces including those of the States of Hyderabad, Mysore and Travancore are given in a tabular form on page 11 of Dr. P. J. Thomas' pamphlet on rural indebtedness which we take the liberty to extract below:—

Province.	Population (Millions.)	Total in- debtedness (Crores)	Average in- debtedness per agriculturist. Rs.	Total production of the principal crops. Value in Lakhs.	
				1928—29	1931—32
Madras	46.7	150	50	18,078	10,125
Bombay	21.8	81	49	12,052	6,656
Bengal	50.1	100	31	23,259	10,671
United Provinces	48.4	124	36	14,052	9,221
Burma	14.6	50 to 60	...	6,338	2,920
Central Provinces	15.5	36	30	6,877	3,242
Punjab	23.5	135	92	7,678	3,749
Bihar and Orissa	37.6	155	31	13,517	7,105
Assam	8.6	22	31	...	..
Central Areas	...	18	...	...	..
<b>Total British India</b>	<b>271.5</b>	<b>881</b>	<b>...</b>	<b>1,01,851</b>	<b>53,689</b>
Hyderabad	14.4	...	...	..	..
Mysore	8.5	...	...	..	..
Travancore	5.0	27	54	..	..



Some idea can be gathered of the nominal and the real burden of the indebtedness in India to-day from the above table. Mr. Thomas has given 27 crores as the amount of total debt of Travancore. The Travancore Banking Enquiry Committee who conducted their enquiry in 1930 estimated the total debt for the whole State at Rs. 25.29 crores. This figure was arrived at as the result of an examination of intensive survey of select areas during which statistics were collected by a house to house visit on the amount of secured and unsecured debts. But the Travancore Census Report of 1931 which contained an economic survey of the total wealth, income and indebtedness of the earners at the time of the Census puts down the total debt of the State at 16.4 crores of rupees and the average debt per capita at Rs. 32.

#### Per capita debt in Travancore and other parts.

5. But the report itself says, "actually it will be more". We extract below a table showing the per capita debt of the rural population of various provinces for the purposes of a comparative study :

		Rs.
India	...	37
Bengal	...	21
Assam	...	26
Madras	...	36
Bihar & Orissa	...	43
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The Census Report concludes this topic by saying "indebtedness in Travancore may be a little more than that in India or in the neighbouring Madras Presidency and hence an average debt of Rs. 40 per head in this State may be taken to be a fair estimate." Whatever be the average, we agree with the finding in the Census Report that the total indebtedness in the State is not less than Rs. 20 crores which in itself is a colossal figure. It is generally recognised that the present economic depression and the consequent catastrophic fall in the prices of commodities are in a way responsible for the daily increasing indebtedness of the ryot. It has been remarked by Mr. John De la Vallete in his article on 'Progress in Indian States' in the Asiatic Review of January 1934, that droughts and price slumps bring misery to the Indian peasants only intermittently; the money-lender is always with him. Various other causes namely poverty with unproductive soil, precarious climate and irregularity of income, ignorance and improvidence, extravagance, ancestral debt, expansion of credit, increase of population without corresponding increase of return, facilities for borrowing owing to influence of money-lenders, limitation laws as leading to renewals on usurious terms including

compound interest and revenue system of a fixed demand, have been found to be the causes of poverty of the peasant by the commission appointed to enquire into the causes of the agrarian riots in the Deccan. To this long list may be added the continuous deterioration and erosion of land.

#### **Most acute Rural Problem.**

6. As a cumulative effect of these, the bonds of rural indebtedness that shackle the Indian agriculturist get tightened more and more, and it has become the most acute problem of rural economics. It has been truly said that the Indian agriculturist "is born in debt, lives in debt, dies in debt and bequeathes debt." Thus the redemption of debt has become a fundamental condition precedent for the launching of any scheme of economic emancipation. In a pamphlet on economic planning Mr. Nalini Ranjan Sarkar, President, Bengal Chamber of Commerce and a member of the Central Banking Enquiry Committee has truly remarked that "the chronic indebtedness of our cultivators remains a Himalayan obstacle to the effectiveness of any piecemeal ameliorative measure and the malady can be cured only by planned treatment." The pressure of indebtedness and the absolute incapacity of the ryot to make any substantial repayment for the liquidation of their debt are really so great that it calls for immediate remedial measures to restore economic independence to the debt depressed and all but insolvent ryot. It is curable only by a prolonged and sustained treatment, spread over a number of years. Mr. Sarkar is of opinion that the measures most urgently needed for it are the initiation of a scheme of Debt Conciliation and the establishment of Land Mortgage Banks.

#### **Measures of Agrarian relief prior to co-operation.**

7. Various attempts have been made in the past for remedying indebtedness. Takavi loans, land improvement loans, direct aid under the Agriculturists' Relief Act of 1854 and attempts at controlling usury by means of law were all tried in the past with no abiding result. A simpler system of insolvency, a general repudiation and a periodical cancellation of all debts have been discussed. Only two effective remedies have so far been suggested which we also hope would radically cure agricultural indebtedness. They are (1) the increase of agricultural income by resort to more efficient methods of production, crop-planning and marketing and (2) the reduction of improvident expenditure and increase of thrift. Both these will take time and are not immediately realisable.

#### **Harold Butler on Socio-economic planning.**

8. Economic re-adjustment has however been the order of the day. It will be interesting in this connection to find that in Great Britain, a highly industrialised country, the most thorough going effort at economic organisation has been undertaken in agriculture. Statutory boards have now been set up to control the marketing of hops, milk, pigs, bacon, potatoes and wheat, supplemented by action on the part of the

Government itself to regulate imports in order to maintain the prices fixed for the home market. These efforts towards planning in Great Britain are small however, when compared with the vast experiments which are being carried out in the United States. There, the Department of Agriculture has set on foot an elaborate system for controlling the production and marketing of the more important agricultural products. Though nothing so violently drastic as a general repudiation or a temporary suspension has been attempted, various parts of the country have been attempting devices at agricultural relief during the last 30 years or more. During the depression of the famine years of 1897 to 1900 debt conciliation was carried out in several districts of the Central Provinces.

#### Several Provinces and States at Work.

9. An effort was made at debt redemption by the Government in Orissa between 1906 and 1912. Similar attempts have been made in several districts of the Punjab since the advent of the general economic depression.

(a) The problem has now acquired a new intensity or acuteness and significance as a result of the precipitous fall in prices. Almost all provincial Governments have realised the seriousness of the question and several provinces have either passed or are contemplating the enactment of ameliorative legislation dealing with the various aspects of the problem. The North West Frontier Province is contemplating the establishment of an agricultural bank to tackle this problem. We append herewith the whole of this scheme as it affords very valuable information on this topic.

(b) The Punjab has passed the Punjab Regulation of Accounts Act, 1930 prescribing the keeping of accounts by creditors and the supply of statements of these accounts every six months to individual debtors. The Commissioner of Rural Reconstruction is just now piloting the Punjab Relief of Indebtedness Bill (1934) not without opposition from interested classes in the Punjab Legislative Council. The Bill does not rope in all classes of debtors in the Province. It seeks *inter alia* to set up Debt Conciliation Boards, define what rates of interest shall be deemed excessive or otherwise, enable debtors whose debts exceed Rs. 250 and whose property does not exceed Rs. 1,000 to take advantage of certain provisions in the Provincial Insolvency Act, introduce the rule of Damdupat in the case of all suits brought against agricultural debtors and enable the agricultural debtor to make a deposit in court either in full or part payment of a debt with a view to relieve him from the burden of the interest. As the views of Mr. F. L. Brayne, I. C. S., the Rural Development Commissioner of the Punjab who has been largely responsible for this measure, are likely to be both interesting and instructive we are appending herewith the copy of a letter he sent to the President as reply to some of the questions in the questionnaire (Appendix No. 15). The reply deals with debt redemption among other topics.

(c) The Bengal Money-lenders' Act of 1933 enables the debtor to obtain full particulars of his debt from his creditor, prohibits the recovery of compound interest if the contract provides for a rate of interest above 10 per cent or periods of less than six months, fixes the rate above which interest will be regarded as excessive and maintains the Damdupat rule as applicable.

It is understood that the agricultural sub-committee of the Bengal Economic Board of Enquiry has decided to recommend to the Government the immediate necessity for the adoption of some measures towards the relief of agricultural indebtedness. After pointing out the need for some legislative power whereby to bring about conciliation between the creditor and the debtor, the Committee has suggested that some bill on the lines of the one in the Central Province should be introduced in the Bengal Legislative Council at its next session.

(d) The Central Province Debt Conciliation Act of 1933 provides for the setting up of conciliation boards to which debtors or creditors may apply for a settlement of debts. In 1932 the Central Provinces has passed another Usurious Loans Act to remove certain difficulties experienced in the working of usurious loans system.

(e) The United Provinces Agriculturists Relief Bill (1934) is under consideration by the Legislative Council. The Bill empowers courts when passing decree against agriculturists to fix instalments payable on fixed dates which may extend over a period of four years in the case of small agriculturists and over twenty years in other cases. It further recommends the general restriction of the future rates of interest, the limiting of the form of suits against agriculturists, the prescription of the form and terms of possessory mortgages and the provision of facilities for redemption of mortgages, the reduction of accumulated interest on future loans in compliance with what is generally known as the principle of Damdupat and the prescription of a form of accounts for agricultural loans. The United Provinces have a series of measures in view for the eradication of rural indebtedness.

(f) The Madras Legislative Council has at present under consideration two bills introduced by Rao Bahadur T. A. Ramalingom Chetty—the Madras Debtors Bill and the Madras Debt Conciliation Bill. The former follows generally the Punjab Regulation of Accounts Act. The latter is intended to apply to agriculturists whose debts aggregate to Rs. 25,000 and below. It follows the Central Provinces Debt Conciliation Act.

(g) Bombay and Assam also are introducing Bills on these lines. It is understood that the Government of Bombay have accepted the recommendations of the committee, which has been inquiring into the question of agricultural indebtedness in the Bombay Presidency, and propose to start very shortly land mortgage banks in various parts of the Presidency on the lines recommended by the committee.

The Committee points to the success with which the experimental land mortgage banks at Dharwar, Broach and Pachora have been operated. The greater part of the loans given by these three banks has been for the redemption of land from debt. The position of these banks at the close of the official year 1933 showed that the Broach Bank had no overdues, while the heavy outstandings in the case of the Dharwar and Pachora Banks, owing to the phenomenal fall in prices and other unforeseen causes, were more than covered by the assessed value of the lands. The loans advanced in these two instances amounted to Rs. 3,22,658, while the assessed value of the lands was Rs. 10,58,782.

The Committee points out that a Government guarantee of both capital and interest of the debentures issued by the Co-operative Central Land Mortgage Bank up to the extent of Rs. 50 lakhs at present and at not more than 5 per cent interest will be necessary if investors are to be induced to provide the needed funds.

(h) The Indian States too have not been far behind. Mysore, Pudukotta, Rewa in Central India, Baroda, Sangli in the Deccan, Junagadh and Bhavnagar in Kathiawar have moved well in this direction. Bhavnagar has introduced a bold experiment which is working successfully in the direction of redemption of agricultural debt. Mysore passed the Agriculturists Relief Regulation in 1928 to provide facilities to the agricultural classes. As an experimental measure the Government of Mysore chose the three taluks of Malnad for applying the provisions of the Regulation and finding that it had worked successfully, the Regulation was extended from time to time to other districts and recently the Regulation was enforced throughout the State. The Pudukotta Government have introduced a Bill to reduce the interest on sums borrowed by the agriculturists in proportion to the fall in prices whenever decrees passed against the agriculturists are sought to be executed by proceeding against their lands.

(i) An enquiry was instituted into the agricultural debts in Junajadh State and as a result an Agriculturists Relief Act and Agriculturists Debt Redemption Scheme are being attempted, more or less on the lines of Bhavnagar. The scope of the scheme is very limited. It aims to reduce the debts of only registered holders of land.

#### **Bhavnagar Scheme of Redemption of Agricultural Indebtedness.**

10. Bhavnagar state was the first to initiate the most interesting experiment in undertaking debt settlement and redemption under the inspiring and bold guidance of Sir Prabhasankar Pattani, K. C. I. E., with the full concurrence of His Highness the Maharaja who gave a great lead to this movement by wiping off a total indebtedness of nearly sixty lakhs of rupees as arrears of land revenue when he assumed charge about three years ago. And this was only in keeping with conception of true rural uplift which His Highness the Maharaja Sahib of Bhavnagar pithily expressed in the following words, "If the object of rural uplift is to

be really attained, two things should receive first attention :—(1) Relieving the cultivators from the arrears of State assessment and (2) release from the crushing burden of private debts." In no part of India has the work been undertaken on so large a scale or with such elaborate and systematic inquiries into the whole problem of indebtedness particularly in its practical aspects. On the application of several deeply indebted agriculturists, the Durbar appointed a committee in 1922 to investigate the state of indebtedness and though the task 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. It was found that nearly half of the cultivators were in debt and of these one third were hopeless cases. 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 half the market rates. A Khedut Protection Act was passed to give the cultivator relief from past usurious transactions and protection against victimisation in future. But this law, necessary as it was, could hardly improve the ryots' condition unless all his debts were first liquidated so that he could write on a clean slate once again. A debt redemption scheme was thereafter drawn up by the Durbar which proposed, 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.

#### **Sir Prabhashankar's bold Plunge.**

11. Cultivators have had their outstanding nominal dues of the total sum of Rs. 16,38,874 compromised and compounded by the payment of a sum not in excess of the annual interest charge to which they were subjected. It was settled for a sum of Rs. 21 lakhs. The civil courts are no longer burdened with suits or execution proceedings against cultivators. litigation has been avoided. 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. Thus a net saving per year by way of arrears of two lakhs has been indirectly effected.

The success of the scheme has a moral for this State where the co-operative movement and the infant State Land Mortgage Bank are looked upon as providing means of solving agricultural indebtedness. From the specific reference that has been made to us and the volume of public feeling on the matter of the daily increasing indebtedness of the agricultural population, it is clear that a scheme for the liquidation of agricultural indebtedness is urgently called for. We commend the

stimulating example of Bhavnagar for careful study and serious consideration. The States of Rewa and Sangli are also thinking of adopting some measures of debt redemption on the lines of the Bhavnagar scheme. Baroda has appointed a committee to enquire into the question of agricultural indebtedness of the State. But the committee has not yet submitted its report.

#### Need and Demand in Travancore.

12. The all pervading character of the demand for a relief measure of some kind or other outside the State only lends support to the need for the necessity of some scheme for the amelioration of the condition of the peasantry in Travancore also. From the comparative figures we have given above, it will be seen that the problem in Travancore is as acute, keen and ancient as elsewhere. The question of the indebtedness of the cultivator in Travancore attracted the attention of Government and non-official public even in the last century. A crude attempt was made to estimate the volume of indebtedness by the late Mr. V. Nagam Iyyah in his State Manual. Though strict accuracy was never realised and concrete figures never obtained, Mr. Nagam Iyya's attempt established a fact—the fact that indebtedness in Travancore was an old problem, a chronic disease touching the fundamentals of the economic life of the Travancore ryot. Though nothing spectacular has been done by way of real relief, there are traces to be seen in the economic side of Travancore history, of attempts being made to control usury and to give relief from taxation. Nothing like a general remission of land tax was ever attempted. But there are instances to show that successive reigns envisaged the problem as local, and afforded relief by specified areas. Rani Parvathi Bai ordained that accumulated interest should not exceed half the principal in case of money loans. But the purpose of the law was soon evaded by the debtor renewing the document after 5 years and he can be forced to do so under threat of court decree and arrest. Indebtedness has been assuming large proportions ever since. The comparative growth in the percentage of overdues in the co-operative societies of the State evidenced by the following figures for the last 6 years has been noticed with grave concern year after year both by the department and the non-official public as an index of the growing indebtedness of the agricultural population:—

#### *Arrears under Principal only.*

		Rs.
1103	...	7,61,607
1104	..	9,89,197
1105	...	14,01,256
1106	...	20,26,503
1107	...	25,99,904
1108	.	29,77,484

These figures are really telling especially when it is remembered that these represent only the overdues under principal in co-operative societies, and that nearly only 20 per cent of the population has come

within the fold of the movement. The fact that co-operative finance has not become so sound nor co-operative spirit so strong as to make overdue in co-operative societies fully indicative of the complete indebtedness of their members, must also be reckoned with while accepting the figures as hypothesis for calculating the burden of agricultural debt. The problem, therefore, is grave and one which needs immediate tackling. Though no cure can be prescribed without a proper diagnosis of the extent of affection, we are inclined to agree with the view that there is no more need of any elaborate enquiry into the extent of indebtedness of the population of the State inasmuch as a survey of agricultural indebtedness of the whole state with the main objective of ascertaining the scope of the rural indebtedness, was recently undertaken by the State at the time of the last census. It should not be forgotten that two such surveys were undertaken before, as adjuncts to the Travancore Banking Enquiry Committee in 1934. Though they were only partial and confined to particular areas and involved many assumptions, still they have supplied sufficient data for the State for taking the question of remedial measures for the liquidation of agricultural indebtedness as postulated by the survey, and we therefore hope that Government would immediately take the necessary and proper steps in this direction.

We are aware that Government have realised the seriousness of the problem and are anxious to find out an effective solution of the same. They have forwarded to us a representation from Mr. K. V. Joseph, Pottakulam House, Kanjirapally urging the need for the introduction of "certain legislative measures for affording relief to the agriculturists from the prevailing economic distress." He wanted a relief legislation to treat all payments made by parties since the beginning of current transactions as part payments to principal amounts of the loan and not as set-off against interest as is being done by creditors at present. He also suggested that any balance of the principal found still due to the creditor from the debtor should be repaid only after 10 years' time without interest, that specific provision be made in the Limitation Regulation to enlarge the statutory period of limitation, for the realisation of any debt or decree, that liberal rules be framed for the granting of agricultural loans, and that the rates of interest be reduced from 12 to 6 per cent. In the course of our enquiry we have been told by several that the problem is real and is so keenly felt that there is urgent need for some kind of a scheme of debt redemption. Mr. Joseph's scheme was topically discussed, and some have characterised it as "revolutionary." There was a shade of opinion who regarded a complete wiping off of debts as unnecessary. Meanwhile we are told that the Travancore High Court Bar Association has passed a resolution that "in view of the present economic distress Government may be requested to suspend the operation of the law allowing execution of the decree against the person of the judgment debtor." In the Muvattupuzha Taluk Co-operative Conference which the President of this Committee opened, the resolution of the High Court Bar Association was adopted. It is reported that the Travancore High Court has



circularised the lower courts to be lenient in regard to orders passed in connection with the execution of decrees. This sympathetic attitude of the judicature will, we hope, afford the judgment-debtors a temporary relief and enable them to tide over the present period of acute distress.

We are aware that any temporary measure will not in any way solve the problem. We feel that it is curable only by a prolonged and sustained treatment spread over a number of years and the measures most urgently needed for it are the initiation of a scheme of debt conciliation and the widening of the activities of the present Land Mortgage Bank to which we have referred in our next chapter. The problem of marketing is also of vital concern to the improvement of the agriculturists in the State. We need hardly say that the solution depends entirely on the organisation of the cultivators of whom only a small percentage has so far joined the co-operative movement. The time has come when it will no longer be advisable to leave the matter to voluntary enterprise, and a scheme of compulsory organisation should be undertaken by the Co-operative Department as has been done in Japan. We feel that permanent relief to the agriculturists can to a very great extent be effectuated by the industrialisation and the promotion of supplementary occupations for which a vigorous co-operative scheme may be thought out and initiated by the department. We also advocate the organisation of agricultural associations as in Bengal and in Deccan (Bombay) as these facilitate not only better marketing of crops but also help the introduction of other measures of improvement including that of better agricultural methods. We would, in this connection, recommend (a) the appointment of a marketing officer who should be got trained under the chief marketing officer of the Imperial Council of Agricultural Research. (b) The co-operative societies also will have to be given certain impetus. (c) Overdue and time-barred loans should be given extensions of time and there should be (d) a general reduction of the rate of interest ordinary as well as penal. (e) A simpler system of insolvency may also with advantage be tried as suggested in the Bill which is now before the Punjab Legislative Council. (f) Members of the Co-operative societies also should be enabled to get the benefit of any scheme of general reduction of total indebtedness with the help of co-operative debt conciliation boards to be set up for their relief by the Registrar of co-operative societies if the reserve funds be not utilised as suggested in this Chapter towards the end. A vigorous educational propaganda on a countrywide scale must be carried out for eradicating extravagant social expenditure and in this matter the co-operative societies should act as a powerful agency. These suggestions and remedies of ours are, of course, confined to the members of co-operative societies.

#### Establishment of Debt Conciliation Boards

13. For those outside the fold of the movement, we suggest that as a result of the data collected at the time of the Travancore census by the economic survey, debt conciliation boards may be set up and

the amount of debt for repayment compounded at 65 per cent. of the total debt. It may be mentioned here that two such boards in the Central Provinces have decided upon conciliation of debts at 65 per cent recently. The State may, at that time, if it thinks proper, consider the feasibility of undertaking the payment of 50 per cent of the debt in cash and the remaining 15 per cent in the debenture bonds of the Land Mortgage Banks.

**The Hon'ble Sardar Sir Jogendra Singh supports it.**

14. In support of the above proposal, which in our opinion is very liberal, we would like to quote the most valuable opinion of the Hon'ble Sardar Sir Jogendra Singh, Kt., Minister in charge of Agriculture, Co-operation, etc. in the Punjab. He observes as follows in his brief note on Land Mortgage Banks submitted to the All-India Registrars' Conference in New Delhi, in January 1934, which we have quoted as appendix to the Chapter on Land Mortgage Banks : —

"The indebtedness of agriculturists is estimated at Rs. 950 crores. If the present creditors were guaranteed payments they would be prepared to accept almost one-fourth of the amount."

15. The principle of reduced payment by conciliation in co-operative societies of the creditors' dues by bringing down the demand to 60 per cent. was suggested by some influential people with whom we had discussed this aspect of the present problem. In the United Provinces it was suggested that this reduction should be made applicable to banks and co-operative societies also. But in the Central Provinces it was suggested that this rule should not be made applicable to co-operative societies. The arguments advanced against the operation of this rule in respect of co-operative societies was that the rate of interest charged by co-operative societies was comparatively low when contrasted with the usurious rate of interest charged by private money-lenders and some of the banks. The low rate of interest charged by societies gives them a right to be exempted from the operation of the rule enunciated above. The co-operative societies have not increased the indebtedness of the agriculturists but have positively helped its slow reduction. The question was naturally raised why banks which depended upon outside deposits be also exempted. This contention was sought to be met by the arguments that (1) banks as a rule do not lend money to the poor agriculturists to satisfy his various credit needs, and (2) their rates of interest are not generally so low as those charged by co-operative societies. But in the case of those banks which finance the agriculturists and charge the same lower rates as co-operative societies, it was pertinently pointed out that they may be entitled to some such concessions. Even if it be advocated that all co-operative societies and banks which finance agriculturists on favourable terms should be brought under the exemption enunciated by us, we would not object even to that in the last resort as has been sanctioned by the Central Provinces Government where reserve funds of co-operative societies are allowed to be used for the liquidation of members' debts. The banks should also be compelled to utilise their reserves built by them out of their profits to wipe off the agriculturists' debt and reduce their volume.

**Use of Reserve Funds to wipe off debts  
of members.**

16. The Government of the Central Provinces has just now published the detailed reports of the working of the agricultural debts conciliatory board. Two of these boards have brought down the indebtedness of the applications that were referred to them to nearly 60 to 65 per cent. of the amounts involved in these suits. Sir Prabhshankar Pattani has actually settled old debts by paying 25 per cent. to the creditors. The Hon'ble Sir Jogendra Singh Kt., feels that this proportion of payment out of their dues would satisfy the creditors when they would be assured of this payment and the Director of Agriculture of the North West Frontier Provinces in his printed note on this subject has almost suggested clearance of old debts by the establishment of agricultural banks and its branches. So we have made ourselves bold to suggest to the Travancore Government to give their earnest thought to the solution of this problem by raising loans even if necessary to the extent of the sums needed to pay the debts in cash to the extent of 45 per cent. in view of the better practice of money lenders prevalent here and later 15 per cent. of it in the shape of debentures of the land mortgage banking system. The savings of the agriculturists in the shape of interest would be enormous. This would enable the State to get the blessings of a contented peasantry.

17. We would recommend the liquidation of industrial indebtedness on the security of lands and other properties in a similar way by the institution of conciliation courts as was suggested with regard to liquidation of debts by a non-official member of the Central Provinces Legislative Council.

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## CHAPTER XIX.

### LAND MORTGAGE BANKS.

#### History of the question in the State.

The question of establishing a Land Mortgage Bank in Travancore was first moved by the Registrar of Co-operative Societies in 1925. Government, however, "postponed the consideration of the question for some time." In September 1926, the Economic Development Board forwarded a resolution of the Board to the Government recommending that steps should be taken to start a Land Mortgage and Agricultural Bank on co-operative basis as an experimental measure. In the same year, the Travancore Co-operative Union No. 777 (now the Travancore Co-operative Institute) appointed a Committee with the late Rao Bahadur R. Krishna Pillai (later on Ag. Dewan of Travancore) to consider the organisation of a Land Mortgage Bank. The Committee recommended that a Central Land Mortgage Bank should be registered under the Co-operative Societies Regulation. It prepared a memorandum and the draft bylaws of the proposed Bank and forwarded them to the Government. A deputation also waited upon the then Dewan to explain their project. At the 26th session of the Sri Mulam Popular Assembly a representation was made pointing out the need for such an institution and in 1929 the Legislative Council also resolved that a Land Mortgage Bank should be started by the Government for the use of the agriculturists. The Travancore Unemployment Enquiry Committee recommended the starting of a Land Mortgage Bank as a State concern. It suggested that the funds necessary for the Bank may be obtained by the flotation of debentures. The Travancore Banking Enquiry Committee, while considering relief measures for the growing indebtedness of the agricultural population of the State, recommended the organisation of a Land Mortgage Bank under the Co-operative Societies Regulation X of 1929. The Committee thought that Government guarantee was necessary for the debentures to be issued by the Bank and that Government should subscribe for a moiety of the debentures and also subsidise the establishment charges of the Bank for a certain number of years. The Economic Depression Enquiry Committee which considered the question expressed the opinion that a Land Mortgage Bank should be started under a separate Regulation and not under the Co-operative Societies Regulation.

#### Unanimity about the need.

2. Government considered the unanimity of these various recommendations. The need for an institution of this type for the disbursement of long term credit was so well recognised. It was only about the form and the source of finance that there was any difference of opinion. The co-operative societies had shown that they could tackle only the problem of short-term credit. The Agricultural Loans Regulation could be utilised only for the purpose of making improvements on land. To satisfy the credit requirements of agriculturists who are

outside the purview of the co-operative movement and who require adequate finance for the redemption of their heavy debts, the Central Banking Enquiry Committee had recommended the formation of commercial joint stock banks. Ordinarily, joint stock banks do not give long term credit to agriculturists. But the economic depression made the situation still worse. So the entertainment of the idea of forming any credit institution on a joint stock basis became almost impossible.

**The Impetus supplied by the munificence of His Highness the Maharajah.**

3. While the discussion about the need of forming a Land Mortgage Bank was going on in the press and elsewhere and representations were being addressed to Government as stated above, His Highness the Maharaja was graciously pleased to announce at the Investiture Durbar held on the 11th of November 1931 a donation of rupees one lakh to serve as a nucleus by way of initial capital for the starting of the desired Land Mortgage Bank. Thus His Highness' munificence gave a great impetus to the land mortgage movement finding a definite shape in the establishment of that institution by the State and no time was lost in ushering into existence that institution as its need was being increasingly recognized.

**The State Land Mortgage Bank.**

4. The Government, therefore, by its order No. F. L. 1914, Trivandrum, dated the 15th December 1931 started a State Land Mortgage Bank. In the Government order it was stated that "on account of the prevailing economic depression it is not possible at present to organise a commercial Land Mortgage Bank on a joint stock basis, as it would require considerable capital to be subscribed for by the general public. The Government, however, feel that the necessity for affording relief to agriculturists is too keen to be postponed further, and they have accordingly decided as an initial step to start a Land Mortgage Bank as a Government concern. The Government will be glad to hand over the whole concern to a suitable private agency if and when it comes forward on terms and conditions to be settled at the time." The Bank being a Government concern the assets and liabilities of the Bank rest on Government. The board of management consists of 5 Government officers and 2 non-officials nominated by the Government. The Government were prepared to advance from time to time towards the Bank's working capital funds up to a total of rupees four lakhs at a rate of interest to be fixed by them. If finance becomes wanting, "Government were prepared to issue debentures under their own responsibility and liability and to hold themselves responsible for the repayment of the principal on the agreed date as specified in the debentures. The total amount of debentures to be issued at a time should not ordinarily exceed the difference between the total sum loaned by the Bank and the remaining unpaid and the amount of the debentures if any already issued and remaining unredeemed." We have, however, been told that this has not been so far given effect to by Government. The Bank now issues loans only for the liquidation of prior debts on lands in the possession of the

borrower. Amounts due by reason of default on the part of the borrower will be recovered as arrears of land revenue. The accounts of the Bank are quite separate from the State Accounts, and the profits of the concern will go towards the building up of the reserve. Loans are granted only to individuals who live mainly by agriculture, to registered companies or corporations whose main business is agriculture. The rate of interest charged was  $7\frac{1}{2}$  per cent but it has recently been decided to lower it to  $6\frac{1}{2}$  per cent.

**Demand for its conversion into a Co-operative institution.**

5. Even after the starting of the State Land Mortgage Bank there was great demand from co-operative institutions to convert the State concern into a co-operative one. Several resolutions were passed at various co-operative conferences which have either directly or through Government been forwarded for the Committee's consideration. We have been able to gather from the evidence before us that there exists a large volume of opinion in favour of the conversion. There are however, persons who have discouraged any remodelling of the present State institution, with which opinion we do not at all agree. It was probably due to the general desire as voiced by the large volume of public opinion in this direction that Government naturally thought it advisable to include in the terms of reference to this Committee the question of the desirability of reconstituting the State Land Mortgage Bank under the Co-operative Societies Regulation.

**The two questions.**

6. The question naturally splits itself into two (1) whether any reconstitution of the present concern is necessary in any form, and (2) whether the Land Mortgage Bank should be registered under the Co-operative Societies Regulation.

**The Mysore and the Madras models.**

(1) Those who advocate a co-operative Land Mortgage Bank for Travancore seem to model their views on the successful working of the system of land mortgage banking obtaining in Madras and Mysore. The scheme of Land Mortgage Bank in Madras was even in its inception co-operative. A number of local land mortgage banks was formed, each a self-contained organisation operating more or less in a restricted area. These primary land mortgage banks admitted members who were ryots living within the respective areas of their operations. The ryot applied for a loan offering certain lands as mortgage security for it. The bank made a local investigation, placed the records before its legal adviser and with his recommendations placed it before the directors who decided whether the loan could be sanctioned or not. The funds for the land mortgage bank were found by the flotation of debentures, share capital and deposits. But the experience gained by the working of some of the primary land mortgage societies was not very encouraging and it was therefore thought that the issue of debentures instead of being left to primary land mortgage banks in different areas should be made the responsibility of a central institution, the principle which was then

followed in Bombay through the Provincial Co-operative Bank which conducted as an experimental measure land mortgage business as a part of its general work. In 1928 the idea of a central land mortgage bank was discussed in Madras. This bank has been formed on the recommendations of the Townsend Committee on co-operation, and the Royal Commission on agriculture.

**Madras Central Land Mortgage Bank.**

8. The salient features of this Madras Central Land Mortgage Bank are as follows:—

(a) In order to finance the primary banks, the Central Land Mortgage Bank is empowered, following the precedents of Land Credit Institutions in Europe and America, to issue interest bearing debentures on the security of the mortgages executed by the borrowers in favour of primary banks, and assigned by the latter to the Central Bank. This Central Bank cannot therefore issue any debentures to the public unless it has as cover first mortgages assigned to it and the total value of the debentures floated by the Central Bank cannot exceed at any time the total value of the mortgage bonds and its other assets. The debentures of the Central Bank are, therefore, safe and stable investments, and are secured by the mass of mortgages taken from the borrowers, the share capital and other assets of the Central Bank.

(b) The debentures are issued in denominations of rupees one thousand, five hundred and one hundred.

(c) The period of the debentures is 20 years and the rate of interest 6 per cent per annum, but 10 year debentures are also issued at  $6\frac{1}{2}$  per cent per annum.

(d) The Bank undertakes to pay interest during the whole period of the currency of the debentures.

(e) The interest is payable half-yearly.

(f) The debentures are issued at par, 50 per cent being payable on application and the remaining within 15 days after allotment.

(g) The debentures are secured by a floating charge on the mortgages transferred to this bank and the primary banks and also on the general assets of the bank.

(h) The debentures are transferable by an approved transfer form upon registering it in the Bank's books, and the register fee being exempted from stamp duty.

(i) No debenture-holder can claim the repayment of his value of his debentures before the expiry of the term fixed.

(j) To secure the debenture-holders against ultimate loss, a debenture redemption fund has been opened under the general direction of the trustees.

(k) During the currency of the debentures the Directors may call in any debentures after 3 months notice and the debentures so due are paid in full.

(l) The Madras Provincial Co-operative Bank and the Co-operative Central Banks in the districts of the Madras Presidency have been authorised by Government to lend on the securities of debentures 80

per cent of the face value of the debentures to any person requiring temporary accommodation.

(m) There is a trustee for debenture-holders who can intervene at any stage on their behalf.

(n) As a further safeguard to the investors the Government of Madras have with the approval of the Legislative Council undertaken to guarantee the interest not exceeding  $6\frac{1}{2}$  per cent per annum from provincial revenues on debentures issued during the first 5 years to the extent of 50 lakhs of rupees until the debentures are paid off, or are redeemed by the Bank.

#### Mysore Central Land Mortgage Bank.

9. Land mortgage banks on a co-operative basis have been tried not only in Madras, but also elsewhere. In the Punjab and Bombay the Provincial Co-operative Banks finance primary land mortgage banks through debentures. Government also helps them. The Central Provinces, Mysore, Baroda and Bikanir have independent institutions of this nature. We give below an extract about the Mysore land mortgage banks and the extent to which the Mysore Government help them in its initial stages.

