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

X.M.222.N34E

REPORT

10965

CO-OPERATIVE ENQUIRY COMMITTEE

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**PART I.**  
**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 6th 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

G.P.T. 2099—500.



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 propoganda, 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. G. 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.

### 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 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 justica 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. Kharparde 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.

### 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 taguavi 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.**

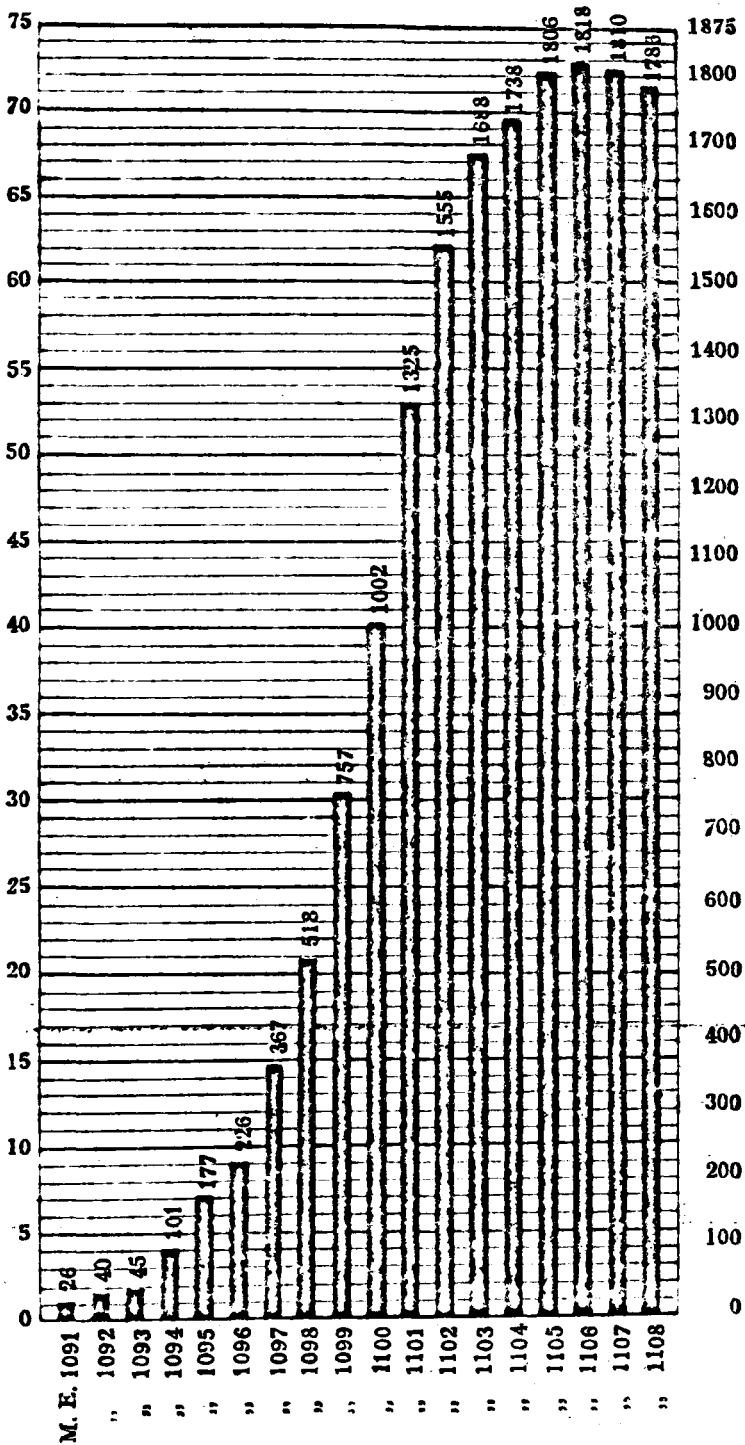
4. In Travancore, it was neither famine nor usury, nor a healthy desire to emulate British India that was the immediate cause of the introduction of the co-operative movement. Mention has been already made of some of the predisposing causes.

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.*

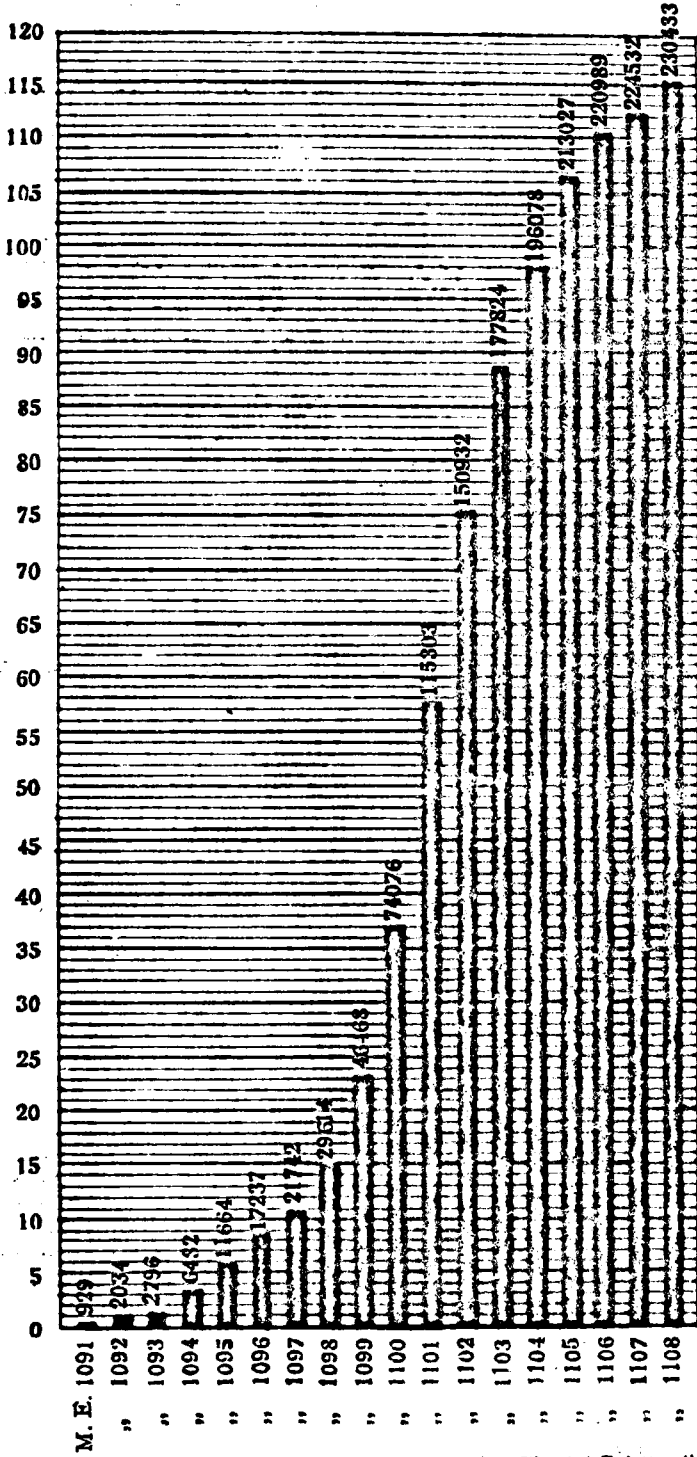
Year.	No. of Societies	No. of Members.	Working Capital	Reserve Fund.
1091 M. E. (1915-16) .	26	929	74,986	261
1092 „ (1916-17) .	40	2,034	1,37,122	2,042
1093 „ (1917-18) .	45	2,796	1,50,527	4,933
1094 „ (1918-19) .	101	6,432	1,87,896	8,030
1095 „ (1919-20) .	177	11,664	2,59,060	15,648
1096 „ (1920-21) .	226	17,237	3,37,321	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	1,72,24	42,59,281	2,98,806
1104 „ (1928-29) .	1,738	1,96,078	52,75,855	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 :—

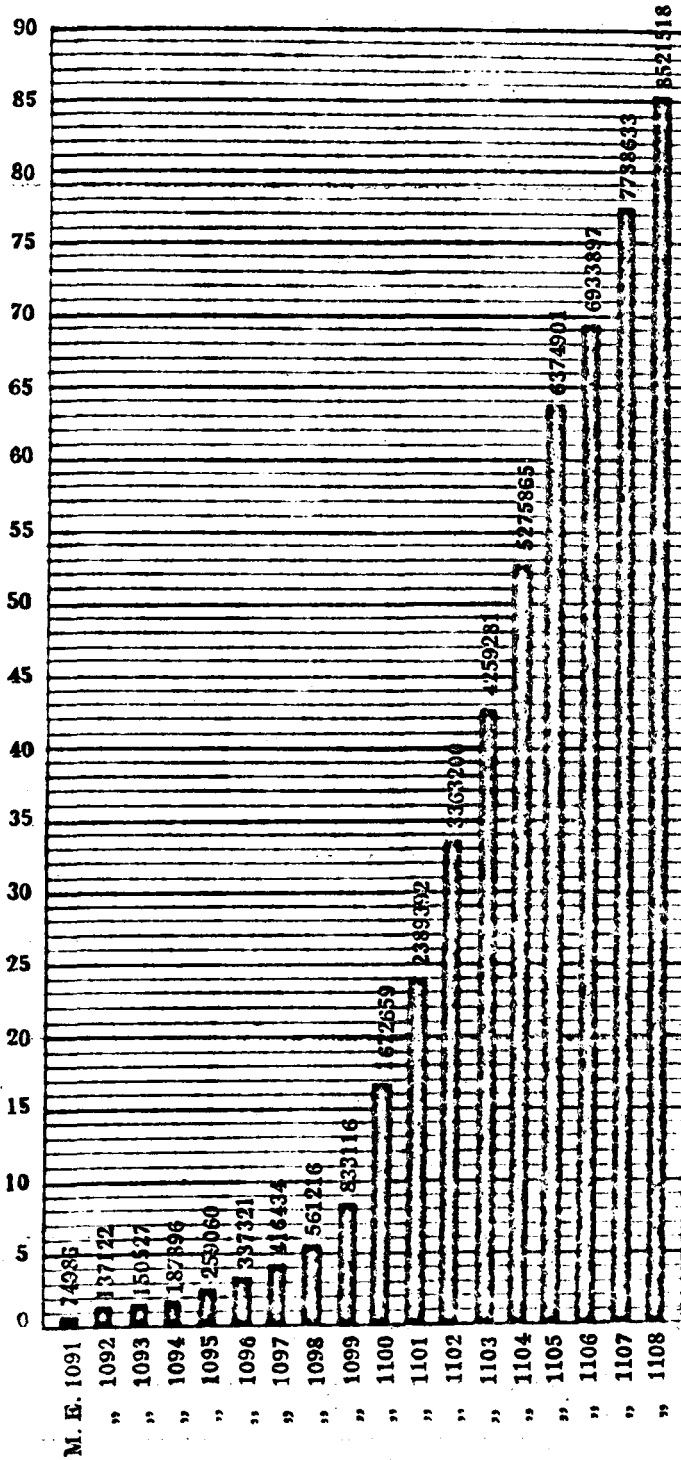
(The figures are taken from the latest issue of Statistical Statements relating to the Co-operative Movement in the whole of India published by the Government of India for the year 1931-32.)

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



# WORKING CAPITAL

1 Small Division = Rs.100000



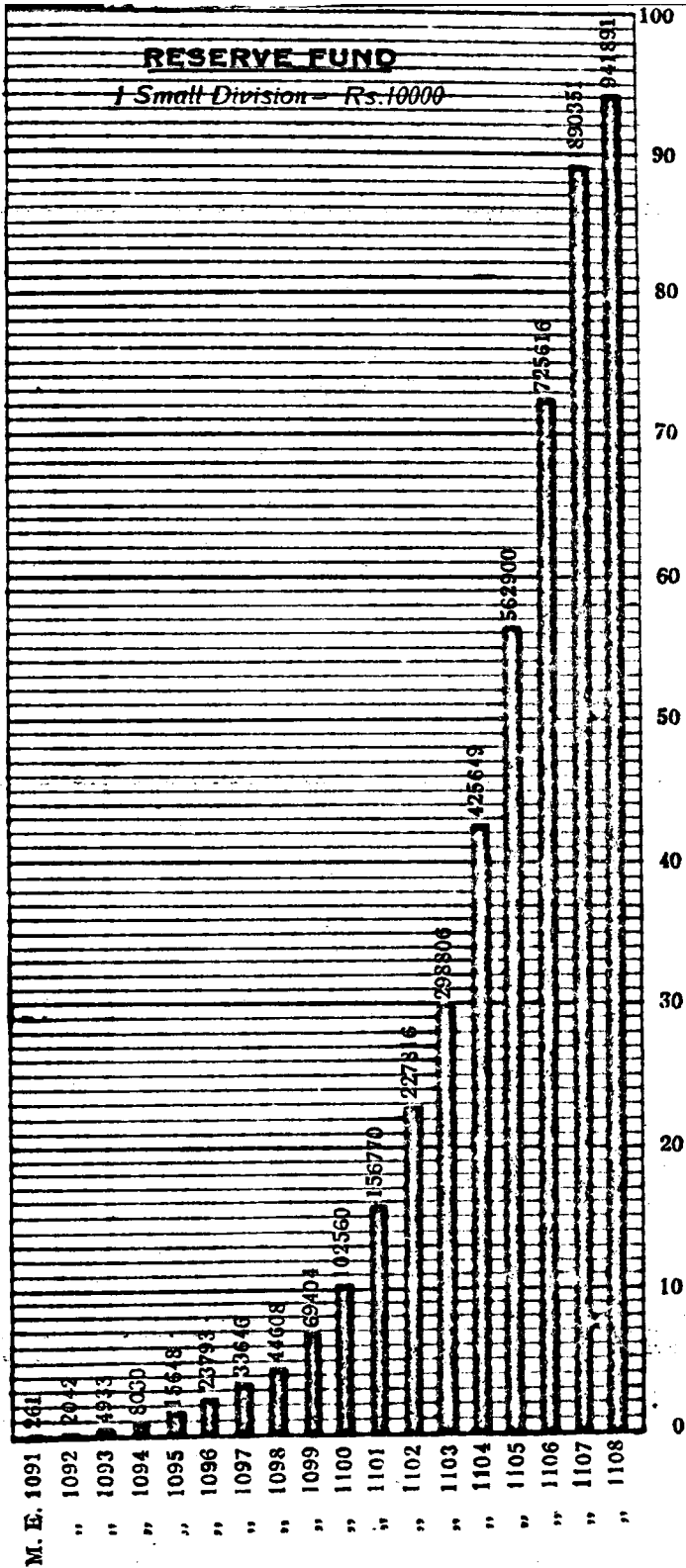


TABLE 2.

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	884	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 1939. 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	...	9

#### 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 1106 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 today 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  $10\frac{1}{2}$  per cent on loans to individuals, the Central Bank charges them only  $8\frac{1}{2}$  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.	$10\frac{1}{2}$ per cent.	7 per cent.	$8\frac{1}{2}$ per cent.	
Taluk Bank ...	7 ..	$10\frac{1}{2}$ ..	...	$8\frac{1}{2}$	
Primary societies ..	$8\frac{1}{2}$ ..	$10\frac{1}{2}$ ..	...	...	

#### 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 All-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)  $6\frac{1}{2}$  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 his 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 Combatores 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 the irrigation channels 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 98 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 byelaws 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 cocoanut 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 7½ 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. E. 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 1109 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 Lakshmilvasom 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 necessities 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 Hus s.

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 as 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 Ramanadpuram 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 what soever 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.

#### (I) 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.

## CHAPTER IX.

### NON-AGRICULTURAL CREDIT.

#### 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 Travandrum 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

encourage 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 over-dues 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 withholding 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 all 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 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 bulls 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 Rajan ploughs, the existing bulls 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 jenmies 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 Viswabharathi at Bolpur in Bengal or the industrial beehive created by His Holiness Sahebji 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 Kumaram 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.

## 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 4,06,000 women of various classes engaged in all kinds of industries. In Bengal and Bihar and Orissa, the wives of some of the Governors 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 better 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 student's 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 esprit 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. 53,392 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 Bhils 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 Bhils 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

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 leaven 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	2,015	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 1096. 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 Sevasramam 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 problems.

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	160	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
Burma	...	45
Bombay	...	49
Punjab	...	66
Travancore	...	32

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 Dela 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 1884 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 Junagadh 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 Prabhaskar 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 Iyya 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 overdues 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-barted 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 Prabhaskar 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 trustee.

(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.

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

(vii) 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 Mhirnath 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 1924 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 bye-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 funds 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 ware-house 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 ware-house will have to be issued a warrant or receipt containing the full information regarding the goods received. The ware-house 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 ware-houses, 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 ware-houses 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 ware-house 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 de-etre' 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 besides three temporary 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  $2\frac{1}{2}$  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.

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## 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. Myrick'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 institutes 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 medio*. 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.

## 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 or 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 1932 (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, Shencottab, 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 or neighbourly 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 commissionships 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 light heartedly 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		} Non-recurring
(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.		
(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 4½ 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.		
					Rs.	A.	P.
Bombay	5,880	5,95,655	5,67,259	96.3	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	4½

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 Oakden Committee of the United Provinces of Agra and Oudh, the King Committee of the Central Provinces, the Calvert Committee of Burma and the Townsend Committee of Madras have all suggested immediate change 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 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 bear 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, *z.*, 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, it 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.

### Distraint and Sale—Conditional Attachment.

16. The overdue 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 mount 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.

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**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 subsection (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. VIII 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 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 a 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 drawn upon for purposes sanctioned by the Registrar, 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 the members, hold an inquiry, or direct some person authorised by him by order 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 authorise 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 1908.