"The Government at first promised by their order No. G. 6941/L. M. 14-29-1 dated 4-12-1929 to meet the working expenses of the Bank only for two years *i. e.*, the entire expenses up to a maximum of Rs. 15,000 during the first year and  $\frac{2}{3}$ rd's of the expenses subject to a maximum of Rs. 10,000 for the second year. They were, however, pleased on a representation made by the Bank to sanction a grant of Rs. 21,000 to meet the entire expenses of the Bank for the first 19 months of its working *i. e.*, up to the end of June 1931 and also to order a further grant of Rs. 11,000. The Government were also pleased to allow the investigation of loan applications and other works of the bank, in the Taluks for which there may be no valuers, to be entrusted to the Inspectors of Co-operative Societies concerned. In the year 1931-32 the Government sanctioned a grant of Rs. 8,500 towards the working expenses. The Government have sanctioned the exemption of Land Mortgage Institutions from payment of all fees under the Stamp and Registration Regulations for a period of 3 years."

Thus today in Mysore the Central Land Mortgage Bank has a total membership of 368 of whom 15 are primary land mortgage societies, 22 ordinary co-operative societies, and 331 individuals. The paid up share capital amounted to Rs. 45,650 out of the subscribed capital of Rs. 53,900. People in Mysore seem to have come to believe in the efficiency of land mortgage system to such an extent that only last week (July 5, 1934) it was urged in their Legislative Assembly that there should be land mortgage bank in every taluk of the State. Bombay started three experimental land mortgage societies three years back. The societies were financed by the Provincial Co-operative Bank as a provisional measure. The experiment was a success and the establishment of a central land mortgage bank is being urged. The Bengal Provincial Co-operative Bank sent a deputation to study the condition of land mortgage banking in Madras, Mysore and Travancore and on their report three land mortgage banks have already begun work on a co-operative basis and two more are contemplated,



**Influential Directorate and paid experts.**

10. A close study of these institutions has led us to believe that the task of granting long term loans is a very specialised one which must remain in the hands of paid experts. It is suggested by some that there is not much in common with the working of land mortgage banks and an ordinary co-operative society and therefore there is really little room for application of co-operative principles in dealing with such loans. The only exception that we could find to this general rule is the Madras Central Co-operative Land Mortgage Bank.

Mr. D. N. Strathie, I. C. S., the Ex-Registrar of Co-operative Societies, Madras, in the course of his written memorandum to this committee writes:—

“The Central Land Mortgage Bank in Madras is working very well because some very able and experienced men are devoting themselves to it unselfishly and wholeheartedly. Some of the primary Land Mortgage Banks are also working well for the same reason, and because they have employed good supervisors. In some other primary Land Mortgage Banks, the Directors find it difficult to spare the necessary time. Supervisors have in some cases been appointed by favouritism.” This view has been supported by the present President of the Madras Co-operative Central Land Mortgage Bank. Of course we cannot dispute that there is a limit to non-official co-operation, and that land mortgage banking which requires meticulous attention and care is not like ordinary co-operative banking. But we do not see any reason why Travancore should not be able to supply the necessary intelligent guidance on the part of experienced non-officials who have some spare time to offer. In our opinion it should not be very difficult to get a successful and efficient board of non-officials to work honorarily.

**Government of India's Provincial Economic Conference, Delhi.**

11. The Provincial Economic Conference held in April 1934 in New Delhi after discussing the form and nature of land mortgage banks suitable to India decided that the provincial Governments must face the fundamental issue and decide the particular form of land mortgage institutions they would have with particular relation to local conditions such as the tenure and transferability of land, as conditions in parts of India are widely divergent from those prevailing in provinces such as Bihar and Orissa, Bengal and the United Provinces where land happens to be permanently settled. But no such difficulty exists in Travancore. Moreover, it is said that the constitution of the State Land Mortgage Bank was drawn up after carefully considering the system worked out in Madras and Mysore and after taking into account all demands of local character.

**Conversion of the State Land Mortgage Bank.**

12. We think that the State Land Mortgage Bank has not progressed beyond an experimental stage, and it would probably be too

early to express any opinion either way. Rai Bahadur Mhiraath Roy, Managing Director, Bihar and Orissa Provincial Co-operative Bank Ltd., Patna in his presidential address to the Third Conference of Indian Provincial Banks held at Amroati on the 23rd June 1934 examined the various types of land credit institutions suitable to India and observed as follows: "The type of bank which was best suited for long term finance was considered by various committees and conferences and it was decided that for the relief of the vast majority of smaller cultivators the type best suited was the co-operative organisation." We also feel that there are limits to the State taking up the entire responsibility in such matters and though we are inclined to think that it is not desirable at present to convert at once the State Land Mortgage Bank into a Co-operative Central Land Mortgage Bank, the idea of conversion need not, however, be totally rejected. It may profitably be contemplated in another five years time.

Other things remaining equal, we think that at that time the State Land Mortgage Bank might with advantage be converted into a co-operative Central Land Mortgage Bank. We think that this period will be necessary for securing a suitable agency built up from the bottom with the help of a chain of primary land mortgage banks spread all over the State. This agency, it is expected, would be ready by that time to take over the responsibility of the State Land Mortgage Bank as contemplated by Government in paragraph 5 of their order constituting the Bank.

#### **Special assistance from Government.**

13. To prepare for that eventuality we are of opinion that the department with special assistance from Government both in the shape of officers and money should undertake the organisation of primary land mortgage societies with share capital in suitable areas under the Co-operative Societies Regulation. A separate officer of the status of an Assistant Registrar with a staff of two or three Inspectors should be appointed immediately to undertake this work. We would point out here that the Government of Mysore while introducing land mortgage banks in the State lent the services of their officers to the bank for employment as valuers. The principal objects of these societies should be to supply long-term credit requirements to agriculturists who are members of such societies. The societies may grant loans for the redemption of debts charged on agricultural lands in the possession of the borrower and for the improvement of land. We would in this connection observe that the amount that is now being distributed by the Land Revenue Department for agricultural improvement under the Land Improvement and Agricultural Loans Regulation IX of 1094 may profitably be placed at the disposal of the Central Co-operative Land Mortgage Bank for distribution after five years when it is expected that the bank would become an accomplished fact. These societies shall not undertake any transaction which will not be economically profitable to the borrower.

### **Primary Land Mortgage Society (Bank).**

14. The area of operation of a primary land mortgage society shall be for the present conterminous with the area of three or four taluks where there will be sufficient work for a land mortgage society to function properly and profitably. This is necessary with a view to have a compact area as far as possible for the economic and successful working of the bank. The success of the scheme largely depends on the selection of areas where the experiment should be tried. For this purpose the co-operative department should immediately undertake an intensive survey to determine accurately the economic condition of cultivators, the present value of their assets, their debts both to the credit societies and to the outside money lenders, and their repaying capacity for the payment of their existing debts as was done in the Madras Presidency. On the results of this examination the areas where the experiment regarding land mortgage societies should be tried will be selected by the Registrar. The membership of land mortgage societies will be open to members of co-operative societies and other persons who are desirous of helping the movement by joining not necessarily for personal gain and who are competent under the by-laws to be admitted to membership of the society. Members shall be admitted after careful enquiry not only into their rights and titles to the land proposed to be mortgaged, but also into their past conduct in respect of repayment of their subsisting debts. The liability of the members will be limited to the nominal value of the shares held by them. No loan shall be granted to a member who is unable to pay the interest and the instalment of the principal, keeping sufficient margin for his maintenance from his agricultural income. Loans to persons who are already members of co-operative societies should be granted only after consulting the society.

### **Various sources of capital.**

15. The capital will be raised by means of shares from members. We anticipate no difficulty in the matter of securing sufficient funds by way of shares as it has been generally recognised that the best safe investment is a first mortgage on a good farm owned, occupied and operated by a good farmer. So true is this in the United States that farm mortgages constitute one of the largest classes of investment. The total of farm mortgages held by American investors is more than double the value of Railroad Bonds.

These primary land mortgage societies should be financed by the State Land Mortgage Bank on the security of the mortgages executed by the borrowers in their favour and assigned by them to the State Land Mortgage Bank. The primary bank will be eligible to borrow to the extent of 20 times the paid up value of the shares. It may be asked when the State Land Mortgage Bank does not take any contribution from the borrower except 1 per cent. fees why should anyone be prepared to pay 5 per cent. under this new scheme to build up share capital.

Our answer to that question is that the very fact that this would enable him to build up a small capital of his own and would further entitle him to borrow in proportion to his share capital provided he has reliable assets would also enable him to participate in profits as a shareholder. These considerations would render such subscriptions very justifiable and desirable on the basis of self-help. All loans given by the primary credit societies within the area of each such land mortgage bank for purposes for which the land mortgage bank (society) is constituted should be transferred to the bank after due enquiry.

#### **Transfer of long-term loans from the Primary Credit Societies.**

16. We would quote here an extract from para 12 of the fourth annual report of the Madras Co-operative Central Land Mortgage Bank to show how they dealt with a similar situation in regard to the transfer of loans :

“One of the main difficulties of the co-operative movement in this province has been that in a large majority of cases, the ordinary village societies have lent their moneys ostensibly as short-term loans, but really for long-term purposes. It is admitted on all hands that this is one of the main reasons for the accumulation of overdues in the ordinary agricultural credit societies. The Board was therefore of opinion that it is very desirable that the land mortgage banks should be more freely utilised to meet the existing difficulties of ordinary co-operative societies in the realisation of their dues. The Bank suggested an intensive campaign for the purpose, and sent a circular to the Central Banks, Co-operative Federations and Unions on the subject and intimated to them that the Primary Banks would be ready to take over the debts due to the Co-operative Societies and to give the debtors long-term loans provided the debtors are able to satisfy the conditions laid down by the Board in regard to repaying capacity and the security for the debt. The Board, therefore, desired these organisations to bring to the notice of the debtors the facilities now available for long-term loans. A feature of the year's operations is that the long-term debts to Co-operative Societies were included in several cases by the debtors among the debts to be cleared by obtaining long-term credit from the Primary Banks. It is, however, clear that the transfer of debts from the ordinary village societies to the Primary Banks is not possible on any large scale as most of the debtors have not sufficient property or sufficient repaying capacity to enable them to borrow from the Primary Banks. With a view to elucidate this point more fully, an investigation by a special staff was made in three districts, namely Tanjore, Bellary and East Godavari Districts.”

The maximum and minimum limits of the loans issued by the society should be Rs. 1,000 and Rs. 250 respectively and the period fixed for repayment should be not less than 10 years and not more than 25 years. When a primary land mortgage society is organised

in a taluk or a group of taluks, the State Land Mortgage Bank should cease to deal with individual loan applications for sums not exceeding Rs. 1,000 from the area of that society. Such applications should be received and dealt with by primary land mortgage societies. The present State Land Mortgage Bank should be ready to finance them. After 10 or 12 primary land mortgage banks come into existence and run satisfactorily at least for 2 years a Central Land Mortgage Bank should be organised more or less on the lines of the Central Land Mortgage Banks of Baroda, Mysore and Madras, to take over the business of the present Travancore State Land Mortgage Bank. A committee appointed by Government including the representatives of the primary land mortgage societies should determine the terms on which the business is to be transferred. The capital of the Central Land Mortgage Bank should be raised by means of shares and debentures. The debentures should be floated at a rate of interest not exceeding 5 per cent. The interest on the debentures should be guaranteed by the State. The State should also undertake to subscribe for the debentures to the extent of twice the amount subscribed by others such as co-operative societies, local bodies, trusts, the general public, etc. Co-operative societies should be required to invest their reserve fund; up to a certain proportion in these debentures. Moreover we would strongly urge the view that it should be made obligatory on all Insurance Companies and banks to invest a definite proportion of their premia and capital collected in the long-term debentures of the land mortgage banks. This view is very strongly supported by the Hon. Sardar Sir Jogendra Singh, Kt., Minister, Punjab in charge of Agriculture and Co-operation, in the brief note he had submitted in January last to the All-India Co-operative Registrars' Conference held in New Delhi which discussed among others, the important subject of Land Mortgage Bank. The same subject was discussed by the Legislative Assembly while important discussion on the subject of Reserve Bank for India was going on and which ultimately led to the announcement by the then Finance Member of the Government of India of the creation of an Agricultural Department of the Reserve Bank, the membership of which would be valuable to the State.

#### **Loan of Government Officers.**

17. Each primary land mortgage society should be given the services of an officer of the rank of a Tahsildar with revenue experience free of charge in the beginning to value properties, investigate titles, and assess the credit of the borrowers. In the alternative, the State should meet the cost of running these banks, and also the Central Land Mortgage Bank to the extent of three-fourths for the first five years, reducing it by a sliding scale to one-fourth at the end of the next five years, and withdrawing it altogether at the end of 15 years from the date of the reconstitution of the State Land Mortgage Bank. Attention is in this connection invited to the extract given above about the form and nature of state help, rendered by the Mysore Government to

their land mortgage banks. It is equally worthy of note here that the great measure of assistance made available by the Government of Madras in developing on sound lines, the system of land mortgage banking in that presidency, proved of immense service. The Central Land Mortgage Bank will finance primary societies, and in addition issue loans to individuals up to Rs. 10,000 not exceeding 40 per cent. of the assessed value of the mortgage property for periods up to 40 years, and at a rate of interest  $1\frac{1}{2}$  per cent. higher than that of the debentures. It may be added here that the conference at Amroati held in the third week of June 1934 resolved that the period of long term loans should be forty years.

#### **The State Land Mortgage Bank and its reconstitution.**

18. A new State Land Mortgage Bank with a suitable constitution should be organised to grant loans exceeding Rs. 10,000 to individuals or agricultural corporations. In response to the term of reference regarding the reconstitution of the present State Land Mortgage Bank we have stated above our view that after five years it should be converted into a Land Mortgage Bank registered under the Co-operative Societies Regulation. But there is another point which has struck us for being brought to the notice of Government. The present chairman of the State Land Mortgage Bank is the Financial Secretary to the Government. The wisdom of checks and balances is lost by combining in the same person the chairmanship of the State Land Mortgage Bank and the secretaryship of the Finance Section of the Government. We, therefore, are of opinion that the chairman of the State Land Mortgage Bank should be a non-official, preferably a retired officer of high status having sufficient administrative experience. To secure continuity of policy and efficiency we would suggest that the manager of the bank should be someone having knowledge of Rural Economics, Land laws and Banking. On no account should the bank be deemed as a branch of the Account Office as it is done now. It should be a separate department.

#### **Land Mortgage Bank.**

19. The rules of the Land Mortgage Bank now permit to make loans only to those whose debts are "charged on agricultural lands in possession of the borrower". This does not meet the needs of those who have borrowed money on personal credit and who at the same time own unencumbered property which they are prepared to mortgage to the Bank for a loan to pay off their old debts. If such a man wants to avail himself of the benefit of a loan from the Bank, he has first to borrow money on mortgage of his property and then to transfer that mortgage to the Bank. In addition to the great inconvenience this causes to the borrower, a double transaction may create suspicion against him.

If the matter goes to a court of law, such a debt will ultimately affect the property and therefore there does not seem to be any necessity to make a distinction between personal debt and mortgage debt. Therefore provision should be made in the rules of the Bank to enable such persons also to get the benefit of the Bank.

**No need for separate legislation at present.**

20. The question now remains whether the Land Mortgage Bank should be registered under the Co-operative Societies Regulation. The Travancore Banking Enquiry Committee favoured the view of the Land Mortgage Bank being registered as a co-operative Society. But the Economic Depression Enquiry Committee which considered the recommendations of the Banking Enquiry Committee as well, was of opinion that any kind of a land mortgage institution if organised, should be registered under a separate law. The Royal Commission on Agriculture pointed out that land mortgage banks could be worked under the existing Co-operative Societies Acts in British India. In Madras after the Central Land Mortgage Bank had been in existence for nearly three or four years, it has been decided that a new enactment to regulate the land mortgage banking in the Presidency is necessary. Except in Madras we find land mortgage banks are registered under the Co-operative Societies Act. Even the Madras Land Mortgage Act is more or less supplementary to the Co-operative Societies Act. We feel that the State Regulation is quite competent for a long time to come to deal with Land Mortgage Banks both central and primary and therefore we do not see any great need for any special legislation.

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## CHAPTER XX.

### PROBLEM OF MARKETING.

#### Co-operative Licensed Ware-houses.

As a result of the realisation, in recent years, by the Agricultural and Co-operative Departments, that marketing is the crux of the whole question of rural prosperity and betterment, the movement for co-operative marketing has received due attention and impetus in other parts of India, but such a development being co-operation of a very advanced type, it has not yet caught the imagination of the average producer. In Travancore, however, this problem has to be tackled again on a co-operative basis. In the marketing of commercial crops like pepper, rubber, tea, ginger, turmeric, &c., and industrial products like coir, coir mattings, &c., we think that there is much scope for co-operative marketing in this State and that such work is sure to mitigate many of the evils arising from the transactions with middlemen. To achieve this end we advocate the formation of a few societies to put up warehouses with grants from Government. It was tried in Madras on a small scale and was found useful to the members to store their produce. It was also well secured against fire or damage in any other way and it has to some extent minimised the evils arising from middlemen. Such a course is sure to secure for the producer a good return for his produce by bringing him in touch with the market and in order to maintain steadily the reputation of the local market, it will be very necessary to make provision in bye-laws to regulate both the grading and the standardisation of the stored goods to be certified by the State's agency employed for that purpose.

#### KEY LOANS BY HYPOTHECATION.

##### Ware-house Warrant.

2. In considering this question we are bound to take into account the method of raising credits during the period of marketing by supplying an additional support to the sound credit supplied by the ware-house warrant. One of the common methods by which traders raise finance is the system of "Key Loans." This means hypothecation by the producer of his produce to a bank which on that security allows him cash credit or overdraft. As far as co-operative societies go, we are constrained to observe that no agency is yet available to grant such credit accommodation to these concerns. There are none in existence so far.

##### Government Aid to Licensed Ware-houses.

3. In view of the urgent need for putting co-operative marketing on a secure footing we would advocate the formation of Licensed Ware-houses on a co-operative basis especially in the commercial towns of the



State like Alleppey and Quilon. These institutions should be placed under proper and efficient Government control. Each warehouse thus started will have to specialise in accepting in their godowns particular commodities, like pepper, rubber, tea, coir goods, &c. The Government should in the initial stage liberally finance these co-operative warehouses. The Registrar of Co-operative Societies ought to be empowered to license warehouses subject to certain prescribed conditions. The person or society entrusting goods in such warehouse will have to be issued a warrant or receipt containing the full information regarding the goods received. The warehouse warrant will become an instrument of title which can be negotiated. The warrants can be made use of in outright sale of goods to buyer or in raising finance temporarily as any bank may safely accept such warrants as collateral security for an advance.

4. We are of opinion that the system of licensed warehouses, if organised on co-operative lines with the assistance and help of the Government, would offer facilities in marketing and will be beneficial eventually to the agriculturists as is demonstrated by western countries like Denmark and Ireland. It will serve as an incentive for agriculturists and small industrialists to organise themselves into co-operative marketing societies in rural areas. The practice of pooling the agricultural produce, we are certain, will inevitably lead to the study of the habit of grading commodities accompanied by standardisation of the goods produced. This, we think, is highly necessary for any scheme of co-operative marketing to succeed. We, therefore, strongly recommend the opening of warehouses which pre-supposes necessary enactment of rules by Government for the purpose. Strict and proper supervision will have to be ensured, and for this we suggest the appointment of capable warehouse officers by the Government under the control of the department.

**PART V**  
**NON-OFFICIAL PARTICIPATION**

## CHAPTER 21.

### THE TRAVANCORE CO-OPERATIVE INSTITUTE LTD., TRIVANDRUM.

#### The object of the Institute.

The Travancore Co-operative Institute Ltd. was registered in the year 1100 M. E. (1924-25), with the main object of undertaking propaganda, organising non-credit societies and serving as the mouth-piece of non-official opinion in the movement. Though it is now 9 years since the Institute was organised, the achievements to its credit are very little.

#### The present position unsatisfactory.

2. The following extract from the latest annual report published by the department shows what its present condition is. "The number of members at the end of 1108 was 337. The Institute continued to publish a Malayalam monthly Co-operative Magazine as its organ. Besides, under contract with the Economic Development Board, the Economic Journal was also published by the Institute. The members of the board of management did some inspection work and visited some unions. The financial position of the Institute has not attained a satisfactory level. Large arrears have yet to be collected by way of subscription for the journal and fees from the affiliated societies. The Institute has also outstanding liabilities to be cleared. The working of the Institute was not on the whole satisfactory and on account of its inaction some of the unions began to question the 'raison d'être' of the Institute's claims to be the central organisation representing the unions. The Institute was not able to give a lead to the unions in any sphere of its activity. The proposal of revising the byelaws of the Institute and of provincialisation of the supervisors under one cadre is long pending."

#### Revised Constitution of the Board,

3. It will be clear from the above extract that the only work that is being carried on by the Institute is the publication of the Co-operative Magazine and the Economic Journal—the latter though it deals with all subjects of economic interest contains several articles on co-operation written by eminent co-operators of the State. We are not, therefore, in a position to recommend that it should be entrusted at once with the functions that it should legitimately undertake in an ideal system of non-official participation in the movement. The ideal arrangement for the supervision of societies, which is one of its main functions, according to our view, would be as follows:—

(a) The Supervising Unions should work under the control and guidance of the Co-operative Institute.

(b) The affairs of the Institute should be managed by a Board of 16 members composed of :--

1.	Representative of individual members	...	1
2.	do. Urban Banks	...	1
3.	do. Central Bank	...	1
4.	do. Non-credit societies	...	1
5.	do. Taluk Banks and Banking Unions	...	2
6.	do. Supervising Unions	...	6
7.	do. The Registrar and his nominees	...	3
8.	do. Honorary members	...	1
		...	16

(c) The supervision fund from all sources should be pooled in the Institute and expended by its Board.

(d) All the supervisors should be of one cadre under the Institute which should be competent to appoint, to transfer, punish and dismiss them.

#### Present Board too bulky.

4. According to the existing byelaws, the board of management or what is called the advisory body consists of the delegates of all the local unions and taluk banks, delegates from societies with jurisdiction extending over the whole State or a taluk and which have at least a working capital of Rs. 10,000, all the executive committee members of the Trivandrum Central Co-operative Bank, five members elected by societies in non-union areas, three members elected by non-credit co-operative societies, two members elected by urban banks and five members elected by the advisory body from among the honorary members.

The total number comes to about 75 and this in our opinion is too unwieldy and unnecessarily expensive. Our recommendation limiting the number of members to 16 is more or less on the lines followed elsewhere and the number is quite sufficient for the efficient management of the Institute and gives representation to all shades of views and opinions. We have purposely included the Registrar and his nominees, for we think that in consonance with the recommendations we make later for the very liberal grants from Government, it is but right that they should have a voice in the deliberations and decisions of the Board.

#### Need for revision of Byelaws.

5. To improve the present state of affairs, the Institute must begin with the revision of its byelaws. The existing byelaws seem to have been framed on the model of the Madras Provincial Co-operative Union and though the Provincial Co-operative Union since amended its byelaws, the Travancore Institute has been delaying it, it is reported, with a view to get our opinion in the matter. The following are some of the changes that we propose for the immediate consideration of its General Body. (i) The membership should be confined to (a) Urban Banks, (b) Taluk Banks, (c) Banking Unions, (d) Non-credit

societies, (e) Supervising Unions, (f) the Central Bank, (g) Individual members and (h) Honorary members. The Honorary members elected should be men of distinction who have gained good experience in the field of co-operation and rendered eminent service to the movement in the State. (ii) We have no objection in allowing the Institute to borrow but there should be provision in the byelaws themselves as to the liability of the members to the debts. The scale of annual subscriptions by the members should be revised and the society members except the local unions should contribute at the rate of Re. 1 per Rs. 1,000 of its working capital on the last day of the previous year, the maximum amount leviable being Rs. 250. In the case of local unions no modifications seem to us to be necessary and the five percent now levied on the supervision fund collected may be continued. The annual subscription from individuals who are admitted as members should be Rs. 3. And he should be entitled to receive along with other members who contribute to the funds of the Institute a copy of the magazine free of charge. The members who fall in arrears of their annual subscriptions or delegation fee should not be entitled to vote at the general body meeting and if they persist to continue as defaulters for a period of three years they should be removed from the rolls and action taken to collect the arrears as a debt due to the Institute. (iii) The byelaws relating to the Board of Management should be recast making the strength of the Board 16 in the proportion noted above. The general body at its meeting should elect the President, Vice-president and the Secretary as also the remaining eight members excluding the Registrar and his nominees and the honorary member. The representative of the honorary members may be co-opted by the board of management at its first meeting. The board shall hold office for a period of three years. We do not propose any change in the strength of the executive committee. It should consist of the Registrar, the President, the Vice-president, the Secretary, the representative of the Central Bank and two other members elected by the board.

#### **Collection of arrears.**

5. The collection of arrears is as important a duty as the revision of the byelaws itself. The outstanding liabilities can be completely wiped off if the arrears are collected; but the efforts made by the Institute do not seem to have been successful. Fresh attempt should, therefore, be put forth with the help of the departmental officers and the whole arrears collected very soon. The pooling of the supervision fund and the provincialisation of the supervisors which we have recommended above should take place only about two years after the reconstitution of the board and after it has secured by its satisfactory working the confidence of the affiliated unions.

#### **Election of Board of Management.**

6. With a view to avoid delay in the election of the members of the board of management, we would recommend that the nomination

of candidates should be arranged to take place some time before the publication of the notice for the general body and that the names of the members nominated for the board of management should also be printed in the notices issued for the general body meeting.

#### **Divisional Board.**

7. For the simplification of the work of the Institute we recommend that two Divisional Boards be established one at Quilon and the other at Kottayam. The Board should consist of 5 members including the President and the Secretary. The office bearers of this Board should be elected at an annual meeting of the members of the Institute situated in the taluks of the Division. The President and the Secretary should be elected by that body itself. The main function of the Board will be propaganda, education, supervision and the collection of funds due to the Institute. Each Board should work under the control and guidance of the executive committee. It will be one of the functions of the Divisional Boards to convene meetings of the members in the area of its operation and to send up nominations to the board of management, for the general election.

#### **Other models.**

8. These will correspond with the branches in districts of the Institute in Bombay or the Divisional Boards of the Federation in Bihar and Orissa which has in its service 106 permanent local auditors for the audit of primary societies. It has a development section which has under its control 5 propaganda officers and 5 assistant propaganda officers, a demonstration officer and a chart artist. The Federation has prepared more than one hundred beautiful coloured charts to illustrate co-operative principles to the villagers and the Registrar of that Province who is the Governor of the Federation had kindly lent for the inspection of the Institute at Trivandrum through the President of the Committee 40 of these beautiful charts. Their songs dealing with "ten points" of co-operation are taught to the villagers who sing them at all co-operative functions.

#### **Sources of the Finance of the Institute.**

9. As may be seen from the extract which we have quoted supra from the Annual Report of the Registrar for the year 1932-33, the financial position of the Institute has been very unsatisfactory ever since its inception. The local unions which were organised to take up the work of supervision and to relieve the department of that function have been equally languishing for want of funds and the annual sum of Rs. 3,500 granted by the Government to meet the needs of all the unions is found too inadequate to satisfy their demands. The policy of Government being to divest themselves of the work of supervision as early as possible, the local unions should be strengthened by a liberal financial aid. The present practice of allotting grants to

the unions by the Registrar should be stopped when the reorganization of the Institute is effected and then the sum should be placed at the disposal of the Institute. As regards the amount to be granted by Government to the Institute we are of opinion that it should be equal to the total amount collected by it in the previous co-operative year from the members.

#### **Grants to the Supervising Unions.**

10. Grants should be made by the Institute to the supervising unions firstly with the object of putting them in possession of sufficient funds to function normally and secondly to enhance their usefulness. Grants for the latter purpose should be made by the Institute, as a rule, proportionate to the collection of the supervision fund from the societies and a few rules framed for the purpose of awarding grants to the co-operative supervising unions are appended herewith as needed by the terms of reference to the Committee.

#### **The Bank's Financial help.**

11. We may also note in this connection that the Central Bank should amend its byelaws and set apart every year not less than 2½ per cent of its net profits to be given as a grant to the Institute to enable it to make adequate grants to deserving unions.

#### **How Provincial Banks help Propaganda.**

12. In this connection we may mention that the Madras Provincial Co-operative Bank spares a large amount of money for the work of rectification of societies through the unions and the Bombay Provincial Co-operative Bank helps very liberally co-operative propaganda carried on by the societies. The Bihar and Orissa Provincial Co-operative Bank made a grant of Rs. 5,000 towards the cost of the 71 classes organized for the training of the Panchas (members of managing committee) in areas where the central banks (taluk banks) could not afford to carry on the work at their cost.

Co-operative Education is one of the live works of the Institute and it is as important as supervision. It would be better to make byelaws to regulate the business of carrying on co-operative education, training, and propaganda and to incorporate the same in the byelaws themselves. The method of training, the funds to be collected etc., are dealt with in a separate chapter.

## CHAPTER XXII

### CO-OPERATIVE PROPAGANDA, EDUCATION, AND TRAINING.

#### Neglect of Co-operative Education.

Co-operative education appears to have received no adequate and proper attention in this State. In a State like Travancore, where there is such a high percentage of literacy (29·8 on the average and 40·8 among males alone) and where during a comparatively short period of twenty years the co-operative movement has so much advanced as to possess today a little over 1760 working societies, the membership of which has brought in its fold nearly 230,000 of its population, it would be strange to say that the commonplaces of co-operation yet remain virtually Greek to the majority. The absence of knowledge of even the fundamentals of co-operation among members generally, even on the part of a large proportion of office-bearers of societies as noticed by us in the course of our tours, is largely responsible for the many drawbacks that are generally seen in a large number of societies. The staff employed by some of the non-official agencies is not more favourably situated in this respect. This state of things is probably the main reason for the present decadent condition of the movement. It cannot, however, be gainsaid that a sound system of education and training is the *sine qua non* of an effective and successful movement.

#### Foundation of the movement.

2. The vigour and strength of the movement is to be measured by the strength and vigour of the primary society which is the very foundation of the movement, and this can be achieved only by a systematic education in the fundamentals of co-operation among its members. It has been truly said by Marquis of Linlithgow in one of his expositions that "the uninformed enthusiast is the greatest enemy of the co-operative movement. Those who are working in the movement should, therefore, be not only given training in the method of working of societies but also must be kept in touch with the nature, purpose and progress of the movement as a whole at home and abroad." We are also constrained to observe that several among the members of the existing staff of the department have not been given efficient and adequate training to carry on satisfactorily the duties entrusted to them. 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. We, therefore, give two appendices from the Report of the Maclagan Committee and from Mr. Myrrick's book on "The Federal Farm Loan System."



### Need for training urged.

3. Though co-operative education is yet in its infancy almost all the Provinces and States are holding something like regular schools or co-operative training classes. The Punjab, Bihar and Orissa, Coorg, Central Provinces, Hyderabad and Baroda hold regular classes every year. Berar, Bengal and Burma are having more or less spasmodic classes. The Cochin Government has introduced co-operation as a compulsory subject in the training school and the Government conducts a training class in co-operation for graduates. Four years ago at Trichur a class was organised by the department with the help of the Director of Public Instruction, Cochin, for one month. It was attended by 24 graduates and among this number 12 were ladies. This year too, a class of somewhat similar nature was again held at Trichur. It will be seen that all such training classes are held under the auspices of the respective co-operative unions or institute and sometimes by the Registrar. The Provincial Co-operative Institutes which function in various provinces under different names like Federation, Unions, etc., play a very important part in organising and conducting these classes often with the co-operation of the departmental officers. The Sertalai Union has held such classes and prepared suitable syllabus also and its example deserves to be copied.

The system of co-operative education prevalent in India falls under two classes. The Punjab system is controlled by the Department, while the Bombay system is completely under the non-officials. Bihar and Madras have adopted a *via media*. Both the Government and the non-officials equally participate in the running of such training schools, institutes or classes.

### Defects traced to neglect of education.

4. We have mentioned above that the majority of the defects we have noticed in several co-operative societies are due largely to the lack of knowledge on the part of those engaged in the management of co-operative societies. We feel that co-operative education has been grossly neglected all these years and that no time, therefore, should be lost in devoting serious attention to this matter. It certainly could not be pleaded that this apathy was due to the want of demand from, or lack of, interest among the co-operators in general, for we find that conferences after conferences have passed resolutions time in and again requesting the Travancore Co-operative Institute to organise training classes. This body, we are informed, though aware of its duties in this respect, was quite unable to move in that direction owing to lack of funds. The Government did not make adequate grants for this purpose in spite of the repeated demand of the department. Between, therefore, the inactivity of the Institute and the apathy of the Government serious crime was committed against co-operative education in the State. We feel, however, that matters should not be allowed to continue long in this way, and think that immediate steps or measures should be taken by the Registrar to start a Co-operative Central

Training School in Trivandrum. We would, in this connection, emphatically lay down the principle that co-operative education and training should be the main function of the Institute, though for the first two or three years we would like the department to manage it till the Institute is in a position to take up the responsibility which should cheerfully then be handed over to it by the department; and that it should be the duty of the Government and the department to afford it every facility to function effectively. Government thus should give liberal support to adult education which is one of the functions of a co-operative society. We are, however, sorry to find that comparatively very little money is being spent by the State on institutions of the type of village panchayats, village libraries, reading rooms, adult schools and co-operative societies; and in our opinion such expenditure is in the end productive of great good to the future well-being of the State and it would easily be shown that the co-operative societies are actually spending a fairly large amount of its common good fund every year on promoting adult education.

#### **The Central Co-operative Institute, Madras.**

5. Before dealing with the lines on which the Central School should be conducted in Travancore, we would like to mention a few details regarding the imparting of co-operative education in the Madras Presidency, as we feel that Travancore also should develop on similar lines. The work of education in the Madras Presidency was till recently carried on by 6 registered co-operative institutes through training classes for co-operative workers. The Government of Madras was giving a recurring grant of Rs. 12,000 to the Madras Provincial Co-operative Union for carrying on this educational work. Co-operative classes were also conducted at the Government Institute of Commerce where the syllabus included co-operative auditing, co-operative banking and co-operative book-keeping. The Government of Madras have now decided to open a Central Co-operative Institute at Madras for imparting co-operative training, the period of the course being ten months. Applications are restricted to those eligible for Government service. The students will be given training for the Government Technical Examinations in Banking, Auditing, Co-operation and Book-keeping. The course will also comprise a study in rural economics. The Institute will be under the general control of the Registrar of Co-operative societies. The fees for the course will be Rs. 40. There will be two peripatetic schools, one working in the northern and the other in the southern division. The period will be of five months' duration. Admission will be restricted to the holders of S. S. L. C. and to the employees in the service of the central banks and federations or local unions who are certified by the Registrar to possess such general educational qualifications as will enable them to profit by the course. The subjects of study will be the essential elements of co-operation, of auditing, of book-keeping and banking. Fees will be Rs. 20 for the full course. These peripatetic schools will be under the general control of the Provincial Co-operative Union,

### Central Co-operative Training School.

6. We recommend that co operative education in Travancore should develop on these lines. Government should immediately open a Central Co-operative Training School at Trivandrum under the control of the Registrar on the lines of the Central Institute at Madras for the benefit of the superior staff of the department. Future recruitments to the department, as well as to the higher grades of the ministerial and executive staff of non-official bodies should be confined to those who have been trained in this Central School. In consideration of the large percentage of unemployed graduates in the State, we would restrict admission to this institution to graduates only. But we would have no objection to admit others provided they would produce a certificate from the Registrar that the candidate is fit for, and would be profited by, the course of instruction imparted in this institution. Instruction should be given in history, theory and practice of co-operation, co-operative banking, auditing and accountancy, book-keeping, co-operative law, general and rural economics, rural reconstruction, and a course in civics. The period of training should be nine months, and the fees for the whole course will be Rs. 30. The part-time services of the Professors of the College, officers of the department and leading non-official co-operators, may with advantage be utilised by the Central School for imparting instruction. Examinations in these subjects will be conducted by a Board consisting of the President of the Travancore Co-operative Institute, the Chief Professor of Economics of H. H. The Maharaja's College of Arts, the Director of Public Instruction and the Registrar of Co-operative Societies and a certificate or a diploma will be issued to successful candidates by this Board. We understand that at present the technical and commercial examinations in the State are being conducted by the Government of Madras. If, however, the Government of Travancore decide to take over these examinations into their own hands, we would recommend that the examination of the subjects taught by the Central Co-operative School at Trivandrum should also be entrusted to that body when and if it comes to be appointed by Government for the conduct of technical and commercial examinations in the State. We would request Government in this connection to be so pleased as to allow their officers to serve on this Board.

### Transfer of the Central School to the Institute.

7. We have advisedly said that this Central Co-operative School should be conducted by the Registrar at the initial stage as the Institute is likely to put off immediate action on the plea of lack of funds. Deducting receipts under fees, we think the Government might not have to spend more than Rs. 1,500 under this head per annum. After a period of three years this Central Co-operative Training School may be handed over by Government to the Travancore Co-operative Institute Ltd,

No. 777. The Registrar will depute batches of departmental inspectors for training at this school in suitable numbers so as to get his whole staff of inspectors properly trained in the course of three years. Only inspectors so trained or diplomated should be eligible for promotion. The department should arrange for practical training of these inspectors while they are undergoing this course. This Central Co-operative School should be in charge of an officer of the department of the status of an Assistant Registrar specially selected. He should be styled the Superintendent and should be an officer of wide experience and thorough knowledge of co-operative subjects to be taught at the School. The students should be given facilities for studies in outside places in the State.

#### **Peripatetic Schools and Classes.**

8. The Institute should immediately start another peripatetic school for the benefit of lower grade supervisors, bank assistants and honorary organisers lasting for a period of three months, the syllabus being similar to that of the peripatetic classes in the Madras Presidency mentioned above. Those in charge of the peripatetic schools in Travancore should undertake the conduct of evening classes of a fortnight's duration for the education of the secretaries of societies. They should also undertake short and suitable courses for the benefit of presidents and committee members of societies. The institute should charge for its moving school a small fee of Rs. 10 for the whole course and should be prepared to meet one-fourth cost of such training, one-fourth being borne by the unions, one-fourth by the financing bank in that area and one-fourth by the students. It is estimated that the cost of such training for three months in some central place should not exceed a sum of Rs. 50 and as far as possible even here graduates or well educated young men and women only should be allowed to join. The other short evening courses conducted outside for a fortnight should be for the benefit of men who are already working. A small fee of Rs. 2 should be charged and the expenses of this training should be equally shared by the Institute, the society and the candidates. At the end of a regular examination, both written or oral, a certificate should be given to those who pass specifying the subjects in which the student has passed this test. Societies and banks should employ men who hold such certificates. These courses should be conducted with the assistance of the local unions and inspectors of the department. We also recommend that a course of lectures should be arranged at Trivandrum and other educational centres for the benefit of the general public and the students of the colleges and higher classes of the high schools both for boys and girls. The expenses of these educational lectures and training courses should be shared between the Government and the Institute at least for a period of three years in the proportion of 1 : 1. The spread of the correct principles of the co-operative movement can, to a very great extent, be facilitated by teaching the young boys and girls the fundamentals of this great movement. We think that suitable courses should be provided in the curricula of study of schools

and colleges under the management of the State. The Institute in consultation with the Registrar should frame rules for the conduct of its schools and classes as well as for the conduct of the examinations and the award of certificates. The department should insist that the unions and societies give facilities to the supervisors and secretaries for this training. One of the qualifications for a society to be classed as A I should be the employment of a certificated holder. There should be a value attached to these certificates. The Institute in making its grants to the union also should value such training on the part of supervisors and secretaries.

#### **Propaganda.**

9. Intensive propaganda should be undertaken by the Institute and the unions all over the State according to plan. The officers of the department should as far as possible help these institutions in this particular branch of their work. We suggest that a demonstration car should be organised which should tour in the State in charge of an officer of the Institute with special propagandist's abilities, and give ocular demonstration of the practical value of co-operation to the villagers as is attempted by Mr. Gohan of Sangli or the Federation of Bihar and Orissa with the help of a special propaganda staff and materials specially prepared for such campaign. The propaganda officer should popularise co-operation by means of public lectures during his tour with magic lantern slides and other materials such as charts, diagrams, etc. Songs and dramas should be written and popularised whenever possible. The Institute should attend to the healthy growth of co-operative literature by finding out proper men with aptitude and knowledge to write original books and to undertake translations from eminent authorities on the subject, and by publication of pamphlets. The Institute should offer handsome prizes for best books and dramas for the purposes of propaganda. Honorary work may be encouraged by Government as in Baroda, Mysore and Indian Provinces, conferring honours, titles, certificates of merit, and awarding prizes and Inams or trophies to good societies.

#### **Honorary Organisers.**

10. We recommend the revival of the system of honorary organisers consisting of both men and women. The practice of enlisting the sympathy of non-officials in the movement by appointing them as honorary organisers as in Bombay and Honorary Assistant Registrars as in Madras and remunerating them for their troubles by way of granting them allowances to meet their actual out of pocket expenses, has been successfully adopted in many parts of India. These officers have rendered valuable service to the movement and wherever they have been appointed they have proved to be of invaluable assistance to the department. We think therefore, that Government should make a liberal grant for the payment of these allowances and help the movement by reviving their appointments which should be made by the board of management of the Institute with the approval of Government through the Registrar.

### **The Institute and Conferences.**

11. The periodical conferences which are generally organised by the Institute at present should be systematised according to a regular plan. There should be a sub-committee to be in charge of conferences and its business should be to arrange a programme for every year :- (1) Taluk Conference, (2) Divisional Conference and (3) the All State Conference once in three years. The rules made by the Bombay Provincial Co-operative Institute would be found very useful in this connection. A portion of the grant received from Government by the Institute in aid of its general work should be set aside and it should be devoted to assist local bodies, unions, workers and honorary organisers in calling these conferences at stated intervals. Grants should be made by the Institute on some well defined basis of local collections or contributions by societies and visitor's fees. The Institute would do well to send some of its office bearers to attend the provincial conferences in other parts of India even at its cost. The practice of inviting most experienced co-operators to preside over conferences should be continued.

#### **Assistance to other bodies.**

12. The Institute should render some financial assistance to other bodies in the State that are engaged in doing similar work of conducting educational classes and producing useful co-operative literature when and if applications are received for such assistance. The Institute should also give grants for libraries and night schools out of its funds to suitable institutions. The Malayalam Journal of Co-operation conducted by the Institute should be made more popular and useful. The Government should subscribe 500 copies of the Journal at Re. 1 each and arrange the same to be distributed amongst the various Government educational institutions and reading rooms.

#### **Liberal State Aid.**

13. The Government should give a very liberal grant to the Travancore Co-operative Institute, Ltd., No. 777, equal to an amount collected by it from various sources pointed above. In fact the basis of contribution by Government to the Institute which would be the apex of the non-official agencies for organisation, propaganda, education, supervision and training etc. of co-operators in the State would be rupee to rupee as was the practice in Bombay until very recently. Even to-day in these days of financial stringency the Bombay Government is paying to the Bombay Provincial Co-operative Institute a grant of a sum of Rs. 25,000 a year though on the basis of rupee to rupee it could easily be twice as big.

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## CHAPTER XXIII.

### INSPECTION, SUPERVISION AND AUDIT.

#### A. Inspection defined.

The distinction drawn by the Townsend Committee between inspection and supervision is very important and should be kept in view both by the departmental and non-official staff. For easy reference we quote the same below —

“Inspection involves an inquiry into the financial status of a society. This is obviously within the rights of the financing banks: We go further and place it amongst the bank's responsibilities. Supervision involves constant administrative assistance in routine work, advice on financial matters and general guidance, both from the business and the co-operative aspects. Unions formed and controlled by the societies themselves provide the ideal organisation for the purpose.” Regarding the staff which the Central Bank and the taluk banks have employed and the staff which would actually be required by them for carrying on their responsibilities satisfactorily, we have made our observations and have dealt with them in the respective chapters. Here we deal only with the unions and the supervision conducted by them.

#### FUNCTIONS OF UNIONS.

##### Supervision.

2. The important functions of the unions are (1) to check all cash book, ledger, &c. entries, verify vouchers and check interest calculations; (2) to ascertain that loans are granted for proper purposes and on adequate security and are paid to the proper parties and that the time for the repayment is fixed with reference to the ability and convenience of the borrower; (3) to examine repayments to see that there are no book adjustments; (4) to see that extensions are given only when necessary; (5) to see that the managing committee do not take advantage of their position by benami loans or otherwise; (6) to see that the general body meetings are duly held; (7) to see that the office bearers and members understand their rights and responsibilities and take a proper interest in their society; (8) to rectify any irregularities brought to light in the audit reports and (9) to prepare the statistical return, if necessary.

##### Their Introduction.

3. With these objects in view the first supervising union was registered in the year 1927 (1921-22). The encouragement given by Government in the shape of grants to the extent of 75% of the pay of the supervisors helped the rapid organisation of the societies. At the end of 1108 (1932-33) there were 28 unions of which three took up

the financing of the affiliated societies also. The number of societies affiliated to these unions was 1633. The only taluks where there were no unions are Tovala, Shencottah, Thodupuzha, Peermade and Devicolam. The latter two form the hill division and there are only 3 societies in both these taluks together; in the other three and in the taluks of Vilavancode and Kaikulam which together form the area of operation of a single union, unions could have been organised long ago, had not the policy of consolidation restricted the registration of new societies. We have pointed out elsewhere the need for expansion along with consolidation, and when sufficient societies are organised in these taluks we hope there will be no region which does not come under the influence of a union.

#### **Appointment of Supervisor.**

4. For some time after the registration of a union, the committee members carry on the regular work of supervision and when the union attains the financial position to enable it to appoint a supervisor, this work of supervision is entrusted to a supervisor. There is thus hardly a union now which has not yet a supervisor of its own and there are about half a dozen unions which have more than one supervisor. A few of these unions are discharging their duties satisfactorily, but the standard of work in the majority of the unions is below the desired level, though both the supervisors and the members of the managing committee are doing the work of supervision.

#### **Insufficiency of funds.**

5. One of the reasons for this unsatisfactory state of affairs in most of the unions is its inability to collect the supervision fund. More than 50% of the supervision fund is in arrears with the result that the pay and allowances of the supervisors and clerks are heavily in arrears, in some cases for more than 6 months. Of course, a Union cannot expect satisfactory discharge of duties from its subordinates when their pay is in arrears for 6 months or so. It is not clear why so much supervision fund is allowed to fall in arrears.

#### **Duty of a richer brother.**

6. There are instances where the societies have refused to pay the supervision fund because of the little or no help they received from the union by way of supervision. These societies should be made to understand that they ought not to take a narrow and selfish view in these matters. Just as rich men join a co-operative society more with a view to help their poorer brethren than to be benefited by it, similarly, the rich societies and poor societies should join together for the purpose of supervision more to benefit the poor societies. The fact that a well conducted society is not inspected by the union is absolutely no reason why it should withhold the supervision fund.



### Department's help and vigilance.

7. The department should actively help the union in the collection of the supervision fund from the societies and should on no ground hesitate to entertain reference made by the unions against an affiliated society for default of supervision fund. We would suggest here that, in fixing the class of the society in regard to audit classification usually done with a view to indicate its soundness and good management, the auditors should refuse to put a society in A Class if it has failed to send supervision fee to the union. This will tend to introduce more discipline and brotherly feeling. Besides, we would also recommend that provision should be made that no dividend to members or bonus to secretary should be payable before the amounts due under supervision fund and reserve have been paid. Again the unwholesome practice of allowing the societies to send their delegates to the union when the societies are defaulters by way of delegation fee or supervision fund should be stopped at once. Moreover, a society should not be allowed to elect as its delegate to the union a member who is a defaulter either as a principal or as a surety.

### Supervisor and his qualifications.

8. In Travancore, there does not appear to have been any strict rule in the matter of appointment of supervisors. The committee generally select one in whom they are interested, and not because he is quite competent to discharge his duties, and request the Registrar to give him the necessary training. The Registrar invariably approves the nomination and directs the supervisor elect to attend his office for a period of 3 months. During this period he is asked to work with the clerks in charge of arbitration, liquidation, accounts, registration &c. When the period is over, the Registrar tests his knowledge in these subjects and then he is sent back to the taluk where he has to work, to study audit with the local inspector, say, for a period of one month. On receipt of a report from the local inspector as to his efficiency in audit, a certificate is issued qualifying him for the post of a supervisor. In the early stages graduates alone were elected, but this too seems to have been overlooked in subsequent years, and men without any qualification whatever were appointed supervisors. We are not at all satisfied with the policy adopted in the appointment of these supervisors. The minimum qualification for a supervisor in our opinion should be the possession of a certificate of training issued by the Travancore Co-operative Institute as hereinafter recommended, or by the Madras Provincial Co-operative Union or the Hood Institute of Tanjore, or the passing of the Madras Government Technical Examination in Co-operation, Banking and Book-keeping. Since the department often gives preference to qualified supervisors in the selection of the inspectors, we do not see any reason why it should not be laid down that only graduates possessing the above qualifications should be appointed as supervisors in future. The supervisors at present in service should be required to qualify themselves within three years.

### **A Supervisor to look after 35 societies.**

9. For the efficient working of the unions we consider that the number of societies now in charge of each supervisor is too large. For instance the Trivandrum union having about 80 societies has only one supervisor. We are of opinion that not more than 35 societies should be entrusted to a supervisor, and that once in three months at least every supervisor should visit every society in his charge for the purpose of supervision and submit his report to the union. We have come across several cases where the supervisor visits a society soon after the visit of the inspector and vice versa. This should be avoided and the unions should fix up the tour programmes of their supervisors in consultation with the inspectors of the department and of the financing banks, if any. We have seen the reports of the supervisors kept in bundles in some of the union offices without action being taken for weeks. This is bad and defeats the purposes of supervision.

### **Reports by the Supervisor.**

10. The reports of the supervisor, with a review of the union committee thereon, should be communicated to the society concerned within a month of the supervisor's visit and the unions should submit a quarterly report to the Institute regarding the state of societies affiliated to them in a form prescribed by the Institute. The unions should also submit to the Institute the supervisor's diary with the remarks of the committee thereon once a month. The supervision now carried on by the members of the union committee should be continued and every society in a union should be visited by them at least twice a year. As regards their travelling allowance we are of opinion that a uniform scale should be fixed for the unions and that this should be done by the Institute in consultation with the Registrar.

It has been brought to our notice that one or two unions have protested against the action of the Registrar in requisitioning the services of the supervisors for audit work, on the ground that the unions are deprived of their services for a long period of three to four months. Though we do not fully appreciate this attitude of the unions, we think that, as a rule the supervisor should not be drawn upon by the Registrar for the audit of societies. Under exceptional circumstances he may, however, do so with the previous knowledge of Government as suggested elsewhere, the consent of the union and of the Institute, if and when the proposed provincialisation comes into being. We are, however, of opinion that the figures required by the Registrar for the annual report relating to societies should be furnished by the unions.

### **Warning to some Unions.**

11. A few of the unions which we visited are working very badly and we do not think that any purpose will be served by allowing them to continue. A warning should, therefore, be given to them to improve their state of affairs and if they remain inefficient in spite of the proposed warning, action should be taken by the Registrar in consultation with the Institute to cancel their registration.

## AUDIT

### History.

12. Though the Travancore Co-operative Regulation X of 1089 was enacted on the lines of the British Indian Act II of 1912, some modifications of a very important character were made in certain sections, to suit local conditions, when the bill passed through the Legislative Council, the most important of such changes being the addition in Section 17, viz., "No charge shall be made in respect of any audit made under this section." In the British Indian Act the corresponding section is silent on the levy of audit fee, and in Section 43 (2) (h) the local Government is authorised to make rules to provide for the audit of accounts and the charges, if any, to be made for such audit. In exercise of the powers conferred by this section, rules are made in all the British Indian Provinces for the levy of audit fees.

#### Introduction of audit fees.

##### Audit fee levied in other provinces.

13. Such audit fees have not only been levied in some British Indian Provinces but have been raised as in the Punjab from  $7\frac{1}{2}$  per cent to 10 per cent. Bombay also has now raised its scale. This is one of the sources of revenue, the income from which can be devoted to meet the increased cost of the department which we have proposed. In Bombay, Government realised Rs. 1,44,541 from this source and kept up at least partially the grant of Rs. 25,000 to the Institute during that year which enabled the Institute to maintain its staff without much retrenchment. We have carefully considered the question whether the time has not arrived for the introduction of a small audit fee in Travancore somewhat on the lines found elsewhere, and have come to the conclusion that it may be done in respect of certain societies at least. In the draft Bill which we have appended to this report, this section is amended so as to bring it in line with the corresponding sections in the Madras or Bombay Acts.

#### Present practice objectionable.

14. In Travancore the audit work begins as soon as the co-operative year ends. Some years ago the co-operative year coincided with the financial year, but the difficulty of getting all the societies audited and their figures tabulated for the preparation of the annual report in time, necessitated a change in the co-operative year. It was made to end by the 15th June and in spite of this the time at the disposal of the department was found too inadequate to complete the audit without the aid of the honorary auditors on account of the limited staff at its disposal. The Registrar had to requisition the services of men who have been in touch with the movement and who have had some experience in audit, as also of the supervisors engaged by the unions. In the years 1106, 1107 and 1108 the number of societies audited by the department was 783, 805 and 852 respectively, out of an average total

of 1800 every year. The Registrar himself admits that the audit of societies was unsatisfactory and the evidence of the majority of the witnesses endorsed this view.

#### **One Inspector to audit 50 Societies as a Statutory duty.**

15. The audit is a statutory duty and its importance need not be reiterated. The audit of societies should be done either by the departmental staff or by professional auditors approved by the Registrar and it should not be entrusted to the union supervisors or other honorary auditors, if it could be helped. In case it is found necessary to depart from this rule, the matter should be brought to the notice of Government and its previous sanction obtained. To enable the department to give effect to the foregoing recommendation the staff should be augmented. In our view no inspector should be entrusted with more than 50 societies for the purpose of audit.

#### **Change of Co-operative year proposed.**

16. As regards the co-operative year, the practice varies very widely in British Indian Provinces and States and in view of the past experience and the difficulties realised so far, the Registrar feels inclined to revert to the old practice of bringing the co-operative year in the State to coincide with the financial year and in view of the increased staff proposed by us we see no harm in effecting that change.

#### **Scale of audit fee.**

17. As regards the levy of audit fee we have to make the following recommendations :

- (1) The scale of the audit fee should be fixed by the Registrar with the previous sanction of Government.
- (2) No audit fee should be levied from:—
  - (a) unlimited liability societies;
  - (b) credit societies of limited liability with a working capital of less than Rs. 20,000 ;
  - (c) non-credit societies other than stores with a turn over of Rs. 25,000 and above
  - (d) supervising unions and the Travancore Co-operative Institute.
- (3) A society which is liable to the levy of the audit fee should have the option of getting its accounts audited by a certified auditor approved by the Registrar. When its accounts are so audited no audit fee shall be levied from it.

#### **Verification of cash balance.**

18. We are told that the inspectors and the honorary auditors when they audit the accounts do not as a rule call for the cash balance and verify it. An inefficient and incomplete audit would give occasion for fraud and misappropriation. It should be the primary duty of the auditor to check the cash balance, and the Registrar who is responsible for the proper audit should see that the auditors do not shirk this responsibility.

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**PART VI.**  
**RE—ORGANISATION OF THE DEPARTMENT.**

## CHAPTER 24

### THE CO-OPERATIVE DEPARTMENT.

#### *Its present strength.*

We have heard several complaints both from the official and non-official quarter, that the departmental staff is deplorably undermanned and that there is a great necessity for a thorough reorganisation and our enquiry has led us to think that there is a great deal of truth in that complaint.

The Registrar has a permanent staff of 20 inspectors for executive work in the field with 20 peons and one Personal Assistant, one Head clerk, 13 clerks, 2, typists, one mochee and 8 peons for his office. He has a temporary staff of 7 inspectors with 7 peons 2 clerks and 2 copyists. A temporary Assistant Registrar has been appointed from the beginning of 1108 for the work of the tabulation of figures, preparation of audit orders &c. in connection with the preparation of annual report of the working of co-operative societies till this Committee submits its final report.

#### **The Registrar, his status and qualifications.**

2. The pay of the Registrar was fixed at the time of the organisation of the department in 1090 at Rs. 250—50/2—350, and it remains the same even now. Even so early as in 1095 it was found that the pay of the appointment was not adequate enough. All the incumbents of the office after the above date, with the exception of the present Registrar were given higher personal salaries, more or less approximating to that of the Dewan Peishkar. The number of societies, membership and total working capital have increased in large proportions since 1095, and we feel that it is not at all justifiable now to retain the status and remuneration of the Registrar as of old, when the movement was only being gently introduced in the State as an experiment. The MacLagan Committee's observations regarding the status and remuneration of the Registrar are very valuable and they apply with equal force to the present conditions in Travancore. They state that the Registrar should be of the grade and rank of a senior District Collector quite ripe for commissionerships or for secretaryships of provincial Governments or Assistant Secretaryships of the Central Government with a remunerative duty allowance of Rs. 250. (The pay of senior District Collectors at that time was Rs. 2,250). We would point out in this connection that no less a person than Mr. T. Austin I. C. S., the quondam Dewan of this State, has now been appointed the Registrar of Co-operative Societies in the Madras Presidency. We think that a movement of such importance should necessarily be placed under the control of an officer in whose ability to guide it, the Government must have a certain amount of confidence and whose suggestion should be worthy of consideration at their

hands. It is after mature deliberation that the Committee on Co-operation in India recommended in their report that "in dealing with other departments and with outside bankers and businessmen it is important to have as the Registrar an officer of some standing and it would in our opinion be a grave dereliction of its duty for a local Government to entrust interests of so vital and so far-reaching a character as those controlled by the Registrar to any but picked officers of experience and authority." The report goes on to say:—"we gather, however, from what we have heard in our tour that the post as at present remunerated presents a few attractions, and as it is essentially a post in which an officer is worthless if he is employed against his will, we consider that it should be adequately paid." In all the Provinces of British India the post of Registrar is held by officers of the grade of Collectors, and in the States, by those in the grade of District Officers.

The comparatively inferior status now assigned to the Registrar of Co-operative Societies in Travancore is bound to lead to a critical situation fraught with difficulties in the path of progress. He will be wanting in the influence indispensable for securing the active support of the public. His suggestions and recommendations are apt to be brushed aside by Government unsupported as they would be by the weight of opinion of an officer of superior status. As the Registrar, his views and opinions are bound to come in conflict with the board of management of several important co-operative institutions, which may include persons of the highest rank and eminence in the State. It is imperative that the Registrar should be accorded such a high status as would enable these non-official gentlemen to accept his views with a sufficient amount of respect. We, therefore, recommend that the Registrar's status should immediately be raised to that of a Dewan Peishkar. We are supported in this recommendation by the resolutions of many conferences during the past 7 years and more. He should as far as possible be a young and experienced man starting on Rs. 400 to Rs. 750 and he should be kept in that place for not less than five years.

We have already referred to the status and position to be assigned to the Registrar. It is also necessary to point out in brief the qualifications of the Registrar. His position requires such special qualifications and administrative experience and knowledge of the people and their economic conditions as would enable him to enlist the support of honorary workers. We have appended as appendices extracts from the MacLagan Committee's Report and report of the Royal Commission on Agriculture which clearly show what the attainments of the Registrar ought to be. In the course of our enquiry we have been told by prominent witnesses that the Registrar will do well to be given an opportunity to acquaint himself with the co-operative movement in European countries as is being done in the Punjab and Mysore. It is also most important that the Registrar should have always one or more officers as under-studies to act for him when on leave and eventually to succeed him.

### Assistant Registrars and Scale of their pay.

3. There are at present no intermediary officers between the Registrar and the executive officers of the department. The history and development of the co-operative movement in the provinces and the States show that when the movement has reached a certain stage of development the necessity for different classes of officers has to be recognised and provided for. The department starts with one head and inspectors. Later on when the volume of work increases, provision is made for an intermediary grade of officers to correct and guide the inspecting staff. Everywhere it is found that when the number of societies goes over 500 or 700, Assistant Registrars are appointed. In Mysore there were one Deputy Registrar and 6 Assistant Registrars for 223 societies in 1931. Two Assistant Registrars were retrenched on account of financial stringency, but proposals are afloat to revive them. Between 300 and 400 societies was the number required to start the office and staff of an Assistant Registrar in Madras. In Bombay there are 6 Assistant Registrars. We understand that the former Registrar of Co-operative Societies here was demanding augmentation of the staff in the shape of District or Divisional Officers from 1925, and that Government were putting off the proposal for "later consideration." We feel that the necessity is so urgent that it could not be put off for any further length of time. We, therefore, recommend that for regular usual work now in hand 4 Assistant Registrars be appointed on Rs. 150-25/2-250, the scale which has now been sanctioned by Government to the Assistant to the Registrar of Co-operative Societies in charge of the work of the Protector of the Depressed Classes. Three of these Assistant Registrars should be posted at Trivandrum, Quilon and Kottayam respectively and their work should be confined to the credit societies. It is approximately estimated that each Assistant Registrar will have under him 500 societies. The fourth Assistant Registrar should be in charge of non-credit societies throughout the State. Each of these Assistant Registrars should be given a small staff of a Head Clerk on Rs. 50-5/2-75, two clerks on Rs. 25-5/2-40, two clerks on 20-2/3-30, one typist on Rs. 20-2/3-35, one mochi on Rs. 12 and two peons on Rs. 9-1/6-11 each.

4. In our recommendations on land mortgage bank and on the redemption of agricultural indebtedness, we have found it necessary to ask for the appointment of a special officer of the status of an Assistant Registrar to be in charge of that work. Provision may, therefore, be made for the fifth Assistant Registrar on Rs. 150-25/2-250 with the staff mentioned above and three inspectors.

We desire that the officer in charge of the Central Co-operative School here should be a person of the status of an Assistant Registrar



### Reorganisation Officer.

5. We are of opinion that our recommendations, embracing as they do schemes and suggestions involving far-reaching and radical changes both in respect of the finance of the movement and the general reorganisation of the department, necessitate the close and careful attention of a special officer. The duties and functions of the Registrar are manifold, and his hands will be always full with the routine work of administration. We, therefore, recommend to Government the appointment of a separate officer called the Reorganisation Officer on Rs. 300 a month, to work under the direction of the Registrar, for a period of three years with a special office staff and with the necessary provision for traveling allowance.

The Committee are unanimous in recommending that these Assistant Registrars should by turn be given opportunities by Government to receive practical training in the other provinces of India, and should they be keen on going to a foreign country for such training at recognised institutions, they may be given encouragement by the grant of study leave with allowances.

We are of opinion that it is high time to take up the work of compiling a Co-operative Manual for the State, codifying therein the standardised forms, rules and circulars of the department and also incorporating the model bye-laws of various types of credit and non-credit societies. The work of writing such a manual cannot be taken on hand lightly since it involves careful study and detailed investigation. We, therefore, recommend an officer of the department to be appointed for this purpose with necessary office staff. In order to keep down the additional expenditure involved, we suggest that the work may be entrusted forthwith to the Reorganisation Officer whom we have proposed.

We are not oblivious of the fact that this report of ours, which is being eagerly awaited by the public being written in English, will not be understood by the numerous co-operators of the State. We suggest, therefore, that Government should make necessary arrangements to get it translated into Malayalam.

### Inspectorate.

6. The meagre inspectoral staff of the department is hardly able to cope with its heavy responsibilities. They are not even able to discharge the statutory function of audit assigned to them. We are told that due to the insufficiency of the staff and the limited time between the close of the co-operative year and the date for the submission of the annual report it has not been possible to discharge the statutory duty without the aid of the non-officials. Paragraph 66 of the administration report of the department for 1108 shows that it was not possible for the departmental staff to audit even half the number of societies. What with the pressure of audit and what with the volume of administrative duties they have to perform, we think that there is a

great deal of truth in the resolutions forwarded to us by various co-operative conferences that the inspectors have absolutely no time for propaganda and organisation. Increase in the number of Inspectors cannot, therefore, be delayed any further. The present inspectoral staff of 27 (both permanent and temporary) consists of 3 first grade inspectors on Rs. 75-5/2-100, and 24 last grade inspectors on Rs. 40-5/2-70. We feel that both the number and the grade and pay of these officers are inadequate. We, therefore, would recommend that the inspectoral staff of the department be divided into 3 grades of Rs. 50-5/3-75 Rs. 75-5-100 and Rs. 100-5-125. There should be 5 inspectors in the first grade, 15 in the second grade and 35 in the third grade. Our attention has been drawn to an observation of the Government on the administration report of 1108 that non-credit activities have not received adequate attention of the department. We are glad to note that Government have made this observation about the neglect of the development of the non-credit activity of the co-operative movement. Six inspectors should, therefore, be deputed for non-credit work of whom one should be an educational officer whose activities should be confined to training work in this important direction. He should be in charge of training schools.

In view of the great urgency and the incessant demand for the revival of the depressed and other backward classes societies, we feel that 10 inspectors should be deputed for work in the depressed class and fisherfolks societies in addition. According to the figures of 1108, 136 societies are under liquidation and we are informed that no steps have been taken regarding more than half of these societies due to the paucity of hands. We, therefore, recommend that 6 inspectors be put in charge of the liquidation work.

#### **Women Propaganda officers and Inspectors.**

7. Though the percentage of adult female education in the State is 27, we find that there are only 5 women societies in the whole State and that the movement has not touched the fringe of the female population. There were some more societies for women which had to be liquidated owing to want of propaganda and lack of attention. In order to make the movement popular among women, we recommend that 3 of these inspectors should be ladies. Thirty inspectors may be put in charge of credit societies.

#### **Sale Officers.**

8. In view of our recommendation for the appointment of sale officers, to effect recoveries under decrees, we suggest that a separate set of inspectors to discharge this function (the exact number to be fixed by the Registrar) may be appointed by the time the amended Regulation comes into force. Each Division may be given one sale officer in the cadre of a 2nd grade Inspector. The cost of this additional staff may be met out of the fees &c., to be levied on the basis of the circular issued by the Madras Registrar on the subject of execution of decrees and levy of fees.

### Additional training to Inspectors outside.

9. The committee are keen on recommending that six months practical training should be given to the inspectors in outside provinces by turn. For promotion there should be efficiency test. Periodical examinations should be conducted by the department and promotion to a higher grade should depend on the results of these. They should be given facilities for interprovincial training with the help of study leave and other allowances.

### Reorganisation of the Office of the Registrar.

10. The office of the Registrar at present is highly congested and overcentralised. Probably by the creation of Divisional Officers, the accumulation and congestion of work in his office might be lessened. We, therefore, think that the present place of the Personal Assistant may be abolished and that the place should be filled by the appointment of a Manager in the office. Ordinarily this post can be occupied by a person of the status of first grade Inspector, though, during the period of reorganisation, we think that he should be one of the status of an Assistant Registrar. Of the 14 permanent clerks in the Registrar's office including the Head Clerk, there are only four graduates and they are the junior most. We feel that there ought to be more graduates in the office. The Head Clerk and the clerk in charge of the arbitration section should be graduates-in-law. We do not propose to revise the pay of the Head Clerk it may remain the same as Rs. 75-5-100. The remaining existing staff may be revised thus:

4 clerks on Rs. 50-5/2-75 of which one shall be the clerk in charge of the arbitration section.

4 clerks on Rs. 25-5/2-40 of which one shall be a Tamil graduate to deal with reference from the Tamil taluks.

4 clerks on Rs. 20-2/3-30.

1 typist with a fair knowledge of shorthand since there is no shorthand typist at present in the office on Rs. 35-5/3-50 and 1 typist on Rs. 20-2/3-35.

9 peons on Rs. 9-1/6-11 (including one Mochi on Rs. 12).

### Advisory Board.

11. In order to enable the co-ordination of activities of the development departments of the State, and to facilitate the work of all round co-operative expansion, we would recommend that Government should restore the old practice of the Registrar being an ex-officio member of the Economic Development Board and we recommend the formation of an Advisory Consultative Board. The Registrar should be the President of the Board. This Board should have representatives of premier co-operative bodies as members and discuss common problems and evolve general policy.

### Funds for propaganda &c, for the Department.

12. Another point we wish to bring into prominence is the necessity on the part of the Government to make available to the Registrar and his assistants sufficient funds for purposes of propaganda. When the department takes on hand new schemes of development, intensive and vigorous propaganda work will have to be carried on. The organisation of experimental societies may entail and necessitate initial expenditure to the department. If the department is not provided with funds for such useful purposes, we fear, it will be impossible for it to inaugurate novel schemes of development and as co-operation is a science, we think, that such efforts will have to be conceded as necessary processes of a kind of research work. We, therefore, recommend the granting of a special fund to the Registrar by the Government to be utilised at his discretion.

### Grants to Libraries.

13. We think that co-operative education in the rural parts can be accelerated by the starting of libraries wherein co-operative books and literature may be specialised. In order to foster the growth of such institutions it is necessary to afford grants by the Government to such of them as deserve such a concession. We would therefore suggest to Government to entrust a fund earmarked for this purpose with the Registrar.