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 1967, 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.

(z) 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 ;

(j) 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 ;

(k) 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 1089 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. 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 a record of names, addresses and byelaws 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.
- (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.

Books to be maintained by a supervising 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 document fees.

Application for registration of a society...	Re 0 2 0	each
Bye-laws of registered societies ...	„ 0 2 0	per folio
Amendment of bye-laws of a registered society ...	„ 0 2 0	per folio.
Certificates of Registration ...	„ 0 2 0	each
Orders for cancellation of the registration of a society ...	„ 0 2 0	per folio.
Audit memorandum of a registered society ...	„ 0 2 0	per folio.
Annual Balance sheet ...	„ 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 Levy of audit fees. 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 27. 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 liquidator.

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.

XXVII. A distributive society shall sell its goods to persons other than members with the previous sanction of the Registrar.

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.

XXIX. The shares of a society shall not be hypothecated to that society by its members as a security for a loan.

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.

**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 movable 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 day 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.

Distrainted 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.

Distrainted 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 out-door 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.

What places sale officer may force open.  
 Powers of sale officer to force open doors in presence of police officers.

(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 outdoor 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.

Proclamation of time and place of sale and of property to be sold.

(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.

Sale, how conducted.

(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,

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 distrained under these Rules 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 moncy 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.



(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.

(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.

(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.

(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.—

- (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 :

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.

(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.

(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). (. ) 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 immoveable 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 immoveable 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 immoveable 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 immoveable 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 immoveable 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 immoveable 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 immoveable property of a defaulter in discharge of money due provided always that, so far as may be practicable, no larger section or portion of immoveable property shall be sold than may be sufficient to discharge the amount due with interest, and expenses of attachment and sale.

Sale of immoveable property to be proportionate to amount due.

Proclamation after sale.

Delivery of possession.

Sale of immoveable 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 immoveable 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 Civill 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. Vaidyalingona 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 Prabhakar Pattani, K. C. I. E., (President, Council of Administration, Bavnagar State) F. L. Brayne, Esq., I. C. S. Rural Development Commissioner, the Punjab, Dewan Bahadur M. Ramachandra 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 Mekhri, B. A., LL. B., the Registrar of Co-operative societies in Mysore, Y. A. Golbole, 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.

Para No.	Recommendation No.	
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	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.
3	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.
4	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.
5	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.

<i>Para No.</i>	<i>Recommendation No.</i>	
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.
18	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

<i>Para No.</i>	<i>Recommendation No.</i>	
		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 assure 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 probationary 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. tion 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.

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 by-laws 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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|---|-----|---|
| 8 | 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. |
|---|-----|---|

Para No.	Recommendation No.	
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.

<i>Para No.</i>	<i>Recommendation No.</i>	
...	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.
<i>Para No.</i>	<i>(Vide recommendation No. 1.)</i>	
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 1½ 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.*

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.

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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 Tri-vandrum 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.

<i>Para No.</i>	<i>Recommendation No.</i>	
...	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.*

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.



<i>Para No.</i>	<i>Recommendation No.</i>	
...	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 tour 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 committees 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 <i>re</i> : 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.
		<b>Audit.</b>
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 of 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.

#### 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 1989 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 <i>re</i> : 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.      Recommendation 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.

7                      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.

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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.

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### 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 bye-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?

104. 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 Banks 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. Kayanulam.
11. Alleppey.
12. Shertallai.
13. Kottarakara.
14. Adoor.
15. Punalur.
16. Pathanamthitta.
17. Thiruvellah.
18. Kozhenchery.
19. Changanachery.
20. Kottayam.
21. Meeppachil.
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 pooriness 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 manufacturer 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 Philippines, 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 1,115,722 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. 6d. Ceylon copra was being offered at £9. 17s. 6d. so that by that time the premium had been reduced to £0 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 these 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 ponnac 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 mls. 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 Prabhaskar 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 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. 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 27,898 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. 631-7-11 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. PATANI 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	530
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 &amp; 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 conceived 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 advances 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 Kandesh, 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-operaters 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 a/quate 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 Deccan 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 earmarked.	Area found suitable.	Area rejected.	Area proposed 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 525 were disposed of leaving a balance of 210 against 616 and 157, respectively, in 1107. The percentage of disposal was 71.4 against 80 in 1107. Of the applications disposed of, registry was sanctioned in 321 cases and refused in the remaining 204 cases. The subjoined statement furnished particulars by Divisions of the applications disposed of and the area brought under registry during the year.

Division.	Number of applications.			Balance.	Area assigned.	
	For Disposal.	Disposed of			Acre.	Cents
		Sanctioned	Rejected.			
Trivandrum	187	37	45	105	47	38
Quilon	394	239	106	49	133	58
Kottayam	137	45	38	54	26	59
Devicolum	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 ear marked 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 Kunnathunad taluk	30	19
5. Area deducted in that taluk in Kanni 1108	2	51
6. Area set apart for Valans wrongly included the list of Shertalai taluk and hence deleted since Valans are not a depressed class	9	94
<b>Total</b>	<b>52</b>	<b>81½</b>

	Acres.	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 acres 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.

*Kottayam.* 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-war 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	74.953
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
Total	...	6,574	61.328

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

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

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

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

#### COAST FISHERMEN AND THEIR SOCIETIES.

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

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

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

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

#### THE VALA CO-OPERATIVE SOCIETIES.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

I remain, Dear Sir,

Yours sincerely,

(Sd.) Director of Agriculture and Fisheries

## Appendix XIII.

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

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

*(Royal Commission on Agriculture.)*

*"We are of the opinion that in view of the importance of the subject, the Government 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, e. 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  $8\frac{1}{2}$  lakhs, thus leaving  $31\frac{1}{2}$  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  $31\frac{1}{2}$  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 over head 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  $2\frac{1}{2}$  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 Islamia 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 these societies do not make use of the revenue staff.

The cost of the land revenue collections is at present about Rs. 1½ 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.

\*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.*

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Dear Mr. Devadhar,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Appendix XV.

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

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

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

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

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

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

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

6. A Union applying for grant should undertake to

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

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

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

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

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

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

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

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

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

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

## 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 necessities 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, selfing 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 29TH 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 cent 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 immoveable property the expenses of a sale shall be taken to be eight annas or  $\frac{1}{32}$ nd 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.

XM. 223. IV 36  
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Supplement to Part II.—Co-operative Department.

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28	25	develop	develop
28	33	wherever	wherever
30	36	Rs 3 be	Rs. 3 may be
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xliv	35	for	fore
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# REPORT OF THE COCHIN CO-OPERATIVE ENQUIRY.

## PART I. CHAPTER I.

### GENESIS.

This Report is the outcome of the enquiry into the cooperative movement in Cochin State entrusted to Mr. G. K. Devadhar, M. A., C. I. E., President, Servants of India Society, by the Government of His Highness the Maharaja. Unfortunately Mr. Devadhar passed away before he could complete the report and the work of compiling a few pages, out of the vast data and bundles of files that he collected, has fallen to my lot. As the Secretary of the Enquiry for more than a year, as one who knew Mr. Devadhar and his ideas on co-operation very intimately and had very many occasions of discussing all the aspects of the movement with him, and as a humble worker in the field myself, I think I am amply justified in finishing what he left unfinished. At the same time I have not added any new fact or propounded any new theory, but have only put into sentences what Mr. Devadhar has left as jottings. In some places, in spite of my strong disagreement with the views of Mr. Devadhar, I have expressed only his sentiments and not mine. I am not at all satisfied with the method of presentation, but with the busy times that I have, I could not devote more time for its arrangement and language.

(2) *Origin.*—Any survey of the co-operative movement in Cochin State must begin from the date of the passing of the Co-operative Societies' Regulation in 1088 M.E. corresponding to 1912 A. D. From that time to the commencement of the present enquiry, there was no organised attempt to measure the progress made so far, find out the defects, or to remedy the evils. The working of the movement, however, attracted some attention and much criticism in the press, among the public, and in the Legislative Council.

(3) The numerous interpellations in the Council, in session after session, reduced themselves into a resolution by Mr. K. T. Mathew, B. A., B. L., proposing to set up an enquiry

into the working of the movement by Mr. Devadhar or any other expert, which was unanimously passed. The resolution was readily accepted by the Government and the news was communicated to Mr. Devadhar by the Registrar when he was in the King Edward Memorial Hospital, Parel, Bombay. The request made by the Registrar showed the special anxiety on the part of the Government, as was exhibited by their readily falling in line with the popular demand and by entrusting the work to a single individual who had been keenly interesting himself in this activity of the State since the year 1922 when he came over here to preside over the Co-operative Conference held at the Government Farm at Ollukara.

(4) He was at this time in charge of a similar enquiry in Travancore State where the problems were of a similar nature. That fact afforded to him a ready and a special facility which inclined him to accept the invitation readily. In responding therefore to the Government's call on certain conditions, the thought that prompted him was one further opportunity of rendering an additional service to the people of the West Coast in a responsible way, both as member and President of the Servants of India Society. Though the condition of his health then, and his pre-occupations or commitments for the completion of similar work in Travancore made it difficult for him to resume the work at once, it was very kind of the Government to have agreed to wait till he had submitted his Report to the Travancore Government.

#### TERMS OF REFERENCE.

The following Proceedings were issued by the Government of His Highness the Maharaja of Cochin.

#### PROCEEDINGS OF THE DIWAN OF COCHIN.

##### DEVELOPMENT DEPARTMENT.

##### *Co-operative movement in the State—Enquiry by Mr. G. K. Devadhar.*

Read (1) Letter C. 2—C, 68/08, dated 29th March 1933 from the Legislative Council Secretary.

(2) Letter C. 3813/1108, dated 21st April 1933 from the Registrar of Co-operative Societies.



- (3) Subsequent correspondence ending with the Sarvadhikariakar's communication A. 748/09, dated 1st December 1933.

*Order D. 5/128841108, dated 3rd December 1933.*

The following resolution was passed by the Legislative Council at its sitting on Wednesday, the 29th March 1933.

"This Council requests the Government to make early arrangements with Mr. G. K. Devadhar of the Servants of India Society or any other expert on co-operative movement to enquire into, and report on the co-operative movement in the State with a view to make it more popular and useful".

2. Government are pleased to accept the suggestions contained in the resolution.

3. Mr. G. K. Devadhar, President of the Servants of India Society, has kindly consented to undertake the work. Government gladly avail themselves of the opportunity and engage Mr. Devadhar's services on the following conditions:—

(i) Mr. Devadhar will be paid an honorarium of Rs. 1,000 and be treated as a State Guest during his stay in the State.

(ii) He will be given T. A. at the following rates:—

Railwayfare:—One and a half first class

Mileage:—Annas six and pies two for road marches exceeding 20 miles.

Daily allowance:—Rs. 7½ for a day's halt.

4. Government consider that, instead of appointing a committee to report on the question, it will be sufficient if Mr. Devadhar visits some of the representative societies in the State and his advice be taken as to the lines on which the movement could be improved.

5. The following were the terms of reference made to him by Government:—

To ascertain the present conditions of the co-operative movement in the State since its inception by visiting about a dozen typical societies and to suggest:

(1) the lines of future progress;

(2) the improvements necessary in the financial system of the movement:

(3) improvements in regard to propaganda, supervision and control of societies and finance; and

(4) improvements and facilities necessary for development of non-credit activities; besides these, his expert opinion may also be taken in regard to:—

- (i) the revision of the existing Regulation and the rules thereunder;
- (ii) subsidising unions and the rules therefor;
- (iii) the organisation of the House-building Co-operative Societies;
- (iv) the provision of adequate facilities for short and long term credit to agriculturists;
- (v) establishment of Land Mortgage Banks under the Co-operative Societies' Regulation, and
- (vi) co-operative work among members of the Depressed Classes.

(True extract)

(Sd.)

For Secretary to the Diwan.

(True Copy)

(5) The idea of visiting a dozen typical societies and making recommendations on its basis was unsound, as he was afraid whether such an enquiry would not make him an unjust judge, as the work of 20 years would have to be scanned in a week and a decision recorded.

(6) Periodical surveys and stock-takings are essential for guiding the movement on correct lines. This was done in British India after the passing of the Co-operative Act by an expert Committee presided over by Sir Edward Maclagan. The Maclagan Committee was followed by similar committees in many of the provinces and States, like the King Committee of the Central Provinces, the Samaldas Committee of Mysore, the Townsend Committee of Madras of both of which Mr. Devadhar was a member, the Calvert committee of Burma and the Devadhar Co-operative Committee of Travancore. In Cochin, however, until after the movement had attained its majority, no one seriously thought of guiding and examining its proper growth by such surveys and stock-takings.

(7) The enquiry into the Sister State of Travancore was certainly an eye-opener and in a way the precursor of the enquiry in Cochin.

- ADDITIONAL REFERENCE BY GOVERNMENT.

(a) Owing to the discussions in the Legislative Council about the bad working of two societies, the Aripalam Co-operative Society and the Kunnamkulam Y. M. C. A. Co-operative Society, of which the former is under liquidation,

Mr. Devadhar was requested by the Government to include them in his itinerary.

(b) Similarly many problems which confronted the Registrar in the practical working of societies, like (1) Societies and the Kuri Regulation, (2) Investment of Reserve Fund in the Central Bank, (3) Payment of search fees in Registry Offices, (4) Jurisdiction of Courts in Co-operative matters, and (5) liquidator's remuneration, were also referred to him.

(c) Besides these, he received numerous un-official references from (1) the Kottappuram Catholic Co-operative Society regarding remission of penalty and interest from the Central Bank (2) Trichur Town Co-operative Society regarding (a) the reduction of the rate of interest and (b) the settlement of the dues from a lady of Rayirath house, who took a loan of Rs. 150—8 years ago, paid Rs. 430 till date, and yet had to pay Rs. 500 more (3) many Depressed Classes' Societies with requests for Bhajana mutts (4) the Devadhar Labour Co-operative Trust for suitable bylaws and proper provision for supervision (5) Mr. O. V. R. Seshan, with complaints about the attitude of members and want of timely audit and methodical supervision (6) Mr. Paul Mampilli, representing the Narakkal Coconut Growers' Association, with petition to His Excellency the Viceroy and the Imperial Council of Agricultural Research.

Over and above these, in the course of his visits to the out-of-the-way places, he tried to study the local problems and needs of the agriculturists. He could, therefore, suggest a few new schemes which can be ably tackled through co-operation. The irrigation schemes at Nedumpura and Desamangalam, Kole and Puncha cultivation at Parappukkara, Pulla and Enamavu and the coir industry at Kumbalanghy and Moothedom are some of them, calling for co-operative enterprise for a solution.

#### THE QUESTIONNAIRE.

While he was attending to the Co-operative Enquiry in Travancore, a questionnaire was framed with the help of the Registrar of Co-operative Societies, Cochin, and caused to be printed and published in the Cochin Government Gazette, both in English and the vernacular (Malayalam). It was issued on 2nd March 1934 and appeared in the Gazette on 17th March 1934. Copies of the questionnaire were sent to all co-operative societies in the State, to the members of the Legislative Council, Heads of Departments, to the Editors of the different news-papers and other prominent co-operators, official and non-official. The answers received to the questionnaire issued, were rather disappointing.

## CAUSE OF DELAY.

## FIRST STAGE OF THE ENQUIRY.

Though the preliminary part of the work was actually begun on the 6th January 1934, the date following the opening of the All State Co-operative Conference at Irinjalakuda, it could not be done within a week, due to causes mentioned elsewhere. He visited 20 institutions in the course of 5 days and had to leave the State on the evening of the 11th for Travancore in order to complete his work of enquiry there. For seven months and odd, he had perforce to remain there to complete the Report. Meanwhile, his suggestion for the appointment of the following staff was approved:—

- One Secretary.
- One clerk.
- One Shorthand Typist.
- Two peons.

I was appointed Secretary on 25th July 1934, and the work was taken up again on 28th July 1934. Mr. Devadhar came to Trichur on the 2nd of January and he opened the All-Cochin Co-operative Conference at Irinjalakuda, when he spent a couple of days there in discussing with the Registrar and several leading Co-operators from all over the State, their views on the present condition of the movement and its requirements. He left the State on the 8th instant for Travancore.

## SECOND STAGE OF THE ENQUIRY.

Mr. Devadhar returned to the State on 28th July 1934 after submitting the Travancore Enquiry Report to that Government. During a tour of 25 days he investigated the working of some societies distributed all over the six Taluks of the State, and the work had again to be suspended, as he had to leave for Simla for attending the meetings of the Advisory Board of the Imperial Council of Agricultural Research. During his absence the work of collection of data was, however, continued by me under his guidance and with the help of the Registrar.

Before he left for Simla he thought it advisable to apply to the Government for extending the term of enquiry till the end of December 1934.

## THIRD STAGE OF THE ENQUIRY.

Though by the time he left for Simla on the 24th of August 1934, he could visit about 60 societies, he realised that it was

very necessary to undertake another tour to get into touch with the working of some more societies after doing in addition the investigations in the work. Accordingly he resumed his enquiry again on the 1st of December and the term of his work was extended to the end of December.

Towards the middle of December 1934 he came to realise that the data till then collected were not adequate; and in order to do full justice to the varied terms of reference and other cognate or allied matter brought to his notice mentioned above, he had to apply for a further extension till the end of January 1935.