### T. A. and Contingencies.

14. We have provided for an allotment of Rs. 1800 for the Registrar. The Assistant Registrars should be given a permanent travelling allowance of Rs. 75 per mensem and the Inspectors a permanent travelling allowance of Rs. 30 as at present. In this calculation we have not made any provision for leave reserves. In fixing the travelling allowance for the Registrar under the proposed reorganisation scheme, his touring will naturally be on the increase and therefore the amount is not reduced. Though divisional charges are adumbrated in the reorganisation scheme, we think that the touring of the Registrar should not in any way be reduced as his supervision and guidance in the new avenues of activities suggested by us is unavoidable. The Registrar should constantly be on the move canvassing public co-operation. We do not therefore propose any reduction in the travelling allowance of the Registrar. A lump allotment of Rs. 5000 should be provided for under contingencies.

The Protector of the Depressed Classes will have a staff similar to that of the Assistant Registrars and he will have the charge of all the depressed class societies in the State and societies for backward communities. We recommend the following grants to the Institute for non-official work,

## AID TO NON-OFFICIAL WORK.

(1) Grant to the Institute to meet the expenses of the Supervising Unions in the place of Rs. 3,500	Rs. 20,000	}	Recurring
(2) Institutes, Training classes &c.	4,000		
(i) for Inspectors & Supervisors.			
(ii) for Secretaries.			
(iii) for Presidents and Committee members.			
(iv) for propaganda among the students and the public.			
(3) Grant to the Co-operative			
(i) Magazine and ii Library.	1,000		
(4) Co-operative Conferences	1,000		
(i) All-Travancore.			
(ii) Taluq Conferences annual			
	Rs. 26,000		
(5) Publications and propaganda materials.	2,000	}	Non-recurring
non-recurring. (slides, charts, &c., &c.)			

## Financial effect.

15. (1) These proposals involve an additional expenditure of nearly Rs. 55,000 per annum for the Registrar and his staff alone.

The additional cost which we have demanded cannot be regarded as too high or unreasonable. The following table will show that Travancore has been spending only a comparatively low amount on co-operation. The average cost per head comes only to 4 annas  $4\frac{1}{2}$  pies.

Comparative Table of cost per member of society.

State or Province.	No. of societies.	No. of members.	Amount spent by State or Province.	Amount spent per society.	Amount spent per member.
Bombay	5,880	5,95,655	Rs. 5,67,259	96.3	Rs. A. P. 0 11 0
Madras	13,956	8,96,478	9,86,000	73.5	1 1 7
Mysore	2,180	14,44,481	1,32,000	60.75	0 14 9
Cochin	256	25,346	20,000	78.1	0 12 5
Travancore	1,786	2,30,433	63,000	35.3	0 4 $4\frac{1}{2}$

We have made our recommendations with due regard to the financial stringency of the times, and we are firmly of opinion that our proposals for reorganisation of the department are urgent and we have made them with a view to securing the most efficient and satisfactory working of the movement in the State.

## CHAPTER XXV. REVISED LEGISLATION.

### History.

The Travancore Co-operative Societies Regulation, X of 1089, was passed with no antecedent record or experience of the working of the movement in the State. It was based on the British Indian Act, II of 1912 on an assumption that what is good for British India, will be good for Travancore as well. The progress and development of the co-operative movement since 1912 in British India made it necessary to widen the functions of the societies and to revise the law under which the co-operative societies worked. Several points for amendment had been brought out by various co-operative conferences, co-operative bodies and non-official gentlemen, who have interested themselves in the movement. The officials who are responsible for the working of the movement, also felt the need for effecting suitable changes in the existing law. Since 1919, when co-operation became a transferred subject, the provincial governments have been amending their respective laws to suit local conditions. The United Committee of the United Provinces of Agra and Oudh, the King Committee of the Central Provinces, the Calvert Committee of Burma and the Dunsen Committee of Madras have all suggested immediate changes in the law. Burma, Bombay and Madras have already passed separate laws.

### Need for Changes in Regulation.

2. Started in 1089, the movement in Travancore has assumed large proportions particularly in regard to the aggregate number of societies, their membership and working capital. The working of the movement is getting more and more complicated, and the need for adequate legal provisions and powers is very much felt. Cases regarding societies both in Magistrates' and civil courts are not scarce. Mr. K. Vaidyalingom Pillai, the ex-Registrar of Co-operative Societies, moved the Government so early as 1927 suggesting changes in the Regulation that were deemed necessary in the light of experience gained in the working of the Regulation for a period of 14 years. He even sent up to the Government a draft bill embodying his suggestions for amendment of the Regulation. Government in the meanwhile forwarded for the remarks of the Registrar of Co-operative Societies the Madras Act VI of 1932 and the modified rules thereunder and asked the Registrar whether any modifications were necessary in the Travancore Co-operative Societies Regulation and Rules in the light of the changes made in the Madras Act and Rules. By that time, the appointment of this Committee was decided upon and Government ordered that a revision of the existing Regulation need be taken up only after orders were passed on the report of this Committee. Government, however, has asked this Committee to consider the revision of the existing Regulation X of 1089

and prepare a draft bill along with the Report embodying the amendments recommended. A draft bill together with a set of draft rules, has accordingly been drawn up and appended to this Report. The Bill and the Rules closely follow the Bombay Co-operative Societies Act VII of 1925 and the Rules passed thereunder, and the Madras Co-operative Societies Act VI of 1932 and the Rules passed thereunder. We have also considered the provisions in the revised Burma Act VI of 1927.

#### **Preamble.**

3. In the proposed amendments the preamble is elaborated with a view to make the meaning of co-operation more clear. So words have been added to show that the promotion of thrift can lead to better living, the promotion of self-help to better business, and the promotion of mutual aid to better methods of production.

#### **Change of Liability.**

4. Under the old Regulation, it was not possible to change the character of the liability of a society. This is remedied on the lines of the provisions contained in the Madras Act.

#### **Increase in minimum number of Members of a Society.**

5. The existing Regulation is that seven shall be the minimum number of members in a society. It has now been raised to 10 to bring the Regulation into line with the British Indian Act.

#### **Appeal to Government.**

6. Following the Madras Act, provision for an appeal to Government on an order refusing the Registration of a society by the Registrar is provided instead of a similar provision for appeal in the rules under Regulation X of 10:9.

#### **Registrar to amend byelaws on his own motion.**

7. Any undesirable and unworkable provision in the byelaws of any society, though against the real interests of the society and the fundamental principles of co-operation cannot be amended now without the General Body sending up its recommendations. Great difficulties have been experienced in the matter of getting such amendments passed by the General Body; especially when the office-bearers of the society were interested in the retention of the same. If therefore the Registrar is personally convinced that repeated attempts have failed to bring about the desirable change, power has been given in the amended bill to the Registrar to amend any byelaws of any society *suo motu* i.e. of his own motion.

#### **Annual General Meeting made compulsory.**

8. There is now no statutory obligation on the part of a society to hold annual and special general meetings. A legal duty of the society is therefore introduced to convene such meetings in place of provisions in that behalf in the byelaws.

#### **Change of Name.**

9. There existed no provisions for the change of the name of a society in the old Regulation. Any change of name was possible only

by an amendment of the byelaws. A provision to this effect is made in the new Regulation.

#### **Division and Amalgamation of Societies.**

10. Bifurcation of a society into two or amalgamation was impossible under the old Regulation. Strictly societies had to be dissolved before bifurcation. Division and amalgamation are facilitated by the new Bill. The necessity for such bifurcation is keenly felt since many of the existing societies have become unwieldy on account of large areas of operation and excessive membership.

#### **One Man one Vote.**

11. In the existing Regulation the equitable condition of one man one vote is confined to societies based on unlimited liability. The Committee on Co-operation in India, 1915, recommended that "the constitution should be purely republican and to attain this object, it is inevitable that each member should have one vote and no more in a General Meeting. It is this rule of equal votes which distinguishes co-operation from co-partnership." This principle, which in all countries has been accepted as the basis of co-operation, has been extended in this section to all classes of societies.

#### **Provision for levy of Audit Fee.**

12. Audit is the sheet-anchor of the movement, and slight changes are contemplated in the Bill to make the same effective. In the existing Regulation, there is a provision that no charge is to be made in respect of audit. This follows the first British Indian Act of 1904. When the Act was amended in 1912 in British India this was taken away. Under the Companies law, the burden of securing proper audit is placed on Companies. In the case of co-operative societies, the State undertakes the work and the Registrar has to audit or cause to be audited all societies at least once in the year. Co-operative societies are institutions for public good. Though the State arranges for the audit, it is only proper that societies which can afford to pay are made liable to share the cost of audit. The Rules to be framed should define the rates in proportion.

Clause II of the Bill includes the verification of cash balance and securities in addition to the specific legal requirements of co-operative audit. The new Bill proposes to confer certain powers to an auditor, viz., to summon the office-bearers of the society he audits and to require the production of the records. These powers have been found to be quite essential for the working of the Regulation for enabling the auditor to do his work properly. The principal objects of audit are detection of frauds and errors. In cases where frauds have been committed, it has been found to be very often difficult to have access to the records and office-bearers of a society. In England refusal by an officer to furnish information required for audit is an offence under the Industrial and Provident Societies Act. The need for a similar provision, as is proposed, is apparent for obvious reasons.



### Conversion of Lien to a Charge.

13. The existing law confers only a lien and a priority to a society in respect of outstandings due from a member. The present provisions are largely inoperative, partly owing to difficulties in proving that the particular crop has been grown by means of a particular loan and partly owing to a ruling of the Calcutta High Court, *viz.* Abdul Kadir *v.* Shabazpur Co operative Bank, 43 Calcutta 377, which allows an outside decree holder to attach a crop in priority to a society unless the society also obtains a decree in its favour. To get over this difficulty, the Committee on Co-operation in India recommended that in the amended Act the prior claims of the society should be definitely described as a charge on the property in respect of which the loan was granted. In view of this, it has been provided in the Bill that the claims of a society should be a first charge in respect of which the loan was granted. The proviso in the Bill, affords protection to bonafide transaction.

### Liability of the Estate of the Deceased Member.

14. Throughout the Bill, the estate of a deceased member of a co-operative society is held liable to the same extent as the liability of a past member.

### Admissibility of Copies.

15. A clause has been added to safeguard the interests of large urban and central banks the business of which might be dislocated if their officers were summoned or their books were called for in all legal proceedings to which they may be parties.

### Distrain and Sale—Conditional Attachment.

16. The overdues in credit societies are assuming alarming proportions. The Committee members are generally themselves defaulters and consequently other members are allowed to become defaulters. It is proposed to empower the Registrar or the officer authorized by him to recover the overdue instalments of loans by distraint and sale of moveable properties.

Provisions for prompt arbitration and conditional attachment of properties are also made.

### Exemption from Taxes.

17. In addition to the privileges conferred on co-operative societies regarding exemptions from Income Tax, Stamp Duty and Registration Fees, the Bill proposes to confer additional privileges by way of exemption from Municipal Taxes and Court Fees. It may be added here, that there has been various references to this committee in this matter seeking for these exemptions.

### Government Aid.

18. A new section has been added legalising Government aid to co-operative societies on the lines of the Bombay and the Madras Acts. Every country has accepted the principle of State Aid. While not compelling Government to give loans to societies, the law empowers it to do so, and may be said to be suggestive of a desire on the part of Government to extend their help to societies in special cases.

**Loans to Depositors.**

19. Granting of loans to a depositor is permitted.

**Limitation on Dividend.**

20. By a new section it is proposed to introduce a limitation on dividend. This is in pursuance of the recommendation of the Committee on Co-operation that in all ordinary cases a maximum limit should be fixed so as to prevent the neglect of *co-operation* in favour of *individual profit*.

**Reserve Fund.**

21. A separate section is proposed for the formation and maintenance of Reserve Fund on the lines of the Bombay Act. The present Regulation leaves it to the rules and the byelaws. The object in the formation of the Reserve Fund is to obtain better terms in borrowing for the society and to secure it from the loss which the default of any member, or any unforeseen loss in the course of the business of the society might bring about. The existence of the Reserve Fund is above all one of the main sources of financial stability for a society. The existing Regulation provides for not less than one-quarter of the net profit in a limited society being carried to a Reserve Fund, and in the case of unlimited liability societies, not less than one-half until the fund is equal to one-half of the total liabilities of the society other than reserve and share capital, and when that proportion is reached, 1/3 of the net profits. Though the existing provision in regard to the formation of Reserve Funds in societies has been acted upon by a large number of societies, it is found by actual experience that the existing rates are very inconvenient to societies. In the Bill, provision is therefore made to reduce the proportion of net profit to be appropriated to this head. In view of the diversity of opinion on the question of the employment of Reserve Fund, specific provisions are made regarding the same. It is permitted to use the same in the business of the society, and to draw the same for purposes sanctioned by the Registrar as construction of buildings, etc.

**Distribution of Profits.**

22. Distribution of profits of a society is allowed by another new section. To prevent the danger of dividends being distributed from capital instead of from realised profits, the sanction of the Registrar is made compulsory.

**Provident Fund.**

23. The formation of a Provident Fund for members of the society is legalised. The new section is intended to popularise the Provident Funds.

**Common Good Fund.**

24. Under the existing Regulation, there is no provision for contribution to charitable purposes. But the rules under the Regulation make provision for this. The British Indian Act of 1912 had a similar provision. The new section is added in the light of the observation of the Committee on Co-operation in India:—

“that there are sometime advantages in applying the surplus amount of net profits to objects of a philanthropic character as apart

from the objects directly attained. Action of this kind serves to stimulate public interest in the movement."

#### **Power of Supersession.**

25. The powers of the Registrar in the course of inquiry and inspection are defined by a new section on the lines of the Madras Act. The working of the existing Regulation in the matter of the administration of societies by elected Committees revealed many glaring defects and flagrant instances of misrule which, in spite of the entire exhaustion of the resources of the department, could not be remedied. Instances were not infrequent, when some societies with recalcitrant committees dominated societies and perpetuated misrule, for years. The existing law does not facilitate the Registrar to set aright matters in such societies. The keen necessity for arming the Registrar with emergency powers to supersede hopeless committees of such societies is therefore felt. In conformity with the Madras Act, suitable provisions are therefore made in the Bill for this purpose.

#### **Liquidators' powers of attachment and sale.**

26. Powers of attachment and sale are given to liquidators under new section 51. He is empowered to get disputes referred to arbitration and pay claims. All sums ordered to be recovered by a liquidator can be recovered as arrears of land revenue under the new section and a provision for appeal against the orders of the liquidator is also made.

#### **Bar of Civil Suits.**

27. In view of the principle that simplicity and elasticity should be the fundamental characteristics of co-operative legislation and that litigation in a court should be discouraged right through, a new section is enacted to make it clear that no civil court is left any jurisdiction to try any matter connected with the winding up of a society. By another section, it is expressly provided that all proceedings, between members of the society and between the member and the society arising from disputes touching the business of a society, should be decided under the Regulation and that Civil Courts have no jurisdiction to interfere. The idea is to avoid endless delay and litigation and to discourage taking up of affairs of Co-operative societies to civil courts.

#### **Disposal of Surplus assets.**

28. A new provision is made for the disposal of surplus assets of liquidated society, in accordance with the objects mentioned in the byelaws of the society, and where no object is specified in the byelaws for the application of such assets, to some objects of public utility determined by the society.

#### **Surcharge and Attachment**

29. New sections are proposed for dealing with surcharge and attachment. While following the provisions relating to arbitration in the Madras Act, the term "business" has been elaborately explained on the lines of the decision contained in A. I. R. 1923 Madras 481. The jurisdiction of the civil court has been definitely ousted by a specific provision on the lines of the Madras and Bombay Acts.

### **Execution of Decrees through Revenue Courts.**

30. There is a large body of public opinion which urged that the delays and evasions inevitable from the existing system of Civil Procedure are such as would often render a decision or an award so obtained entirely ineffective. The Civil Courts often insist on unnecessary formalities of evidence. It is, therefore, urged that the decisions and awards under the Regulation should be made enforceable by the procedure allowed for the recovery of land revenue. It is, therefore, thought proper to provide in the new Regulation that orders of a liquidator and those of the Registrar or his nominee or arbitrators should be executed either through the Civil Court as its own decree or through revenue courts following the same procedure as in matters of recoveries of arrears of land revenue.

### **Offences and Penalties.**

31. Regulation X of 1089 required the society and the office-bearer to do many things. But no provision was made to take notice of the failure to comply with the provisions. The only offence for which punishment was provided is the use of the word 'Co-operative' by persons other than co-operators. A great laxity has been the result. It is therefore proposed to declare wilful failure, wilful neglect or refusal, wilful submission of a false return and wilful disobedience of summons, etc., an offence under the new Regulation. The offences are made non-cognizable and triable only by a First Class Magistrate while an adequate safeguard against irresponsible prosecutions is provided by requiring the permission of the Registrar before launching a prosecution. Existence of the penal sections will stimulate methods. The provisions are based on Madras and Bombay Acts.

### **Registration of Inter-Provincial Societies.**

32. A new section is added to meet the requirements that might arise in the future as a result of the resolution passed by the Eleventh Conference of the All India Registrars held at New Delhi in January 1934 to start societies with activities of an inter-provincial character.

### **Notice to Registrar.**

33. Another section is added to lessen the evils of litigation that might ensue as a result of non-members drawing the society to Civil Courts. This section provides an opportunity for the Registrar to intercede.

### **The Amended Rules.**

34. More rule-making powers are conferred upon Government. To keep in line with the suggested amendments, we have prepared the draft of amended rules which are also appended.

**DRAFT REVISED BILL**

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## BILL NO.—OF 1110.

A Bill to consolidate and amend the Law relating to Co-operative Societies.

## Amended Bill (Draft.)

*Preamble.*

Whereas it is expedient further to facilitate the formation and working of Co-operative Societies for the promotion of thrift, self-help and mutual aid among agriculturists and other persons with common economic needs so as to bring about better living, better business and better methods of production and for that purpose to consolidate and amend the law relating to co-operative societies in Travancore It is hereby enacted as follows:—

## PRELIMINARY.

1. (1) *Short Title and Extent.*—This Regulation may be called The Co-operative Societies Regulation.

(2) It shall come into force on the day of.....

(3) It extends to the whole of Travancore.

2. *Definitions.* In this Regulation, unless there is anything repugnant in the subject or context:—

(a) "Bylaws" means the registered bylaws for the time being in force and includes a registered amendment of the bylaws.

(b) "Committee" means the Committee of management or other directing body to whom the management of the affairs of a society is entrusted;

(c) "Member" includes a person joining in the application for the registration of a society and a person admitted to membership after registration in accordance with the bylaws or any rules;

(d) "Officer" includes a Chairman, Vice-Chairman, a President, Vice-President, Secretary, Assistant Secretary, Member of Committee and any other person empowered under the rules or bylaws to give directions in regard to the business of the society;

(e) "Registered Society" means a society registered or deemed to be registered under this Regulation;

(f) "Registrar" means a person appointed to perform the duties of a Registrar of Co-operative Societies under this Regulation; and

(g) "Rules" means Rules made under this Regulation.

## Registration.

3. *The Registrar.*—Our Government may appoint a person to be Registrar of Co-operative Societies for the State or any portion of it and may appoint persons to assist such Registrar and may by general or special order confer on any such persons all or any of the powers of a Registrar under this Regulation.

4. *Societies which may be registered.*—Subject to the provisions hereinafter contained, a society which has as its object the promotion of the economic interests of its members in accordance with co-operative principles, or a society established with the object of facilitating the



operations of such a society, may be registered under this Regulation with or without limited liability :

Provided that unless our Government by general or special order otherwise directs—

(i) The liability of a society of which a member is a registered society shall be limited ; and

(ii) the liability of a society of which the primary object is the creation of funds to be lent to its members, and of which the majority of the members are agriculturists and of which no member is a registered society shall be unlimited and the members of such a society shall, on its liquidation, be jointly and severally liable for and in respect of all its obligations :

Provided further that when the question whether the liability of a society is limited or unlimited has once been decided by the Registrar at the time of registration, his decision shall be final.

5. *Change of liability.*—(1) Subject to the provisions in section 4 and to any rules made in this behalf, a registered society may, with the previous sanction of the Registrar, change its liability from limited to unlimited or from unlimited to limited :

Provided that—

(i) the society shall give notice in writing of its intention to change its liability to all its members and creditors ;

(ii) any member or creditor shall, notwithstanding any bylaw or contract to the contrary, have the option of withdrawing his shares, deposits or loans, as the case may be, within three months of the service of such notice on him and the change shall not take effect until all such claims have been satisfied ; and

(iii) any member or creditor, who does not exercise his option within the period aforesaid, shall be deemed to have assented to the change.

(2) Notwithstanding anything contained in the proviso to sub-section (1) the change shall take effect at once if all the members and creditors assent thereto.

6. *Restrictions on interest of member of society with limited liability and a share capital.*—Where the liability of the members of a society is limited by shares, no member other than a registered society shall—

(a) hold more than such portion of the share capital of the society, subject to a maximum of one-fifth, as may be prescribed by the rules ; or

(b) have or claim any interest in the shares of the society exceeding three thousand rupees provided that if the society is a housing society a member may have or claim any interest in the shares of the society not exceeding Rs. 10,000.

7. *Conditions of Registration.*—(1) No society, other than a society of which a member is a registered society, shall be registered under this Regulation which does not consist of at least ten persons who have attained the age of majority and, where the object of the society is the creation of funds to be lent to its members, unless such persons—

(a) reside in the same town or village or in the same group of villages; or

(b) save where the Registrar otherwise directs, are members of the same tribe, class, caste or occupation.

(2) The word 'limited' shall be the last word in the name of every society with limited liability registered under this Regulation.

8. *Power of Registrar to decide certain Questions.*—When any question arises whether for the purpose of the formation, or registration or continuance of a society under this Regulation a person is an agriculturist or a non-agriculturist or whether any person is a resident in a town or village or group of villages or whether two or more villages shall be considered to form a group or whether any person belongs to any particular tribe, class, caste or occupation, the question shall be decided by the Registrar whose decision shall be final.

9. *Application for Registration.*—(1) For purposes of registration, an application to register shall be made to the Registrar.

(2) The application shall be signed—

(a) in the case of a society of which no member is a registered society, by at least ten persons qualified in accordance with the requirements of section 7, sub-section (1); and

(b) in the case of a society of which no member is a registered society, by a duly authorised person on behalf of every such registered society and, where all the members of the society are not registered societies, by ten other members, or when there are less than ten other members, by all of them.

(3) The application shall be accompanied by a copy of the proposed bylaws of the society and the persons by whom or on whose behalf such application is made shall furnish such information in regard to the society as the Registrar may require.

10. *Registration.*—If the Registrar is satisfied that a society has complied with the provisions of this Regulation and the Rules and that its proposed bylaws are not contrary to this Regulation or to the Rules, he may, if he thinks fit, register the society and its bylaws. In case of refusal an appeal shall lie to Our Government within two months from the date of the issue of the order of refusal.

11. *Evidence of Registration* :—A certificate of registration signed by the Registrar shall be conclusive evidence that the society therein mentioned is duly registered, unless it is proved that the registration of the society has been cancelled.

12. *Amendment of the bylaws of a registered society* :—(1) No amendment of the bylaws of a registered society (whether by way of cancellation, addition or alteration) shall be valid until approved by the resolution of a general meeting and registered under this Regulation, for which purpose, a copy of the amendment shall be forwarded to the Registrar

(2) If the Registrar is satisfied that any amendment of the bylaws is not contrary to this Regulation or the Rules he may, if he thinks fit, register the amendment.

(3) When the Registrar registers an amendment of the bylaws of a society, he shall issue to the society a copy of the amendment certified by him, which shall be conclusive evidence that the same is duly registered.

(4) Notwithstanding anything contained herein, the Registrar shall have power to make, alter or rescind any bylaw of any society registered under this Regulation.

13. *Annual general meeting* :—Every society shall, within a period of three months after the date fixed for making up its accounts for the year under the rules for the time being in force, call a general meeting of its members.

14. *Special general meetings* :—A special general meeting may be called at any time by a majority of the committee and shall be called within one month—

(1) on the requisition in writing of one-fifth of the members of the society, or

(2) at the instance of the Registrar.

15. *Change of name; its effect* :—A society may, by a resolution of a general meeting and with the approval of the Registrar, change its name: but such change shall not affect any right or obligation of the society, or of any of its members, or past members and any legal proceedings pending may be continued by or against the society under its new name.

16. *Division and Amalgamation of Societies* :—(a) (1) Any registered society may, at a meeting of its general body specially called for the purpose of which at least seven clear days' notice shall be given to its members, resolve to divide itself into two or more societies. The resolution (hereinafter in this sub-section referred to as the preliminary resolution) shall contain proposals for the division of the assets and liabilities of the society among the new societies into which it is proposed to divide it and may prescribe the area of operations of, and specify the members who will constitute, each of the new societies.

(2) (i) A copy of the preliminary resolution shall be sent to all the members and creditors of the society.

(ii) Any member of the society may, notwithstanding any bylaw to the contrary, by notice given to the society within a period of three months from his receipt of the preliminary resolution, intimate his intention not to become a member of any of the new societies.

(iii) Any creditor of the society may, notwithstanding any agreement to the contrary, by notice given to the society within the said period, intimate his intention to demand a return of the amount due to him.

(3) After the expiry of three months from the receipt of the preliminary resolution by all the members and creditors of the society, a meeting of the general body of the society, of which at least fifteen

clear days' notice shall be given to its members, shall be convened for considering the preliminary resolution. If, at such meeting, the preliminary resolution is confirmed by a resolution passed by a majority of not less than two-thirds of the members present, either without changes or with such changes as, in the opinion of the Registrar, are not material, he may, subject to the provisions of clause (5) and section (10) register the new societies and the bylaws thereof. On such registration, the registration of the old society shall be deemed to have been cancelled.

The opinion of the Registrar as to whether the changes made in the preliminary resolution are or are not material shall be final and no appeal shall lie therefrom.

(4) At the meeting referred to in Clause (3) provision shall be made by another resolution for—

(i) the repayment of the share capital of all the members who have given notice under sub-clause (ii) of Clause (2) and

(ii) the satisfaction of the claims of all the creditors who have given notice under sub-clause (iii) of Clause (2):

Provided that no member or creditor shall be entitled to such repayment or satisfaction until the preliminary resolution is confirmed as provided in Clause (3).

(5) If, within such time as the Registrar considers reasonable, the share capital of the members referred to in Clause (4) is not repaid or the claims of the creditors referred to in that clause, are not satisfied, the Registrar may refuse to register the new societies.

(6) The registration of the new societies shall be a sufficient conveyance to vest the assets and liabilities of the original society in the new societies in the manner specified in the preliminary resolution as confirmed under Clause (3).

(b) (1) Two or more registered societies may, at meetings of their respective general bodies specially called for the purpose of which at least seven clear days' notice shall be given to their respective members, resolve to amalgamate into one society. This resolution is hereinafter in this sub-section referred to as the preliminary resolution.

(2) (i) A copy of the preliminary resolution of each society shall be sent to all the members and creditors thereof.

(ii) Any member of any such society may, notwithstanding any bylaw to the contrary, by notice given to the society of which he is a member within a period of three months from his receipt of the preliminary resolution, intimate his intention not to become a member of the new society.

(iii) Any creditor of any such society may, notwithstanding any agreement to the contrary by notice given to the society of which he is a creditor within the said period, intimate his intention to demand a return of the amount due to him.

(3) After the expiry of three months from the receipt of the preliminary resolution by all the members and creditors of all the societies, a joint meeting of the members of such societies of which at

least fifteen clear day's notice shall be given to them, shall be convened for considering the preliminary resolution. If, at such meeting, the preliminary resolution is confirmed by a resolution passed by a majority of not less than two-thirds of the members present either without changes or with such changes as, in the opinion of the Registrar, are not material, he may, subject to the provisions of Clause (5) and section 10, register the new society and the bylaws thereof. On such registration, the registration of the old societies shall be deemed to have been cancelled.

The opinion of the Registrar as to whether the changes made in the preliminary resolution are or are not material shall be final and no appeal shall lie therefrom.

(4) At the joint meeting referred to in Clause (3), provision shall be made by another resolution for —

(i) the repayment of the share capital of all the members who have given notice under sub-clause (ii) of Clause (2) and

(ii) the satisfaction of the claims of all the creditors who have given notice under sub-clause (iii) of Clause (2)—

Provided that no member or creditor shall be entitled to such repayment or satisfaction until the preliminary resolution is confirmed as provided in Clause (3).

(5) If, within such time as the Registrar considers reasonable, the share capital of the members referred to in clause (4) is not repaid or the claims of the creditors referred to in that clause are not satisfied, the Registrar may refuse to register the new society

(6) The registration of the new society shall be a sufficient conveyance to vest in it all the assets and liabilities of the original societies.

#### 17. Rights and Liabilities of members.

*Member not to exercise rights till due payments made:*—(1) No member of a registered society shall, save as otherwise provided in sub-section (2), exercise the rights of a member unless or until he has made such payment to the society in respect of membership or acquired such interest in the society as may be prescribed by the Rules and bylaws of such society.

(2) In the case of a society registered after the commencement of this Regulation, the persons who have signed the application to register the society may elect a Committee to conduct the affairs of the society for a period of three months from the date of registration or for such further period as the Registrar may consider desirable.

Provided that the Committee shall cease to function as soon as the members of the society have elected a Committee in accordance with its bylaws.

18. *Votes of Members:*—(1) No member of any registered society shall have more than one vote in the affairs of the society provided that in the case of an equality of votes the chairman shall have a casting vote.

(2) A registered society which has invested any part of its funds in the shares of another registered society may appoint any of its members not disqualified for such appointment under any rules prescribed in that behalf to vote in the affairs of such other registered society.

19. *Restrictions on transfer of share or interest*:—(1) The transfer or charge of the share or interest of a member in the capital of a registered society shall be subject to such conditions as to maximum holding as may be prescribed by this Regulation or by the Rules.

(2) A member shall not transfer any share held by him or his interest in the capital or property of any society or any part thereof unless:—

(a) he has held such share or interest for not less than one year; and

(b) the transfer or charge is made to the society or to a member of the society or to a person whose application for membership has been accepted by the society.

#### Duties of Registered Societies.

20. *Address of societies*.—Every society shall have an address registered in accordance with the Rules, to which all notices and communications may be sent, and shall send notice in writing to the Registrar of any change in the said address within thirty days of such change.

21. *Copy of Regulation, Rules and bylaws to be open to inspection*—Every registered society shall keep a copy of this Regulation and of the rules governing such society and of its bylaws open to inspection, free of charge, at all reasonable times at the registered address of the society.

22. *Audit*.—(1) The Registrar shall by himself or by some person authorised by him in writing by general or special order in this behalf audit the accounts of every society once at least in every year.

(2) The audit under sub-section (1) shall include an examination of overdue debts, if any, the verification of cash balance and securities and a valuation of the assets and liabilities of the society.

(3) The Registrar or other person auditing the accounts of any society shall have free access to the books, accounts and vouchers of such society and shall be allowed to verify its cash balances and securities.

The Committee, Manager and other officers of the society shall furnish to the Registrar or other person appointed to audit the accounts of a society all such information as to its transactions and working as the Registrar or such person may require and shall produce the cash for verification with the cash balance when demanded by the Registrar or the person appointed to audit.

(4) The Registrar and every other person appointed to audit the accounts of a society shall have power when necessary

(i) to summon at the time of his audit any officer, agent, servant or member of the society who he has reason to believe can give valuable information in regard to any transaction of the society or the management of its affairs, or

(ii) to require the production of any book or document relating to the affairs of any cash or securities belonging to the society by the officer, agent, servant or member in possession of such book, document, cash or securities.

#### Privileges of Registered Societies.

23. *Societies to be bodies corporate.*—The Registration of a society shall render it a body corporate by the name under which it is registered, with perpetual succession and a common seal, and with power to hold property, to enter into contracts, to institute and defend suits and other legal proceedings and to do all things necessary for the purposes of its constitution.

24. *Prior claim of society.*—Subject to any prior claim of Government in respect of land revenue or any money recoverable as land revenue or of a landlord in respect of rent or any money recoverable as rent,

(a) any debt or outstanding demand owing to a society by any member or past member or deceased member shall be a *first charge*

(1) upon crops or other agricultural produce raised in whole or in part with a loan taken from the society by such member or past member or deceased member ; and

(2) upon any cattle, fodder for cattle, agricultural or industrial implements or machinery or raw materials for manufacture or workshops, godown or place of business supplied to or purchased by such member or past member or deceased member in whole or in part from any loan whether in money or goods given him by the society ;

Provided that nothing contained in this clause shall affect the claim of any bonafide purchaser or transferee for value without notice of any such crops or other agricultural produce, cattle, fodder for cattle or raw materials for manufacture or workshops or agricultural or industrial implements ; and

(b) any outstanding demands or dues payable to a housing society by any member or past member or deceased member in respect of rent, shares, loans or purchase money or any other rights or amounts payable to such society shall be a *first charge* upon his interest in the immoveable property of the society.

25. *Charge and set off in respect of shares or interest of member :—* A registered society shall have a charge upon the share or interest in the capital and on the deposits of a member or past or deceased member and upon any dividend, bonus or profits payable to a member or past member or the estate of a deceased member in respect of any debt due from such member or past member to the society, and may set off any sum credited or payable to a member or past member or the estate of a deceased member in or towards payment of any such debt.

26. *Shares or interest not liable to attachment.*—Subject to the provisions of section 25, the share or interest of a member in the capital of a registered society shall not be liable to attachment or sale under any decree or order of a Court of Justice in respect of any debt or liability incurred by such member, and neither the official assignee under the Insolvency Regulation No. V.II of 1090 nor a Receiver appointed under the Code of Civil Procedure (Regulation VIII of 1100) shall be entitled to or have any claim on such share or interest.

27. *Transfer of interest on death of member.*—On the death of a member of a society, such society may, within a period of one year from the death of such member, transfer the share or interest of the deceased member to a person or persons nominated in accordance with the bylaws of the society. If duly admitted a member of the society, in accordance with the Rules or the bylaws of the society, or, if there is no person so nominated, to such person as may appear to the Committee to be the heir or legal representative of the deceased member if duly elected a member of the society, or may pay to such nominee, heir or legal representative, as the case may be, a sum representing the value of such member's share or interest as ascertained in accordance with the rules or bylaws :

Provided that such nominee, heir or legal representative, as the case may be, may require that payment shall be made by the society within one year from the death of the member of the value of the share or interest of such member ascertained as aforesaid.

(2) A society shall subject to the provisions of section 25 and unless prevented by an order of a competent court pay to such nominee, heir or legal representative as the case may be, all other monies due to the deceased member from the society.

(3) All transfer and payments made by a society in accordance with the provisions of this section shall be valid and effectual against any demand made upon the society by any other person.

28. *Liability of past member or of the estate of a deceased member :* The liability of a past member or of the estate of a deceased member for the debts of a registered society as they existed on the date of his ceasing to be a member or of his decease, as the case may be, shall continue for a period of two years from such date.

29. *Register of members.* Any register or list of members or shares kept by any registered society shall be prima facie evidence of any of the following particulars entered therein —

(a) the date which the name of any person was entered in such register or list as a member

(b) the date at which any such person ceased to be a member.

30. *Admissibility of copy of entry as evidence.* (1) A copy of any entry in any book, register or list regularly kept in the course of business in the possession of a society shall, if duly certified in such manner as may be prescribed by the Rules, be admissible in evidence of the existence of the entry and shall be admitted as evidence of the



matters and transactions therein recorded in every case where, and to the same extent to which, the original entry would, if produced, have been admissible to prove such matters.

(2) In the case of such societies as Government by general or special order may direct, no officer of a society shall, in any legal proceedings to which, the society is not a party, be compelled to produce any of the societies' books, the contents of which can be proved under sub-section (1), or to appear as a witness to prove the matters, transactions and accounts therein recorded, unless by order of the Court or a Judge made for special cause.

31. *Power to attach and sell defaulter's property*:—Whenever a decree or order of a civil court, a decision or an award of the Registrar or arbitrator or an order of the Registrar or liquidator is obtained by a registered society for the realisation of money, the Registrar or any person subordinate to him empowered by the Registrar in this behalf may, subject to such rules as may be prescribed by Our Government, recover the amount due under such decree, award or order together with the interest, if any, due thereon, and costs of the process by the attachment and sale of the property of the person against whom such decree, decision, award or order is obtained.

32. *Exemption from compulsory registration of instruments relating to shares and debentures of registered society*: Nothing in section 10, sub-section (1), clauses (a) and (b) of the Travancore Regulation II of 1087 shall apply to:—

(1) any instrument relating to shares in a registered society notwithstanding that the assets of such society consist in whole or in part of immoveable property; or

(2) any debenture issued by any such society and not creating, declaring, assigning, limiting or extinguishing any right, title or interest to or in immoveable property except in so far as it entitles the holder to the security afforded by a registered instrument whereby the society has mortgaged, conveyed or otherwise transferred the whole or part of its immoveable property or any interest therein to trustees upon trust for the benefit of the holders of such debentures; or

(3) any endorsement upon or transfer of any debenture issued by any such society.

33. *Power to exempt from Income-tax, Municipal tax, Stamp duty Registration and Court fees*. Our Government by notification in the Government Gazette, may in the case of any society or class of societies remit —

(1) the incometax or supertax payable in respect of the profits of the society, or of the dividends or other payments received by the members of the society on account of profits or in respect of interest on securities held by the society.

(2) any tax payable under the Municipalities Regulation V of 1095 for the time being in force.

(3) the stamp duty with which, under any law for the time being in force, instruments executed by or on behalf of a society or by an officer or member and relating to the business of such society or any class of such instruments, or awards of the Registrar or arbitrators under this Regulation are respectively chargeable; and

(4) any fee payable under the law of Registration and Court fees for the time being in force.

34. *Government aid to registered societies.*—Notwithstanding anything contained in any other enactment, Our Government may, subject to such rules as may be prescribed in this behalf, grant loans to, take shares in, or give financial assistance in any other form to any registered society.

#### Property and Funds of Registered Societies.

35. *Restrictions on Loans:*— (1) A registered society shall not make a loan to any person other than a member :

Provided that, with the general or special sanction of the Registrar, a registered society may make loans to another registered society.

(2) Save with the sanction of the Registrar, a registered society shall not lend money on the security of moveable property other than agricultural produce.

(3) Notwithstanding anything contained in sub-sections (i) and (2), a registered society may make a loan to a depositor on the security of his deposit.

(4) Our Government may, by general or special order, prohibit or restrict the lending of money on mortgage of immoveable property by any registered society or class of registered societies.

36. *Restrictions on borrowings* —A registered society shall receive deposits and loans only to such extent and under such conditions as may be prescribed by the rules or the bylaws of the society.

37. *Investment of Funds:*—Subject to the provisions of sub-section (4) of section 35, a registered society may invest or deposit its funds:—

(a) in the Government Savings Bank ; or

(b) in Promissory notes, Debentures stock or other securities of the Government of India ; or

(c) in stock or debentures of, or shares in Railway or other companies, the interest whereon shall have been guaranteed by the Government of India or by the Government of Travancore or

(d) on a first mortgage of immoveable property situate in Travancore provided that the property is not a leasehold for a term of years and that the value of the property exceeds by one-third or if it consists of buildings, exceeds by one-half, the mortgage amount ; or

(e) in the shares of any society or on the security of any other registered society in Travancore, provided that no such investment shall be made in the shares of any society other than one with limited liability or

(f) with any bank or person carrying on the business of banking approved for this purpose by the Registrar ; or

(g) in any other mode permitted by the Rules.  
 (2) Any investments or deposits made before the commencement of this Regulation had been in force are hereby ratified and confirmed.

38. *Restrictions on Dividend*:—No society shall pay a dividend to its members at a rate exceeding  $7\frac{1}{2}$  per cent.

39. *Reserve Fund* —(1) Every society which does or can derive profit from its transactions shall maintain a Reserve Fund.

(2) In the case of a Producer's society at least  $\frac{1}{4}$  of the net profits of the society each year shall be carried to the Reserve Fund and in the case of any other society at least  $\frac{1}{10}$ th of the net profits of the society each year shall be carried to the Reserve Fund, and such Reserve Fund may be used in the business of the society, or may be invested, subject to the provisions of Section 37, as Government may by general or special order direct, or may, with the previous sanction of Government, be used in part for some public purpose likely to promote the objects of this Regulation or for some purposes of provincial or local interest.

40. *Restrictions on distribution of profits*:—Subject to the provisions of Section 38, the balance of the profits of a society after making the prescribed provision for the Reserve Fund may, together with any available profits of past years, be distributed among its members, provided that no distribution of profits shall be made without the sanction of the Registrar.

41. *Provident Fund*:—Any society may establish a provident fund for its members out of contributions from such members in accordance with bylaws made by the society in this behalf and may contribute to such provident fund from its net profits, after the prescribed payments have been made to the Reserve Fund, provided that such provident fund shall not be used in the business of the society but shall be invested under the provisions of Section 37; and provided further, that no part of such provident fund shall be considered as an asset of such society.

42. *Contribution to charitable purpose*:—Any registered society may after one-fourth, or one-tenth as the case may be, of the net profits in any year has been carried to a reserve fund, contribute an amount not exceeding  $7\frac{1}{2}$  per cent. of the remaining net profits to any charitable purpose as defined in Section 2 of the Charitable Endowments Regulation, II of 1082.

#### **Inquiry and Inspection.**

43. *Inquiry by Registrar*—(1) The Registrar may of his own motion, and shall on the request of the Dewan Peishkar or on the application of the majority of the Committee or of not less than one-third of its members, hold an inquiry, or direct some person authorised by him in writing in this behalf to hold an inquiry into the constitution, working and financial condition of a registered society.

(2) The Registrar or the person authorised by him under sub-section (1) shall have the following powers, namely :—

(a) He shall, at all reasonable times, have free access to the books, accounts, documents, securities, cash and other properties belonging to or in the custody of the society and may summon any person in possession or responsible for the custody of any such books, accounts, documents, securities, cash or other properties to produce the same at any place at the headquarters of the society or any branch thereof.

(b) He may summon any person who he has reason to believe has knowledge of any of the affairs of the society to appear before him at any place at the headquarters of the society or any branch thereof and may examine such person on oath.

(c) (i) He may, notwithstanding any rule or byelaw prescribing the period of notice for a general meeting of the society, require the officers of the society to call a general meeting at such time and place at the head-quarters of the society or any branch thereof and to determine such matters as may be directed by him. If the officers of the society refuse or fail to call such a meeting, he shall have power to call it himself.

(ii) Any meeting called under clause (i) shall have all the powers of a general meeting called under the bylaws of the society and its proceedings shall be regulated by such by-laws.

44. *Inspection of books by Registrar* (1) The Registrar may, on the application of a creditor of a registered society or of his own motion inspect or direct some person authorised by him in this behalf by a general or special order in writing to inspect the books of the society and the Registrar or the person so authorised shall have all the powers of the Registrar when holding an inquiry under Section 43.

(2) No inspection shall be made or directed under sub-section (1) unless the creditor—

(a) satisfies the Registrar that the debt is a sum then due, and that he has demanded payment thereof and has not received satisfaction within a reasonable time; and

(b) deposits with the Registrar such sum as security for the costs of the proposed inspection as the Registrar may require.

(3) Where an inspection is made under sub-section (1), the Registrar shall communicate the results of such inspection to the creditor to whom the society is indebted.

45. *Costs of Inquiry and Inspection.* Where an inquiry is held under Section 43 or an inspection is made under Section 44, the Registrar may after giving the parties an opportunity to be heard, apportion the costs, or such part of the costs as he may think right, between the society, the members or creditor demanding an inquiry or inspection, the officers or former officers of the society.

46. *Recovery of costs.* Any sum awarded by way of costs under section 45 may be recovered as if it were an arrear of land revenue.

**Supersession of Committee of Society.**

47. *Supersession of Committee* (1) If, in the opinion of the Registrar, the committee of any registered society is not functioning properly, he may, after giving an opportunity to the committee to state its objections, if any, by order in writing, dissolve the committee and appoint a suitable person or persons to manage the affairs of the society for a specified period not exceeding two years. The period specified in such order may, at the discretion of the Registrar, be extended from time to time provided that such order shall not remain in force for more than four years in the aggregate.

(2) The person or persons so appointed shall have power, subject to the control of the Registrar, to recover the assets and discharge the liabilities of the society and take such other action as may be required in its interests.

(3) The Registrar may fix the remuneration payable to the person or persons so appointed. The amount of such remuneration and the other costs, if any, incurred in the management of the society shall be payable from its funds.

(4) The person or persons so appointed shall, at the expiry of the period of his or their appointment, arrange for the constitution of a new committee in accordance with the by-laws of the society.

(5) Nothing in this section shall be deemed to affect the power of the Registrar to cancel the registration of the society under Section 48.

**Dissolution of Society.**

48. *Dissolution:*— (1) If the Registrar, after an inquiry has been held under Section 43 or after an inspection has been made under Section 44 or on receipt of an application made by three-fourths of the members of a registered society, is of opinion that the society ought to be dissolved, he may by order in writing cancel the registration of the society. A copy of the order shall forthwith be communicated to the society.

(2) Any member of the society may, within two months from the date of the order made under sub-section (1) appeal to Our Government from such order.

(3) Where no appeal is presented within two months from the making of an order cancelling the registration of the society, the order shall take effect on the expiry of that period.

(4) Where an appeal is presented within two months, the order shall not take effect until it is confirmed by Our Government and such confirmation is communicated to the society.

(5) The society shall not transact any business after the order of cancellation is served on them, but shall forthwith hand over the records and cash, etc., to the liquidator. For any transaction carried on in violation of the above provision the members of the committee shall severally and jointly be liable.

49. *Cancellation of Registration of Society.* Where it is a condition of the registration of a society that it should consist of at least ten members who have attained the age of majority the Registrar may, by order in writing, cancel the registration of the society if at any time it is proved to his satisfaction that the number of the members has been reduced to less than ten such members.

50. *Effect of cancellation of Registration.* Where the registration of a society is cancelled, the society shall cease to exist as a corporate body—

(a) in the case of cancellation in accordance with the provisions of Section 48, from the date the order of cancellation takes effect;

(b) in the case of cancellation in accordance with the provisions of Section 49, from the date of the order.

51. *Winding up.* (1) Where the registration of a society is cancelled under Section 48 or Section 49, the Registrar may appoint any person to be liquidator of the society.

(2) Subject to any rules that may be made under this Regulation, the whole of the assets of the society shall, on the appointment of a liquidator under sub-section (1), vest in such liquidator and he shall have power to realise such assets by sale or otherwise.

(3) Such liquidator shall also have power, subject to the control of the Registrar

(a) to institute and defend suits and other legal proceedings on behalf of the society by his name of office;

(b) to get disputes referred to arbitration to the Registrar;

(c) to determine from time to time the contribution to be made or remaining to be made by the members or past members or by the estates or nominees, heirs or legal representatives of deceased members or by any officers or former officers, to the assets of the society, such contribution including debts due from such members or persons

(d) to investigate all claims against the society and subject to the provisions of this Regulation to decide questions of priority arising between claimants

(e) to pay claims against the society (including interest up to the date of cancellation of registration) according to their respective priorities, if any, in full or rateably, as the assets of the society permit; the surplus, if any, remaining after payment of the claims being applied in payment of interest from the date of such cancellation at a rate fixed by him but not exceeding the contract rate in any case;

(f) to determine by what persons and in what proportions the costs of the liquidation are to be borne;

(g) to give such directions in regard to the collection and distribution of the assets of the society as may appear to him to be necessary for winding up the affairs of the society and

(h) to carry on the business of the society so far as may be necessary for the beneficial winding up of the same.

(4) Subject to any rules that may be made under this Regulation, a liquidator appointed under this Section shall, in so far as such powers are necessary for carrying out the purposes of this Section, have power to summon and enforce the attendance of witnesses and to compel the production of any books, accounts, documents, securities, cash or other properties belonging to or in the custody of the society by the same means and (so far as may be) in the same manner as is provided in the case of a civil court under the Code of Civil Procedure VIII of 1100.

(5) Any sum ordered under this section to be recovered as a contribution to the assets of the society or as costs of liquidation may be recovered, on a requisition being made in this behalf to the Dewan Peishkar by the Registrar, in the same manner as arrears of land revenue.

(6) Save as provided in sub-section (5), orders made under this section shall, on application, be enforced by any civil court having local jurisdiction in the same manner as a decree of such court.

(7) When the affairs of the society have been wound up, the liquidator shall deposit the records of the society in such place as the Registrar may direct.

(8) Any person aggrieved by any order of the liquidator may appeal to the Registrar against such order within two months from the date of the issue of the order.

52. *Bar of suit in winding up and dissolution matters.* Save in so far as is expressly provided in this Regulation, no civil court shall take cognisance of any matter connected with the winding up or dissolution of a society under this Regulation, and when a winding up order has been made no suit or other legal proceeding shall lie or be proceeded with against the society except by leave of the Registrar and subject to such terms as he may impose.

53. *Disposal of surplus assets.* After all the liabilities including the paid up share capital of a cancelled society have been met, the surplus assets shall not be divided amongst its members but they shall be devoted to any object or objects described in the byelaws of the society and when no object is so described to any object of public utility determined by the general meeting of the society and approved by the Registrar or they may in consultation with them either be assigned by the Registrar in whole or in part to any or all of the following:—

(a) an object of public utility of local or communal interest :

(b) a charitable purpose as defined in Section (2) of the Charitable Endowments Regulation II of 1082

(c) the Travancore Co-operative Institute, Trivandrum or may be placed on deposit with the Central Co-operative Bank until such time as a new society with similar conditions is registered when with the consent of the Registrar such surplus may be credited to the Reserve Fund of such new society.

### Surcharge and attachment.

54. *Surcharge:* (1) Where in the course of an audit under Section 32 or an inquiry under Section 43 or an inspection under Section 44 or the winding up of a society, it appears that any person who has taken part in the organisation or management of the society or any past or present officer of the society has misappropriated or fraudulently retained any money or other property or been guilty of breach of trust in relation to the society, the Registrar may, of his own motion or on the application of the committee or liquidator or of any creditor or contributory, examine into the conduct of such person or officer and make an order requiring him to repay or restore the money or property or any part thereof with interest at such rate as the Registrar thinks just or to contribute such sum to the assets of the society by way of compensation in respect of the misappropriation, fraudulent retainer or breach of trust as the Registrar thinks just.

(2) The order of the Registrar under sub-section (1) shall be final unless it is set aside by the District Court having jurisdiction over the area in which the headquarters of the society are situated.

(3) Any sum ordered under this section to be repaid to a society or recovered as a contribution to its assets may be recovered on a requisition being made in this behalf to the Dewan Peishkar by the Registrar in the same manner as arrears of land revenue.

(4) This section shall apply notwithstanding that such person or officer may have incurred criminal liability by his act.

† 55. *Attachment of property.* Where the Registrar is satisfied on the application of the liquidator or otherwise that any person with intent to defeat or delay the execution of any order that may be passed against him under Clause (b) of sub-section (3) of Section 51 or Section 54—

(a) is about to dispose of the whole or any part of his property, or

(b) is about to remove the whole or any part of his property from the local limits of the jurisdiction of the Registrar,

The Registrar may, unless adequate security is furnished, direct the conditional attachment of the said property or such part thereof as he thinks necessary and such attachment shall have the same effect as if it had been made by a competent civil court.

### Arbitration.

56. *Disputes.* (1) If any dispute touching the business of a registered society arises:—

(a) among members, past members and persons claiming through members, past members and deceased members, or

(b) between a member, past member or person claiming through a member, past member or deceased member and the society, its committee or any officer, agent or servant of the society, or

(c) between the society or its committee and any officer, agent or servant of the society, or



(d) between the society and any other registered society, such dispute shall be referred to the Registrar for decision.

*Explanation* :—Business includes all disputes other than a dispute regarding the disciplinary action taken by the society or its committee against a paid servant of a society.

(2) The Registrar may, on receipt of such reference :—

(a) decide the dispute himself or

(b) transfer it for disposal to any person who has been invested by Our Government with powers in that behalf on the recommendation of the Registrar ; or

(c) subject to such rules as may be prescribed, refer it for disposal to an arbitrator or arbitrators.

(3) Subject to such rules as may be prescribed, the Registrar may withdraw any reference transferred under Clause (b) of sub-section (2) or referred under Clause (c) of that sub-section and deal with it in the manner provided in the said sub-section.

(4) Where the Registrar is satisfied that a party to any reference made to him under sub-section (1), with intent to defeat or delay the execution of any decision that may be passed thereon :—

(a) is about to dispose of the whole or any part of his property, or

(b) is about to remove the whole or any part of his property from the local limits of the jurisdiction of the Registrar,

The Registrar may, unless adequate security is furnished, direct the conditional attachment of the said property or such part thereof as he thinks necessary and as such attachment shall have the same effect as if it had been made by a competent civil court.

(5) The Registrar, may, of his own notion or on the application of a party to a reference, revise any decision thereon by the person to whom such reference was transferred or by the arbitrator or arbitrators to whom it was referred.

57. *Finality of order.* An order or an order passed in revision under Section 56 (5) shall be final and conclusive. The award of the arbitrators, or a decision by the Registrar or his nominee under Section 57 shall not be liable to be called in question in any Civil or Criminal Court.

58. *Powers to enforce attendance.* Wherever in this Regulation it is provided that the Registrar or person duly authorised by general or special order in writing by the Registrar in this behalf shall hold an inquiry under Section 43 or shall make an inspection under Section 44 or shall wind up a society or shall arbitrate, such Registrar, or person authorised, as the case may be, shall have the power to summon and enforce the attendance of witnesses including the parties interested or any of them and to compel them to give evidence, and to compel the production of documents by the same means and as far as possible in the same manner as is provided in the case of a civil court by the Code of Civil Procedure, VIII of 1100.

59. *Money how recovered.* (1) Every order passed by a liquidator under Section 51, or by the Registrar or his nominee or arbitrators on disputes referred to him or them under Clause (b) of Section 51 or under Sections 56 and 54 shall, if not carried out be executed—

(a) on a certificate signed by the Registrar or a liquidator by any civil court in the same manner as a decree of such court; or

(b) according to the law and under the rules for the time being in force for the recovery of arrears of land revenue, provided that any application for the recovery in such manner of any such sum shall be made to the Dewan Peishkar and shall be accompanied by a certificate signed by the Registrar or by any one to whom the said power has been delegated by the Registrar.

(2) When the property attached in execution of an order referred to in sub-section (1) cannot be sold for want of buyers, the same may be handed over to a society with the previous consent of the Registrar on such terms and conditions as may be agreed upon between the Dewan Peishkar and the said society.

#### Offences and Penalties.

60. *Offences:*—It shall be an offence under this Regulation if:—

(a) a registered society or an officer or member thereof, wilfully makes a false return or furnishes false information or

(b) any person wilfully or without any reasonable excuse disobeys any summons, requisition or lawful written order issued under the provisions of this Regulation or does not furnish any information lawfully required from him by a person authorised in this behalf under the provisions of this Regulation.

61. *Punishment for disposing of property in contravention of Section 24.* Any member or past member or the nominee, heir or legal representative of a deceased member contravening the provisions of Section 24 by fraudulently disposing of any property in respect of which the society is entitled to claim priority under that Section or doing any other act to the prejudice of such claim, shall be punishable with fine not exceeding two hundred rupees.

62. *Prohibition of the use of the word 'Co-operative'.* (1) No person other than a registered society shall trade or carry on business under any name or title of which the word 'co-operative' is part without the sanction of Our Government:

Provided that nothing in the section shall apply to the use by any person or his successor in interest of any name or title under which he traded or carried on business at the date on which the Co-operative Societies Regulation X of 1939 came into operation.

(2) Whoever contravenes the provisions of sub-section (1) shall be punishable with fine which may extend to fifty rupees and in the case of a continuing offence with further fine of five rupees for each day on which the offence is continued after conviction therefor.

63. *Punishment for offences not otherwise provided for.*—Any registered society or any officer or member thereof or any other person guilty of an offence under this Regulation for which no punishment is expressly provided herein shall be punishable with fine not exceeding fifty rupees.

64. *Cognizance of offences.*—(1) No court inferior to that of a Magistrate of the first class shall try any offence under this Regulation.

(2) Every offence under this Regulation shall, for the purposes of the Code of Criminal Procedure Regulation V of 1067, be deemed to be non-cognizable.

(3) No prosecution shall be instituted under this Regulation without the previous sanction of the Registrar. Such sanction shall not be given without giving the party concerned an opportunity to be heard.

#### Miscellaneous.

65. *Power of Government and Registrar to call for proceedings of subordinate officers and to pass orders thereon.*—Our Government or the Registrar may call for and examine the record of any enquiry or the proceedings of any officer subordinate to them for the purpose of satisfying themselves as to the legality or propriety of any decision or order passed and as to the regularity of the proceedings of such officer. If in any case it shall appear to Our Government or the Registrar that any decision or order or proceedings so called for should be modified, annulled, or reversed, our Government or the Registrar, as the case may be may pass such order thereon as to it or him may seem fit.

66. *Recovery of sums due to Government.*—(1) All sums due from a registered society or from an officer, former officer, member or past or deceased member of a registered society as such to the Government including any costs awarded to the Government in any proceeding under this Regulation may be recovered in the same manner as arrears of land revenue.

(2) Sums due from a registered society to the Government and recoverable under sub-section (1) may be recovered, firstly, from the property of the society secondly, in the case of a society the liability of the members of which is limited, from the members, past members or the estates of deceased members, subject to the limit of their liability; and, thirdly, in the case of other societies from the members, past members or the estates of deceased members:

Provided that the liability of past members and of the estates of deceased members shall in all cases be subject to the provisions of Section 28.

67. *Power to exempt societies from conditions as to registration.*—Notwithstanding anything contained in this Regulation our Government may, by special order in each case and subject to such conditions, if any, as it may impose, exempt any society from any of the requirements of this Regulation as to registration.

68. *Power to exempt registered societies from provisions of the Regulation.*—Our Government may, by general or special order, exempt any registered society from any of the provisions of this Regulation or may direct that such provisions shall apply to such society with such modifications as may be specified in the order.

69. *Regulation I of 1092 not to apply.*—The provisions of the Travancore Companies Regulation I of 1092 shall not apply to registered societies.

70. *Application to the saving of existing societies.*—(1) Every society now existing which has been registered under the Co-operative Societies Regulation X of 1089 shall be deemed to be registered under this Regulation and its by-laws shall, so far as the same are not inconsistent with the express provisions of this Regulation continue in force until altered or rescinded.

(2) All appointments, rules and orders made, notifications and notices issued and suits and other proceedings instituted under the said Regulation shall, so far as may be, be deemed to have been respectively made, issued and instituted under this Regulation.

71. *Acts of societies, etc., not to be invalidated by certain defects.*—No act of a registered society or any committee or of any officer of the society, shall be deemed to be invalid by reason only of some defect in the organisation of the society or in the formation of the general body or in the appointment or election of the officer or on the ground that he was disqualified for his office.

72. *Construction of references to Co-operative Societies Regulation X of 1089 in enactments.*—All references to the Co-operative Societies Regulation X of 1089 occurring in any enactment and for the time being in force in Travancore shall be construed as references to this Regulation.

73. *Branches &c. of societies outside the State.* Every Co-operative society registered outside the State, which has or establishes a branch or place of business in the State shall, within six months from the commencement of this Regulation, or from the establishment of such branch or place of business, file with the Registrar a certified copy of the by-laws and amendments, and if these are not written in the English language, a certified translation in English thereof and shall submit to the Registrar such returns and information as are submitted by similar societies in the State in addition to those submitted to the Registrar of that place where it is registered

74. *Notice necessary in suits.*—No suit shall be instituted against a society or any of its officers in respect of any act touching the business of the society until the expiration of two months next after notice in writing has been delivered to the Registrar or left at the office of the Registrar stating the cause of action, the name, description and place of residence of the plaintiff and the relief which he claims and the plaint shall contain a statement that such notice has been so delivered or left.

75. *Rules.*—(1) Our Government may, for the whole or any part of the State, and for any registered society or class of such societies, make rules to carry out all or any of the purposes of this Regulation.

(2) In particular and without prejudice to the generality of the foregoing power, such rules may :—

(a) subject to the provisions of section 6, prescribe the maximum number of shares or portion of the capital of a society which may be held by a member;

(b) prescribe the forms to be used and the conditions to be complied with in the making of applications for the registration of a society and the procedure in the matter of such applications :

(c) subject to the provisions of section 5 prescribe the procedure to be followed when societies change their form of liability :

(d) prescribe the matters in respect of which a society may or shall make bylaws and for the procedure to be followed in making, altering and abrogating bylaws, and the conditions to be satisfied prior to such making, alteration or abrogation :

(e) prescribe the conditions to be complied with by persons applying for admission or admitted as members, and provide for the election and admission of members, and the payment to be made and the interests to be acquired before the exercise of the right of membership :

(f) regulate the manner in which funds may be raised by means of shares or debentures or otherwise ;

(g) provide for general meetings of the members and for the procedure at such meetings and the powers to be exercised by such meetings ;

(h) prescribe in the case of a financing bank ;

(i) the proportion of individual members to society members in the constitution of its general body or of its committee ; and

(ii) the maximum number of members of its committee.

(j) provide for the appointment, suspension and removal of the members of the committee and other officers and for the procedure at meetings of the committee and for the powers to be exercised and the duties to be performed by the committee and other officers ;

(k) prohibit a society from appointing a defaulting member of any society to its committee or to the committee of any other society and allowing him to exercise his rights of membership in the society or to represent it in another society and vote ;

(l) prescribe the accounts and books to be kept by a society and provide for the audit of such accounts and the charges, if any, to be made for such audit, and for the periodical publication of a balance sheet showing the assets and liabilities of a society :

(l) prescribe the returns to be submitted by a society to the Registrar and provide for the persons by whom and the form in which such returns shall be submitted and in case of failure to submit any such return for the levy of the expenses of preparing it ;

(m) provide for the persons by whom and the form in which copies of entries in books of societies may be certified and for the charges to be levied for the supply of such copies ;

(n) provide for the formation and maintenance of a register of members and, where the liability of the members is limited by shares, of a register of shares ;

(o) provide for—

(i) the appointment of an arbitrator or arbitrators to decide disputes ;

(ii) the procedure to be followed in proceedings before the Registrar, arbitrator or arbitrators or other person deciding disputes including the appointment of a guardian for a party to the dispute who is a minor or who, by reason of unsoundness of mind or mental infirmity, is incapable of protecting his interests ;

(iii) the levy of the expenses incidental to such proceedings ;  
and

(iv) the enforcement of the decisions or awards in such proceedings.

(p) provide for the withdrawal and expulsion of members and for the payments, if any, to be made to members who withdraw or are expelled and for the liabilities of past members or the estates of deceased members ;

(q) prescribe the prohibitions and restrictions subject to which societies may trade with persons who are not members ;

(r) provide for the mode in which the value of a deceased member's interest shall be ascertained, and for the nomination of a person to whom such interest may be paid or transferred ;

(s) prescribe the payments to be made and the conditions to be complied with by members applying for loans, the period for which loans may be made and the amount which may be lent, to an individual member ;

(t) provide for the formation and maintenance of reserve funds, and the objects to which such funds may be applied, and for the investment of any funds under the control of a society ;

(u) prescribe the extent to which a society may limit the number of its members ;

(v) prescribe the conditions under which profits may be distributed to the members of a society with unlimited liability and the maximum rate of dividend which may be paid by societies ;

(w) prescribe the procedure to be followed by a liquidator appointed under Section 51 and provide for the disposal of the surplus assets, if any, of the society ;

(x) subject to the provisions of this Regulation, determine the cases in which an appeal shall lie from the orders of the Registrar, and prescribe the procedure to be followed in presenting and disposing of all appeals under this Regulation;

(y) prescribe the period for which and the terms under which aid may be given by Our Government to societies and the terms under which Our Government may guarantee the payment of interest on debentures issued by societies;

(z) provide for the custody of property attached under this Regulation;

(aa) provide for the issue and service of processes and for proof of service thereof;

(bb) provide for the inspection of documents in the Registrar's office and the levy of fees for granting certified copies of the same;

(cc) provide for the investigation of claims and objections that may be preferred against any attachment effected by the Registrar or an officer empowered by him;

(dd) provide for the recovery of costs awarded against the Government in cases under Section 54.

(ee) prescribe the procedure for the attachment and sale of property under Section 31; and

(ff) provide for all matters expressly required or allowed by this Regulation to be prescribed by rules.

(3) The power to make rules conferred by this section is subject to the condition of the rules being made after previous publication.

(4) All rules made under this section shall be published in the Travancore Government Gazette and on such publication shall have effect as if enacted in this Regulation.

(5) All such rules shall be laid on the table of the Legislative Council.

76. *Repeal.*—The Co-operative Societies Regulation X of 1939 is hereby repealed.

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**Draft Amendments to the Rules under  
The Travancore Co-operative Societies Regulation.**

**RULES**

*Definitions.*

In these rules unless there is anything repugnant in the subject or context—

(a) 'the Regulation' means the Travancore Co-operative Societies Regulation.....

(b) 'co-operative year' means the year ending with the last day of Karkadagom or in the case of any society or class of societies the accounts of which are made to any other date with previous sanction of the Registrar the year ending with such date ;

(c) 'decree holder' means any person or society holding a decree or order of a civil court, a decision or an award of the Registrar or arbitrator or an order of the Registrar or liquidator for the realisation of the money ;

(d) 'defaulter' means any person against whom a society has obtained a decree or order of a civil court, a decision or an award of the Registrar or arbitrator or an order of the Registrar or liquidator for the realisation of money ;

(e) 'Assistant Registrar' means a person subordinate to the Registrar who is empowered to exercise the powers of a Registrar under Section 3 of the Regulation ;

(f) 'Sale Officer' means an officer of the Co-operative Department empowered by the Registrar by general or special order to attach and sell the property of defaulters ;

(g) 'society' means a registered society as defined in the Regulation ;

(h) 'supervising union' means a registered society, the main object of which is to control and supervise other registered societies which are its members ;

(i) 'working capital' means such portion of the reserve fund, paid-up share capital, loans and deposits received by a society and debentures issued by a society as have not been locked up in buildings and other fixed assets.

(j) 'Net profit' means net profits as certified by the Registrar under Rule XIII.

*Application for Registration.*

I. Any body of persons desiring to apply for registration as a co-operative society under section 9 of the Regulation shall apply to the Registrar of Co-operative Societies in the form prescribed in the Schedule appended to these rules.

II. With every application for registration, the applicants shall submit a draft of the byelaws agreed upon by them.  
 Subject matter of byelaws. The byelaws shall be consistent with the Regulation and with the rules made by our Government there under and they shall deal with the matters specified in clause (a) to (z)

and may deal with such other matters incidental to the organization of the society and the management of its business as may be deemed necessary—

- (a) the name and address of the society ;
- (b) in the case of a credit society, the area of its operations ;
- (c) the objects of the society ;
- (d) the purpose to which its funds are applicable ;
- (e) the qualifications for admission to membership and the payment, if any, to be made or interest to be acquired as a condition of exercising the right of membership ;
- (f) the nature and extent of the liability of the members for the debts contracted by the society ;
- (g) the circumstances under which withdrawal from membership shall be permitted ;
- (h) the procedure to be followed in cases of withdrawal, ineligibility and death of members ;
- (i) the conditions, if any, under which the transfer of a share or the interest of a member shall be permitted ;
- (j) the nature and amount of the share capital, if any, of the society and where there is a share capital, the maximum share capital which a single member can hold ;
- (k) the circumstances under which the society may borrow funds and the procedure to be followed in so borrowing ;
- (l) the entrance and other fees and the fines, if any, to be collected from members ;
- (m) the maximum loan admissible to a member and the procedure to be followed in granting loans and extensions of time for the repayment or renewals thereof and in recovering loans from members ;
- (n) the conditions on which loans and extensions of time for the repayment or renewals thereof, may be granted to members ;
- (o) the consequences of default in payment of any sum due by a member ;
- (p) the method of appropriating payments made by members from whom moneys are due ;
- (q) the maximum dividend payable on paid-up share capital to members ;
- (r) the rates of interest payable by the society on borrowed funds and by members on loans granted to them ;
- (s) in the case of productive and distributive societies, the procedure to be followed in purchasing and selling raw material and finished products and in stock-taking ;
- (t) the mode of holding meetings, the right of voting and subject to rule III, the manner of making, altering and abrogating byelaws ;
- (u) the mode of appointment and removal of the committee and of other officers, and the duties and powers of the committee and such officers ;

(v) the mode of custody and investment of the funds, and subject to Rules V and VII the mode of keeping accounts ;

(w) the authorization of an officer or officers to sign documents and to institute and defend suits and other legal proceedings on behalf of the society

(x) the disposal of the net profits ;

(y) the preparation and submission of the annual statements prescribed by the Registrar and the publication of the same and

(z) whether the society is to be affiliated to any supervising union or other institution and, if so, the charges to be paid in respect of such affiliation.