#### TOURS.

He toured in all for 97 days from one end of the State to the other, halting in different centres, both rural and urban. He visited 98 institutions in all, of which 31 were Agricultural Credit Societies, 14 Non-agricultural Credit Societies or Town Banks, 4 Vala or Araya (fishermen) Societies, 4 Industrial Societies, 6 Depressed Classes' Societies, 5 Stores, 7 Unions, 9 Employees' Societies, 9 Teachers' Students' and School Stores, the Central Bank, the Central Institute, 1 Labour Society, 1 Co-operative Home and 5 Joint Stock Banks. Of these, 13 were communal societies. In his tours I invariably accompanied him and on occasions the Registrar of Co-operative Societies also formed one among the party. In almost all the societies that he visited and in response to a circular issued at his instance by the Registrar and published in the Gazette, the Inspectors of the respective divisions were present with a majority of the members of the managing committee. The reception accorded to him in all of them was very cordial and enthusiastic, and no opportunity was missed of enquiring into the minutest details of their working and the benefits derived to the members from them.

#### COLLECTION OF DATA.

At the All-State Co-operative Conference at Irinjalakkuda on the 5th of January 1934, which was opened by him, he appointed the three sub-committees to submit reports on (1) the amendment of the Regulation (2) Finance, and (3) Education and Propaganda. Of these, the committees on Education and Propaganda and for the amendment of the Regulation and Rules have submitted their reports, while the report of the Finance sub-committee is still due. Another set of data has been derived from (1) a memorandum by the Co-operative Unions of the State, (2) notes from Professor Joseph Petta (3) Mr. Mukunda Raja (4) Superintendent of Agriculture (5) Director of Public Instruction

(6) Secretary of the Central Bank, (7) Honorary Secretary of the Cochin Central Co-operative Institute, (8) Mr. V. K. Achyuta Menon, Superintendent, G. T. School, (9) Registrar of Co-operative Societies, (10) Registrar of Joint Stock Companies, (11) Registrar of Kuries, (12) Registrar of Village Panchayats, (13) Diwan Peishkar, (14) Tahsildar of Trichur, (15) Comptroller of Accounts, (16) Group Examiners of the Central Bank, (17) Tahsildar of Cochin-Kanayannur Taluk, (18) Commissioner of Devaswoms, (19) Superintendent of Economic Survey, (20) Swami Dharmatheertha, (21) Mr. O. V. R. Seshan of Tata Oil Mills, in his capacity as Secretary of the Harijan Sevak Sangha-District Committee and (22) Secretary of the Kunnankulam Y. M. C. A. Co-operative Society. He had also received much valuable information from outside the State viz., from the Director of Agriculture, Travancore, the President of the Land Mortgage Bank, Mysore, from Professor W. G. Urdwarshé M. A. (Indore) from Sir Alexander Tottenham, Pudukotta, from the President of the Malabar Central Bank, Mr. V. R. Nayanar, B. A., Mr. S.R. Venkita Raman, Mr. K. G. Sivawamy, Mr. Sreenivasa Raghavachari, Diwan Bahadur Ramalingam Chettiar, Mr. T. Austin, I. C. S., Mr. V. L. Mehta, Mr. M. I. Darling, I. C. S. on special duty for the organisation of rural credit of the Reserve Bank of India and Mr. M. N. Surti, Revenue Commissioner, Bhavanagar.

Further, he received many suggestions and exacted much information from many officials and workers in the co-operative field, all of whom he interviewed and with whom he discussed matters. The advice given to him by H. H. The Maharaja, H. H. The Elaya Raja, H. H. the 2nd Prince, H. H. Kuttan Thampuran, H. H. The Senior Rani and Mr. C. G. Herbert, the Diwan, enabled him to store a mine of information on many matters. Since his second return to the State on the 1st of December he was almost wholly engaged in the collection and classification of data and preparing the draft of the report on the spot, so as to secure the assistance of ready reference and help of a proper setting.

#### PROPAGANDA.

During his stay in the State he was often invited to preside over and address public meetings at many places, on co-operative and allied subjects. Thus a series of 3 lectures were delivered by him at the Maharaja's College at Ernakulam and many more at Narakkal, Cranganur, Trichur, Ollur, Trippunithura and Nemmara. The members of the Cranganur Town Co-operative Bank, the Trichur Municipality, the Co-operators of Nemmara,

the members of the Maradu Co-operative Society, the staff and students of the St. Mary's Poor Industrial School run by Mrs. Swaris, M.L.C., the Co-operators of the Cochin State, the members of the Ananda Co-operative Society at Thoesam, were kind enough to present him with addresses of welcome, and the members of the Legislative Council, with their Diwan-President treated him to tea. He laid the foundation stone of the Office of the Maradu Co-operative Society. On all these occasions, the opportunity was availed of, to inculcate among the people a true knowledge of co-operation and its role in human welfare.

In some of the educational institutions, such as the St. Teresa's Convent High School and College, the local Girls' High School and the High School for girls at Irinjalakkuda, he offered small prizes to the students who wrote the best essays summarising his lecture to them on Women and Co-operation. To put it briefly, the Co-operative Enquiry was also made the means of a good co-operative propaganda, and signs of revived interest in co-operation and allied subjects were evident from large number of interviews and letters that he had.

His work in connection with the enquiry in Cochin was thus a mere labour of love and nothing else. In doing this, however, he received much help and advice and suggestions from many gentlemen, both official and non-official to all of whom he owed a deep debt of gratitude, and to whom he wished to express his thanks on this occasion. In the first place, he liked to mention in particular, his great obligations to the some time member of the Trippunittura People's Bank, His beloved Highness the present Maharaja of Cochin, who was kind enough to grant him two interviews and encourage him in his work. His Highness the Elaya Raja and his enlightened Consort, Mr. C.G. Herbert, I. C. S., the Diwan, Mr. K. Achyuta Menon, the Diwan Peishkar, Mr. I. N. Menon, the Director of Public Instruction, Mr. Gayatrinatha Ayyar, the Registrar of Co-operative Societies, Mr. Krishna Warriar, the Superintendent of Agriculture and Mr. V. R. M. Chohan, the Protector of the Depressed Classes, have helped him very much by their advice and promptness in supplying him with the information he was in need of. To all of them I express my sincere thanks on his behalf. He was similarly indebted to many other gentlemen, like the Registrar of Village Panchayats, the Comptroller of Accounts, Secretaries of the Co-operative Institute and the Central Bank, Mr. Vasudevan Namboodiripad of Desamangalam and a host of others, who have helped him in many ways for carrying his work through. He wished also to express his most

sincere thanks to his staff, including the 2 Inspectors deputed for this work by the Registrar, who had been very prompt and diligent in discharging their duties, particularly the "Secretary (my humble self) who was collecting statistics during his absence from the State, considerably helping him later on in the drafting of the report and whose intimate local knowledge and foreign training of a high order made his work easy and pleasant."

His thanks are also due to the officers and members of the societies that he visited, who received him most cordially and made his inspection and work very easy.

Also he wished to thank most heartily the members of the Cochin Legislative Council who extended to him a warm reception, and to the Chairman and members of the Trichur Municipality who presented him with an address of welcome.

Lastly, I would like to thank all those who have rendered him help in different ways, but whose names have to be omitted for want of space.



## PART I.

### CHAPTER II.

#### A FEW SALIENT POINTS.

##### PHYSICAL FEATURES.

Cochin is a small feudatory Indian State on the south-west coast of India. The name Cochin seems to be a corruption of the Sanskrit word 'Go-Sree', or according to conjecture the word seems to be a contraction of the 'Kochazhi' meaning a small or new harbour as distinguished from the large or old Cranganur Harbour (Ancient Muziris) which was frequented by merchants from all parts of the world. It is bounded on the north, north-west and north-east by the Malabar District; on the south-west by the Arabian sea and on the south by the State of Travancore. The soil of the State is of three kinds and the State is naturally divided into three zones, the hills, the planes and the sea-boards. The rain-fall ranges between 66 inches at Tattamangalam in Chittur Taluk, to 102 inches in Ernakulam, 132 inches in Trichur and as much as 150 on the Nelliampathies. The mean humidity of the atmosphere is 70 per cent of the saturation at the lowest and 88 per cent at the highest, while the minimum and maximum in Coimbatore just on the other side of the Ghats are only 52 and 75 per cent respectively. The annual mean maximum temperature as observed from the reading of the last 20 years is  $87.4^{\circ}$  and the mean minimum  $75^{\circ}$ , the annual mean being thus  $81.2^{\circ}$ . The sea-board or the narrow strip of territory lying between the Arabian sea and lagoon is densely covered with luxuriant cocoa-nut palms. This area being low and generally swampy is liable to be flooded during monsoons. The total area under cultivation and occupation in 1108 was 5,08,828 acres as against 5,08,579 acres in 1107. The extent of the kole lands was 19,090 acres in 1108 as against 18,507 acres in 1107.

##### POPULATION.

According to the census of 1931 the State has a population of 12,05,016 of which 5,89,813 are males and 6,15,203 are females. Hindus form 64.7 per cent of the population, Christians 27.7 per cent and Muslims 7 per cent. This part of the Indian Empire has the peculiar historical charm of having been attracted into close touch with the rest of the outside world, by its hill-products

like Teak, Ebony, Black-wood, other valuable trees, spices, from the beginning of the Christian era or even before. India has been a land of refuge to many harrassed communities, the Jews having migrated from Asia Minor and settled in Cranganur which is only 16 miles from the present Head-quarters of the State as early as 70 A. D. Thus there is a small sprinkling of 1,415 Jews in the State. After the Jews, came the Syrians under Seleucitis and the Egyptians under the Ptolemies. The immigration of the Jews into Kerala was almost simultaneous with the advent of Christianity into Malabar. Both these communities were allowed to remain in the country unmolested and they steadily grew in prosperity and importance so much so that they have become the integral part of the population of the State. The Moslem population of the State are the descendants and the victims of conversion by the Arab merchants who were very influential at the court of the Zamorin at Calicut from time immemorial. Like the rest of India, the majority of the people of Cochin are agriculturists. Though more than 50 per cent are engaged in agricultural pursuits and though some of the lands are able to yield three crops, still, it is worth noting that the State is producing food only for five months out of the 12 months of the year which is generally true of the whole of the west coast.

#### ADMINISTRATIVE DIVISIONS.

There are 11 towns in the State of which 4 are organised into Municipalities of which Ernakulam is the terminus of the Cochin State Railway. With the completion of the 4th stage of the Cochin Harbour, a most charming and thriving landscape with up-to-date machinery for trade and commerce all round will come into being. The following description of this picturesque place will portray the importance of Cochin in its proper setting in the west coast which in many respects is a land of great peculiarities. "Cochin is the centre of a District rich in historical interests, some of the earliest buildings of the Portuguese and the Dutch remaining till this day. She is also the only safe harbour for shipping large quantities of valuable raw materials necessary for European and American countries, such as pepper, copra, cardamoms, tea, rubber, minor forest produce coir yarn, coir mats, and mattings and the lemon-grass oil which are produced in "boundlessly bountiful" measures in the fertile hills and dales of Travancore and Cochin." To this long list of commodities can be added cashew-nuts which are largely exported to America from Ports like, Quilon, Alleppey, Cochin and Mangalore. Coffee is also one of the products of the west coast

and is largely exported. The famous hill stations of Coonor and Ootacamund in the Nilgiris are to Cochin what Kandy and Newara Eliya are to Colombo and can be reached in a night's journey by train. The Travancore and the Cochin States are among the most enlightened in India. Travancore is the larger of the two and is already extending its communications to keep pace with the new conditions. The conversion of the Shoranur-Ernakulam Railway from meter-gauge into broad-gauge and the through-communication between Mangalore, Madras and Ernakulam have solved the vexatious trans-shipment of goods at Shoranur. Cochin thus promises to become one of the finest emporiums of trade in the east, with the completion of the 4th stage of works (Harbour) referred to above. The main industry of the people is coir manufacture, weaving and bell-metal works. The Central Town of Trichur has one of the best spinning and weaving mills in Malabar. With a fully developed harbour the finest of its kind in the west coast, the State seems to have immense possibilities for the promotion of international trade.

On the hills are a number of tea, coffee and rubber estates particularly in the Nelliampathies mostly under European management.

*A land of beauty.*—To an outsider, Cochin is a land of bewitching beauty. With its tall cocoanut trees and small rivers, high mountains and continuous chain of 'lagoons or backwaters running parallel to the sea and receiving the drainage of the streams descending from the Ghats' the rich corn-fields and the thick evergreens, Nature has devised all her means at "scenic effect and artistic elevation" in the presentation of this Eden of India. The numerous canoes that ply the lagoons, the reflection of the myriad lights in them and the small cluster of islands round about the inner harbour give a panoramic prospect of the Capital of the State.

#### CHRISTIAN INSTITUTIONS.

The specific characteristics that strike an outsider are the evergreen aspect of the landscape, the lagoons lying in vast expanse from the southern-most point of the State to its centre and the preponderance of schools and churches almost all over the State. The large proportion of the girls going to schools as compared with the rest of India and the large number of Christian educational and industrial institutions are quite peculiar to this portion of the country. The relative importance of the Christian community, the rate at which it is growing and the great educational service to the community at large, and the

west coast in general, and in Travancore and Cochin in particular, are clearly brought out from the following extract from a long letter to the 'Hindu' of Madras dated 3rd January 1935 by Mr. T. K. Velu Pillai, Deputy President of the Travancore Legislative Assembly "It was the protection afforded by the Maharaja of Travancore during the last 30 years, that the Christians have increased by 130 per cent while the increase of population among Hindus is only by 54 per cent. The difference is not a little due to the conversions effected by the missionary societies. At present,  $\frac{1}{4}$  of the total population of Christians in All India is found in the State of Travancore. . . ." The pace of the progress of Christians is marvellous. In 1820, in the State of Travancore, there were only 301 churches, but in 1931 their number rose to 2,627. The Hindu places of worship have a different tale to tell. Their number has fallen from 21,658 in 1820 to 9,250 in 1931. These facts speak for themselves".

#### PECULIARITY OF SOCIAL AND RELIGIOUS INSTITUTIONS.

Some peculiarity can be observed in many of the social and religious institutions. The law of inheritance based upon the Marumakkathayam system is unique and peculiar to this State along with the rest of Malabar. Even the Royal Family of the State of long tradition follows the Marumakkathayam system and consists of 317 members of whom 161 are males and 156 females. As a result of this system, it is only the eldest member of the male line who is entitled to ascend the Musnad as the Maharaja, and the eldest female member among the line of females is styled H.H. the Senior Rani which in other parts of the country would mean the first wife of a Maharaja and not the oldest member among His Highness' sisters.

#### STATUS OF WOMEN.

The special characteristic is the comparative freedom, high status and education of women in the State with the attendant long continued facilities such as the absence of pre-puberty marriage, absence of prohibition to re-marriage by widows and absence of compulsion to marriage, for which the rest of India had to carry on and is still carrying on great social reform propaganda. For these reasons, the three most striking features of the Indian statistics, viz., the universality of marriage, the early age of marriage and the large number of widows are not as prominent in Cochin as elsewhere in India.

#### INNUMERABLE TEA SHOPS.

Another fact that strikes even the casual observer is the large number of tea shops all along the road and their popularity.

Tea is coming into greater use even among the village population than coffee, both having replaced to a large extent the local drink of toddy, all along the west coast especially in Malabar. Even in rural parts one sees a number of teashops as people are taking tea as a beverage for the morning tiffin with "Poottu" or "Iddali" which gives a good breakfast for half an anna.

#### JOINT STOCK BANKS.

Equally striking is the large number of joint stock banks found everywhere in the State. At present there are 167 joint stock banks in the State as against 20 trading companies. These banks, which were started after the inauguration of the Co-operative movement in the State in 1912, are grouped at 25 centres. In some rural areas their number ranges from 1 to 20 and the town of Trichur alone has 57 joint stock banks.

Out of the 215 joint stock concerns in the State 21 were trading companies, 7 were mills and presses, 1 a plantation, 11 insurance companies and 8 were for miscellaneous purposes. Thus 77.06 per cent out of the total of the joint stock concerns were banks which is a phenomenon peculiar to this part of the country. It is true that in the year 1108 M.E. 17 more associations which were not formed for profit but were educational and other benefit associations were registered under Joint Stock Companies Regulation. The nominal capital of these 215 companies was Rs. 1,68,34,280 and paid-up share capital amounted to Rs. 39,42,060. Thus it is clear how important a part the joint stock companies and banks play in the financial system of the State.

#### COMPARATIVE POSITION OF THE CO-OPERATIVE MOVEMENT.

In this connection it is of some interest to note how inadequate the supervising staff of the Co-operative Department is, consisting as it does of 7 Inspectors and the Registrar and two Inspectors for the Depressed Classes' Co-operative Societies who have to audit and control 257 societies, while 215 joint stock companies who are compelled by the Regulation to submit to the Government annual returns and balance sheets certified by a Public Auditor do keep 40 Public Auditors of whom 33 hold permanent certificates and the rest temporary ones.

#### PECULIARITY OF WOMEN.

Another striking peculiarity is the women of Malabar with long tresses and dressed in spotless white. As compared with women elsewhere, the Malabar women do not show much love

for rich clothing ; nor wear-articles, jewellery or valuable decoration have any fascination for them. Their dress is simple, scrupulously clean and they are accustomed to take bath twice a day, and the oil with which they besmear their head and body makes their hair shiny. Thus a woman along the west coast is a type by herself, her counter-part being a woman of Burma. The umbrella made out of palmyra leaf worn by the poor people while toiling in fields just like a hat and the covering umbrella used by Namboodiri ladies with brass bangles on their wrists to conceal themselves from vulgar gaze while along the roads in sequestered areas, the situation of all Illoms invariably in the interior of the village, the palm leaf torches used by the people and the minimum clothing among the majority as compared with the other parts of India especially the Northern and Central India, are some among these.