III. (1) The Registrar shall examine the application and the byelaws in order to satisfy himself ;

Procedure on receipt of application. (a) that the application and the byelaws are in conformity with the Regulation and the rules ;

(b) that the byelaws are suitable for carrying out the objects of the society and

(c) that the proposed society has reasonable chances of success with reference to local conditions and may before passing final orders, call for such further information or make such inquiry as he may deem necessary. It shall also be competent to the Registrar before registering a society to make such alterations in the draft byelaws submitted with application for registration as he may deem advisable.

(2) If the Registrar is not satisfied on all or any of the points mentioned in clauses (a), (b) and (c) of sub-rule (1), he shall refuse to register the society but if he is satisfied on all the said points, he may register the society and its byelaws and grant to such society, free of cost, a certificate of registration signed by himself and bearing his official seal ; and he shall also issue to the society along with the certificate of registration a certified copy of the draft byelaws as approved and registered by him, and these byelaws shall, subject to the result of any orders passed on appeal or in revision as provided in the Regulation, be the byelaws of the society.

(3) In every case in which the Registrar refuses to register the society, he shall record in writing the reasons for his refusal and shall communicate his decisions to the applicants free of cost.

IV. The Registrar shall keep (1) a register of the names and addresses of all societies ; and

(2) a register of the bylaws of each society, with all subsequent amendment thereto, arranged in the order in which the amendments are registered.

Registrar to keep record of names, addresses and bylaws of societies.

V. Societies shall keep the following accounts and books for the purpose of recording the business transacted by them :—

(a) *Books to be maintained by a credit society—*

- (1) Minutes book, recording the proceedings of the Committee and of the general body of members.
- Books to be maintained by credit society. (2) Admission book, showing the name and address of each member, the date of his admission, the shares taken by him and the amount paid by him towards such shares and the amount of share capital, if any, refunded to him, together with the date of each such payment and refund.
- (2) Cash book, showing daily receipts and expenditure, and the balance at the end of each day.
- (4) Receipt book, containing forms in duplicate, one of each set to be issued for money received by the society and the other to serve as counterfoil.
- (5) Loan ledger, showing the number and date of disbursement of each loan, issued to members, the amount of loan, the purpose for which it is granted and the date or dates of repayment, distinguishing principal and interest.
- (6) Ledger of borrowings, showing deposits and other borrowings of all kinds.
- (7) Liability register showing the indebtedness of each member to the society whether on account of loans taken directly by him or on account of loans for which he stands as surety.
- (8) Monthly register of receipts and disbursements.
- (9) Register of immoveable property of defaulters bought in auction by the society.
- (10) Register of closed loans.
- (11) Register showing progress of applications for arbitration and for execution.
- (15) Voucher file containing all vouchers for contingent expenditure incurred by the society numbered serially and filed chronologically.
- (13) Register of dividend.
- (14) In the case of a society with unlimited liability, Property Statement of members.
- Note*:—This statement shall show the assets and liabilities of each individual member on the date of his admission as well as on the last day of each co-operative year. Full details of property including survey numbers of lands shall be given. The statements should be entered in a register in stitched volumes.
- (15) In the case of a society with limited liability to which rule IX is applicable, Register of fluid resources.
- Note*:—This Register shall show the immediate liabilities of the society and the extent of fluid resources available to meet them.
- (16) In the case of a society with limited liability, the working capital of which exceeds Rupees five thousand, General ledger and
- (17) Such other accounts and books as may be required or prescribed by the Registrar.
- (b) Books to be maintained by a financing Bank—

In addition to the books to be maintained by a credit society under clause (a) a financing bank shall maintain the following books, namely :—

Books to be maintained by a financing bank.

- (1) Interest register, showing interest payable and paid by each borrower,
- (2) Reserve fund register, showing reserve funds of societies invested in the financing bank,
- (3) Suspense accounts, and
- (4) "General information register" showing under appropriate heads particulars about the financial condition and working of societies borrowing from the bank.

(c) *Books to be maintained by a distributive or productive society :—*

Societies with credit branches shall maintain all the books prescribed for credit societies other than a financing bank and societies without credit branches shall maintain the following books :—

Books to be maintained by a distributive or productive society.

- |  |                          |
|--|--------------------------|
| 1. Minute book,                                    | 2. Admission book,       |
| 3. Cash book,                                      | 4. Receipt book,         |
| 5. Voucher file,                                   | 5. Register of Dividend, |
| 7. Register of bonus on purchases made by members. |                          |

In addition, the following books shall be maintained by a distributive and productive society, with or without credit branches;—

- (1) Goods ledger containing a classification of goods stocked and sold.
- (2) Purchase book, showing the daily purchase of articles.
- (3) Sales chit.
- (4) Daily sales book.
- (5) Register of purchases made by members.

(d) *Books to be maintained by a supervising union ;—*

(1) Minutes book.

Books to be maintained by a supervising union.

- (2) Admission register of affiliated societies.
- (3) Day book.
- (4) Register of inspection of affiliated societies.
- (5) Register of loan applications from societies.
- (6) General information register with a demand, collection and balance statement of dues owing to a financing bank from every society which is under the supervision of the union.
- (7) Supervision fund register, and
- (8) Register of assets and liabilities of members, with an abstract of changes therein, of every society with unlimited liability which is under the supervision of the union.

## (9) REGISTER OF DELEGATES AND DELEGATION FEES

(e) Every other society shall keep, besides a Register of members cash book and minutes book, such other accounts and books as may be approved or from time to time required by the Registrar.

VI. For the purpose specified in Section 30 of the Regulation, a copy of an entry in the books of a society regularly kept in the course of business shall be certified—  
 Certifying copies of entries in books.

(a) by not less than three members of its Committee of whom one shall be the president or the Secretary and shall also bear the society's seal, or

(b) where an order has been passed under Section 51 of the Regulation appointing a liquidator of the society, by the liquidator.

The charges to be levied for the supply of such certified copies shall not exceed the amounts prescribed in that behalf by the Registrar from time to time.

VII. Members of co-operative societies or the public may obtain certified copies of the following documents from the Registrar's Office on payment of the following fees:—  
 Inspection of documents fees.

Application for registration of a society...	Re	0	2	0	each
Bye-laws of registered societies ...	Rs	0	2	0	per folio
Amendment of bye-laws of a registered society ...	Rs	0	2	0	per folio.
Certificates of Registration ...	Rs	0	2	0	each
Orders for cancellation of the registration of a society ...	Rs	0	2	0	per folio.
Audit memorandum of a registered society ...	Rs	0	2	0	per folio.
Annual Balance sheet ...	Rs	0	2	0	per folio.

VIII. (1) Every society shall prepare for each co-operative year in such form as may be prescribed by the Registrar  
 Registrar may require statements and returns to be furnished  
 (a) a statement showing the receipts and disbursements for the year,  
 (b) a profit and loss account,  
 (c) a balance sheet, and

(d) such other statement or return as may be prescribed by the Registrar.

(2) Every society shall submit to the Registrar annually within such time as he may direct, a copy of the statements specified in sub-rule, (1). After the Registrar has verified the statements and granted his audit certificate, the society shall publish the audit certificate and such of the prescribed statements as he may direct in the manner prescribed by him.

(3) All distributive and productive societies shall submit every year to the Registrar, in addition to the copies of the statements specified in sub-rule (1) a statement of verification of the stock on hand at the close of the co-operative year, in such form as may be prescribed by the Registrar and within such time as he may direct ;

(4) Every society shall, in addition to the annual statements specified in sub-rule 1 and 3, also submit to the Registrar any statement or return of the nature similar to that described in sub-rule 1 in such form, within such time and for such period as the Registrar may prescribe.

(5) In case of failure by any society to submit any statement or return specified in sub-rule (1) or sub-rule (3) or in sub-rule (4) within the time directed by him the Registrar may depute an officer to prepare the necessary statement or return at the expense of the society. Such expense shall be recoverable in the manner specified in section 65 of the Regulation.

**IX.** A society may receive deposits and loans from persons or institutions who are not members provided that the amount borrowed from such persons and institutions together with amount borrowed from members does not exceed the limit fixed from time to time by the Registrar for the society or for the class of societies to which it belongs.

**X.** (1) Every society with limited liability shall maintain fluid resource in such form and according to such standards as may be fixed by our Government from time to time by general or special order in respect of ;

(i) deposits and loans received from individuals as well as from bodies, not being societies and

(ii) cash credits granted to societies to serve as cover for deposits in such societies.

(2) Our Government may by general or special order empower the Registrar to relax the form or the standards so fixed for a specified period, in the case of any society or class of societies.

**XI.** Every member of a society may nominate a person to whom under Section 27 of the Regulation his share or interest in the capital shall be transferred or the value thereof or any sum payable under sub-section (2) of that section shall be paid. Such member may from time to time revoke or vary such nomination. Such nomination shall, in the event of his death, be given effect to by the society provided that—

(1) the nomination is in writing and has been signed by the deceased in the presence of at least two witnesses, attesting the same ;

(2) the nomination has been registered in the books of the society kept for the purpose; and

(3) the nominee may become a member only if admitted by the Committee.

The sum representing the share or interest of a deceased member in the capital of a society with unlimited liability shall for the purpose of section (i) of sub-section 27 be the amount actually paid towards the value of the share or interest held by him.

XII. (1) Every registered society the working capital of which amounted to twenty thousand rupees or more, on the last day of every co-operative year shall pay to Our Government a charge for the audit of its accounts for such year in accordance with the scale fixed by the Registrar with the previous approval of our Government in respect of the class of society to which it belongs:

Provided that this sub-rule shall not apply to—

(a) any agricultural credit society with unlimited liability; or

(b) any supervising union or the Travancore Co-operative Institute.

(c) any society which has its accounts audited at its own expense—

(i) under an arrangement approved by the Registrar, or

(ii) by a person authorized by the Registrar to audit the accounts of the society under Section 22 of the Regulation, if such person is willing to furnish the statements prescribed by Rule V and in the forms required by the Registrar.

(d) any non-credit society other than distributive societies with an annual turnover exceeding Rs. 25,000.

(2) The charge payable by a society under sub-rule (1) shall be for the co-operative year and shall be paid into the nearest Government treasury within four months of the close of such year.

(3) All charges leviable under this rule shall be recoverable in the manner specified in Section 65 of the Regulation.

(4) The Registrar may, at his discretion remit the whole or any part of the charge payable under sub-rule (1) by a particular society or by a particular class of societies, for any year or other specified period.

#### **Distribution of profits.**

XIII. In calculating the profits of a society for the year, for the purpose of declaring a dividend or bonus, all interest outstandings, whether overdue or not, on loans issued by societies and penal interest that is not actually collected shall be deducted from the gross profits of the year before the net profits are arrived at. All accrued and overdue interest, that has been so deducted from the profits of the year and is actually recovered during the subsequent year, may be added to the profits of the subsequent year.

#### **Bad Debts.**

XIV. Bad Debts may be written off against the Reserve fund of any society, and, in the case of limited liability societies, if the bad debts exceed the reserve fund, the balance remaining may be written off against the share capital of the society;



Provided that: (i) no bad debts shall be written off without the sanction of a general meeting;

(ii) Before any such debts are so written off the society if it is affiliated and indebted to a Taluk Bank, Banking Union or Central Bank shall obtain the approval of that Bank in writing which approval shall be given after consultation with the Assistant Registrar and shall be countersigned by him. If the society is not so affiliated, or if the society is so affiliated and not indebted to any Bank, it shall first obtain the approval of the Assistant Registrar in writing;

(iii) If the society itself is a Taluk Bank or Banking Union, the approval of the Central Bank, given in consultation with and countersigned by the Registrar, shall first be obtained;

(iv) In the case of the Central Bank, the approval of the Registrar shall be obtained.

#### **Distribution of bonus.**

XV. No registered society shall distribute any bonus on shares beyond the dividend declared under section 38.

#### **Payment of dividend by Consumer's or Producer's, or Housing Societies.**

XVI. No Consumers', Producers', or Housing Society shall pay its share holders a dividend exceeding  $6\frac{1}{2}$  per cent. in any year on the paid-up share capital standing in the name of each shareholder. If a society is unable to pay a dividend of  $6\frac{1}{2}$  per cent. in any year, it may make good the deficit by paying the difference out of profits in future years.

#### **Distribution of balance of profits.**

XVII. Any distribution of the remaining balance of profits under Section 40 and after the distribution of dividend under Section 38 shall be in accordance with the byelaws of the society regarding such distribution. It shall be in proportion to the wages earned by each member in the case of a producer's society, and to the amount of goods purchased by each member, or, where it is so provided in the byelaws, by each member or customer, in the case of a consumers' society. It shall also be in proportion to the amount of rent paid by each member in the case of a Housing Society, and, in the case of a resource society, may be in proportion to the goods obtained or sold through a distributive society by each member, or to the loans borrowed from, and the deposits made with, the society by each member.

#### **Restriction on distribution of funds by way of bonus, dividend or otherwise.**

XVIII. Without the sanction of the Registrar, no part of the funds of a registered society shall be divided, by way of bonus or dividend or otherwise, amongst its members in any year unless the entire expenditure incurred by such society has been debited in the annual profit and loss account before the net profit has been calculated.

Provided that any loss or portion of loss on account of bad debts written off during the year may not be so debited if it be deducted from any bad debt or with the sanction of the Registrar from the Reserve Fund.

**Investment of funds :—**

XIX. With the previous sanction of the Registrar any society may invest its funds, or a portion thereof, in the purchase or leasing of land or buildings and in the construction of buildings, provided that the purchase of such land or the construction of such buildings is likely to be advantageous to the society in the conduct of its business.

**Reserve funds :—**

XX. The reserve fund of any registered society may be utilised in the business of the society, or may be drawn upon for purposes sanctioned by the Registrar, or be invested or deposited in any of the ways mentioned in clauses (a), (b), (c) and (d) (e) and (f) of Section 37. The Registrar may, for reasons to be communicated in writing by him to the society, by general or special order, direct that the latter course be adopted. In the case of a society constituted with the object of co-operative housing on a co-partnership tenancy basis, the reserve fund may be utilised for expenditure on the maintenance, repair and renewal of the buildings of the society.

XXI. (1) On the dissolution of a society the reserve fund and other funds contributed by it under the provisions of its byelaws shall be applied—

Disposal of Reserve Fund after dissolution of society.

(i) to discharging such liabilities of the society as may remain undischarged after the enforcement in full of the liability of the individual members of the society;

(ii) to the repayment of the share capital paid up; and

(iii) to the payment of dividend upon such share capital at a rate not exceeding  $7\frac{1}{2}$  per cent per annum in the case of societies with limited liability and  $6\frac{1}{4}$  per cent per annum in the case of societies with unlimited liability for any period or periods for which no dividend has been paid.

(2) Such portion of these funds as shall remain after the payment, mentioned in Sub-rule (1) shall be applied to such local object of public utility as may be selected by the general body and approved of by the Registrar. If within 30 days after the issue of notice by the liquidator after the final closing of the society the general body fails to make any selection that is approved by the Registrar, the latter may use the above mentioned portion of the funds in supporting other co-operative societies in the neighbourhood or shall place the same on interest or otherwise with some co-operative bank until a new co-operative society in the area is registered, in which event the funds shall be credited to the reserve fund of such society.

**Arbitration :—**

XXII. (1) The reference to the Registrar of any dispute under Section 56 of the Regulation shall be in writing.

Arbitration.

(2) Where on receipt of such a reference the Registrar wishes to refer it for disposal by arbitration, the reference shall be made either to a single arbitrator appointed by the Registrar or to a body of arbitrators of whom one shall be nominated by the Registrar and one by each of the

parties to the dispute. The arbitrator appointed by the Registrar shall act as the chairman of the body of arbitrators and shall fix the time and place for the hearing of the dispute and carry on the necessary correspondence in connection with the reference.

(3) Registrar, the arbitrator or body of arbitrators or other persons deciding the dispute shall have power to administer oaths, to require the attendance of all parties concerned and of witnesses and to require the production of all books and documents relating to the matter of the dispute.

(4) The Registrar, the arbitrator or the chairman of the body of arbitrators or other person deciding the dispute shall record a brief note in English or in the vernacular, of the evidence of the parties and witnesses who attend, and upon the evidence so recorded, and after consideration of any documentary evidence produced by the parties, a decision or award as the case may be shall be given in accordance with justice, equity and good conscience by such Registrar, arbitrator or body of arbitrators or other person. The decision or award given shall be reduced to writing. In the absence of any party duly summoned to attend the dispute may be decided *ex-parte*. Where several arbitrators are appointed, the opinion of the majority shall prevail.

(5) The Registrar, arbitrator or body of arbitrators or other person deciding the dispute shall have power to order the expenses incurred in determining the dispute to be paid either out of the funds of the society or by such party or parties to the dispute as he or they may think fit, according to a scale laid down by the Registrar.

(6) In proceedings before the Registrar, the arbitrator or body of arbitrators or other person deciding the dispute, legal practitioners shall not be entitled to appear to represent parties.

(7) The decision or award shall be enforced in any of these ways—

(a) On an application to the Assistant Registrar of the district, in which the cause of action arose, the decision or award shall be enforced as provided in Rule XXXII.

(b) On a requisition to the Dewan Peishkar of the Division or to any person authorized by him in this behalf, made by the Registrar of Co-operative Societies, or Assistant Registrar of Co-operative Societies, all sums recoverable under the decision or award shall be recovered in the same manner as arrears of land revenue.

(c) On application to the Civil Court having jurisdiction over the subject-matter of the decision or award, that Court shall enforce the decision or award as if it were a *final* decree of the Court.

XXIII. (1) Every summons issued under the Regulation shall be in writing, and shall be authenticated by the signature and the seal, if any, of the officer, by whom it was issued.

Mode of service of summons.

It shall require the person summoned to appear before the said officer at a stated time and place, and shall specify whether his attendance is required for the purpose of giving evidence, or to produce a document, or for both purposes; and any particular document, the production of which is required, shall be described in the summons with reasonable accuracy.

(2) Any person may be summoned to produce a document, without being summoned to give evidence; and any person summoned merely to produce a document shall be deemed to have complied with the summons if he causes such document to be produced, instead of attending personally to produce the same.

(3) The service of summons under the Regulation on any person may be effected in any of the following ways:—

(a) by giving or tendering it to such person; or

(b) if such person is not found, by leaving it at his last-known place of abode or business or by giving or tendering it to some adult member of his family; or

(c) if the address of such person is known to the Registrar or other authorized person, by sending it to him; or

(d) if none of the means aforesaid is available, by affixing it in some conspicuous part of his last-known place of abode or business.

(4) *Person served to sign acknowledgement.*—

Where the serving officer delivers or tenders a copy of the summons to the defendant personally or to an agent or other person on his behalf, he shall require the signature of the person to whom the copy is so delivered or tendered to an acknowledgment of service endorsed on the original summons.

(5) *Endorsement of time and manner of service.*—

The serving officer shall in all cases in which the summons has been served under sub-rule (4), endorse or annex or cause to be endorsed or annexed, on or to the original summons a return stating the time when and the manner in which the summons was served and the name and address of the person (if any) identifying the person served and witnessing the delivery or tender of the summons.

(6) *Service on civil public officer or on servant of railway company or local authority.*

Where the defendant is a public officer or is the servant of a railway company or local authority, the officer issuing the summons may if it appears that the summons may be most conveniently so served, send it by registered Anchal prepaid for acknowledgment for service on the defendant, to the head of the office in which he is employed together with a copy to be retained by the defendant.

XXIV. When recovery of arbitration awards is made by revenue officers, the Registrar shall have power to order the expenses of such recovery to be paid out of the funds of the society or by such party or parties in default as he may think fit according to a scale laid down by the Registrar.

Execution of awards  
by Revenue Officers.

Procedure to be  
adopted by liquidat-  
or.

XXV. Where a liquidator has been appointed under sub-section (1) of Section 51 of the Regulation, the following procedure shall be adopted :—

(a) the appointment of the liquidator shall be published by the Registrar in the Government Gazette.

(b) The liquidator shall, as soon as the order of cancellation of the Registration of the society takes effect, publish by such means as he may think proper a notice requiring all claims against the society the registration of which is cancelled to be submitted to him within three months of publication of the notice. All liabilities recorded in the account books of a society shall be deemed *ipso facto* to have been duly submitted to him under this clause.

(c) The liquidator shall, after settling the assets and liabilities of the society as they stood on the date on which the cancellation of its registration takes effect, proceed next to determine the contribution to be made by each of its members, past members or by the estates or nominees, heirs or legal representatives of deceased members or by any officers or former officers, to the assets of the society under clause (b) and (e) of sub-section (3) of Section 51 of the Regulation. Should necessity arise, however, he may also frame a subsidiary order or orders regarding such contributions and such orders shall be enforceable in the same manner as the original orders themselves.

(d) The liquidator shall submit to the Registrar a quarterly report in such form as the Registrar may prescribe, showing the progress made in the liquidation of the society.

(e) The liquidator may empower any person by general or special order in writing to make collections and to grant valid receipts on his behalf.

(f) All funds in the charge of the liquidator shall be deposited in the Government Savings Bank or in a financing bank or with such other Bank or person as may be approved by the Registrar and shall stand in his official name.

(g) Registrar shall fix the amount of remuneration, if any, to be paid to the liquidator. The remuneration shall be included in the cost of liquidation which shall be payable out of the assets of the society in priority to all other claims.

(h) The liquidator shall have power to call for meetings of members of the cancelled society from time to time.

(i) At the conclusion of the liquidation, a general meeting of the members of the cancelled society shall be called at which the liquidator

or any person authorized by him by special or general order in writing in this behalf shall summarize the result of his proceedings, and shall take a vote as to the disposal of any surplus funds in the manner prescribed in sub-rule (2) of Rule XXI.

(j) If any liability cannot be discharged by the liquidator owing to the whereabouts of the claimants not being known or for any other cause, the amount covered by such undischarged liability may be deposited in a financing bank and shall be available for meeting the claims of the person or persons concerned.

(k) A liquidator may, at any time, be removed by the Registrar and he shall on such removal be bound to hand over all the property and documents relating to such person as the Registrar may direct.

(l) *Disposal of records of a society which is finally wound up.*— All the books and records of a society whose registration has been cancelled and the proceedings of liquidation may be destroyed by the Registrar after the expiry of three years from the completion or conclusion of the liquidation.

XXVI. No society shall appoint any member, who at the time, is in default to the society for a period exceeding three months, to its committee or to the committee of another society or to represent the society in other society and vote and any member of a society who has been appointed to its committee or to the committee of another society or to represent the society in another society and vote, shall cease to hold his appointment as such, if he is in default to the society of which he is a member for a period of three months.

Disabilities of defaulting members.

XXVII. A distributive society shall sell its goods to persons other than members with the previous sanction of the Registrar.

Transactions with non-members.

XXVIII. When a person has become a member of two or more credit societies except a land mortgage bank or a financing bank, he shall not borrow from more than one society.

Membership in two credit societies prohibited.

XXIX. The shares of a society shall not be hypothecated to that society by its members as a security for a loan.

Shares not to be hypothecated to society.

XXX. No society may take any action which would involve the society in the discussion or propagation of controversial opinions of a political or religious character, and the Registrar may prohibit any action or rescind any resolution which in his opinion is of such a tendency.

Societies not to be involved in controversial matters of a political or a religious character.

XXXI. All fees and fines levied under this Regulation shall be credited to Government.

Fees to be credited to Government.

XXXII. (1) Any decree-holder requiring the provisions of Section 31 of the Regulation to be applied shall apply to the Registrar of the district in which the cause of action arose and shall deposit the necessary costs on a scale prescribed by the Registrar. If the defaulter resides or the property to be proceeded against is situated in a district other than that in which the cause of action arose the application shall be made to the Registrar of the district in which the cause of action arose who shall transfer the application to the Registrar of the district where the defaulter resides or the property is situated.

Procedure in execution of decree, decision, award or contribution order. Officer to whom application should be addressed.

(2) The application shall be made in the form prescribed by the Registrar and shall be signed by the decree-holder. The decree-holder may indicate whether he wishes to proceed in the first instance, against the immoveable property mortgaged to the decree-holder or other immoveable property or to secure the attachment of moveable property. On receipt of the application, the Registrar of the district shall verify the correctness and genuineness of the particulars set forth in the application with the records, if any, in his office, and prepare a demand notice in writing in duplicate in the form prescribed by the Registrar, setting forth the name of the defaulter, the amount due and forward it to a sale officer. If the defaulter resides or the property is situated outside the jurisdiction of the Registrar of the district to whom the application is made, such Registrar shall forward the application and the demand notice to the Registrar of the district in which the defaulter resides or the property is situated.

Procedure on receipt of the application by the Registrar.

(3) Unless the decree-holder has expressed a desire that proceedings should be taken in a particular order as laid down in sub-rule (2), execution shall ordinarily be taken in the following manner :—

Order in which proceedings shall be taken.

(i) Moveable property of the defaulter shall be first proceeded against, but this shall not preclude the immoveable property being proceeded against simultaneously in case of necessity.

(ii) If there is no moveable property, or if the sale proceeds of the moveable property or properties attached and sold are insufficient to meet in full the demand of the decree-holder, the immoveable property mortgaged to the decree-holder or other immoveable property belonging to the defaulter may be proceeded against.

(4) In the seizure and sale of moveable property the following rules shall be observed : —  
 Rules for seizure and sale of property.

(a) The sale officer shall, after giving previous notice to the decree-holder, proceed to the village where the defaulter resides or the property to be distrained is situated and serve the demand notice upon the defaulter if he is present. If the amount due together with the expenses be not at once paid, the sale officer shall make the distress and shall immediately deliver to the defaulter a list or inventory of the property distrained and an intimation of the place and day and hour at which the distrained property will be brought to sale if the amounts due are not previously discharged. During the interval between the distraint and sale, the sale officer shall arrange for the custody of the property either with the decree-holder or otherwise. If the sale officer requires the decree-holder to undertake the custody of the property he shall be bound to do so and any loss incurred owing to his negligence shall be made good by the decree-holder. If the defaulter is absent, the sale officer shall serve the demand notice on some adult male member of his family, or on his authorised agent, or, when such service cannot be effected, shall affix a copy of the demand notice on some conspicuous part of his residence. He shall then proceed to make the distress and shall fix the list of the property attached on the usual place of residence of the defaulter endorsing there on the place where the property may be lodged or kept and an intimation of the place and hour of sale.

(b) The distress shall be made after sunrise and before sunset and not at any other time.  
 Time of Distress.

(c) The distress levied shall not be excessive, that is to say, the property distrained shall be as nearly as possible proportionate to the sum due by the defaulter together with interest and all expenses incidental to the distraint, detention and sale.  
 Distress to be proportionate to arrears due.

(d) If crops or ungathered products of the land belonging to a defaulter are attached, the sale officer may cause them to be sold, when fit for reaping or gathering, or at his option may cause them to be reaped or gathered in due season and stored in proper places until sold.  
 Distrained crops how dealt with.

In the latter case, the expense of reaping or gathering and storing such crops or products shall be defrayed by the owner upon his redeeming the property or from the proceeds of the sale in the event of its being sold.

(e) The sale officer shall not work the bullocks or cattle, or make use of the goods or effects, distrained ; and he shall provide the necessary food for the cattle or livestock, the expense attending which shall be defrayed by the owner upon his redeeming the property, or from the proceeds of the sale in the event of its being sold.  
 Distrained cattle or property not to be used.



(f) It shall be lawful for the sale officer to force open any stable cow-house, granary, godown, outhouse or other building, and he may also enter any dwelling house the outerdooor of which may be open, and may break open the door of any room in such dwelling house for the purpose of attaching property belonging to a defaulter and lodged therein provided always that it shall not be lawful for the sale officer to break open or enter any apartment in such dwelling house appropriated for the zenana or residence of women except as hereinafter provided.

(g) Where the sale officer may have reason to suppose that the property of a defaulter is lodged within a dwelling house the outer door of which may be shut, or within any apartments appropriated to women, which, by the usage of the country, are considered private, the sale officer shall represent the fact to the officer in charge of the nearest police station.

On such representation, the officer in charge of the said station shall send a police officer to the spot in the presence of whom the sale officer may force open the outdooor of such dwelling house, in like manner as he may break open the door of any room within the house except the zenana.

The sale officer may also, in the presence of the police officer, after due notice given for the removal of women within a zenana, and, after furnishing means for their removal in a suitable manner (if they be women of rank who, according to the customs of the country, cannot appear in public), enter the zenana apartments for the purpose of distraining the defaulter's property, if any, deposited therein, but such property, if found, shall be immediately removed from such apartments, after which they shall be left free to the former occupants.

(h) The sale officer shall cause proclamation of the time and place of the intended sale to be made by beat of drum in the village in which the defaulter resides and in such other place or places as the Registrar may consider necessary to give due publicity to the sale.

No sale shall take place until after the expiration of the period of 15 days from the date on which the sale notice has been served or affixed in the manner prescribed in clause (a)

Provided that where the property seized is subject to speedy and natural decay, the sale officer may sell it at any time before the expiry of the said period of 15 days, unless the amount due is sooner paid.

(i) At the appointed time, the property shall be put up in one or more lots, as the sale officer may consider advisable, and shall be disposed of to the highest bidder.

Sale, how conducted.

Where the property may sell for more than the amount due, the excess amount, after deducting the interest and the expenses of process and the other charges, shall be paid to the defaulter.

(j) The property shall be paid for in cash at the time of sale, or as soon thereafter as the officer holding the sale shall appoint, and the purchaser shall not be permitted to carry away any part of the property until he has paid for it in full.

Payment on purchase of distrained property.

*Resale in case of default.*—Where the purchaser may fail in the payment of the purchase-money the property shall be resold, and the defaulting purchaser shall be liable for any loss arising, as well as the expenses incurred on the resale.

Where the property may, on the second sale, sell for a higher price than at the first sale, the difference or increase shall be the property of him on whose account the said first sale was made.

(k) where a defaulter makes or has made fraudulent conveyance of the property to prevent the distress, any Civil Court of competent jurisdiction shall on being satisfied that such fraudulent conveyance has been made, order that the property shall be delivered forthwith to the sale officer.

Penalty for fraudulent conveyance of property to prevent distress.

(l) Where it is proved to the satisfaction of any Civil Court of competent jurisdiction that any property which has been forcibly or clandestinely removed by any person, the Court may order forthwith such property to be restored to the sale officer.

Penalty for forcibly or clandestinely taking away distrained property.

(m) Where prior to the day fixed for sale the defaulter or any person acting in his behalf or any person claiming an interest in the property attached, pays the full amount due including interest, batta and other costs incurred in attaching the property, the sale officer shall cancel the order of attachment and release the property forthwith.

Withdrawal of distress on tender of moneys due and expenses prior to sale.

(n) The movable properties mentioned as exempt from attachment in the proviso to section 52 of the Civil procedure Code, 1100, shall not be liable to attachment or sale under these rules.

What property is exempt from attachment.

(5) Where the moveable property to be attached is the salary or allowances of a public officer or of a servant of a railway company or local authority or a firm or a company, the Registrar of the district may, on receiving a report from the sale officer, order that the amount shall subject to the provisions of section 52 of the Code of Civil Procedure, 1100, be withheld from such salary or allowances either in one payment or by monthly instalments as the said Registrar may direct and upon notice

Attachment of salary or allowance of public officer or servant of railway company or local authority or firm.

of the order, the officer or other person whose duty it is to disburse such salary or allowances shall withhold and remit to the sale officer, the amount due under the order or the monthly instalment, as the case may be.

(6) Where the movable property to be attached is—

Attachment of debt, share and other property not in possession of defaulter.	(a) a debt due to the defaulter in question.
	(b) a share in the capital of a corporation or a deposit invested therein, or
	(c) other moveable property not in the possession of the defaulter except property deposited in, or in the custody of, any Civil Court, the attachment shall be made by a written order signed by the Registrar of the district prohibiting—

(i) in the case of the debt, the creditor from recovering the debt and the debtor from making payment thereof;

(ii) In the case of the share or deposit the person in whose name the share or the deposit may be standing from transferring the share or deposit or receiving any dividend or interest thereon;

(iii) In the case of the other moveable property except as aforesaid the person in possession of it from giving it over to the defaulter.

A copy of such order shall be sent in the case of the debt, to the debtor, in the case of the share or deposit to the proper officer of the corporation and in the case of the other moveable property (except as aforesaid) to the person in possession of such property. As soon as the debt referred to in clause (a) or the deposit referred to in clause (b) matures, the Registrar of the district may direct the person concerned to pay the amount to him. Where the share is withdrawable the said Registrar shall arrange for its sale through a broker. Where the share is withdrawable, its value shall be paid to the said Registrar or to the party concerned as soon as it becomes payable. In the case of the other movable property referred to in clause (c) the person concerned shall place it in the hands of the said Registrar, as soon as it becomes deliverable to the defaulter.

Procedure in attachment and sale of immovable property.

(7) In the attachment and sale of immovable property the following rules shall be observed:—

Description of immovable property to be proceeded against.	(a) The application presented under sub-rule (2) shall contain a description of the immovable property to be proceeded against sufficient for its identification and in case such property can be identified by boundaries or numbers in a record of settlement or survey the specification of such boundaries or numbers and the specification of the defaulter's share or interest in such property to the best of the belief of the decree-holder and so far as he has been able to ascertain it.
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(b) The demand notice issued by the Registrar under sub-rule (2) shall contain the name of the defaulter, the amount due, including the expenses, if any, and the batta to be paid to the person who shall serve the demand notice, the time allowed for payment and the particulars of the properties to be attached in case of non-payment. After receiving the demand notice, the sale officer shall serve or cause to be served a copy of the demand notice upon the defaulter or upon some adult male member of his family at his usual place of residence or upon his authorised agent, or, if such personal service is not possible, shall affix a copy thereof on some conspicuous part of his last known residence, or on some conspicuous part of the immovable property about to be attached.

Mode of service  
of demand notice.

(c) If the defaulter fails to pay the amount specified in the demand notice within the time allowed, the sale officer shall proceed to attach and sell the immovable property noted in the application for execution in the following manner.

Procedure when  
defaulter neglects to  
pay.

(d) He shall, if possible, cause a notice of attachment to be served on the defaulter personally. Where personal serving is not possible, the notice shall be affixed in some conspicuous part of the defaulter's last known residence, if any. The fact of attachment shall also be proclaimed by beat of tom tom in the village where the defaulter resides and in such other place or places as the Registrar of the district may consider necessary to give due publicity to the sale. The attachment notice shall set forth that unless the amount due with interest and expenses be paid within the date therein mentioned, the property will be brought to sale. A copy shall be sent to the decree-holder. Where the sale officer so directs the attachment shall also be notified by public proclamation in the Government Gazette.

Mode of attach-  
ment

(e) Proclamation of sale shall be published by affixing a notice in the office of the Registrar of the district and the Taluk Office at least 10 days before the date fixed for the sale and also by beat of tom tom in the village on three consecutive days previous to the date of sale. Notice shall also be given to the decree-holder and the defaulter. The proclamation shall state the time and place of sale and specify as fairly and accurately as possible.—

Proclamation be-  
fore sale.

- (i) the property to be sold,
- (ii) Any encumbrance to which the property is liable,
- (iii) the amount for the recovery of which the sale is ordered,  
and
- (iv) every other matter which the sale officer considers material for a purchaser to know in order to judge of the nature and value of the property.

(f) When any immovable property is sold under these rules, the sale shall be subject to the prior encumbrances on the property, if any. The decree-holder shall when the amount for the realisation of which the sale is held exceeds Rs. 100 furnish to the sale officer within 20 days of the attachment an encumbrance certificate from the Registration department for a period of not less than twelve years prior to the date of the execution application on which the sale is ordered. The sale shall be public auction to the highest bidder. The interval between the actual date of sale and the service of the notice of attachment of the property shall be at least 30 days. The time and place of the sale shall be fixed by the Registrar of the district and the place of sale shall be the village where the property to be sold is situated or such adjoining prominent place of public resort as may be fixed by the said Registrar.

(g) A sum of money equal to 15 per cent of the price of the immovable property shall be deposited by the purchaser in the hands of the sale officer at the time of the purchase, and in default of such deposit, the property shall forthwith be resold :

Deposit by purchaser and resale on default.

Provided that where the decree-holder is the purchaser and is entitled to set off the purchase money under clause (k) the sale officer shall dispense with the requirements of this rule.

(h) The remainder of the purchase money shall be paid within 15 days from the date of sale :

Time for payment of the balance of the purchase money.

Provided that, in calculating the amount to be so paid, the purchaser shall have the advantage of any set off to which he may be entitled under clause (k).

(i) In default of payment within the period mentioned in the last preceding clause, the deposit may, if the Registrar thinks fit, after defraying the expenses of the sale, be forfeited to the Government and the defaulting purchaser shall forfeit all claim to the property or to any part of the sum for which it may subsequently be sold.

Procedure in default of payment.

(j) Every resale of immovable property, in default of payment of the purchase money within the period allowed for such payment, shall be made after the issue of a fresh proclamation in the manner and for the period hereinbefore prescribed for the sale.

Notification on resale.

(k) Where a decree-holder purchases the purchase money and the amount due on the decree shall be set off against one another, and the sale officer shall enter up satisfaction of the decree in whole or in part accordingly.

Where decree-holder purchases, amount of decree shall be taken as payment.

(8) Where prior to the day fixed for sale, the defaulter or any person acting on his behalf or any person claiming an interest in the property attached, tenders payment of the full amount due including interest, batta and other expenses incurred in attaching the property, the sale officer shall cancel the order of attachment and release the property forthwith.

Release of property attached on payment of amount due.

(9) (i) Where immovable property has been sold by the sale officer any person either owning such property or holding an interest therein by virtue of a title acquired before such sale may apply to have the sale set aside on his depositing with the Registrar of the district.

Application to set aside sale on deposit.

(a) for payment to the purchaser, a sum equal to 5 per cent of the purchase money, and

(b) for payment to the decree-holder, the amount of arrears specified in the proclamation of sale as that for the recovery of which the sale was ordered together with interest thereon and the expenses of attachment and sale and other costs due in respect of such amount less any amount which may, since the date of such proclamation have been received by the decree-holder.

(ii) If such deposit and application are made within 30 days from the date of sale, the Registrar shall pass an order setting aside the sale and shall repay to the purchaser to purchase money so far as it has been deposited, together with the 5 per cent deposited by the applicant.

Provided that if more persons than one have made deposit and application under this sub-rule, the application of the first depositor to the officer authorised to set aside the sale shall be accepted.

(iii) If a person applies under sub-rule (10) to set aside the sale of immovable property, he shall not be entitled to make an application under this sub-rule.

(10). (i) Any time within 30 days from the date of the sale of immovable property, the decree-holder or any person entitled to share in a rateable distribution of the assets or whose interests are affected by the sale may apply to the Registrar of the district to set aside the sale on the ground of a material irregularity or mistake or fraud in publishing or conducting it:

Application to set aside sale on ground of irregularity or fraud.

Provided that no sale shall be set aside on the ground of irregularity or fraud unless the said Registrar is satisfied that the applicant has sustained substantial injury by reason of such irregularity, mistake or fraud.

(ii) If the application be allowed, the said Registrar shall set aside the sale and may direct a fresh one.

(iii) On the expiration of 30 days from the date of sale if no application to have the sale set aside is made under sub-rule (9) or

under clause (i) of this sub-rule or if such application has been made and rejected the said Registrar shall make an order confirming the sale :

Provided that, if he shall have reason to think that the sale ought to be set aside, notwithstanding that no such application has been made or on grounds other than those alleged in any application which has been made and rejected, he may, after recording his reasons in writing, set aside the sale.

(iv) Whenever the sale of any immovable property is not confirmed or is set aside, the deposit or the purchase-money, as the case may be, shall be returned to the purchaser.

(v) After the confirmation of any such sale, the said Registrar shall grant a certificate of sale bearing his seal and signature to the purchaser.

Such certificate shall state the property sold and the name of the purchaser, and it shall be conclusive evidence of the fact of the purchase in all courts and tribunals, where it may be necessary to prove it and no proof of the seal or signature of the Registrar of the district shall be necessary unless the authority before whom it is produced shall have reason to doubt its genuineness.

(11) When immovable property is purchased at a sale held under this rule the Registrar of the District or the sale officer shall publish by beat of tom tom or other customary mode, in the village in which the immovable property sold is situated and in the Government Gazette, the name of the purchaser and the purchase together with a declaration of the lawful succession of such purchaser to all the rights and property of the defaulter in the said immovable property.

(12) Where, notwithstanding such publication, any lawful purchaser of immovable property is resisted and prevented by any person other than a person (not being the defaulter) claiming in good faith to be in possession of the property on his own account from obtaining possession of the immovable property purchased, any Court of competent jurisdiction, on application and production of the certificate of sale provided for by sub-rule (10) shall cause the proper process to be issued for the purpose of putting such purchaser in possession, in the same manner as if the immovable property purchased had been decreed to the purchaser by a decision of the Court.

(13). It shall be lawful for the sale officer to sell the whole or any portion of the immovable property of a defaulter in discharge of money due provided always that, so far as may be practicable, no larger section or portion of immovable property shall be sold than may be sufficient to discharge the amount due with interest, and expenses of attachment and sale.

Proclamation after sale.

Delivery of possession.

Sale of immovable property to be proportionate to amount due.

(14). Persons employed in serving notices or in other process under these rules, shall be entitled to batta at such rates as may from time to time be fixed by the Registrar.

Process servers to be paid batta.

(15). Where the costs and charges incurred in connection with the attachment and sale of moveable or immovable property under this rule, exceeds the amounts of the costs deposited by the decree-holder under sub-rule (1), such excess shall be deducted from the sale proceeds of the property sold or the moneys paid by the defaulter, as the case may be, and the balance shall be made available to the decree-holder.

Batta, interest and other charges recoverable from sale proceeds.

(16). Every person making a payment towards any money due for the recovery of which application has been made under this rule shall be entitled to a receipt for the amount signed by the sale officer or other officer empowered by the Registrar of the district in that behalf; such receipt shall state the name of the person making the payment and the subject matter in respect of which the payment is made.

Receipts for payment of amount due.

(17). (a) Where any claim is preferred to, or any objection is made to the attachment of, any property attached under this rule on the ground that such property is not liable to such attachment, the sale officer shall investigate the claim or objection and dispose of it on the merits :

Investigation of claims and objections to attachment of property.

Provided that no such investigation shall be made when the sale officer considers that the claim or objection is frivolous.

(b) Where the property to which the claim or objection relates has been advertised for sale, the sale officer may postpone the sale pending the investigation of the claim or objection.

(c) Where a claim or an objection is preferred, the party against whom an order is made may institute a suit within six months from the date of the order to establish the right which he claims to the property in dispute, but, subject to the result of such suit, if any, the order shall be conclusive.

#### SCHEDULE.

(See Rule I.)

Form of application for registration as a co-operative society under the Travancore Co-operative Societies Regulation.

1. Name of proposed society.
2. The headquarters of the society and in the case of a credit society, the area of its operations. (Note the situation of village or town with references to district, taluk, nearest railway station or well-known place and distance therefrom.)



3. Address of society (including nearest Anchal Office.)
4. State whether liability of members is to be limited or unlimited.
5. Application to register a society under the above name is hereby made by the persons whose names are submitted hereunder with their signatures and particulars of age, profession, residence, etc.
6. With this application is sent a copy of the draft bye-laws accepted by the applicants and signed by them.
7. The applicants have elected the following persons to the Committee which is to conduct the affairs of the society for a period of three months from the date of registration of the society or for such further period as the Registrar may consider desirable.

- 1.
- 2.
- 3.
- 4.
- 5, etc.

*Note* — If all the applicants are individuals at least ten of them who have attained majority should attest the application and the bye-laws. Where an applicant is a registered society, the application and the bye-laws should be signed by a duly authorised person on behalf of such registered society and where all the members of the society are not registered societies by ten other members or by all of them when their number is less than ten.

I

The draft bye-laws.

II

1. Serial Number.	2. Name of applicant.	3. Father's Name.	4. Age.	5. Tribe, class or caste.	6. Profession.	7. Place of residence.	8. Signature or thumb impression of applicant.

## CHAPTER XXVI.

### ARBITRATION

#### Aim of Arbitration.

Adjudication by arbitration is one of the privileges conferred upon co-operative societies in Travancore as in other parts of India. Though Section 42 of the Regulation has empowered the Government to make rules providing that any dispute touching the business of a society *shall be referred* to the Registrar for decision by himself or by appointing arbitrator or arbitrators, the Government, when framing the rules under the section, have made the reference optional. The object of this provision is to avoid, if possible, the dragging of societies before courts of law and to dispose of their disputes in a cheap and summary manner. Arbitrators are given complete powers and their decisions are made final. In one of the decisions of the Lahore High Court, the judges observed as follows :—

“ It will be observed that the object of the Act is to encourage thrift, selfhelp and co-operation among the agriculturists, artisans, and persons of limited means, and it will, in our opinion, be impossible to attain these objects, if these people, for the settlement of their disputes, have necessarily to undergo all the troubles and worries of an expensive and protracted litigation ..... We think that it would be entirely repugnant to the scope and object of the Act if a suit like this were allowed to be decided in a Civil Court..... ”

#### Arbitration to be made compulsory.

2. In the Provinces of Madras, Bombay and the Punjab and in the State of Mysore, decision of disputes by arbitration has been made compulsory and no society or member is allowed to resort to a Court of Law. We, therefore, recommend that in Travancore, too, arbitration should be made compulsory in all disputes (other than those regarding disciplinary action taken by a society or its committee against a paid servant of the society) touching the business of the society between it and its member or members or between the members.

#### What constitutes the business of a society.

3. The expression “touching the business of the society” seems to have created a great deal of controversy recently in certain quarters. We do not wish to quote here the various views expressed by the several High Courts in India and outside; but we are of opinion that a definition of the expression ‘touching the business of a society’ should be contained in the Regulation itself and that it should be so defined as to include all matters connected with the working of a society.

#### The object of arbitration defeated.

4. We have said above that arbitration was intended to secure cheap and summary disposal of disputes. Unfortunately in Travancore, as

elsewhere, this object has been defeated and inordinate delay in deciding the references and in the execution of awards has become a common feature. The attention of the Department and the Government has been repeatedly drawn to this undesirable state of affairs by resolutions passed at several Co-operative Conferences—both taluk and All State. But neither the Department nor the Government seem to have hitherto taken any action to remedy the evil.

#### **The evils of delay in execution.**

5. The heavy accumulation of overdues under loans and the moribund condition of many of the societies have to be attributed to some extent no doubt to this delay. The Registrar of Co-operative Societies, Jammu and Kashmir, in his report for the year 1932 writes as follows:—

“The progress of the recoveries in the cases sent to the Civil Courts for execution is very tardy. So long as the Judges presiding in the Civil Courts do not take special interest in those cases and treat them as ordinary cases, there can be no hope of substantial recoveries. At the present speed at which the recoveries are being made through the Civil Courts, it will be a very long time before any headway can be made and the arrears cleared. By the bad example set by this dilatory process, the arrears shall go on accumulating from year to year till they assume dangerous dimensions. It is with a view to guard against this heavy accumulation of arrears and the vicious effect thereof in putting a premium on recalcitrancy and encouraging the defunct, I have proposed that the societies may be allowed the option of having the awards executed through the Revenue or Civil Courts as they think fit. In the absence of satisfactory arrangement for recoveries I am afraid the task of improving the societies is not very helpful”. In the same report he writes in another connection that “it is necessary that the Government should make grants on generous scale, as the Government will benefit much by the improved economic condition of the agriculturists in the long run. Last and not the least is the necessity for providing for satisfactory arrangements for recoveries from defaulters, the absence of which has given a premium to recalcitrancy and it is feared that if suitable arrangements are not made now, the overdues which have already assumed a high figure shall accumulate still further and result in bad debt eventually. Therefore it is high time that the Government should see their way to grant the facilities here too as in Bombay and elsewhere which in no way involves an increase on their responsibility or even extension of State aid. Otherwise recalcitrance which can be detected even in normal times on the part of those able to pay, but shirking their liabilities on the score of bad times, may spread and the worse sufferers from any such spread of contumacy will be their own co-members who, it should be remembered have in good faith assumed unlimited liability on the borrowings of the group. Failing such action on the above lines demoralisation is sure to creep in, voluntary payment may dry up, and as a consequence a state of stagnation may set in from which it will be difficult to recover.” The above extracts, though a little long, clearly point out what the consequence will be if immediate action is not taken to remove the delay.

### Rapid and enormous increase.

6. According to the latest report 723 societies referred 12,601 disputes for arbitration in 1108 M. E. (1932-33) against 692 societies referring 11,098 disputes in the previous year. There is no doubt that the number of references received in the Registrar's Office is rapidly increasing from year to year. In the year 1103 the number of references was only 4,223. In five years time their number increased to 12,601 or nearly three fold. Naturally the references pending also proportionately increased, for when there were only 3,603 pending disposal at the end of 1103 M. E. the number at the end of 1108 rose to 11,680. In order to fix down the responsibility of the delays caused at various stages in getting the award executed we shall suggest the following methods.

### THE JOURNEY OF A REFERENCE.

#### I. Delay in securing the execution of the Award.

7. There are two distinct stages, as in every civil suit, where the delay complained of occurs; the first stage is to pass the awards and the second stage to get them executed. We shall take up each separately and deal with them.

##### (A) Delay in the Registrar's Office.

In the year 1108 (1932-33) 12,601 references were filed in the Registrar's Office. This comes to more than 1,000 references a month. The Registrar has a separate section in his office, known as arbitration section which deals exclusively with references and awards. This section is very much undermanned. With four clerks and one copyist all the references have to be verified, the case diary prepared, minutes of the meetings called for, references endorsed to the arbitrators, awards checked etc. Separate inward and outward registers are maintained in this section and the volume of work turned out can be gauged from the fact that the number of correspondences received and communicated almost equal to the number in all the other sections put together. Delay, under such circumstances, is inevitable and it generally takes one to two months before the references reach the arbitrators. This delay can be minimised either by strengthening the staff in the section, or by transferring the reference work to the Assistant Registrars, whom we recommend elsewhere, and with whom the societies henceforth can directly file the cases for arbitration.

##### (B) Delay with the Arbitrator.

Then comes the delay with the arbitrators. The Mysore Registrar complains-*vide* the latest report,—that “725 out of 1306 suits are pending with the arbitrators who in spite of reminders do not dispose of the suits referred to them for years. Care is taken to select the best men available to serve as arbitrators and in spite of it the progress in disposals is very slow ” This is equally applicable to Travancore; but here when cases are endorsed to arbitrators they are advised to use all their moral and personal influence to induce the defendants to pay off the sum so that the reference may be disposed of without giving an award. This advice seems to us unnecessary though there are several

instances where, as a result of the persuasion of the arbitrators, the money has been paid off. As pointed out in the Madras Co-operative Manual, page 137, reference to the Registrar should be the last resort of the society and every possible means should have been exhausted before a reference is made and when once a reference is made there should be no delay in getting the award. Want of promptitude on the part of the secretaries of the plaintiff societies to serve the summonses on the defendants concerned before the date of hearing and their absenting themselves on the dates of hearing on some excuse or other are said to be the other causes for delay on the part of the arbitrator. But after all, we are assured, that the delay with the arbitrators can be saved by strengthening the staff of the Registrar or the Assistant Registrar who could by constant reminders and by personal contact press the necessity for the early disposal of the references entrusted to them. The Registrar should, however, see that no reference is pending with the arbitrators for more than six months.

#### **Additional recommendations to avoid delay.**

8. We would, in addition, make the following recommendations for the speedy disposal of references.

(1) Provision should be made in the rules, as in Bombay, for the levy of arbitration costs, out of the funds of the society according to a scale laid down by the Registrar and for the recovery of the amount from the society or party or parties to the dispute.

(2) Legal practitioners should not be permitted to appear before the arbitrators to represent the parties. This practice is coming into prevalence in all Provinces.

(3) The Registrar should constitute a panel consisting of half a dozen competent men in every taluk with the previous sanction of Government to work as arbitrators and publish their names in the Government Gazette.

(4) The Registrar should have the power to recall the file from the arbitrator or arbitrators to whom a dispute is referred, if they do not decide the same within the time fixed by the Registrar, and to decide it himself, or again to refer it to another arbitrator or arbitrators.

(5) Establishment of 'Unions for the execution of awards' as in the Punjab. There were 26 of these Unions at the end of 1930. The awards are entrusted to these Unions by the societies concerned for being executed and a commission on a certain scale is levied as remuneration. Such Union has a staff consisting of a Superintendent and an agent. These Unions also take up collection work. The Registrar in his report observes "that though they have many defects and difficulties it is generally agreed that they are essential to the work of execution."

#### **Appeal to the Registrar.**

9. Before we proceed to deal with the delay in the execution of awards, we have to point out a very important omission in the existing Regulation and Rules *viz.*, omission to provide for an appeal from the award of the arbitrators. According to the general practice relating

to awards, the functions of the arbitrators cease after an award is given and sent over to the Registrar. If the Registrar discovers any flaw in the award, he has power according to the present practice to remove it or get it removed by the arbitrator because his function was over as soon as he had sent his award. The Registrar before sending the award to the societies for being filed in the Civil or Revenue Courts removes these flaws. This practice should be regularised by making a suitable rule to provide for this improvement in the Sections relating to arbitration thus giving the Registrar the power of revising the award himself before sending it to the parties. The arbitrators are in many cases men who have scanty knowledge of law. The result of this is that there are many omissions and commissions. On this account they are rejected when they are taken to the courts. Appeals have, therefore, to be allowed from the decisions of the arbitrators to the Registrar and provision for the same has been made in the revised Regulation.

## **II. Execution of Awards and the failure of the present practice.**

10. In the early years of the movement, the privilege of executing awards through the Revenue Courts had not been granted to co operative societies. The only course then open to societies was the civil courts. The inordinate delays in getting the awards executed through the civil courts, the necessity for the prompt realisation of dues and the procedure adopted in some provinces for their speedy execution were brought to the notice of Government by the then Registrar and the Rules were modified in 1098 M. E. (1922-23) making provision for the recovery of award amounts as arrears of land revenue. But this too was found to be inadequate after a few years experience. In the annual report for 1105 M. E. (1929-30), the Registrar wrote that "under the Rules the societies after obtaining awards have two courses open to them to obtain satisfaction. The one, most in favour, is that of having recoveries made through the Land Revenue Department in the belief that recoveries thereby would be quicker. This is belied to a degree in actual practice." In the next year the Registrar again remarked that "complaints are received from societies that they do not get speedy disposal through the Revenue Department. At various Conferences, resolutions suggesting modifications of the existing rules have been passed. They ascribe the increase of arrears to delays in obtaining their awards executed through the Revenue Department. This has to be admitted to be true to a great extent. The Law allows the societies a prompt and summary method for realising the assets and if in practice the system does not work it is nothing but right that the needful changes should be brought about without delay." These remarks were repeated in the succeeding years also and the number of cases pending execution with the Revenue Department rose from 4371 in the year 1106 M. E. to 4888 in 1107 M. E. and to 5280 in 1108 M. E.

**New measures suggested.**

11. It is clear from the above paragraph that some other course than those available now is necessary to meet the requirements of the societies and we do not think that any purpose will be served by directing the Land Revenue Commissioner to inquire into the delays in the execution of awards as recommended by the Travancore Banking Enquiry Committee. We carefully considered the whole question with a view to formulate a practical scheme which would remove the long standing evil complained of and have examined the several measures adopted outside for the solution of the difficulty. It may also be mentioned in passing that there was no other point in the report which has engaged so much of the Committee's time and thought as this question has done. Various solutions were discussed with some of the leading Vakils and retired officials of the State. We enumerate below the details of the measures suggested to us in the course of our investigations.

(1) The duplication of the present judicial and revenue machinery for the sole purpose of disposing of the co-operative cases for execution.

(2) Establishment of a new type of courts called Co-operative Arbitration Courts invested with almost the same powers and functions as the present Civil and Revenue Courts to be worked on lines similar to those that have characterised the Village Panchayat and Bench Magistrates' Courts.

(3) Empowering the societies by the Registrar to appoint its arbitrators and empowering them in addition with the duty of getting their awards executed through the regular Civil or Revenue Courts as the case may be, charging the societies commission according to a certain scale allowed by the Registrar.

(4) Special agency to recover co-operative societies' dues as in Mysore or Bombay. The decree granted in favour of co-operative societies have to be sent for execution to the Deputy Commissioner of Districts in Mysore or to the Collectors in Bombay. If the number of decrees for execution in any particular area is heavy, the Revenue Commissioner or the Collector, as the case may be, is empowered by the Government to appoint Special Revenue Inspectors charging commission on the amounts realised on account of this special agency.

(5) Appointment of sale officers as in Madras.

**Madras system recommended.**

12. Under Section 28 of the Madras Act, whenever a decree or order of a Civil Court, a decision or an award of the Registrar or arbitrator or an order of the Registrar or Liquidator is obtained by a registered society for the realisation of money, the Registrar or any person subordinate to him empowered by the Registrar in this behalf may recover the amount due under such decree, award or order together with the interest, if any, due thereon and the costs of process by the attachment and sale of the property of the person against whom such decree, decision

or award or order is obtained. The decree holder requiring the provisions of this section to be applied shall apply to the Registrar of the district in which the cause of action arose and shall deposit the necessary cost on a scale prescribed by the Registrar. He will also indicate whether he wishes to proceed in the first instance against the immovable property mortgaged to the decree holder or other immovable property or to secure the attachment of moveable properties. The Registrar verifies the correctness and genuineness of the particulars set forth in the application with the records if any, in his office and prepares a demand notice and forwards it to the sale officer. The sale officer is defined as an officer of the Co-operative Department empowered by the Registrar by general or special order to attach and sell the property of defaulters. The procedure to be followed by the sale officer is given in the draft Rules. The present Registrar Mr. T. Austin writes that the Government have sanctioned a staff of 28 junior Inspectors and seven Deputy Registrars for this work. 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. The Registrar is also given powers under the Regulation, if he is satisfied that a party to any reference made to him with intent to defeat or delay the execution is about to dispose of the whole or any part of his property, to direct the conditional attachment of the said property unless adequate security is furnished by the party. Of the various measures tried elsewhere, we have preferred the last one, namely, the Madras system of appointing sale officers for the realisation of award amounts. The first two, the duplication of the present machinery and the constitution of arbitration courts appears to us very costly and beset with several difficulties. The Mysore and Bombay system is only in the experimental stage and we cannot say at present how far it will be successful. The Punjab Unions do not appear to us to be suitable to Travancore. The conditions of Madras and Travancore are akin in several respects and experience gained in Madras is generally imported in the State for the benefit of the movement here. We, therefore, think that we are justified in giving preference to the Madras system. We have made the necessary amendments in the Regulation and Rules.

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## CHAPTER 27.

### LIQUIDATION.

#### The Present Position.

The Administration Report of the Department for the year 1108 shows that at the beginning of the year there were 121 societies under various stages of liquidation. In the year under report 38 more societies were cancelled. Thus there are now 159 societies under liquidation. This by itself is not a big number. But the acuteness of the situation will be evident only when it is pointed out that more than 500 societies which are today on the working list are in a fit stage to be cancelled and that the cancellation orders are deliberately delayed by the Department in consideration of the difficulties in liquidation proceedings and the paucity of hands for conducting the same.

#### Growth of Liquidation proceedings.

2. The first cancellation in the history of the department took place in the 3rd year after the department began to function. That year two societies were cancelled, one a distributive and the other a credit society. The liquidation of these societies was entrusted to the local Inspectors. Later on, when societies increased and cancellation became frequent, liquidation was entrusted to non-officials also; it was found that liquidation work when entrusted to non-officials did not show any substantial improvement. The Government, therefore, allowed the Registrar to appoint two Inspectors to be in charge of liquidation work alone in the year 1107. But this did not solve the problem as will be seen from the following table.

#### Progress of Liquidation of societies during the last 5 years.

Year.	No. of societies under liquidation at the beginning of the year.	Cancelled during the year.	No. of societies liquidation of which was closed in the year,	Balance at the end of the year.
1104	55	26	6	75
1105	75	4	2	77
1106	77	19	5	91
1107	91	34	4	121
1108	121	38	22	137

### **Appointment of four more Official Liquidators recommended.**

3. The Official Liquidators (by which name these Inspectors are called) were not able to close completely the liquidation proceedings of not more than 10 or 11 societies on an average per year. During the course of our enquiry we have come across several complaints regarding the inordinate delay in the expeditious closing of liquidation proceedings of cancelled societies. If this be kept lingering, such measures lose completely their disciplinary value. From the enquiry we have instituted regarding this question we have been persuaded to believe that the delay so frequently complained of in the liquidation proceedings of societies is mainly due to the paucity of hands. We, therefore, recommend that six Inspectors be put in exclusive charge of liquidation work.

### **Appointment of non-officials as Liquidators.**

4. We see no objection to entrust liquidation work to competent and deserving non-officials. But the department should see that the work does not suffer through their inactivity, and that they turn out at least as much work as the Inspectors in charge of liquidation work. As a stimulus to the shouldering of this onerous responsibility, we would suggest that these non-official liquidators be given commission from the funds of the society in proportion to the collections they make *subject to the decision of the Registrar*.

Apart from the paucity of hands, we have found that another important reason standing in the way of prompt liquidation was the procedural difficulty in the matter of realising the assets.

### **Powers of Liquidators.**

5. To get over this difficulty we recommend that liquidators be given the following additional powers :—

- (1) To get disputes referred to arbitration.
- (2) To include debts due from members or past members, or estates of deceased members in his contribution awards.
- (3) To pay claims against the society including interest up to the date of the cancellation of registration according to the respective priorities in full or rateably as the assets of the society permit, the surplus if any remaining after the payment of interest from the date of such cancellation at a rate fixed by him not exceeding 6 per cent. irrespective of the contract rate.
- (4) To recover any sum as a contribution to the assets of a society or as costs of liquidation may be recovered on a requisition being made to the Dewan Peishcar by the Registrar in the same manner as arrears of land revenue.

### **Outside method of execution of awards and decrees.**

6. We have in this connection obtained information from the Registrars of Mysore, Bombay and Madras on the method of executing

awards of arbitrators and liquidators which we suggest as alternative courses to be adopted. We are, therefore appending these three letters for easy reference. We suggest that the present practice of charging interest and penalty on the loans up to the date of realisation of the amount by the Liquidator should be stopped in the case of societies that have no outside borrowings.

**Provision for appeal to the Registrar.**

7. To safeguard the interest of the members of societies, we think that there should be a provision for appeals against the orders of the Liquidator to the Registrar. The law should also provide for the finality of the liquidation proceedings and prohibit societies from resorting to courts of law.

To facilitate speedy winding up, it will be advisable in particular cases to allow the official liquidator to appoint agents for the work of collection.

**Orders of cancellation in abeyance.**

8. We have observed that there is a practice current to keep orders of cancellation in abeyance. We do advocate the practice as it is very desirable to exhaust all possible resources before final cancellation is resorted to. We, however, are not prepared to legalise this procedure for fear it would prejudicially affect the real interest of the movement. We may in this connection point out the desirability of adopting a course of voluntary winding up of a society before actual disregistration.

## CHAPTER 28.

### CONCLUSION

#### Acknowledgments.

In bringing to a close our work, which has been to us quite a labour of love, we have to acknowledge with gratitude the valuable assistance of many friends. It is not possible to mention all; still we feel it our duty to make a few acknowledgments.

Our grateful thanks are due to His Highness the Maha Raja and Her Highness the Junior Maharani for the gracious interest Their Highnesses took in the work of the Committee and for Their Highness' solicitude for granting three interviews to the President.

We express our sincere thanks to Mr. Austin, the Ex-Dewan and Sir M. Habibulla, the Dewan, for the very sympathetic attitude towards the work of the Committee. Both of them were good enough to give the President of the Committee several interviews.

Our thanks are due to Rao Sahib Dr. N. Kunjan Pillai (the Chief Secretary to Government) and Rao Sahib T. Padmanabha Rao who acted as Vice-Chairman of the Committee in the unavoidable absence of the President and regulated the conduct of the Enquiry.

2. Mr. R. Vaidyalingom Pillai, retired Dewan Peishkar and District Magistrate and the former Registrar of Co-operative Societies deserves our special thanks for the unstinted co-operation and useful suggestions he gave us both before and after his retirement from service.

3. We take this opportunity to thank wholeheartedly all those prominent co-operators and friends who have helped us by sending us valuable memoranda and useful information from outside the State. It has been impossible to thank them all individually and we request, therefore, all those friends to accept our cordial gratitude. Mention may, however, in this connection, be made of the names of Sir Prabhasankar Pattani, K. C. I. E., (President, Council of Administration, Bhavnagar State) F. L. Brayne, Esq., I. C. S. Rural Development Commissioner, the Punjab. Dewan Bahadur M. Ramchandra Rao, President, Co-operative Central Land Mortgage Bank, Madras, D. N. Strathie, Esq., I. C. S., Ex-Registrar of Co-operative Societies, Madras, T. Austin, Esq., I. C. S. the former Dewan of Travancore and the present Registrar of Co-operative Societies, Madras, K. L. Panjabi, Esq. I. C. S., The Registrar of Co-operative Societies, Bombay, Ghulam Hussain Mehri, B. A., LL. B., the Registrar of Co-operative societies in Mysore, Y. A. Godbole, Esq., I. C. S., The Registrar of Co-operative Societies, Bihar and Orissa, Dewan Bahadur K. Devasikhamani Mudaliar, erstwhile Acting Registrar of Co-operative Societies, Madras, V. L. Mehta, Esq., B. A., Managing Director, Bombay Provincial Co-operative Bank, Bombay and Dr. P. J. Thomas, Professor of Economics, University of Madras.

We thank the various honorary workers and non-official gentlemen in the State who gave us their valuable time to assist us during the course of our enquiry and specially the office bearers of the principal institutions as the Central Bank, Co-operative Institute &c.

Our thanks are also due to Mr. M. Govinda Pillai, the Registrar of Co-operative Societies for kindly placing at our disposal the services of his assistants especially Messrs. Krishna Pillai and G. R. Pillai and the resources of his Department and for helping us in every way in his capacity as the Convener of the Committee.

We desire to record the special acknowledgments of the Committee to Mr. P. N. Gopala Pillai, B. A., Secretary for the substantial and valuable assistance he gave us. The analysis of the evidence which was voluminous and varied and the collection and tabulation of figures useful for us was a labour involving patient and careful application on the part of the Secretary. We are aware that the staff willingly helped the secretary and cheerfully bore the inconveniences of a touring Committee.

G. K. Devadhar.  
 T. Padmanabha Rao.  
 K. K. Kuruvilla.  
 M. N. Narayana Menon.  
 K. C. Karunakaran.  
 A. Gopala Menon.  
 M. Govinda Pillai.

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**PART VII**  
**RECOMMENDATIONS**

## Summary of recommendations.

### Chapter 3.

<i>Para No.</i>	<i>Recommendation No.</i>	
16	1	The State or the Trivandrum Central Co-operative Bank Ltd., No. 1 should become a share-holder of the Reserve Bank.
17	2	The Institute should celebrate the International Co-operators Day.

## PART II.

### CHAPTER 5. (Central Bank.)

- 3 The Trivandrum Central Co-operative Bank is really in the position of an Apex Bank now and therefore its membership should be confined to the Taluk Banks and other affiliated financing institutions.
- 4 No individuals should hereafter be admitted as members and the existing individuals and primary societies should be gradually eliminated from membership in about 15 years. One-fifteenth of the number of shares held by them at present may be eliminated annually by voluntary surrender or the drawing of lots the Bank paying in full the paid up value of those shares together with any dividends that may have accrued up to the date of payment.
- 5 The bye-laws of the Central Bank which provide plural voting should be amended in accordance with the principle of one man, one vote.
- 6 The byelaws of the Central Bank should be so amended as to make it clear that election of representatives should be by each group of voters (societies and individuals) recording their votes separately: each group should be exclusive and no member should be allowed to exercise votes in more than one capacity at the same time.
- 7 Rules should be framed under the Regulation to govern the conduct of elections and subsidiary rules should be framed for election in institutions of the type of Central Bank.