#### KURIES.

One more peculiarity, of far reaching economic effects is the indigenous types of institutions carrying on pecuniary transactions called Kuries in this State which are called Chitties in Travancore and Chits in Madras. The number of such kuries in the State is 1,930 but when the presence of the kuries became a source of great menace to the public the Government had to pass the Kuri Regulation which required the registration of all the existing kuries. According to this the District Registrars were appointed Ex-officio Registrars of Kuries under the Cochin Kuri Regulation, VII of 1107. In all the districts together, 1,034 kuries were in existence before the passing of the Kuri Regulation three years ago.

#### ADMINISTRATION.

The Government of the State is carried on in the name of His Highness the Maharaja and the Chief Executive Officer is the Diwan under whom there are different Heads of Departments. The income of the State in 1108 was Rs. 1,05,57,328 and the total expenditure Rs. 82,29,383 of which Rs. 4,58,000 represents the expenditure on the Palace which is now raised to Rs. 6,00,000. The expenditure on Education is about 20 lakhs including petty construction and repairs and the expenses for the construction of school buildings which are now shown under D. P. W. (Department of Public Works)—that is to say about 1/5th of the gross revenue of the State; and nearly an equal amount is spent on Public Works. A sum of Rs. 3,48,000 is spent on Agriculture and Panchayats while the Co-operative Budget is being gradually increased from Rs. 16,000 to nearly Rs. 22,000. The Agricultural loans issued by the State under

the rules amounted to Rs. 17,300 in 1108 as against Rs. 32,381 in the year 1107. Considering the vast needs of the agriculturists this is really a very trifling amount.

The total number of Devaswams, or what are called in Pudukkottah, Devasthanams, is 157 including 14 in Cranganur. The income therefrom was Rs. 5,25,564 in 1108 as against Rs. 5,18,343 in 1107, the slight rise in the income being probably due to rise in the price of paddy.

Regarding the solvency of the State, which is the true measure of good administration, the following is an extract from Mr. Satchit's Directory which will be found interesting. "The Darbar raised a loan of Rs. 75,00,000 towards the close of the year 1933. It is to be used entirely for financing the conversion of the existing State Railway in meter-gauge to broad-gauge and the improvements necessary to convert Cochin Harbour into a first class Port. The loan was opened for subscription on the first day of August 1933 and was immensely over-subscribed within a few hours that very day. The public response was thus very satisfactory and the issue of the loan resulted in a grand success. The State Loan bears interest at 5 per cent per annum payable half-yearly. The loan is to be repaid at par on the 1st of October 1953 but the Darbar reserves the right to repay it or any part of it at par on or after the 1st of October 1943 on giving 6 months' notice in the Cochin Government Gazette. A sinking fund has been formed for the repayment of the loan".

The State had at the end of the year 1108 a net asset of Rs. 1,22,85,953 after making provision for all liabilities against Rs. 99,58,009 at the beginning of the year. The State is divided into 6 Taluks and 274 villages. The village is the smallest unit of administration in the State though it is again sub-divided into desoms. Formerly the phrase Pravarthi was used for indicating this unit but it has now been replaced by the English word 'village.' The old pravarthi which was the unit of administration in the pre-settlement period, has vanished, though the name Parvathiam or the chief man of the pravarthi still lingers. On the civic side, 86 Village Panchayats are formed bringing under their supervision 267 villages and these Panchayats have under their management 178 major and minor irrigation works. The total receipts and expenditure of the Department amounted to Rs. 5,807 and Rs. 2,07,785 respectively. A great deal of this money could be spent through Co-operative organisation after forming them. Some of these Panchayats are given judicial powers to decide cases involvign up to Rs. 50. Besides the 500

miles of fine D. P. W. roads, the Panchayats have, up till now, about 600 miles of good unmetalled roads, accessible to motor vehicles and penetrating into the interior of almost all the villages of the State.

#### ECONOMIC LIFE OF THE PEOPLE.

“In a land with abundant natural resources and inhabited by classes competent to supply the material wants of man, the people found it easy to arrange the economic life of the community, just as they wished and seemed to have tried from the first to base the system on an invariable foundation. The fundamental condition of the social union among the Malayalee Hindus is based upon the supremacy of the Namboodiri Brahmins in the interest of religion. In respect of occupation, the Namboodiris, from the circumstances of their colonization, seem to have hit at the outset upon a self-sufficiency state, political and economical, no less than social, in order mainly to protect and preserve themselves from unnecessary contact with foreign population. The mechanics, the artisans, the immediate cultivators of the soil and others, supplied the different wants of society. The system became organised as a fully developed Theocracy, the classes or castes maintaining, the degree of division of labour which had been reached in early periods, with the sacerdotal caste having the regulation of life in most of the departments. In a word under special ethnographic and territorial conditions a system of social economy was adopted carrying with it notion of fixity and self-sufficiency. . . . . But the wants of society outgrew what used to be supplied by indigenous resources and labour. Few arts and industries have, however, found their way from elsewhere and gained location here, nor has any caste ever risen to the situation called into existence by the changing order of things. On the other hand, there has been throughout a tendency to yield in the struggle for existence in economic matters so that instead of development we notice successive phases of decline and deterioration in the pursuit of their respective industries by indigenous castes. They were perhaps destined to meet with this vicissitude from the first. The castes engaged in the immediate prosecution of industries were, as they still mainly are, destitute of intellectual culture and naturally enough the industries have remained in the crude and undeveloped stage in which they were in very early times. Moreover, as they have been pursued mostly by low castes, there has prevailed among the higher orders a contempt for such occupation.” Thus the working classes were naturally regarded more as means to the ends of society than as its members.



## LITERACY.

In point of literacy the State is second to none in the Indian Empire there being 282 literates per mille. In English literacy also, Cochin enjoys the same prominence as in general literacy. There were in the year 1107, 655 educational institutions for 825 square miles in the State excluding the Forests, etc., where the total strength of students stood at 1,49,934 of whom 60,296 were girls and the rest boys. Instructions were given to these students in 46 High Schools of which 13 were exclusively for girls, as against 44 High Schools in 1107. Of these 46 High Schools, 24 are Sirkar Schools, 7 of which are for girls maintained by the State. Among the remaining 22 aided High Schools 6 are for girls all of them being run by Roman Catholic Convents. Most of the private High Schools like other institutions in this field are mostly conducted by Roman Catholic Missions and Convents. Besides, there are 111 Night Schools, 5 Fishery Schools, 3 First Grade Colleges, 60 Lower Secondary Schools, and 44 Industrial Schools. Of these 44 Industrial Schools, 25 are run by Government and 19 with Government aid as against 41 in 1107 of which 9 were purely for girls, 4 for boys and 28 mixed institutions.

Their total strength is 3,350 of whom 1,695 are boys and 1,665 are girls which shows how the industrial education among the sexes is being equally balanced. In all, a little over one lakh is spent on the Industrial schools of the State, of which the grants given to aided schools amounted to Rs. 11,181 as against Rs. 11,523 in 1107. There is an industrial school for girls at Trichur with 10 classes and 4 years' course and the subjects taught there include needle-work, embroidery, pillow-lace, crochet lace, knitting, canvas-weaving, mat-making, rattan work and music. There were 332 girls in 1108 as against 354 in 1107. Of these 10 belonged to the Depressed Classes. A sum of Rs. 80 is given every month as stipends to pupils who are mostly poor ranging from annas four to Rs. 3; as against this, it is to be noted that the total articles made amounted to Rs. 208 and disbursements to Rs. 10,944 as against Rs. 158 receipts and Rs. 11,792 disbursements in 1107. The total receipts and disbursements of all the schools were Rs. 1,010 as against Rs. 1,079 in 1107 and disbursements amounted to Rs. 36,883 in 1107. Considering the large number of students working in these schools, the receipts are poor and no practical education in matters industrial and commercial is given at this stage by means of co-operative societies for these school children. There are besides, 8 religious or Sanskrit schools and 503 primary schools. The expenditure on primary education alone including

provident fund contribution is in the neighbourhood of 5 lakhs or about one-fourth of the total education budget which is, to say the least, disproportionate. Thus, on an average, there is a school for every 1·25 sq. mile of State's area excluding the Forests, or for every 5 sq. miles, there are 4 educational institutions. Cochin spends on education a little over 1½ rupees per head of population compared with one rupee per head in Travancore and eight annas in Pudukkottah.

The proportion of girls to boys under education in the State is 67·2% which means that for every hundred boys at school there are more than 67 girls.

According to caste or creed, Christians who form 27·7 per cent of the population have 35·6 per cent students. The Muslims who form 7 per cent of the population have only 4·1 per cent of students while the Hindus who form 60 per cent of the population have only 27·7 per cent of students. This shows the comparative backwardness in education among the Hindus and Muslims in proportion to their population as against the Christians. Besides, the 655 educational institutions in the State when classified show 31·1 per cent to the credit of the State and 61·5 per cent including 4·5 per cent indigenous institutions to the credit of private enterprise, which mainly means Christian enterprise.

In the State, there are in all 65 printing establishments and the total number of papers and periodicals amounts to 61.

As contrasted with the figures mentioned here about the spread of literacy it is interesting to note that the total strength of the Police Department consists of 111 officers and 552 men under them thus giving one man to 1885 persons of population or one man to 2·21 sq. miles of the State's area. In 1108, 25 persons were put up under the Security section of the Criminal Procedure Code against 74 in 1107. Of these 16 were bound over. The average cost of a policeman was Rs. 318·6 in 1108 as against Rs. 332·1 in 1107 and the net cost per head of the population was 2·8 annas in 1108 as against 2·92 annas in 1107.

The Department of Education offers many attractions and concessions and special facilities for the spread of literacy among the Depressed Classes and this State, like the Sister State of Travancore, has become the land of enlightenment as well as of enchantment. On page 357 of the Madras States' Directory it is stated that Kavaras and Parayas were allowed to remove free of cost bamboos and odas (hollow reeds) for carrying on their

cottage industries of mat-making and basket-making. The same spirit continues in the matter of education as well. Though the facilities for higher education have resulted in wide educated unemployment it goes certainly to the credit of the State to claim to-day the highest percentage of literacy both among men and women in the whole of the Indian Empire.

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## PART I.

### CHAPTER III.

#### GENERAL PROGRESS.

##### INTRODUCTION OF THE MOVEMENT.

In the State of Cochin, as in Travancore, a class of money-lenders known as Hundi merchants who had immigrated from the Tamil districts of the Madras Presidency existed from very early times. They came in very large numbers into almost all the towns of the State like Vadakkancheri, Trichur, Irinjalkuda, Cranganur, Ernakulam, Cochin and Trippunittura. At the same time, there existed in the villages several moneyed people mostly jemies who used to give out loans on promissory notes, on the pledge of jewels and on mortgage deeds. In the early days, these formed the finance system of the society. Their rates of interest were very high which ranged from 12 to 60 per cent and often to 120 per cent, the rates varying according to the credit-worthiness and pressure of money. Their methods of business were also not always quite straight. Joint stock banking was unknown in those days as the first Bank was registered only in 1090. The existing machinery for supply of credit to the people cannot be said to be self-sufficient. With a view to relieve the agriculturists from the clutches of the money-lenders and make credit cheap safe and facile to them, the Darbar, following the footsteps of the Government of Madras, initiated of its own accord the Co-operative Societies' Regulation in 1088 (1912) during the regime of that able Diwan Mr. (Sir) Banerji. Its working for a few months in the beginning was entrusted with an honorary officer viz., Mr. C. Ahyutha Menon, retired District Magistrate of the State. Then for some time it was under the guidance of the Superintendent of Registration. These officers organised 6 societies on unlimited liability basis, 4 in the Cochin-Kanayannur Taluk, 1 in the Cranganur Taluk and the other in the Chittur Taluk. By this time, the Darbar realised that the movement, fraught with such possibilities for the economic progress of its subjects, should be carefully fostered and guided, and came to the conclusion that a full-time officer was necessary and so created the post of the Superintendent of Co-operation (since changed to that of the Registrar of Co-operative Societies) during the latter part of 1089. Mr. R. A. Gayatrinatha Ayyar, who was then an Inspector in the Co-operative Department in the Madras Presidency, was appointed to this post.

*Rapid progress.*—Six societies were registered in the year 1089 all of which were credit institutions and on unlimited liability basis. The by-laws of these societies were on the Madras model. The share capital was only nominal viz. Re. 1 or Rs. 2 per share to be paid in full on admission. There was no central institution to finance these societies. Their financial needs were met by the Government who placed at the disposal of the Registrar a sum of Rs. 13,850 for this purpose and also granted to the societies the concession of accepting the security deposit of Government servants. By the fifth year, the number of societies rose to 58 with a membership of 5,311. The existing sources of finance were found inadequate to meet the growing demands of the societies and so the Cochin Central Co-operative Bank was formed in 1094. The organisation of the Bank solved the question of finance as the Bank was, by Government sympathy, enabled to hold the security deposits of Government servants as well as that of Government contractors. The movement continued to grow steadily from year to year until by the next five years i. e., with the first decade the number of societies came up to 113 with a membership of 13,908, a working capital of Rs. 31.66 lakhs and a Reserve Fund of Rs. 74,898. In the early days of the movement, the Registrar and the staff attended to supervision and propaganda work. In the 7th year of the movement i. e. in 1095 an Honorary Assistant Registrar was appointed for organisation and propaganda; but he resigned his post within an year of taking charge of the office. The Department and the Central Bank jointly continued the work of propaganda and supervision. The increase in the number of societies was not accompanied by a proportionate increase in the staff of field Inspectors. Inspection and audit engaged them fully and little time was left for supervision and propaganda. The absence of a proper agency to this most important work struck Mr. Devadhar more than anything else when he came to the State in 1924 to preside over the All-State Co-operative Conference held at the Government Agricultural Farm at Ollukkara. On his suggestion the Conference unanimously resolved to organise a Central Co-operative Institute on the model of the Provincial Co-operative Institute of Bombay. Accordingly the Institute was organised and started on its work that year itself. Societies still continued to grow in number and in transactions and the necessity for a better organised system of supervision and propaganda cropped up. This was attempted to be tackled by the organisation of Unions on the move of the Department in its Circular No. 1/1102. The State was divided into 12 union areas and their formation was formally advocated.

The 1st union was registered in 1103. More followed viz., 2 in 1105, 3 in 1106 and 1 in 1107. These along with the Department the Institute and the Directors of the supervision staff of the Central Bank are in charge of the works of supervision, propaganda and inspection. These bodies are doing their utmost, but want of adequate funds retards their work to a very great extent. The Institute and the Unions get only a sum of Rs. 1,000 and odd from the Government every year. Even with this amount as well as subscriptions from the members, the Institute itself has during the last 3 years sent out 56 persons trained in its training class, besides training 45 graduate teachers including 12 lady graduates as desired by the Director of Public Instruction. The growth of societies continued to be steady and in the year 1109 the State had 257 societies with a membership of 25,183, working capital of Rs. 25'02 lakhs, a total transaction of Rs. 70'93 lakhs and an accumulated Reserve Fund of Rs. 4'03 lakhs. Though credit societies preponderate as usual with the rest of India other types also exist. There are 19 Stores, 5 Students' Stationery Societies, 1 College Home, 43 Depressed Classes' Societies, 3 Industrial Societies, 3 Weavers' Societies, 1 Carpenters' Society and 7 Fishermen's Societies.

Of the 275 villages in the State only 189 villages are served by societies. The following table gives particulars of area, population and number of societies in the several Taluks of the State:—

No.	Taluks	Area	Population	No. of societies	Remarks
		Sq. mls.			
1	Cochin-Kanayannur	158'52	3,50,268	98	(forest area covers a good portion.)
2	Cranganur	17'51	42,531	10	
3	Mukundapuram	510'00	2,63,722	35	
4	Trichur	245'50	2,39,257	59	do
5	Talappalli	256'00	2,02,424	42	
6	Chittur	292'75	1,06,814	13	
	Total ...	1,480'28	12,05,016	257	

TABLE I.

Summary of General Progress for 20 Years.

Year	No. of Societies	No. of Members	Working Capital	Total Transactions	Reserve Fund
			Rs.	Rs.	Rs.
1090	11	829	6,749	25,342	332
1091	28	1,664	26,444	78,828	1,213
1092	44	3,080	54,949	2,00,602	1,288
1093	58	5,311	1,15,462	5,36,234	2,570
1094	67	7,325	3,38,924	13,09,254	6,243
1095	77	9,138	5,01,131	18,68,699	14,059
1096	96	10,774	6,42,372	22,77,345	24,262
1097	98	12,175	8,02,878	25,63,545	39,076
1098	104	13,327	8,79,500	30,05,326	56,076
1099	113	13,908	9,70,176	31,66,587	74,898
1100	128	14,400	11,23,272	34,88,800	98,297
1101	140	15,412	13,09,015	38,10,814	1,23,749
1102	155	16,278	14,48,919	46,73,463	1,49,698
1103	179	17,577	15,92,065	54,73,987	1,68,023
1104	181	19,518	17,74,598	60,68,048	1,98,894
1105	214	21,474	19,98,855	70,40,474	2,44,745
1106	235	24,580	21,22,935	73,35,382	2,82,827
1107	254	25,290	22,26,336	73,22,445	3,23,051
1108	256	25,346	24,21,557	85,77,506	3,69,026
1109	257	25,183	25,02,154	70,93,801	4,03,715
1110	258	25,142	25,04,570	68,50,219	4,18,340

*Uneven Distribution.*—Cochin-Kanayannur Taluk with an area of 158.52 sq. miles and a population of 3,50,268 has got 98 societies, i. e., one society for every 1.61 sq. miles and for a population of 3,574; while Mukundapuram, which is the biggest Taluk in point of area, has got only one society for every 14.57 sq. miles and for a population of 7,507. The case of Chittur is still worse, for it has only one society for every 22.52 sq. miles and for a population of 8,216. Thus it can be seen that there is little uniformity in the growth and distribution of societies. The reasons for this disparity are that the sea-board Taluks which cover but less than 1/8 of the total area of the State have a third of the State's population. Moreover nearly a third of the area of the State is taken up by Forests which are situated in the Taluks of Mukundapuram, Chittur and Trichur. In spite of these there is however scope for more societies in the backward Taluks and attempts should be made to organise more societies so as to bring them on a par with the sea-board Taluks.