Para No.	Recommendation No.	
6	8	The Board of the Central Bank should consist of 3 representatives of individuals, 9 elected representatives of society members and 3 persons nominated by Government from among the members.
7	9	The nine elected representatives of society members should be distributed as :— (1) Urban Banks ; ... 1 (2) Non-credit societies : ... 1 (3) Taluk Banks and Banking Unions ; 4 (4) Primary agricultural credit societies that are still financed by Bank 3
8	10	Each year one representative of individuals and 3 representatives of societies should retire. The persons to retire during the first two years being determined by the casting of lots. The Government nominees should retire once in three years the persons who retire should be eligible for re-election.
9	11	The central bank should have a well qualified paid Secretary.
...	12	The Secretary should have no seat on the Board of Management.
...	13	There is no need for a separate Treasurer.
...	14	The Secretary and the Cashier should be required to furnish adequate security.
...	15	Cash, documents and other valuables should be kept in a proper safe or strong room with double keys, one of which should remain with the President or in his absence, with the Vice-President and the other, with the Secretary.
11	16	When a taluk bank or a banking union has been organised for a particular area, the Central Bank should cease to give loans to primary societies in that area.
12	17	The rates of interest charged on loans to individual members should be uniform to prevent unhealthy competition.
13	18	In addition a graduated reduction in the rate of interest is suggested in view of the prevailing economic situation or as an alternative the grant of a rebate of $\frac{1}{2}$ to 1 per cent. on all the instalments of loans which are punctually repaid.



<i>Para no.</i>	<i>Recommendation No.</i>	
14	19	In areas where the Supervising Unions are functioning satisfactorily the Registrar need not recommend the loan applications of societies.
15	20	The Central Bank should issue only short and medium term loans and long term loans should be dealt with by the Land Mortgage Banks.
16	21	Short term loans are those which are taken for current agricultural purposes and are repayable in full out of the next harvest. The period may vary from 1 to 2 years. Medium term loans are those for productive or unproductive but necessary purposes which commonly must be repaid in periods of not less than 6 years out of the savings of agriculture or trade.
..	...	Separate registers should be maintained for short and medium term loans.
17	23	The Government should give an overdraft to the Central Bank without the security of its deposits.
..	24	Government should place at the disposal of the Central Bank a fairly large portion of the money allotted every year under agricultural loans to be paid to the members of societies on proper recommendation and good scrutiny for purposes of granting medium term loans for agricultural improvements on the joint recommendation of the Registrar and the bank.
8	25	The Registrar should submit to Government every quarter a statement showing which of the central or urban banks have failed to maintain the standard of fluid resource and for what periods.
.	26	The standard of fluid resource adopted in Madras should also be followed. Fluid resource should be maintained as follows. 30 per cent. of fixed deposits falling due in the next 6 months, or 50 per cent. of the fixed deposits falling due in the next 30 days whichever is from time to time the higher; 50 per cent. of the current deposits and 25 per cent. of the Savings deposits.
.	27	The form of fluid resources should consist of (1) cash balance (2) undrawn cash credit with the Imperial Bank or State-Aided Bank or

*Para*    *Recommendation*  
*No.*        *No.*

- the State Treasuries and (3) 80 per cent. of the market value of Government Securities held by it as published in the daily papers from day to day.
- ...        28        The Bank should make adequate grants to the most deserving of the Supervising Unions and should spend the whole amount of the Supervision Fund for the purpose for which it is raised from year to year.
- ...        29        The Bank should start at once a Common Good Fund by setting apart for that purpose a sum even exceeding  $7\frac{1}{2}$  per cent. of its net profits every year.
- ...        30        Dividend Equalisation Fund may be utilised to make good considerable shortage of dividend in any year in subsequent year when the profits allow of it.
- ...        31        The Bank should conduct in the interest of the movement a detailed examination into the loans granted by primary societies either affiliated to it or indirectly financed by it through the taluk Banks or Banking Unions.
- ...        32        The Central Bank should carefully examine the problem why such a large percentage as 50 per cent. of the societies do not as a rule borrow
- ...        33        The Central Bank should liberally finance the individual members through their societies with the special sanction of the Registrar if on enquiry they discover that the working of the primary society is sound.
- ...        34        In areas not at present served by the Taluk Banks the Central Bank with a view to stimulate local initiative and enrich the co-operative spirit should actively assist in the organisation of Taluk Banks if no Taluk Bank could be organised then the Central Bank should start with the approval of the Registrar a branch of its own with a local advisory committee.
- ...        35        The Central Bank should revise the scale of the salaries of its employees and also give them more efficient training. The Bank should also employ gradually a staff of its own trained inspectors to supervise the various kinds of institutions it is called upon to finance.

<i>Para No.</i>	<i>Recommendation No.</i>	
...	36	The name of the Bank should be changed into the Travancore Provincial Co-operative Apex Bank or The Travancore Co-operative Central Bank.
..	37	The Bank Building should be insured against fire.
...	38	The work of the Bank should be done at regular sittings or meetings of the Executive Committee or the Board of Management.
...	39	The Staff of the Bank and of the Department should as far as possible have co-operative societies of their own in common with other departments and should not join any other society for the purpose of taking loans.
...	40	The Bank might take of itself the power of borrowing (in its byelaws) up to 10 times the share capital plus the Reserve Fund.

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CHAPTER 6.

*Taluk Banks and Banking Unions.*

...	41	Taluk Banks should as soon as possible confine their business to the financing of primary societies alone.
...	42	The method of elimination of individual members recommended for the Central Bank may be followed by Taluk Banks also.
...	43	Primary societies in areas covered by Taluk Banks and Banking Unions should borrow only from them and not direct from the Central Bank. The loans now taken by primary societies from the Central Bank should all be transferred to Taluk Banks or Banking Unions as the case may be in whose areas the concerned primary societies are situated. With the transfer of loans by the Central Bank the shares of the indebted societies should also be transferred to the Taluk Bank or Banking Unions.
...	44	Reserve Fund of primary societies invested with the Central Bank should be transferred to the Taluk Banks.
...	45	The Department should see to the above transfer being effected in an year.

<i>Para No.</i>	<i>Recommendation No.</i>	
...	46	The Registrar's recommendation of loan application of Taluk Banks to the Central Bank may be dropped altogether ; and in the case of application from Primary Societies it may be dropped where supervising unions are working satisfactorily. But the financing bank should satisfy itself with the help of its own staff in regard to the solvency of the borrowing institutions.
...	47	Taluk Bank should come into closer touch with the Central Bank on one side and the Primaries financed by them on the other.
...	48	Taluk Bank should lead the primaries in starting non-credit activities as Purchase and Sale Societies, etc.
...	49	No new Banking Union should be encouraged

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#### CHAPTER 7.

##### *Primary Societies.*

...	50	The work of expansion and consolidation should go hand in hand with the preliminary work of propaganda and education and particular attention should be paid to the organisation of new societies in taluks where the number of societies is below the average.
...	51	The Registrar and the staff should assure themselves before registering a society that its members have fairly understood co-operative principles that it is organised on sound and businesslike lines and that there is need for it in the place.
...	52	The Registrar should assue himself before registering a society whether it has proper men to guide it and work it.
..	53	The practice of asking the applicants for a society to work the society for a probationery period should be continued, the period being fixed at 6 months.
...	54	No communal societies should be registered in future.
...	55	Societies having more than two hundred members should be split up each society having one or two karas as its area of operation.

<i>Para No.</i>	<i>Recommendation No.</i>	
...	56	Membership of a primary society should on no account exceed 200.
...	57	Some system of compulsory deposits should be introduced in all societies and these may be specially utilised for clearance of members' prior debts.
...	58	Every effort should be made by a society to obtain deposits locally from non-members.
...	59	Unlimited liability societies should not ordinarily be allowed to receive current and saving deposits from non-members.
...	60	Care should be taken to see that fixed deposits are received in suitable amounts and for suitable periods.
...	61	The rate of interest on fixed deposit should not exceed the rates at which the society can get a loan from the financing bank.
...	62	A member of an unlimited liability society should be allowed to borrow 10 times the value of shares subscribed by him.
...	63	Well-managed and financially strong societies may be permitted by the Registrar to allow cash credit to deserving members on the basis of normal credit statements prepared and submitted by them.
17	64	The major part of the fund of a primary society should be utilised for giving loans for productive purposes and only comparatively small part should be made available for the clearance of prior debts.
18	65	The purpose of every loan should be scrutinised, verified and certified by the Committee before the loans are sanctioned. When loans are granted for the clearance of prior debts the society should insist on the members producing records of having discharged their prior debts.
19	66	The period of medium term loans should be raised to five or six years to make the instalments smaller. The expression 'medium term loans' being used in the place of present long term loans. Loans for the clearance of old debts unless they are small sums should not be given by primary societies.

<i>Para No.</i>	<i>Recommendation No.</i>	
20	67	Crop Loans should be introduced.
21	68	Borrowing societies should prepare a careful forecast of the credit requirements of each of their members for current agricultural requirements.
22	69	A bonus not exceeding 20 per cent. of the profits should be paid to secretaries of unlimited liability societies also which employ clerks.
23	70	The Managing Committee should be held responsible for any loss caused by allowing loans to become time-barred either by ignorance or negligence.
24	71	The Registrar should see that every unlimited liability society regularly maintains its property register up to date.
25	72	There should be no hesitation to prosecute cases of misappropriation.
26	73	Dormant societies which could not be rectified in two years should be cancelled.
27	74	The system of <i>Kettuthengu</i> may be adopted wherever possible. (See para 2 (c) of Chapter 8).
28	75	A sum of the Reserve Fund not exceeding 50 per cent. may be permitted by the Registrar to be utilised for the construction of office buildings subject to certain conditions.
29	76	The use of Common Good Fund should be encouraged.
30	77	Even in small villages money is found to be a convenient basis for credit than grain and there does not, therefore, seem to be any bright future for grain banks.

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CHAPTER 8.

*Agricultural Non-Credit.*

2	78	The Indent System of purchases should be tried in rural societies.
2 (b)	79	The adoption of the co-operative method should be encouraged at every stage of coir industry.
2 (d)	80	Societies should be taught how to prepare manures themselves.

*Para Recommendation No.      Recommendation No.*

- 2 (f)      81      The Co-operative and Agricultural Departments should examine the question of maintenance of seed bulls by societies.
- 2 (g)      82      When Labour Societies are organised and when labouring classes preponderate the Registrar may encourage societies taking P. W. D. contracts.
- 2 (j)      83      Encouragement to revive arbitration work should be given to societies with capable and impartial men as members.
- 2 (j)      84      Attempts should be made to start non-credit activities in every society.
- 2 (h)      85      Bee-keeping and poultry keeping societies should be promoted and encouraged (*Vide* Chapter 10, Para 10).
- 2 (m)      86      The Travancore Central Produce Society should be revived.
- ...      87      The Services of a competent officer of the Co-operative Department should be given free for the first two years for this work.
- ...      88      A loan equal to the subscribed share capital of the society should be advanced to the society by Government.
- ...      89      A grant of Rs. 2,500 should be made to meet the initial expenses and the rent of godowns for one year.

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CHAPTER 9.

*Non-Agricultural Credit.*

- 3      90      Urban banks should give facilities to their members and even to the non-members to open current and savings deposit accounts, care being however, taken to maintain a proper standard of fluid resource and to examine the financial results periodically. The interest allowed should be moderate, and calculated on lowest monthly balances.
- ...      91      Urban banks should introduce among their clients the cheque system.
- ...      92      The account of urban banks should be closed and the cash balance shown each day.

<i>Para No.</i>	<i>Recommendation No.</i>	
...	93	Monthly trial balances and monthly statements should be prepared and sent to the Registrar and to the financing banks if any.
...	94	No member of a Government Servants Society should be allowed to borrow from another society.
...	95	No member of the Co-operative Department shall be a member of a society unless it be a society intended exclusively for the department
6	96	The Benefit Funds should (1) secure the benefit of medical examination in admitting members (2) examined by actuaries (3) get an advance payment from members to enable the management to pay at once the money whenever there is a call and (4) to obtain from the Registrar sanction to open a credit side on condition that members of their funds do not join any other co-operative credit society.
...	97	The Factories Employees Societies should have for their object more the promotion of thrift and the purchase of articles on the indent system than giving loans.
...	98	Artisan Societies should help the members for the sale of their goods.
...	99	No commission should be charged by the sale Depot at Trivandrum on goods sent there by co-operative societies.
...	100	Government should place an adequate amount at the disposal of the Department out of which advance may be given to societies to the extent of 60 or 70 per cent. of the estimated value of the goods admitted into the Depot.

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## CHAPTER 10.

### *Non-Agricultural Non-credit.*

2	101	The Departments of Government as Forest, Excise, Police and Military should be advised to make purchases of goods they require from weavers society.
6	102	All attempts should be made to simplify the system of accounts so as to make it useful and serviceable.



<i>Para No.</i>	<i>Recommendation No.</i>	
7	103	Sales as well as payments of some dividend to non-members may be permitted in the byelaws of co-operative societies. Each non-member should be credited with the proportion of the dividend permitted by the byelaws and on the amounts so credited becoming equal to the value of a share he should be made a member.
8	104	Stores other than the Trivandrum Co-operative Distributive Society should try the American indent system of buying clubs.
9	105	Well managed stores may grant credit facilities to the extent of 50 per cent. of the paid up shares held by their members subject to certain limits.
11	106	Every College and High School if not every middle school in the State should have a store of its own.
12	107	All well-managed credit societies should have the indent system of purchases as a useful form of non-credit activity.
19	108	Government should provide the Travancore Co-operative Insurance Society with an overdraft of Rs. 10,000.
...	109	Government should also provide the running cost of the society for 7 years subject to a maximum of Rs. 2,000 a year.
...	110	Government should not also accept policies at Rs. 1,000 and less.

#### CHAPTER XI.

##### *Non-agricultural Non-credit. — (continued.)*

2	111	Co-operative Dairy society should be started at suitable centres in the State.
4	112	Milk societies should be federated together into distribution agencies in the Towns.
	113	The system of coupon tickets for the sale of milk may be adopted in the Towns.
6	114	Cattle breeding co-operative societies should be started in villages for the improvement of the breed of cattle.
8	115	Sale societies may be started in suitable centres for the co-operative marketing of principal crops.

<i>Para No.</i>	<i>Recommendation No.</i>	
...	116	At least three officers specially trained in marketing should be put in charge of the marketing societies.
9	117	Better Farming Societies should be started in suitable places with the co-ordination of the activities of Agricultural and Co-operative Department.
11	118	Co-operative Societies organised for irrigation purposes should work in close co-ordination with the department for minor irrigation.
11	119	Government should help members of co-operative societies whose cultivation of lands are subject to annual floods with agricultural loans of longer duration.
...	120	Co-operative Societies of Punja Cultivators of Kuttanad should be financed by Government with long term loans when organised.
...	121	Co-operative organisation started in Kuttanad for the creation of dwelling sites not liable to submergence should be encouraged and substantially financed by Government.
13	122	Co-operative house building should be popularised in the State.
...	123	Financial help should be afforded by Government to Co-operative House Building.
14	124	Government should make available long term capital spread over for a period of 40 years at rates of interest not exceeding $\frac{1}{2}$ per cent more than that paid by Government on savings deposit for the acquisition of building societies at Pallivassal.
15	125	Co-operative societies should tackle the problem of housing poor and depressed classes.
...	126	A central Co-operative Industrial Bank should be established for finding adequate finance for the existing weavers societies which should receive financial help from Government and the Central Bank.
17 & 18	127	Societies for the development of cottage industries should be organised.
18	128	Government should join as a member of the imperial Council of Agricultural Research and also the Central Coconut Committee if and when organised.

<i>Para No.</i>	<i>Recommendation No.</i>	
19	129	Co-operative Societies should be organised for the producers and these societies should carry on dealings with the Central Produce Society. The State should help these Co-operative societies by securing for them the benefit of grading, standardisation and marketing.
20	130	Special co-operative agencies should be organised to get into touch with the real needs of the ryots and for the manufacture and supply of suitable manures through co-operative societies.
21	131	Crop failure societies as well as Societies for the payment of Land Revenue should be organised.

## CHAPTER 12.

*Women and Co-operation.*

5	132	The Co-operative Department and the public should bestow greater attention on the expansion of co-operative movement among women.
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## CHAPTER 13.

*Students and Co-operation.*

3	133	When the various schools start independent store societies they should conveniently be linked to a central organisation.
4	134	Thrift or compulsory saving societies should be started in schools and colleges for the benefit of the teachers and the taught.
...	135	Suitable changes should be effected in the curricula of studies to provide for the study of co-operative subjects.
5	136	Co-operation should be a compulsory subject in High Schools.

## CHAPTER 14.

*Chitties.*

4	137	No encouragement should be given to chitties of big size by co-operative societies.
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Para  
No.      Recommendation No.

## CHAPTER 15.

*Depressed Classes.*

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|-----|-----|---|
| 4   | 138 | For some time to come no new credit societies for Depressed Classes should ordinarily be organised.   |
| ... | 139 | The appointment of group secretaries may be abolished. But Government should render financial aid to secretaries of Depressed Class Societies.                              |
| 6   | 140 | The Co-operative and Forest Departments of the State should organise co-operative societies for hill tribes.  |
| 7   | 141 | Separate Supervising Unions are necessary for societies of Depressed Classes.   |
| ... | 142 | Time has not arrived for the amalgamation of Depressed Class Societies with societies for higher classes.   |
| ... | 143 | The Depressed Class Societies as also the societies for Arayas, Valas and Coast Fishermen should be placed under the charge of the Protector of the Depressed Classes.      |
| ... | 144 | There should be a separate staff of Inspectors under the Protector of Depressed Classes.  |
| 8   | 145 | The basis of liability of Depressed Class Societies may be limited.   |
| 9   | 146 | The Department should help in the organisation of a fresh co-operative bank on the model of the Madras Christian Co-operative Bank for financing Depressed Class societies, |
| 12  | 147 | The Registrar of Co-operative Societies should be the Protector of Depressed Classes.   |
| 12  | 148 | He should have an Assistant Registrar to assist him in this work.   |
| 14  | 149 | At least 10 Depressed Class colonies should be started immediately in the State.  |

## CHAPTER 16.

*Fishermen's Societies.*

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|---|-----|---|
| 5 | 150 | The Fisheries Department should be given the charge of socio-economic work among the Arayas and Coast Fishermen's Societies also in addition to the Vala Societies. |
|---|-----|---|

<i>Para No.</i>	<i>Recommendation No.</i>	
6	151	Government should advance a sum of Rs. 1,000 to Fishermen's Societies for clearance of their prior debts.
7	152	The Fishermen Societies should have a stock of nets and boats to be made available to members for hire.
9	153	Supplementary occupations by net making and weaving should be introduced among fishermen societies.
10	154	Separate Inspectors having training in fishery work should be appointed at the rate of 30 Fishermen Societies per Inspector.

## CHAPTER 17.

*Rural Reconstruction.*

3	155	A special staff should be made available to the Registrar to undertake and carry on rural reconstruction work. Societies should devote for such work 10 to 15 per cent of their annual profits according to their capacity.
4	156	Colonisation Societies should be organised to solve unemployment.

## CHAPTER 18.

*Redemption of Agricultural Indebtedness.*

12	157	A marketing officer should be appointed and he should be get trained under the chief marketing officer of the Imperial Council of Agricultural Research.
...	158	A scheme of compulsory organisation of co-operative societies for cultivators should be undertaken by the Co-operative Department.
...	159	A vigorous co-operative scheme for the industrialisation and for the promotion of supplementary occupation should be initiated by the Co-operative Department.
...	160	Agricultural Association as in Bengal and Deccan should be organised.
...	161	Overdue and time-barred loans in co-operative societies should be given extensions of time.

<i>Para No.</i>	<i>Recommendation No.</i>	
...	162	There should be a general reduction of the rate of interest ordinary as well as penal.
...	163	A similar system of insolvency law should be introduced.
...	164	Members of Co-operative Societies also should be enabled to get the benefit of any scheme of general reduction of total indebtedness with the help of Co-operative Department conciliation Boards, to be set up for their relief by the Registrar.
...	165	Co-operative Societies should conduct a vigorous educational propaganda on a country-wide scale for eradicating extravagant social expenditure.
13	166	Debt Conciliation Boards may be set up and amount of debt for repayment should be compounded at 65 per cent of the total debt.
...	167	Banks and co-operative Societies should be compelled to utilise their resources built by them out of their projects to wipe off the agriculturists debt and reduce their volume.
...	168	Industrial indebtedness should also be liquidated by conciliation boards.

#### CHAPTER 19,

##### *Land Mortgage Bank.*

12	169	Other things being equal, the State Land Mortgage Bank might be converted in another five years time into a Co-operative Central Land Mortgage Bank with a chain of primary Land Mortgage Banks spread all over the State.
13	170	The Department should undertake the organisation of primary Land Mortgage Society with share capital with the special assistance of Government in the shape of officers and money.
...	171	An Assistant Registrar with a staff of Inspectors should be appointed immediately to undertake this work.
14	172	The area of operation of a primary Land Mortgage Bank shall be 3 or 4 Taluks.

<b>Para No.</b>	<b>Recommendation No.</b>	
...	173	The Co-operative Department should immediately undertake intensive survey to determine accurately the economic condition of cultivators.
1	174	On the results of this survey the area should be selected by the Registrar.
...	175	Membership will be given to members of co-operative societies and other persons.
...	176	Liability of members will be limited.
...	177	Loans to persons who are already members of co-operative societies should be given only after consulting the society.
15	178	Capital will be raised by means of shares from members.
..	179	Primary Land Mortgage Banks should be financed by the State Land Mortgage Bank on the security of the mortgages executed by borrowers and assigned by them in their favour.
...	180	Primary Land Mortgage Bank will be eligible to borrow 20 times the paid up share capital.
...	181	All long term loans of the primary co-operative societies within the area of each such land mortgage bank should be transferred to the bank after due enquiry.
16	182	The maximum and minimum limit to loans issued by the society should be Rs. 1,000 and Rs. 250 respectively and the period for repayment should be not less than 10 and not more than 25 years.
...	183	After 10 or 12 primary land mortgage banks are organised, a Central Land Mortgage Bank should be organised on Madras model to take over the business of the State Land Mortgage Bank.
...	184	The capital of Central Land Mortgage Bank should be raised by means of shares and debentures guaranteed by the State at a rate of interest not exceeding 5 per cent.
...	185	The State should undertake to subscribe for the debentures to the extent of twice the amount subscribed by others.

*Para*    *Recommendation*  
*No.*      *No.*

...            186            Co-operative Societies should invest their reserve fund up to a proportion in their debentures.

All Insurance Companies and Banks should invest a definite proportion of their premia and capital in the long term debentures.

The State should join the Reserve Bank.

*Para*    (*Vide recom-*  
*No.*      *mendation*  
...        *No. 1.*

17            187            Each Primary Land Mortgage Bank should be given the services of a Revenue Officer of the rank of a Tahsildar free of charge in the beginning to value properties etc; or the State should meet the cost of running these banks and also the Central Land Mortgage Bank to the extent of 3/4 of the first 5 years reducing it by a sliding scale and withdrawing it altogether at the end of 15 years.

...            188            The Central Land Mortgage Bank will finance primary societies and issue loans to individuals up to Rs. 10,000 not exceeding 40 per cent. of the assessed value of the mortgaged property for periods up to 40 years and at a rate of interest  $1\frac{1}{2}$  per cent higher than that of the debenture.

18            189            A new State Land Mortgage Bank with a suitable constitution should be organised to grant loans exceeding Rs. 10,000 to individuals and agricultural corporations.

...            190            The Chairman of the State Land Mortgage Bank should be a non-official preferably a retired officer of high status having sufficient administrative experience.

...            191            The Manager of the Bank should be some one having knowledge of rural economics, landlaws and banking

...            192            The Bank should be a separate Department.

19            193            Provision should be made in the rules of the existing land mortgage bank to advance loans for the redemption of personal debt if unencumbered properties are offered as security.

20            194            There is no need for separate legislation to regulate land mortgage banking at present.



*Para*    *Recommendation*  
*No.*        *No.*

## CHAPTER 20.

*Marketing.*

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|---|-----|--|
| 1 | 195 | There is much scope for co-operative marketing in the State.                                 |
| 3 | 196 | Co-operative Societies should be formed to put up licensed warehouses with Government Grant. |
| 3 | 197 | Registrar should be empowered to license warehouses subject to certain conditions.           |
| 4 | 198 | Warehouse officers should be appointed by Government under control of the Registrar.         |

**NON-OFFICIAL PARTICIPATION.****Travancore Co-operative Institute Ltd., No. 777 Trivandrum.**

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|-----|-----|--|
| 3   | 199 | The Supervising Unions should work under the control and guidance of the co-operative Institute.   |
| ... | 200 | The Management should be conducted by a Board of 15 members.   |
| ... | 201 | Supervision Fund from all societies should be pooled in the Institute and expended by the Board  |
| 5   | 202 | All the Supervisors should be of one cadre under the Institute which should be competent to appoint, transfer, punish and dismiss them.  |
| ... | 203 | Byelaws of the Institute must be revised to begin with.  |
| 5   | 204 | The Institute may be allowed to borrow subject to the conditions laid down in the byelaws.   |
| ... | 205 | The scale of annual subscription should be revised except in the case of the local unions.   |
| ... | 206 | Attempts should be made for the collection of arrears of subscription with Departmental aid.   |
| ... | 207 | Pooling of Supervision Fund and Provincialisation of Supervisors should take place only 2 years after the reconstitution of the Board of Management of the Institute and after it had secured the confidence of the affiliated Unions. |
| 7   | 208 | Two Divisional Boards should be established at Quilon and Kottayam consisting of 5 members including the President and Secretary.  |

<i>Para No.</i>	<i>Recommendation No.</i>	
9	209	The practice of allotting grants to the Unions by the Registrar should be stopped with the Reorganisation of the Institute.
...	210	Government Grant should be equal to the total amount collected by the Institute.
10	211	Grants to Supervising Unions should be proportionate to the collection of Supervision Fund from societies.
11	212	Central Bank should set apart every year not less than 2½ per cent. of its net profits as a grant to the Institute.

CHAPTER 22.

*Propaganda Education etc.*

4	213	No time should be lost in devoting serious attention to the matter of co-operative education.
4	214	Immediate measures should be taken to start a co-operative Central Training School in Trivandrum on the lines of the Institute in Madras, under the control of the Registrar.
6	215	Future recruitment to the Department and to the non-official bodies should be confined to those trained in the school.
6	216	Admission to this school will be restricted to Graduates ordinarily.
7	217	After 3 years this school may be handed over to the Institute.
7	218	Departmental Inspectors will be trained in this school in the course of 3 years. Inspectors so trained or diplomated will only be eligible for promotion.
...	219	The School shall be in charge of an Assistant Registrar.
8	220	The Institute should immediately start a peripatetic school for lower grade Supervisors, Bank Assistants etc.
...	221	They should conduct evening classes of a fortnight's duration for the education of Secretaries.
..	222	They should also undertake short and suitable courses for the benefit of Presidents and Committee members of societies.

*Para Recommendation No.*

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|-----|-----|--|
| ... | 223 | Lectures should be arranged at Trivandrum and other educational centres for the benefit of general public and students.  |
| 9   | 224 | Intensive propaganda should be undertaken by the Institute and the Union according to a definite plan with the help of a demonstration car and propaganda materials. |
| 9   | 225 | Honorary organizers, men and women should be appointed.  |
| 10  | 226 | Government should make a liberal grant for the payment of their allowances.  |
| ... | 227 | The appointment of Honorary organizer should be made by the Institute with the approval of Government through the Registrar.   |
| 11  | 228 | The periodical conferences should be systematised according to a regular plan.   |
| ... | 229 | Grants should be made by the Institute to the conferences on well organised basis.   |
| 12  | 230 | The institute should render free assistance to other bodies doing similar works.   |
| ... | 231 | Government should subscribe 500 copies of the Co-operative Journal and distribute among Educational Institutions and reading rooms.                                  |
| 13  | 232 | Government should give a very liberal grant to Co-operative Institute equal to its collection.   |

CHAPTER 23.

*Inspection, Supervision, Audit.*

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| 7   | 233 | The Department should actively help the union in the collection of Supervision Fund from the societies and should on no ground hesitate to entertain reference made by the Unions against an affiliated society for default of supervision fund. |
| ... | 234 | Provision should be made that no dividends to members or bonus to Secretary should be payable before the due amounts under Supervision Fund and Reserve Funds are paid.  |
| ... | 235 | The practice of allowing the societies to send their delegates to the Union when the societies are defaulters by way of delegation fee or supervision fund should be stopped at once.  |

*Para Recommendation No.      tion No.*

- ...      236      A society should not be allowed to elect as its delegate to the Union a member who is a defaulter either as a principal debtor or as a surety.
- 8      237      The minimum qualification for a Supervisor should be the possession of a certificate of training.
- ...      238      Only Graduates with the above qualification should be appointed as Supervisors in future.
- ...      239      All Supervisors at present in service should be required to qualify themselves in 3 years.
- 9      240      Not more than 35 societies should be entrusted to a Supervisor and every Supervisor should visit every society in his charge at least once in three months.
- ...      241      Unions should fix up four programmes of Supervisors in consultation with the Inspector of the Department and of the financing banks if any.
- 10      242      The reports of the Supervisor with a review of the Union committee thereon should be communicated to the society concerned within a month of the Supervisor's visit and the Unions should submit a quarterly report to the Institute re: the state of societies affiliated to them in a form prescribed by the Institute.
- 10      243      The Union should submit to the Institute the Supervisor's diary with the remarks of the Union committee once a month.
- ...      244      Supervision by the Union Committee should be continued.
- ...      245      Every society in the Union should be visited by committee members at least twice a year.
- ...      246      A uniform scale of T. A. should be fixed for the Unions by the Institute in consultation with the Registrar.
- ...      247      The figures required by the Registrar for the annual report should be furnished by the unions.
- Audit.**
- 15      248      Audit fee should be levied.
- ...      249      Audit should be done by Departmental staff or professional approved auditors. It should not be entrusted to the Union Supervisor or other honorary auditors.

<i>Para No.</i>	<i>Recommendation No.</i>	
...	250	No Inspector should be entrusted with more than 50 societies for purposes of audit.
16	251	The co-operative year should coincide with the financial year.
17	252	The scale of audit fee should be fixed by the Registrar with the previous sanction of the Government.
...	253	No audit fee should be levied from unlimited liability societies, limited societies with a working capital of less than Rs. 20,000, all non-credit societies other than stores with a turnover of Rs. 25,000 and above and Supervising Unions and Co-operative Institute.
	254	Societies shall have the option of getting its accounts audited by a certified auditor. If audited by a professional auditor, no fee shall be levied.
	255	The auditor should check the cash balance.

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CHAPTER 24.

*The Department.*

2	256	The Registrar's status should immediately be raised to that of a Dewan Peishkar.
	257	The Registrar should be given an opportunity to acquaint himself with the co-operative movement in European Countries.
3	258	Four Assistant Registrars with a staff should be appointed for regular work of whom 3 shall be in charge of Districts and 4th in charge of non-credit work alone.
	259	Two Temporary Assistant Registrars should be appointed to be in charge of Land Mortgage Banks and the Central Co-operative School.
4 & 5	260	A reorganisation Officer should be appointed under the Registrar to work the reforms.
	261	Assistant Registrars should be given opportunities to receive practical training outside the State.
	262	A Co-operative Manual should be compiled and the reorganisation officer should be entrusted with the work.

<i>Para No.</i>	<i>Recommendation No.</i>	
	263	Report should be translated into Malayalam
	264	The Inspectoral staff should be divided into 3 grades and their number increased.
	265	Six Inspectors should be deputed to non-credit work.
6	266	Ten Inspectors should be deputed for work in the depressed class and fisherfold societies.
	267	Six Inspectors should be put in charge of liquidation work.
	268	Three Inspectors should be ladies.
8	269	Thirty Inspectors should be put in charge of credit societies.
9	270	Sale officers should be appointed for the execution of awards, its cost being met out of the imposition of fees.
10	271	Inspectors should be given practical training outside.
	272	The office staff of the Registrar should be revised.
	273	Registrar should be ex-officio member of the Economic Development Board.
	274	An Advisory Consultative Board should be formed with the Registrar as President to discuss general problems and evolve general policy.
	275	The Government should grant a special fund to the Registrar for purpose of propaganda.
18	276	Government should earmark a separate fund for grants to libraries and entrust it to the Registrar.
	277	A sum of Rs. 28,000 should be given as grants to non-official bodies.

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CHAPTER 25.

3	278	Regulation X of 1089 should be amended as per draft.
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CHAPTER 26.

2	279	Arbitration should be made compulsory in all disputes touching the business of the society between members of the society.
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<i>Para No.</i>	<i>Recommendation No.</i>	
3	280	The expression touching the business of the society should include all matters connected with the working of a society other than those re. disciplinary action taken by a society or its committee against a paid servant of the society.
7	281	The Registrar should see that no reference is pending with the arbitrators for more than 6 months.
8	282	Provision should be made in the rules as in Bombay for the levy of arbitration costs, out of the funds of the society according to a scale laid down by the Registrar and for the recovery of the amount from the society or party or parties to the dispute.
	283	Legal practitioners should not be permitted to appear before the arbitrators to represent the parties.
	284	The Registrar should constitute a panel consisting of half a dozen competent men in every taluk with the previous sanction of Government to work as arbitrators and publish their names in the Government Gazette.
	285	The Registrar should have the power to recall the file from the arbitrator or arbitrators to whom a dispute is referred if they do not decide the same within the time fixed by the Registrar, and to decide it himself or again to refer it to another arbitrator or arbitrators.
	286	'Unions for the execution of 'awards' as in the Punjab may be established.
9	287	Registrar should have power to revise the awards.
10	288	Appeals should be allowed from the decision of arbitrator to the Registrar.
CHAPTER 27.		
<i>Liquidation.</i>		
4	289	Liquidation work may be entrusted to competent non-officials.
5	290	The following additional powers may be given to liquidators.

*Para Recommendation No.      ation No.*

...

290

- (1) To get disputes referred to arbitration
- (2) To include debts due from members or past members, or estates of deceased members in his contribution awards.
- (3) To pay claims against the society including interest up to the date of the cancellation of registration according to the respective priorities in full or rateably as the assets of the society permit, the surplus if any remaining after the payment of interest from the date of such cancellation at a rate fixed by him not exceeding 6 per cent. irrespective of the contract rate.
- (4) To recover any sum as a contribution to the assets of a society or as costs of liquidation may be recovered on a requisition being made to the Dewan Peishkar by the Registrar in the same manner as arrears of land revenue.

291

The present practice of charging interest and penalty on the loans up to the date of realisation of the amount by the liquidator should be stopped in the case of societies which have no outside borrowings.

292

There should be provision for appeals on the orders of the liquidator to the Registrar.

293

Law should provide for the finality of liquidation proceedings.

294

It is desirable to continue the practice of keeping orders of cancellations in abeyance.

295

A voluntary winding up of a society before actual disregistration is preferred to the above practice.

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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 1909 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.	Cent.
		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	..	..
Total	735	321	204	210	207	55

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.

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*"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 1089.

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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