*Communal Societies.*—The existence of a small number of communal societies is a striking phenomenon in the co-operative movement. There were 35 communal societies towards the close of 1109. A distribution list is given below.

<i>Caste or creed.</i>		<i>No. of societies.</i>
Nayar	..	3
Saraswath Brahmin	..	1
Weaver	..	2
Fisherman	..	7
Muslim	..	1
Christian	..	10
Ezhuva	..	7
Carpenter	..	1
Pandaran	..	1
Ezhuthassan	..	2
Total	..	<hr/> 35 <hr/>

Unlike the sister State of Travancore the comparatively low number of communal societies in the State is proof clear that the Department does not countenance the formation of such societies. While the percentage of such societies in Travancore is about 39, it is in Cochin 13 per cent, i. e., nearly  $\frac{1}{3}$  of the Travancore ratio. The tendency of the Department is to discourage such attempts; but it had to accede to the ever-insistent prayers in a few cases, and this accounts for the existence of the small number.

Though the policy of the Department is to discourage the formation of communal societies, yet in the matter of organisation and registration of separate societies for the poor classes, such as the Depressed Classes, Fishermen, Artisans such as Carpenters, Bellmetal workers, Weavers, etc., not only no objection is made but such attempts are always encouraged. One of the striking features in the matter of the societies for the Depressed Classes whose number at the end of 1109 was 43, is that they are organised, managed and controlled by the Protector of the Depressed Classes. The Co-operative Department has nothing to do with the internal administration of these societies except through the nominal connection with the Inspectors who have to work directly under the Registrar.

The phenomenally one-sided rapid increase, namely the growth of the credit movement in the State as in other parts of India, is another striking feature. This is as it should be. The majority of the people, or 80 per cent of the population, are agriculturists, and their most important need is credit. To assist



agricultural credit, which is a far more important and difficult problem than that of industrial credit, is the main objective with which the State is concerned; and it is with this view that the movement was launched in the State. Results achieved so far are comparatively meagre, when judged from the point of the goal. Taking the movement as it is, its backwardness, common to the rest of India, is well noticeable. That co-operation has taken shape only in 180 out of the 275 villages in the State is in itself unsatisfactory considering the compactness of its area. When it is also noted that out of a population of 12,05,016 there are only 25,183 co-operators, it cannot be maintained that the movement has progressed far. Of this 25,183, the membership of agricultural societies is 11,218 while the membership of the urban societies is 13,627. Thus there are 3 points in support of the backwardness of the movement in the State. They are (1) nearly 35 per cent of the villages have not yet been provided with co-operative credit facilities, (2) according to the findings of the Superintendent of Economic Survey and on the basis of an average struck for 3 villages, economically surveyed so far, only 4.18 per cent of the total short-term credit requirements of the people are provided for by the co-operative movement; and (3) 80 per cent of the population of the State belong to the rural areas. In other words, where there are 9.6 lakhs of agriculturists in the State, the membership of Agricultural Societies is only 11,218. Even if we add 25 per cent more to this membership as a small portion of the townfolk have agricultural interests, the total comes to somewhere about 14,000. Taking one member to represent a family of 5, the rural co-operative movement touches only 70,000 of the agricultural population (9.6 lakhs). This works out to 7.3 per cent which is almost insignificant in our rural economy. If the rural membership is compared with the total population of the State, the percentage runs down to 5.7.

Another side to this gloomy picture is the equally evident fact that within its very limited scope, the co-operative movement in the State serves the urban population much better than the rural. Though there are fewer urban societies, the membership is higher and the working capital is comparatively high. Thus in a land where 80 per cent of the population are agriculturists, not only has the co-operative movement not made much headway, but in its little sphere has made more progress in the towns than in the villages.

Though comparisons are odious, it is worth our while to look at the working of the movement elsewhere. In England where the co-operative movement has appealed to its intelligent

population of whom 76 per cent are at present served directly or indirectly by it, not only have the effects of the world-wide economic depression and the cut-throat competition of capitalism through its gigantic forms of combines, been effectively nullified, but the membership and sales of the movement have been doubted during the last ten years. This is the result of a world-wide campaign. This shows the presence of abnormal vital energy of the English movement, as opposed to the general inertia here, and what Sir Daniel Hamilton described the other day as 'pernicious anaemia', in his paper read before the All-India Co-operative Conference held at Calcutta, in December 1934, under the Presidency of Mr. Ramadas Pantalu.

Thus we have to probe deeper to find out the causes of our own backwardness. The State is over-crowded with Joint Stock Banks. Kuries have become intimately connected with the life of the people. So, unless co-operation offers special advantages and is made more attractive and ultimately more helpful by means of the easy accessibility and special facilities, it is unlikely that the average person will comprehend its inherent qualities or receive a powerful incentive to be a co-operator. Unless this is done, co-operation has little scope for development as compared with the Joint Stock Banks in all the nooks and corners of the State.

As a remedy, if it is proposed in the first instance, to develop the banking habits of the people. They have yet to gain a knowledge of capital, interest, and profit and the differences between a co-operative society and a Joint Stock Bank. Productive utilisation of money, less enthusiasm and extravagance for social and religious ceremonies, punctuality in repayments, and an idea about their economic position, will enable them to get rid of their indebtedness. The average villager in this part of the country is always prepared to take a loan from wherever he can get it, however high the interest, or how much short the period. He does not care to save, and even if he saves, to invest it properly.

To quote the Superintendent of Economic Survey, the villagers suffer not only for want of cheap and facile credit but also for want of proper machinery for saving. Instances are numerous when a poor villager invests his life's earning with a rich man of the village on whose insolvency, sooner or later, the poor man also is dragged behind.

The only remedy is the promotion of a large number of Co-operative Banks, both rural and urban, which will deal with all the economic needs of their members.

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## PART II.

### CHAPTER IV.

#### THE CENTRAL BANK.

*Organisation and starting.*— The Co-operative Societies' Regulation was passed into law in 1088 (1912) and societies began to be registered from the latter part of 1089 (1913). They were working with the finance available in the shape of share subscriptions and deposits. But with the increase in the number of societies, the problem of finance came up for solution. The Registrar at this stage approached the Government to help the societies with loans and the Government were pleased to place at the disposal of the Department a sum of Rs. 13,850 for issue of loans. This solved the question of finance for some time. But the continued growth of societies demanded fresh help. At this stage the Registrar requested the Government to allow certain good societies to receive the security deposits of Government servants. This too the Government sanctioned and it helped the societies to tide over the demand for money. But the number still continued to increase, until by the year 1093 (1916) they reached 59 and the problem of finance became acute. Government were unable to place more funds at the disposal of the Department. The question engaged the serious attention of the Department and Co-operators, and it was, as a result of the deliberations of the first Co-operative Conference presided over by Mr. (Sir) Joseph Bhole, the then Diwan, that the organisation of a central financing institution was taken up. It was started on its work in Vrischigam 1094 (1917) on the auspicious occasion of His Highness' Shashtyabdapoorthy.

2. *Constitution.*—It is of peculiar interest to note here that the Bank is of the purely federal type as membership is confined only to registered co-operative societies in the State. There are no individuals as share holders-preferential or otherwise—membership of individuals is a very common feature of such financing institutions in the Madras Presidency and also in the sister State of Travancore, the presence of these individual share-holders being considered as a source of both financial and administrative strength and help.

3. *Board of Management.*—The Board consists of 9 members of whom 7 are elected. The two nominations are those of the Secretary, who is a full-time officer appointed by the Diwan on the recommendation of the Registrar and the Board, and holds office

for five years at a time. The other is the local Tahsildar who is the Ex-officio Treasurer of the Bank. There is no regional representation nor representation for special types of societies in the elections to the Board. The period of office of the Board-members is 3 years, but they are eligible for re-election. There is no provision for retirement by rotation. Members, when they once get elected to the Board, cease to represent the societies from which they come and the societies concerned are allowed to send up fresh delegates. The principle of 'one man one vote' is followed.

The Board, which may meet as many times as necessary, elects an executive committee of 5, for the speedy transaction of business which generally meets once a fortnight.

The Bank should make provision for nomination of at least 4 members of the Board by the Government. Government nominations might, according to some, be out of place in this institution. But, having regard to the fact, that the Government are instrumental for more than 50 per cent of the working capital of the Bank by way of security of Government servants and other deposits, it has to be allowed. Experience also has proved that it is not in the best interests of the Bank that it is managed entirely by representatives of borrowing societies. Besides the Bank has to get gentlemen of better status and altogether of a higher type for its Board. This cannot be achieved if the Board is to be constituted by elections. And with a view to get the maximum benefit from these nominations, the seat on the Board and the power of vote enjoyed by the Secretary, who is only an Inspector of the Department may be done away with. He will, however, be present at the meetings and help the Board with necessary information. The Tahsildar who is on the Board may also be substituted by an officer of higher status. For these two places Mr. Devadhar recommends the Diwan Peishkar and Comptroller of Accounts of the State. The Bank will surely stand to gain greater confidence by the association of these two officers on its Board.

The sitting fee of Rs. 3 be raised to Rs. 5 when the business of the Bank doubles itself and the financial depression is at an end so as to bring into the Board more capable and business-like people interested in the growth and development of the movement. The additional expenditure that might have to be incurred will be justified on the grounds of increasing the volume of business leading to increased profits, creating greater confidence on the part of the general investing public and raising the status of the members of the Board.

4. *Membership*.—The membership stands at 151 at present. 111 of these are Agricultural Credit Societies, 17 are Non-agricultural Credit Societies, 7 are Unions, 7 are Depressed Classes Societies, 3 are Industrial Societies, 3 are Stores and 3 are Vala Societies. No compulsion is made on any society to become a member of the Central Bank.

5. *Shares*.—The share capital of the Bank is Rs. 1,00,000 made up of 2,000 shares of Rs. 50 each. The value of each share is payable in 5 years in ten equal instalments. 1431 shares of the face-value of Rs. 71,550 were allotted of which Rs. 58,414 has been paid up.

6. *Working Capital*.—The working capital of the Bank is Rs. 7,88,384. It is made up of the following items, on the basis of which the Bank can to-day borrow up to Rs. 9,00,000 which is well within the limits allowed for borrowings to such institutions, ranging from 8 to 12 times of the owned capital, consisting of share capital plus reserve fund.

Kind of deposits	Members	Non-members	Total
	i. e. Societies		
	Rs.	Rs.	Rs.
Share Capital	58,414	..	58,414
Fixed	400	1,46,963	1,47,363
Current	2,601	11,792	14,393
Savings	1,622	4,918	6,540
Security	..	2,55,954	2,55,954
Other items	..	86,750	86,750
Reserve Fund	1,12,950	..	1,12,950
Government loan	..	25,000	25,000
Bank's Funds	..	*81,380	81,380
<b>Total</b>	<b>1,75,627</b>	<b>6,12,757</b>	<b>7,88,384</b>

\*

Reserve Fund	Rs.	52,039
Bad debt Fund	..	7,373
Building	..	12,158
Reserve for deposit of Government Security	..	500
Common Good Fund	..	5,811
Propaganda	..	175
Library	..	372
Undivided profits of 1108 carried over	..	2,952
<b>Total</b>	<b>..</b>	<b>81,380</b>

The Government have been uniformly sympathetic towards the Bank. It granted the Bank the right to accept the security deposits of Government servants. A loan of Rs. 25,000 was given at 40 interest for 7 years in the first instance and this loan is being renewed once in every three years on condition that the amount of interest in excess of the amount calculated at 4% on the loan is credited to the Reserve Fund of the Bank, which, according to the present rates, amounts to Rs. 500. Since the Bank began financing the primary societies, the concession of retaining security deposits was withdrawn from primary societies and transferred to the Central Bank. The security deposits already held by the primary societies were also transferred, the Central Bank giving adjustment loans to societies, as for instance the Vadakkumbaghom Society. In addition to these, Government allowed the acceptance by the Bank of the deposits of contractors of Government Departments as well as the funds of Municipalities. These stood at Rs. 1,25,316 and Rs. 21,000 respectively.

7. *Rates of Borrowing.*—These are variable according to the conditions of the money market. The minimum and maximum now paid are  $1\frac{1}{2}$  and  $5\frac{1}{2}$  per cent respectively. The Reserve Fund deposits of Societies are allowed the maximum rate of  $5\frac{1}{2}$ %.

8. *Loans.*—Loans are allowed only to affiliated societies though the by-laws provide for loans to non-affiliated societies on the recommendation of the Registrar. Following the same principle, as also the practice very common in other Central Banks, provision was recently made in the by-laws of the Bank to give loans to the extent of 90% as against deposits, at a rate of interest 1% higher than the interest paid on these deposits. This could enable depositors to meet their needs and not to run up to joint-stock banks for that purpose alone. The maximum loan is fixed at 10 times the face value of the shares, but it may be changed to 12 times the paid-up value of the shares. The loan applications are not subject to approval of the Registrar but the Bank itself makes necessary enquiries into them. He (Mr. Devadhar) suggested that the loan applications should come through the Unions.

There is no formal division into short, medium and long-term loans but the time ordinarily allowed by the Bank for ordinary loans is 5 years which is very much different from the practice followed in other parts of India. Pronote-loans continue for 10 to 15 years and loans for construction of buildings of societies to 10 years. The outstandings under these heads with rates of interest are as under :—

- (a) Ordinary—454 of Rs. 3,77,458 @  $7\frac{1}{2}$  and  $8\frac{1}{2}$ %.
- (b) Pronote-loans 15 of Rs. 21,325 at 6%.

(c) Building loans—22 of Rs. 17,192 at 6 per cent.

(d) Loans for transfer of Reserve Fund 2 of Rs. 1350 at 6½ per cent.

9. *Long term loans.*—These are given for 12 to 15 years and carry interest at 7½ per cent. The societies give them to members on the mortgage of properties. The responsibility of appraising properties rests with the societies alone. The maximum limit of such loans from the Bank is the total of provident fund and compulsory deposits collected by societies from their members. 14 loans of Rs. 13,176 were issued under this head in all. The outstandings now amount to Rs. 6,852. This really is a very small amount as the Reserve Funds of various societies deposited in the Central Bank amount to Rs. 1,12,590. The Bank has also set apart a sum of Rs. 1,00,000 recently for long term loans.

There should be a clear cut division in regard to loans such as short-term, and medium or inter-mediate. Short-term loans must be crop loans and must not ordinarily exceed 12 months. Loans for purposes like sinking of wells, purchase of bullocks or other schemes whose returns are not quick but are spread over a certain number of years should be termed 'Medium Loans'. These should be returned within the period between 2 to 5 years. He suggests the formation by the Bank of two sub-committees from its Board to which the applications for short-term and medium loans should be sent. Separate statistics should be kept for these two kinds of loans.

10. *Loans for Depressed Classes' Societies.*—All the 7 societies affiliated to the Bank have taken loans, the total of which is Rs. 1,900. The balance outstanding is Rs. 1,124½ of which Rs. 695½ are overdue. The system of compulsory deposits was introduced here at Mr. Devadhar's instance when he came over here 12 years ago to preside over the 3rd All-Cochin Co-operative Conference at the Ollukkara Farm in 1922. The Conference adopted a resolution in acceptance of this general principle. But investigations into the particular aspect of the question have brought to light, that no uniform system with regard to the percentage of the deposits, the periods for which they are to be held, and the interest they are to bear and the purpose for which this system or practice was initiated, is followed. Considering the good results of this system as seen in this State, though not adopted by all societies, a uniform practice is advocated in respect of the various points noted above. If all the conditions therefore, that were contemplated and embodied in the original resolution, were followed, the amount to the credit of the

compulsory deposits would have been more than double the present amount thus collected in addition to or in substitution of provident fund which were in vogue in very few cases, and the two together to-day would have made up an amount somewhere in the neighbourhood of Rs. 1½ lakhs.

11. *Overdues.*—The overdues of the Bank from the societies are showing an upward tendency. The percentage has risen from 14.5 in 1108 to 22.23 in 1109. The Malabar District Co-operative Bank is working out a scheme (which forms an appendix to this report) of appointing Bank Inspectors as Agents for realisation of such overdues from its affiliated societies which is found to work well. The Central Bank here also will do well to try such a scheme.

12. *Lending Rates.*—Excepting for certain special kinds of loans, the generality of loans were issued for 9 per cent. It was since reduced to 8½ per cent. 7½ per cent is charged as a concession to societies under three years and those that lend at 9½ to 10  $\frac{15}{16}$  per cent.

13. *Penalty.*—The penalty for overdues is 12½ per cent including interest. Considering the present abnormal times, the rate of penal interest should be halved. It is, in the opinion of some, both immoral and un-fair to charge it in the present circumstances. Its total abolition, however, which is advocated by some would lead to complications, and would put premium on irregular payments and also would deprive the incentive on the part of borrowing societies to make regular payments. Penal interest is a necessary evil and its total abolition would be harmful. There is, however, a wide and just complaint among the primary societies that a reduction of the lending rate has become impossible on account of the high rate maintained by the Central Bank. Some go even further and say that the Central Bank by its interest policy, compels societies to exact 15 per cent from the agriculturists, which rate, on the very face of it, is ruinous and highly disproportionate to all agricultural income. On account of the wide-spread complaint the Central Bank has very recently reduced its penal interests from 12½ to 9½%. But as this has no retrospective effect, it does not confer any material benefit on the societies. At the same time as few societies come forward with new applications for loans, this reduction does them little good in the near future as well.

14. *Rejection of Loans.*—682 loan applications were received during the last 6 years. 86 of these were rejected, 137



partly rejected, 10 withdrawn and 1 partly withdrawn. 7 applications, though sanctioned, were not availed of by the societies concerned. When applications come to the Bank with recommendations of the Unions there would be a greater check as the grounds for rejection would be better examined by them.

15. *Extensions.*—Extensions up to one year, as well as refixing of instalments, are allowed by the Bank in deserving cases.

16. *Non-borrowing Societies.*—12 societies have not borrowed at all from the Central Bank. 5 of these are societies having enough local deposits. It would be a very welcome factor if societies never borrow from the Central Bank, all their requirements being met from funds secured locally. It will be desirable also to see such societies growing in number as it would be an indication of a truly healthy movement.

17. *Examination of Outstanding Loans.*—An examination of outstanding loans of societies by the Unions and Societies jointly was decided upon in one of the Departmental conferences. The work has begun and is even completed in the case of a few societies. It might reasonably be expected that in the course of the next few years, this work could be completed. It may, however, be added that the primary responsibility in the matter rests with the Central Bank and so the Bank has to depute a special officer for the purpose and see that the work is done expeditiously. Delay in such matters is very dangerous and therefore the Bank, without minding the cost, should embark upon a close survey and examination of all the loans given by the societies, financed by it. This work has been begun in Madras and is proceeding apace. When it comes to be finished, the Bank would know where it stands with regard to the recovery of loans and whether it must create a larger Bad Debt Reserve. It is too much to expect quick work to be done by the Union Panchayatdars and the societies.

18. *Assessment of credit.*—Property and valuation statement as well as statements of credit-worthiness are being gradually introduced. The Bank will do well to appoint trained and qualified special officers for this work and get it done under a fixed programme.

19. *Investments.*—The investments of the Bank are as under:—

	Rs.
(1) Gilt-edged securities	2,25,000

	Rs.
(Government of India 5 per cent bonds	50,000
Government of Mysore 5 per cent bonds	75,000
and Cochin Government 5 per cent bonds	1,00,000)

(2) *Other Investments.*—Deposits in Treasury, deposits in Post Office and fixed and current deposits in Joint-stock and other Co-operative Banks, Rs. 1,40,511—3—6.

The interest realised on these is 1 to 2 per cent on current and 2 to 6 per cent on fixed deposits. The Imperial Bank was allowing free transfer of funds to the Madras Provincial Co-operative Bank but this system has been stopped recently, by it. It is suggested that investments in Joint-stock Banks are to be discouraged as far as possible. The State should really secure a condition that the free services of the branch offices of the Imperial Bank of India must be available to the Co-operative Banks for transmitting their funds for *bona fide* co-operative purposes by securing Remittance Transfer Receipts without any charge.

20. *Fluid resources.*—No standard has been fixed for the fluid resources to be kept by the Bank. The Madras standard is more or less adopted. At the end of 1109, the fluid resources available stood at Rs. 1,78,289 in the shape of cash balances and undrawn cash credits. The following standards of fluid resources are suggested to be maintained by the Bank. They should be in the form:—

1. Cash balance.
2. The undrawn cash credit in any Bank recognised by the Department.
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, it should form 30 per cent of Fixed Deposit falling due in the next 6 months or 50 per cent of the Fixed Deposits falling due in the next 30 days whichever is higher; 50 per cent of the Current Deposits and 25 per cent of the Savings Deposits.

21. *Surplus Funds.*—With a view to absorb the surplus funds, the Bank proposed to introduce cash credits and overdrafts to its affiliated societies, on the cover of fixed deposits made by them in the Bank. The general body however rejected the proposal. It is understood that the general body is being approached again.

22. *Transmitting agents.*—Proposals for selecting good societies as transmitting agents for the Bank are under consideration.

23. *Inspection and supervision.*—The agencies at present are (a) 2 Group Examiners for detailed inspection, (b) Directors of the Bank and (c) Unions. When the new scheme of supervision which is proposed comes into practical working the Central Bank will be free to engage itself with the work of inspection of its affiliated societies alone.

24. *Reserve Fund.*—The Reserve Fund stands at Rs. 57,525. The margin of profit on the Government loan has to be credited to the Reserve Fund as per conditions of the bond executed by the Bank. It is suggested that the margin be utilised to augment the contributions of the Bank to the Institute for purposes of supervision.

25. *Dividend.*—The maximum of dividend is 6½ per cent and this was being declared every year except for 1908 in which year no dividend was distributed. It is suggested that the rate of dividend be reduced to 5 per cent and the balance available utilised for augmenting the inspection fund of the Bank. The creation of a Dividend Equalisation Fund which is highly necessary for the Bank, is also suggested.

26. *Common Good Fund.*—A donation of Rs. 500 was given to the Viceroy's Relief Fund. The balance to the credit of this fund at present is Rs. 5,811. It has been already suggested to the Bank to utilise the proceeds of this fund in the interests of co-operative education and its promotion by suitable means and propaganda, as the strength and the soundness of the Bank will largely depend on the corresponding strength and soundness of its constituent primary societies, whose education and purity must be its primary concern. The Madras Provincial Co-operative Bank, the Central Banks of the Madras Presidency, the Bombay Co-operative Bank, as also the Central Banks in Behar and Orissa, utilise a good portion of their profits for the strengthening of the movement by helping processes of rectification and education.

27. *Library Fund.*—A small library of 143 volumes is kept. 6 Journals are also being got down. There is the view that the Central Bank need not spend any of its funds for the creation of a library as a distinct activity of its own as such activity falls within the purview of the regular functions of the Institute. The Bank could therefore, make some contribution to the Institute for its library which would be a very good

reference library for a small place like Cochin. With the system of circulation of books from the Institute the needs of the Bank could also be met.

28. *Propaganda Fund.*—From this fund, the Bank makes contribution to the Institute, Taluk conferences, State conferences and celebration of Co-operators' Day. The balance to the credit of this fund at present is Rs. 175. Mr. Devadhar suggested that the proportion of this fund be raised from 3 to 10 per cent of the net profits and handed over to the Institute for propaganda.

29. *Internal Administration.*—The Bank has a full-time Secretary on Rs. 100—150. In view of the changes proposed in the Board, the post of the Secretary may be abolished and a Manager in the grade of Rs. 60—100 and with commercial qualification may be appointed instead. The staff consists of 11 persons including a Head clerk, Accountants, a typist and peons. There is no full-time cashier, but the seniormost Accountant is in charge of the cashier's duty. The bonds and other valuables of the Bank are kept by the Ex-officio Treasurer (Trichur Tahsildar) in his custody in the Treasury. Security is taken from the clerks dealing in cash. Their pay is met from the general revenues of the Bank. The pay and travelling allowance of the Group Examiners are met from the Inspection Fund. All the staff are allowed the benefit of Provident Fund in lieu of pension. The Bank should, as a rule, employ trained men with necessary University qualifications, or graduates in commerce with co-operative training. It will also do well to get on its staff one Government diplomate in co-operative accountancy at the earliest opportunity.

30. *Bank's buildings.*—A building was purchased for the Bank in 1906 for Rs. 14,000, and it has to be stated that both the building and the locality were an unfortunate selection. A Co-operative Central Bank should be an advertisement by itself and must be situated in a central place in a business centre. The present building has all the appearance of a private house and has many rooms which are of no use to the Bank and hence has become an economic waste. Its disposal by the Bank and the construction of a two-storied building in the Round of Trichur, one storey for the use of the Bank and another for the Central Institute would be highly desirable.

31. *Miscellaneous activities.*—The stocking and supply of books and forms for the use of societies were undertaken by the Bank from 12 years back. The net profit accrued so far is Rs. 1,402. All the societies do not patronise this branch and so

the results are not encouraging. Hence the time has come for a separate printing press on Co-operative basis to take up this work.

*Finally* in the interests of the societies and the movements, the Central Bank has to be made an apex bank and Taluk Banks have to be organised. When Taluk Banks come into being, the Central Bank will stop financing the primary societies. In places where Taluk Banks could not be organised, the Central Bank must start its own branches. This will solve the problem of surpluses and also do away with the necessity of having transmitting agents in the several parts of the State. Supervision, which is so necessary for the healthy growth of the movement, could also be substantially improved if Taluk Banks come into being. The several questions in regard to transfer of the existing loans of the Central Bank to the several Taluk Banks may be discussed and solutions arrived at by means of special committees formed by the Department with all the interested persons therein as members.

**PART II.**  
**CHAPTER V.**  
**TALUK BANKS.**

The Central Bank, which is also the apex bank of the movement, deals directly with the primary societies. Although it has, in its Directorate, persons representing most of the different parts of the State, it cannot but be conceded that the representation is insufficient. Even now, the Taluks of Cranganur, Mukundapuram and Chittur are not represented in the Central Bank's Directorate though these Taluks have many societies in their midst. The by-laws of the Central Bank do not provide for regional representations. The Bank, though situated in the centre of the State, is 70 miles distant from the most remote societies. The time has also come for the Central Bank to engage itself with the higher problems of finance. Establishment of the branches of the Central Bank is one of the solutions, as it is in the ultimate interests of the movement to promote local enthusiasm and initiative, and these will be better secured by the starting of Taluk Banks than by opening branches of the Central Bank.

Another important point is that the organisation of the Taluk Banks will enable a better supervision of the primaries and their needs and ways of transactions, than will be possible by a Central Bank situated in Trichur. General inspection and supervision which are the legitimate duties of a financing institution, are done most perfunctorily in the State, the Central Bank having to depend to a large extent upon the help of the Inspectors of the Department for collection of their dues. This marked in-efficiency of the Bank explains the increasing overdues of the Bank. However in this matter the two chief questions to be considered are, whether enough funds will be available and whether the necessary human material will be also forthcoming. Mr. N. K. Sundara Ayyar of Chittur who was referred to in this connection assures us that no fear need be entertained in this respect. The points for consideration then are what should be the details in regard to such Banks. It can be presumed that all the Taluks will have generally scope for at least one bank. In Cochin-Kanayannur Taluk, there are 95 societies and so there is scope for 2 banks, one at Ernakulam or Trippunittura to serve the societies on the eastern side of the backwaters and

another at Mattancheri to serve the littoral tracts. Cranganur, having only 13 societies may not have scope for a separate Taluk Bank, but a few societies from Cochin-Kanayannur and Mukundapuram Taluks which are nearer to Cranganur than to their respective Taluk head-quarters may, with advantage, be added on to Cranganur when there will be scope for a separate Taluk Bank. Similarly, in other Taluks also, the rule of a Taluk Bank for all the societies of that Taluk may have to be slightly modified.

*Constitution.*—At least, for a few years to come, individuals will have to be admitted to the membership of the Taluk Banks. But representation for them in the Central Bank will have to be *specifically prohibited* as the Central Bank is purely of the federal type. The local Tahsildar and a person of responsibility and status, preferably a retired high official, will, if nominated to the Board, inspire confidence among investors and also ensure good working of the Bank. Three seats for the societies, two for individuals and two nominations may form an equitable number for the Board. The share capital may be Rs. 50,000 of 2,000 shares of Rs. 25 each payable in instalments in 5 years. Borrowing capacity may be put down at 10 times the face value of the shares.

*Lending rates.*—The lending rate has to be fixed at  $7\frac{1}{2}$  per cent per annum and the rate of interest on borrowings should not exceed 4 per cent. It is not at all difficult for the Central Bank to place enough funds with the Taluk Banks at 6 per cent as the average rate now earned by it seems to be much less. This will also ensure better and more utilisation of Co-operative funds in the movement itself as against their investment in foreign debentures.

*Administration.*—Since the margin of profit is likely to be small in the beginning, administration of the Bank will have to be carried on at the least expense possible. Until, therefore, the Bank is able to get a good start, it will be desirable to get the administration carried on through the best urban Bank of each of the Taluks. It may be housed in such urban Banks and the Secretaries of such Banks entrusted with the work with the help of one clerk and a peon. The Secretary may be given a bonus calculated at a fixed percentage of the gross profits. In due course, the Banks can have their separate staff.

*Future lendings of the Central Bank.*—When the Taluk Banks get organised, the Central Bank will have to cease to

finance primaries direct. The loans to societies already existing will also be transferred to the Taluk Banks. Details in regard to these will have to be worked out by the Department and the Central Bank, together. In places where the Taluk Banks are not possible, the Central Bank will establish its own branches and withdraw such branches if and when Taluk Banks are started.

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## PART II.

### CHAPTER VI.

#### PRIMARY SOCIETIES.

All societies the membership of which is confined to individuals are classed as Primary societies. These are further divided into agricultural and non-agricultural and sub-divided again into credit and non-credit societies. At the end of the last official year there were 248 primary societies of which 2 remained unstarted on their work. The following gives the classification of these societies.

Agricultural, <i>credit</i> only	..	132	} 134
Purchase and sale	..	2	
Non-Agricultural credit only	..	92	}
Purchase and sale	..	10	
Production and sale	..	3	} 114
Industrial societies	..	4	
Students' Stationery Societies	..	5	}
Grand Total			

These different kinds of societies are dealt with in the following pages one after another.

#### AGRICULTURAL CREDIT SOCIETIES.

*Organisation.*—The Co-operative Movement was introduced in the State in the year 1088. A full-time Registrar to be in charge of it was appointed only in 1090. Unlike Travancore and some parts of British India, the growth of societies here is found to be only gradual except in the years 1105 to 1107 when societies for the Depressed Classes happened to be organised on a large scale. It cannot, however, be said that the movement has reached all the parts of the State as the Taluks of Mukundapuram and Chittur have to be served with many more societies, to enable them to come up to the level of the other Taluks. Neither is it found that the propaganda carried on as a preliminary to organisation of societies has been quite adequate. Want of continued instruction at the several stages has also led to the result that many societies are dormant at present. An important point viz., whether there are proper men to guide the society, does not also appear to have always received that

amount of attention from the Department which it deserved. The remarks of the local Union or the Institute may be taken before fresh registration of societies takes place in future.

*Communal Societies.*— The formation of communal societies has to be discouraged, as such societies do not help the building up of national life with continuity of economic interests which is one of the aims of the co-operative movement. Compared with Travancore, this State has only very few communal societies, their number on the last day of 1109 being only 78. Of these the Backward and the Depressed Classes viz., Weavers, Fishermen, Carpenters, Pandarans, Ezhuthassans and Pulayas, etc., have amongst them 54 societies against whom the general charge of communalism cannot be levelled. A few of the remaining 24 societies are understood to admit people of other castes also to membership, though the societies take a communal name on account of the preponderance of the particular community in the locality. Attempts should be made to amalgamate the existing communal societies for higher castes with the existing credit societies of the locality. Fresh communal societies for these castes should not also be allowed in future.

*Restricted Membership:*—According to the Maclagan Committee, a rural credit society with more than 100 members will become unmanageable. The average membership of a society in the State exceeds this limit as it stands at 103·1 at the end of 1109. Though this figure is less than that of Travancore which has 117 it is much higher than all the Provinces and States in India. Intimate knowledge which is one of the essentials of a rural credit society will be lacking, if membership stands at such a high figure. Hence membership should be restricted to 100 as the maximum and societies which have higher membership be split up into smaller and convenient societies.

Similarly certain societies have their areas of operations extending to more than one village which is also a weak point in the matter of successful working of the Village Societies. The rule of 'one society for one village' should always be kept in view. The present societies with more than one village in its area of operations should be made to exclude the other villages by the organisation of separate societies in those areas. In future organisations also, this should be kept in view. In some areas, membership in more than one society is seen allowed. The credit worthiness and the repaying capacity remaining the same, such multiple membership only encourages reckless borrowing and sure defaults. This is a great menace to the good working

of the societies and has to be done away with. I recommend that membership should, in future, be restricted to one society alone of the same type. Existing societies with such multiple membership should be asked to get themselves cleared of this evil within two years at the most.

*Shares.*—Following more or less the Raiffeisen model, the rural societies in the State are found to have worked on small amounts of share capital of Re. 1 and Rs. 2 for a long time. At that time it was hoped that fixed and monthly deposits will freely flow in from the members thereby developing thrift, but experience appears to have led the Department to notice that the opportunity for such deposits was not availed of by the members and that the thrift side remained undeveloped. As an indirect form of encouraging savings, a new set of by-laws with the share capital raised to Rs. 5 per share was recommended for societies. Several old societies have adopted this by-law, but a great many still remain. Fresh societies since registered adopt this system without demur. In spite of these changes, the share capital worked out only to 7.5 per cent of the working capital at the end of 1909. This is a very poor percentage when compared with Travancore which has 60 per cent. I suggest that the existing societies should be asked to persuade their members to take as many shares as they can up to the maximum permitted by the by-laws so that both the members and the societies may be benefited.

*Deposits.*—Encouragement of thrift among the members of societies is one of the most important functions of a co-operative society. One of the means to this end was the specific provision in the by-laws for a system of compulsory Provident Fund repayable only on cessation of membership at the rate of Re. 1 per year per share from the outset. This was bringing in a decent amount every year. It was found that some other system also must be introduced. To develop the thrift side better Mr. Devadhar suggested in 1922 that compulsory deposit at 10 per cent of the loans issued should be deducted from each member taking a loan and it should be allowed to accumulate till cessation of membership. Though the suggestion was not put into practice in its entirety, and though all the societies did not introduce the system, it is a matter for gratification that most of the societies are now adopting this system for the last many years so much so that a decent amount has accrued as savings to the members. The system of Provident Fund working in societies gave rise to complaints from non-borrowing members in that they too have, perforce, to make deposits under

Provident Fund if they are to continue as members which means, according to them, an additional taxation. The Department is found to have become convinced of the weight of their representations and in the model by-laws framed some 4 years back, Provident Fund was made optional and the system of compulsory deposit on loans introduced. At the end of 1909, the deposits from members of Agricultural Societies amounted to Rs. 1·81 lakhs out of the total working capital of Rs. 8 lakhs. This is, no doubt, a good figure but substantial improvement will be possible if compulsory deposit is introduced in all societies, at the present uniform rate of 5 per cent. All societies will, in the long run, be able to secure their own working capital and become self sufficient which is the ideal aimed at. All societies *without distinction* have to strictly adopt this system soon. Regular propaganda should also be carried on to develop the thrift side in the form of more of recurring and home-safe deposits also.

*Acceptance of current and saving deposits by societies.*—The model by-laws of the rural societies allow receipt of these deposits by all societies alike. In the absence of the necessary fluid resources, the acceptance of these deposits by all societies is fraught with great danger. I would suggest that such deposits be accepted only by well-developed societies which can be presumed by the Registrar to command the necessary fluid resources.

*Interest on deposits.*—The maximum rate that was being allowed for fixed deposits was 9 per cent. It is being reduced by several societies to  $7\frac{1}{2}$  per cent consistent with the conditions of the money market. The Central Bank is found to be strong on the point that interest on local deposits received by primaries should be at least half a per cent less than its rates on lendings. The societies, on the other hand, hold the view that Central Bank's rate may be given for local deposits also as, even then, the societies stand to gain the incidental charges as well as the interest, accruing on the periodical remittances to the Bank. The societies' point of view is quite right and interest on local deposits should never exceed the interest on the Central Bank loans.

*Borrowing power.*—Though the present by-laws allow borrowings up to 10 times the paid-up share capital of Rs. 5 there are societies governed by the old by-laws which give a loan of Rs. 100 for shares of the nominal value of Re. 1 and Rs. 2. In any case the borrowing capacity should not exceed 10 times the paid-up share value.

*Loans for productive purposes.*—A careful study of the loans issued by the Agricultural Societies for productive purposes such as agricultural purposes, purchase and improvement of land, payment of Sirkar kists, industry, trade and education, for the last so many years reveals that the percentage is going down every year while that under prior debts increases. At the end of 1109, the percentage for productive purposes worked out only 44.6 per cent of the total issues. In rural societies, loans for productive purposes should always be given the first preference. Loans for repayment of prior debts should not be issued by ordinary societies unless such amounts are very small, as such loans require longer periods for repayment which rural societies could not afford.

*Short and medium term loans.*—The generality of societies are not found to make any distinction between these kinds of loans. Whatever the purpose, they generally allow time between one and two years. Neither the societies nor the members take sufficient care in the matter of fixation of instalments. The result is that loans requiring a longer period for payment, such as those for purchase of cattle, improvement to land, etc., get naturally into arrears. Want of discrimination in such matters is mostly responsible for the large overdues now found in societies. Loans issued for purposes such as purchase of seed and manure, payment of sirkar kist, purchase of raw materials for industry and the like should be made payable from the proceeds of the next harvest in the case of agriculture or on the marketing of finished goods in the case of industrial loans subject to a maximum period of 18 months. In the case of loans for purchase of cattle, implements, digging wells, etc., the period of 18 months will be too small. Such loans should be given periods of repayment between 3 to 6 years.

*Security of loan applications.*—The committees of many societies fail to recognise their responsibility in regard to purposes and amounts of loans applied for by societies. Careful security and enquiries into loan applications before sanction, watching their use by the applicants for the self same purposes for which they were applied for, calling in of loans in cases of misuse, watching of repayments, bringing of pressure when defaults occur are very important matters which are now invariably overlooked. When periods of repayments are fixed, care is not taken to see that monthly or instalmental payments are fixed in cases where such payments are possible. The above are the key-stones for the successful working of societies and they should be strictly adhered to by committees of societies.

A small sub-committee under style 'Loan Committee' may be appointed by the committees of the societies for closer scrutiny and supervision of loans and loan applications. The Inspecting or Supervising Officers of societies should also bestow their attention and check whether the above procedure is always adopted by societies.

*Forecast of requirements.*—Though the statement of forecast and normal credits are insisted on from societies by the Financing Bank and the Department the societies do not generally interest themselves in this matter. Such statements, if prepared periodically, will enable societies to be more business-like and to increase their credit among the constituent members. These should, therefore, be insisted on, both by the Department and by the Financing Bank.

*Managing Committees.*—They are the real pillars of the co-operative edifice and their efficiency and honesty are the real strength of the movement. Democracy is synonymous with representative Government and co-operative democracy depends for its success upon the elected representatives of the general body of members. This brings us to village leadership, which is to this day the great unsolved problem of rural India. "The especially favoured boy of the village, who goes on to High School and to the distant College never comes back to live and work in the village. Though he will keep his connection there and visit his kinsfolk and old home, the village cannot support him in the way in which he has learned to live and cannot pay him what he can command elsewhere." Most of the leading men of the cities come from the "roadless villages". Though the villagers are proud of their distinguished sons and talk about them and their rare visits, the village has the misfortune to lose their leadership. Thus deprived of the well-educated and the best men, the village society gets as its leaders the unscrupulous money lenders of the place or the self-seeking freelance. They get into the committee by propaganda and somehow manage to continue to be there and exploit the society for their selfish aggrandisement. No elections are held and fictitious proceedings are entered in the minutes book. They take advantage of the ignorance and the helplessness of the masses and exploit the credit of the village society and of the financing bank. They raise the cry of democracy, de-officialisation, and honorary work, deceive the Central Bank, defy the Department, collect signatures, petition the Government—and all in the name of the poor members of the village societies. In some places the management does not take sufficient interest in the affairs of societies in several other cases,

Instances are not also wanting where societies, in course of time, become a one-man's show, the rest being contented with what the President or the Secretary does. Each and every member, accepting a place in the management, must realise the great responsibility and trust reposed in him and work for the common weal when alone the maximum benefit of a society could be derived by its members. To ensure the services of good men and in the interest of systematic management, no one should be allowed to work in the committee for more than a year at one time. Those who are either bankers themselves or are interested in the promotion of joint stock banks should not also be elected to the committee. The committee should, as a whole, be also made responsible for their actions which, on their very face, will involve sure loss to societies, as for instance issuing loans to men of doubtful solvency on precarious security, loans issued in excess of the limit fixed by the rules, allowing bonds or decrees in favour of societies getting time-barred, indifference in holding general meetings for re-election and all actions against the provisions of the by-laws.

*General body.*—The general body in some cases are found to take no interest in the working of societies. Most of the members prefer to be absent without taking that intelligent interest in its working and that check and control over the work of the committee that a progressive institution requires. In many places, the general meetings are scenes of party strife and factions. More of educative work on the part of the supervising bodies is immediately called for to set right such matters.

*Remuneration to Secretary.*—It is found that the secretaries are invariably paid annual bonuses for working for the societies besides clerical allowances where they attend to such work themselves. As per a circular of the Registrar, such bonus amounts are not to exceed  $1/5$  of the net profits. In cases where such proportion is found too inadequate for the work actually turned out, it is learned that reasonable amounts are allowed by the Registrar with the approval of the general body and the recommendations of the Union and Inspectors. No change is desirable in this respect.

*Property Register.*—The rules prescribe that property statement of members should be maintained by societies but very few societies maintain this important register. The Central Bank also does not insist on the regular submission of these statements from the borrowing societies. They say that it is a difficult matter to introduce the system all on a sudden and

that only gradual progress can be achieved in this direction. Seeing that the safe working of societies depends upon the maintenance of this important register corrected every year, all societies should be compelled to maintain it.

*Prosecution.*—Many cases of mis-appropriation of societies' funds and similar serious irregularities have taken place; but only in four of these, criminal action was taken; one was withdrawn and the others ended in acquittal. In the interests of the movement, prompt action is always called for in such cases, even though the Department is confronted with much difficulty in conducting criminal cases. Usually the panchayatdars of societies are seen to be very reluctant in taking criminal action against an offender on account of local sympathy, fear of getting themselves implicated or the influence of a village leader. Any direct action by the Department will be defeated by the collusion of the officers of the society; and the want of sufficient hands in the Department, with sufficient time to conduct such cases has prevented action against very serious offenders. The best remedy seems to be the appointment of two law graduates in the Department as Inspectors who can be entrusted with urgent or important special duties at the discretion of the Registrar.

*Dormant Societies.*—At the end of 1109 there were some societies doing absolutely no work. Most of these belong to the Depressed Classes. The keeping of such societies on the roll is a menace to the movement. It is, therefore, suggested that serious and continuous steps at their rectification should be taken on hand and if they will not improve in spite of sincere attempts within a year they should be cancelled.

(Kettu-Thengu). In certain taluks of Travancore there is a system recently introduced whereby a portion of the cocoanut trees of the members of the societies is taken over by the societies, the products collected in a lot and marketed collectively to the best advantage of the members. The receipts from such transactions are set off against the dues of such members of the societies or treated as deposits against their names in the absence of loans. This system is found to have enabled many members to clear their overdues. Such a system is prevalent in Cochin in Samajams or Associations and in one or two Co-operative Societies as well. It is high time that this system is adopted by Co-operative Societies on a larger scale, as it will be a sure panacea for the evil of over-dues.

*Buildings.*—It is a happy sign of progress that many societies in the State have their own buildings to hold their



offices. A large number of these are fairly furnished and some give a portion of such buildings for institutions like libraries or Village Panchayats. The number of societies owning buildings in the State are comparatively higher than in many other parts. Whereas Mysore has only three per cent of societies owning buildings, it is 11.7 per cent here. It is, however, found that no uniform principle is adopted in the matter of the amounts spent by societies on buildings. Some societies have spent amounts equalling even the Reserve Fund for putting up buildings. Hence it seems that some restriction is highly necessary in this matter. The following restrictions are therefore suggested:—

(1) The investments in buildings should not exceed 50 per cent of the Reserve Fund and building funds accrued.

(2) They should not exceed 10 per cent of the working capital.

(3) The societies should also see that as much donation as possible is raised by them for buildings, so that borrowings or utilisation of Reserve Fund are kept at the minimum.

*Common Good Fund.*—The generality of societies of this type do not raise such a fund. As the promotion of useful local activities is an important item, among the objects of a Co-operative Society, all societies, above three years of age, should set apart a portion of the net profit not below  $7\frac{1}{2}$  per cent towards the creation of a common-good fund.

*General.*—Societies of this type in this State have served only as mere lending concerns. At least the well developed societies could engage themselves in popularising the improved methods of cultivation by stocking and supplying agricultural implements, maintenance of stud bulls for the use of the members, stocking and hiring of spraying machines in arecanut areas (some societies are taking interests in this matter already) and purchase and distribution of the necessaries of life on the indent system and the like. It is learnt that the Department tried, as a result of the Inter-departmental Conference in 1105 to induce at least A and B class societies to adopt all or any of these for the benefit of the members, but such attempts fell through for want of enthusiasm on the part of societies. Mr. Devadhar would strongly recommend that the good rural societies should, in the first instance, work up these items in right earnest under the joint guidance of the Co-operative and Agricultural Departments. Such work will surely make the rural societies better

appreciated by the masses. The movement also will generally gain increased prestige in the eyes of the public.

*Agricultural Non-Credit.*—The first society, viz., Chowwara Agricultural Society, under this type, was organised in the year 1092. It engaged itself in the crushing of sugar-canes and preparation of molasses (Jaggery) therefrom. The Agricultural Department helped the society with the necessary machines and the implements on credit. Mismanagement, faction and want of business capacity and enthusiasm of the members, forced the Department to cancel its registration in the year 1095. The next society of this type was registered in the year 1094 and it was the Thiruvankulam Agricultural Society. The promoters of this society are stated to have been drawn from experienced co-operators but it is learnt that it did not work as the initial enthusiasm was not available subsequently and its registration had to be cancelled in 1097. The 3rd society was registered in the year 1102 and it is the Desamangalam Agricultural Society. It performed only the function of a grain bank, the deposits, the loans and the repayments being made in kind. The other functions of an agricultural society were postponed till the society got developed. It worked for 6 years. Voluntary liquidation has been resolved upon though the general body and especially the management consisted of convinced co-operators.

Another society of the same type was registered at Nedum-pura in the year 1103. This is also performing the functions only of a grain bank. Here too, the management consists of experienced co-operators. Steps may be taken to explore the possibilities of an irrigation scheme, on co-operative basis through this society.

*General.*— In these days when the cry is "back to the village" and when 80 per cent of the population are agriculturists, it is unsatisfactory to note that people do not come forward for these kinds of societies which will greatly help them in getting better yields. A joint action by the Agricultural and the Co-operative Departments to investigate possibilities for such societies, to educate the masses on the benefits of scientific agriculture and to organise societies of this type is suggested.

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## PART II.

### CHAPTER VII.

#### NON-AGRICULTURAL CREDIT SOCIETIES.

At the end of 1909 there were 49 societies under this head which were all engaged in credit business. 30 of these were Town Banks, 12 were employees' societies and 7 fishermen's societies.

*Urban Banks.*—The working capital of the 30 urban banks together stood at Rs. 5,59,805 which gives an average of Rs. 18,660 per society. This is a poor average compared with the other parts of India. Even Travancore has an average working capital of Rs. 26,666 per society. This is found to be due to the fact that some urban banks happened to be registered only recently and a few others have not attracted as much business as to justify their existence as urban banks. It is, however, found that one of these banks has a working capital of Rs. 1,80,000. Two have again working capitals above Rs. 50,000. Seven more have working capital above Rs. 20,000. As the banks are situated in urban centres, substantial improvement in the working capital is necessary if they are to cater to the various needs of their clientele without allowing them to go to the Joint Stock Banks. The useless among these should be either developed considerably or weeded out.

The overdues in many of these banks have assumed great proportions. Steps are to be taken before such overdues assume alarming proportions and bring about dead-lock in their working. All the banks are not found to have invested their Reserve Fund in the Central Bank as advised by the Registrar. The Ernakulam Town Co-operative Bank consisting of the elite of the Capital of the State has not invested anything of its Reserve Fund in the Central bank though such reserve fund stands at Rs. 9,987. There are certain banks which accept current and savings deposits from members and non-members, but no standard has been fixed in regard to the fluid resources to be maintained by them. The following are the summary of Mr. Devadhar's recommendations in regard to these banks, over and above those under societies which are applicable to these banks also.

(1) Substantial development of the working capital, development of the thrift side by means of current and savings

deposits as well as compulsory deposits, introduction of the cheque system on a larger scale, investment of the Reserve Fund as ordered by the Department as well as rendering of prompt account, etc., as provided by the statute.

(2) Banks having buildings and permanent staff to issue loans on the pledge of gold ornaments to its members with proper safeguards.

(3) Full-time secretaries to be entertained by the Urban Banks having working capitals above Rs. 30,000 with no seat or vote in the management.

(4) Construction of buildings for offices by the better developed among these societies and running of libraries also there for the use of the members and the general public.

(5) Provision for doubtful and bad debts at the rate of  $7\frac{1}{2}$  per cent of the net profits.

(6) Reduction of the existing rates of penalty to a uniform rate of  $6\frac{1}{2}$  per cent in all the banks.

(7) Introduction of a system of Provident Fund for the benefit of the employees of the banks for securing continuous service.

*Societies of Government Servants.*—At the end of 1109 there were 9 Government Servants' societies with an aggregate working capital of Rs. 2,59,476. The societies at Ernakulam and Trichur are the best among these with working capitals of Rs. 1,12,060 and Rs. 66,000 respectively. Only some of these have adopted the system of compulsory deposits while a great many have yet to adopt it. As this is another form of thrift, it should be developed with even an amount of compulsion. The following are the recommendations to improve the working of these societies:—

(1) Development of thrift by introduction of compulsory and other kinds of deposits.

(2) Purchase and distribution of the necessaries of life on indent system.

(3) Issue of loans on gold ornaments under proper safeguards wherever possible.

(4) Construction of buildings for societies and maintenance of libraries therein wherever possible.

*Municipal Societies.*—There were two societies with a working capital of Rs. 7,382. These are working well as recoveries

are easy through the officers concerned. The Mattancheri Municipality has recently organised a society for its employees and Chittur remains the only exception. The purchase and distribution of the necessaries of life is one of the directions in which the working of the societies can be developed. Most of the members are drawn from the lower strata of society. These societies have therefore ample opportunities to improve their lot, socially and economically, provided the management takes sufficient interest. The main recommendations therefore are:—

(1) Organisation of societies in Municipalities where there is none at present.

(2) Educating the members in the value of thrift and securing monthly deposits, compulsory deposits, etc.

(3) Purchase and distribution of the necessaries of life on the indent system.

(4) The betterment of the standards of life of the employees by education and propaganda, particularly about clean and hygienic habits, evils of drunkenness, and evils of extravagant expenses at social functions, etc.

(5) Obligation on the part of the officers of the Superior Service in the Municipality to manage societies efficiently for the poorer employees.

*Weavers' Societies.*—The weaver population in the State number about 9,000. They consist of Chaliyas, Kaikolans and Devanga Chettiars the last of whom have migrated from the Tamil districts.

The first society for weavers to be registered in the State was the Cranganur Chaliya Society in the year 1089. As the promoters did not wish to work up the society it had to be cancelled. The next society to be registered was the one at Kuthampilli, which is a weaving centre of Devanga Chettiars, in the year 1096. The preliminary enquiries were made by the then Superintendent of Industries and a Co-operative Society on an industrial basis was recommended by him. Its supervision and control were vested in the Industries Department, the function of statutory audit alone being vested in the Co-operative Department. Advances up to Rs. 15,000 were made by the Government through the Superintendent of Industries from time to time. It worked at a profit in 1097 but in 1098 it incurred a loss and from that year the society deteriorated. Factions became very strong from that year. Attempts at rectification of the society from 1099 to 1103 proved unavailing and its registration was cancelled in 1104.

Purchase of yarn and sale of finished products, through unreliable agents, grand scale of business even from the very outset without proceeding gradually, and fluctuations in the cotton market were some of the causes for its failure. The Government had to write off about Rs. 8,000 advanced to the society as it was found to be irrecoverable. (This was the fate of another industrial society, Lekshmililas Metal Workers' Society worked under similar auspices in 1096. That was cancelled in 1097.) The third society registered was the Trichur Spinners' and Weavers' Union. The promoters included the elite of Trichur headed by one M. L. C. Production of Kadhar was its main object. It did not turn out any tangible work and so it was cancelled in 1107. Another society for the weavers of Kumbalam was registered in 1101. It was giving only credit accommodation to members for years. In 1105, its position was so bad that it was cancelled. It was again restored by the Government. It is even now working on the credit side but not with great hopes. The Nemmara Spinners' and Weavers' Union was registered in 1104 and started on its work in 1105. It worked on a small scale by purchase of yarn, making it into finished products and selling them for some time. It became totally defunct in 1109 and so it was cancelled. The Kanjiramittom Pattarya Society was registered in 1107. It is working well though it only lends money for the purchase of yarn. It is time to stock and distribute yarn to its members by getting an agency from some of the mills.

In his opinion, there is scope for at least a few more of such societies but their organisation and working should be on a systematic and well laid-out plan. Special provisions must exist for stocking of the finished products of members and their sale to the best advantage, if the benefit expected of such societies should reach the members.

## PART III.

### CHAPTER VIII.

#### NON-AGRICULTURAL NON-CREDIT SOCIETIES.

There is nothing special in Cochin which accounts for the conspicuous absence of non-credit activities except the want of sufficient human material to back up the movement on right lines. Non-credit activities had been a failure from the very beginning. The organisation of credit institutions without sufficient co-operative propaganda at the initial stage, explains the failure of such institutions during the stage of expansion. The majority of the credit societies do not at present function properly on account of the ignorance of the ordinary members about the fundamentals of Co-operation. Enough spade work of educating the masses on Co-operative ideals is absolutely necessary to start even a village credit society in any locality. More important will be the function of an organiser of a non-credit co-operative institution among the uneducated masses of the land. The following are some of the types of non-agricultural non-credit societies which may profitably be organised in the different parts of the State.

(a) Co-operative Dairy and Cattle breeding Societies.

(b) Cottage Industries' Co-operative Societies.

1. Rattan making, 2. Mat making, 3. Coir making,  
4. Lime manufacturing, 5. Clay pot making, 6. Oil pressing,  
etc., Societies.

(c) Poultry Societies.

(d) House building Societies.

(a) *Dairy, Cattle breeding and milk problem* :—The use of milk by the ordinary Cochinite is very restricted. He considers it as a luxury. The town dwellers generally use milk and even in their case its consumption is very low when compared with other Provinces of Upper India. Therefore the milk problem under such circumstances has to be tackled in the Urban area. Sufficient propaganda should be done by the Health, the Agricultural and the Municipal authorities to use more milk and ghee before popularising such Co-operative Institutions among the urban people. As an experimental step the Department, with

the active co-operation of the Municipalities concerned shall try to organise societies in Trichur, Ernakulam and Mattancheri for distributing milk of standard quality. In village areas lying in the vicinity of towns, co-operative effort should be made to collect milk for distribution in towns through urban distribution-societies. Till now, attempts are not made either by the Health Department or by the Municipal authorities to educate the masses to use milk, butter and ghee as a part of their daily diet and if such work is rightly begun the health of the people is bound to improve. When the problem of milk is rightly tackled in this direction the condition of the cattle is also bound to develop. Unless the breed of the cattle is improved the economic resources of a country, mainly an agricultural one, cannot be materially augmented. Good and strong bulls are necessary for cultivation. It is therefore highly essential that cattle breeding co-operative societies should be organised in village areas as is done in other Provinces like the Punjab and Bengal. The common good-funds of societies should be made available for the use of such new co-operative organisations. The Government may also pass the necessary laws, authorising the officers of the Revenue or the Agricultural Department to sterilise stunted bulls roaming in villages and destroying the peasants' crops and make arrangements for keeping stud-bulls in select areas. This is bound to improve the live-stock of the State and save the farmer of his annual drain by purchasing bulls from Pollachi and Vaniyamkulam. Unless the necessary conditions are created, cattle-breeding societies cannot thrive.

(b) *Cottage Industries*:—Societies may be organised with advantage for various cottage industries such as bell-metal, jaggery, rattan, embroidery work, basket making, etc., in suitable select localities with closer supervision in the initial stage. An industrial financing co-operative Central Institution should also be organised for rendering pecuniary help to such societies. An industrial expert should be appointed for the supervision of such societies, with powers to co-opt local experts for its management. Government aid should be liberally granted to such Institutions as a first step.

(c) *Rattan and Coir making*:—Rattan and coir industries are very important in the State. As there is an abundance of cocoanut trees in the coastal regions and rattan in the forests, it is highly desirable that co-operative effort should be made to build up these industries. Scientific methods are absolutely wanting in cocoanut production and its marketing. Trained marketing officers should be appointed to develop such important industries in the State.



(d) *Poultry Societies*:—At present there are no poultry societies in the State. In localities where conditions are favourable such societies may be started and it is hoped that Government would make proper assistance available to such societies as are working for the benefit of the poor villagers. Ernakulam, it is observed, is a big centre where large quantities of eggs are collected and booked through the Railway to upper India. On enquiry it is known that an ordinary man who keeps a few poultry in his yard gets only two or three pies per egg, while the Cochin eggs fetch 9 pies and sometimes 1 anna in the Bombay market.

(e) *House Building Societies*:—Co-operative house-building is a new activity to be introduced in the State. Work of constructing houses in urban areas may be taken up more conveniently than in villages. Middle class people in the towns should be educated to find out extensive open sites and lay out a scheme for constructing decent houses on co-operative lines. Financial help for such a scheme will have to be afforded by the State as is done in other Provinces. There are vast areas available for constructing decent houses in order to facilitate healthy living for the masses. There will not also be water scarcity in any of the selected areas of the State. Small cottages in groups can be constructed by co-operative effort, for fishermen, kudumbies, potters, weavers, etc., provided an attempt is made to tackle the problem one by one.

#### RURAL RECONSTRUCTION.

Much is said about the need of improvement of the rural people, but nothing practical has been done in the State, as in other parts of India. The condition of village life here is very much the same as in other parts of India. Rural reconstruction work must be taken up in one or two select centres under the joint control of a Board consisting of the Heads of the Departments of Co-operation, Public Health, Agriculture, Education, Panchayats and Industries. There is no big financial commitment in doing this as rural reconstruction in simple words means only a concentration of the efforts of the nation-building Departments in any particular area.

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## CHAPTER IX.

## LIQUIDATION.

At the end of the year 1109, 26 societies were found to be under various stages of liquidation. It is not an exaggeration to state that about 100 societies are to-day quite ripe to be cancelled. The Registrar says that the cancellation of the registration of these societies is deliberately delayed owing to the paucity of hands for being entrusted with the liquidation work. The practice obtaining now is to entrust the liquidation work with the local Inspectors who are to do the work without detriment to their legitimate duty of audit and inspection. It is, therefore, only natural that the progress of liquidation work is considerably slow. To make the liquidation work more prompt, it is high time to appoint special officers for the work, and relieve the Division Inspectors of the duties of this special work, in order to make audit and inspection of societies more efficient. Mr. Devadhar suggests the appointment of 2 or 3 official liquidators to be put in exclusive charge of the liquidation work. They may be put in the same grade as that of the Inspectors.

NOTE.—From the beginning of 1111 a new experiment of appointing juniors of the Bar and respectable non-official co-operators as liquidators, is being tried. Its result may be watched for some time.

## CHAPTER X.

## WOMEN AND CO-OPERATION.

There are no co-operative societies working in Cochin exclusively intended for women. Recently, a co-operative store has been started by the educated ladies of Trichur but it is still in its infancy. This is not to say that women play no part whatsoever in the co-operative movement in this State. They do, though it must be regretfully admitted, that it is only a very insignificant part when compared to the outstanding place which Cochin occupies in the field of female education. Out of a total membership of 25,053 in all societies together only 1411 are women which is 5.63 per cent. The number of women on managing committees is also not satisfactory. Though we have no accurate figures for this, we can still say that the number is very small and it is doubtful whether there are at least half a dozen societies which have women on their managing committees. This aspect of the problem of co-operation, viz., its extension among women has been sadly ignored here.

The necessity for bestowing greater attention on the expansion of the movement among women need not be over-emphasised. Unless women also are initiated into the principles and practice of co-operation, we cannot have the full benefits of the extension of the movement among men. Habits of thrift, self-help and co-operation instilled in women through the expansion of the co-operative movement among them will have, far greater and surer benefits than among men. This has been the experience of countries abroad. The Travancore Co-operative Enquiry Committee observe, "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. . . . . 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 consumer's 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."

Nor has the spread of co-operation among women been neglected in India. In the Punjab, we find that there are about 150 thrift societies for women, with a separate staff of one Inspectress and 11 Sub-Inspectresses to supervise their working. In the

United Provinces, women have been employed to do propaganda work for the spread of the gospel of co-operation among ladies. In both Bombay and Bengal, there are women's societies conducting store business. Mysore State has got 15 co-operative societies for women with a total membership of 806 and paid-up share capital of Rs. 1,13,731 and total turnover amounting to Rs. 40,821.

Women of Malabar enjoying as they do a comparatively larger measure of freedom and placed as they are in a much better situation than their sisters elsewhere, for participating in nation-building activities, are expected to show more work, and therefore, the higher measure of literacy and spread of culture and education among them and the greater family status they enjoy should ordinarily prove of greater value to them in making the co-operative movement popular among the women of the State. Mr. Devadhar hoped to see here a much larger number of the educated women taking a more active and leading part in co-operative societies, but, he confessed that he was somewhat disappointed. In this respect, we are worse than Travancore. There among 100 male members, they have 13 females; in our State the number, as already observed is only 5.63. They have 5 societies specially organised for women; here there is only one and that in its infancy. And let it be remembered that neither in point of educational advancement, nor economic condition, we are inferior to our sister State. The reason for this state of affairs seems to be that no one of either sex has devoted sufficient attention to this aspect of the matter. There was no spontaneous demand from women for this; nor was there any body to guide them and instruct them also.

It is high time to popularise the movement among women by all possible means. There are now 12 graduate and 6 under-graduate women teachers trained in the State and capable of organising and running co-operative societies. There is ample scope for the organisation of societies for the promotion of thrift, cottage industries, coir making and milk supply, etc. In the coastal regions, Ezhuva, Vala and Christian women are earning members and are engaged in several useful occupations. Of course, the wages they receive are not large and the present economic depression has made it smaller still. Yet there is good chance for the successful working of thrift societies among them. In Cranganur, mat making is a very important cottage industry and many women are engaged in this. If it is properly organised and conducted on co-operative basis, it is certain that those carrying on this work will secure far better returns from it. In

the town of Trichur and its neighbourhood many women belonging to the Nayar community depend for their livelihood on the milk trade. It is possible to organise these women on co-operative lines and the example of the Adoor Sree Chittira Vilasam Women's Co-operative Society No. 1950 in Travancore which very successfully carries on the work of milk supply, should serve as an example and encouragement to them.

At least a beginning can be made by the trained women teachers together with the help of local Co-operative Unions and our Central Co-operative Institute; and one thrift society, one cottage industry society and one society for milk supply can be organised immediately. If the experiment proves successful, more societies for such purposes may be started. When the number of such societies becomes sufficiently large, the question of appointing special Inspectresses for their supervision will have to be taken up; it is too early to consider it now. It is the duty of the educated and enlightened ladies of Cochin to come forward and do their best for the popularisation of this noble movement among their sex and thus pave the way for the social, and economic salvation of their helpless, ignorant and illiterate sisters.

## CHAPTER XI.

## ARBITRATION.

It is seen that more than 1,500 references are pending in various stages of enquiry in the Office of the Registrar of Co-operative Societies every year. The expectation is that the number can be only on the increase so long as the present financial depression continues. The Registrar has only one clerk to assist him in this work in his office. Hence the suggestion that one more senior clerk, preferably a Graduate-in-Law should be appointed to work in this section, for the speedy disposal of suits. The Registrar will be helped by the personal assistant proposed else-where in this report. The Registrar will do well also to constitute a panel consisting of half a dozen competent men in every Taluk with the previous sanction of the Government to work as arbitrators and publish their names in the Government Gazette. The expenses, for T. A., etc., to be given to these non-official arbitrators can be met by making provision in the rules, as in Bombay, for the levy of arbitration costs, out of the funds of the society according to a scale to be laid down by the Registrar and for its recovery from the society or party or parties to the dispute. These will minimise the delay in passing the awards.

*Execution of awards:*—In the existing rules provision is made to execute the awards both of the Registrar and the Liquidators in the following ways: (a) "On an application to the Civil court having jurisdiction over the subject-matter of the decision or awards, the Court shall enforce the decision or award as if it were the decree of the Court.

(b) On a requisition to the Diwan Peishkar, all sums recoverable under the decision or award shall be recovered in the same manner as arrears of land revenue.

(c) When the decision or award involves the payment of money and the person or persons against whom the decision or award is made are employed in the permanent or temporary service of the Government, the Registrar may send the decision or award to the Head of the Office or Department in which the person or persons are employed for enforcement and such officer shall execute it as if it were a decree of a Civil Court."

It is desirable that the Registrar is given powers to execute decrees and also for issuing orders for the conditional attachment of properties of the parties in case 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 his property. [Necessary amendments have been proposed in the draft regulation and rules.]

#### JUDICIAL INTERFERENCE.

There are many instances where difficulties are felt on account of judicial interference. In the interest of the movement these have to be countermanded by specific provisions.

1. *Production of original records of societies in Courts.*— Just as “the Bankers’ Books Evidence Act” specially protects Banks in the matter of production of original books in courts, section 24 of the Rules under the Co-operative Societies’ Regulation lays down that it is enough, if certified copies of books and other records of co-operative societies are produced as evidence in courts, in lieu of the originals. If any one moves a court for production of records of a society and if the books, etc., are produced, they will remain in court till the case is disposed of and appeals, if any thereon, are also concluded. This greatly dislocates the work of societies and it was to avoid this contingency that the rules were so laid down. But in practice, the courts insist on the production of the original records, even though the specific provisions of the Co-operative Societies’ Rules were pointed out, and so a solution for this has to be arrived at.

2. As per existing Regulation and Rules, awards of arbitrators are appealable only before the Registrar and the Registrar’s decisions are final. In spite of this, it has been recently decided by the Chief Court that ordinary courts have jurisdiction in cases where fraud *is alleged* as the ground. That is to say, when an award is being executed, the defendants can put in objections alleging fraud, and the courts must stop further execution proceedings, until the allegation of fraud is either established or dismissed after taking evidence. This will mean heavy delay, within which the solvency of the debtor-member may get impaired or he can dupe the society by alienating his properties. There is an anomaly also in this matter viz., that such petitions alleging fraud are enquired into by Munsiff Courts i. e., courts parallel with those of the Registrar who has also the powers of the Munsiff. In other words, one Munsiff sits in judgment on a decision of another Munsiff. Either such appeals have to be specifically prohibited by statute or if it is held that ordinary courts have inherent jurisdiction irrespective of the fact that there are special tribunals set up by special laws like our case, then such jurisdiction may be vested in a court of judicature not below the rank of a District Judge. Another provision may also be made viz., that proper securities should be given by the parties alleging the fraud, so that the societies

need not fear of losing the amounts on account of insolvency or otherwise of the parties, when such petitions alleging fraud happen to be disposed of eventually.

3. According to the rules, the decrees of the Registrar or the awards of the arbitrators or liquidators can be executed in the following ways.—

(a) Through the Civil Courts.

(b) Through the Revenue Department realised as arrears of Land Revenue.

(c) Through the Heads of the Departments in the case of Government servants and aided school managers in the case of aided school staff.

Following this rule, one society sent through the Registrar for execution by the Revenue Department, a decree against two persons. The Revenue Department took steps against the first defendant but returned the decree as unrealisable *after three years* with the usual non-satisfaction certificate. Steps were taken through the ordinary court when the defendants put in the plea of statute bar for no action *in ordinary court* for three years. The Munsiff dismissed the plea of the defendants and admitted the execution petition. The Munsiff's decision was appealed against. The District Judge held that there was actual time-bar, on the ground that Revenue court is not an ordinary court. The society appealed to the Chief Court against the findings of the District Judge but the Chief Court also upheld the District Judge's decision. In effect, the society lost the amount by acting up to the rules framed by the Durbar under the Co-operative Law. If possible, retrospective legislation is necessary to protect the interests of the particular society or, if it is not possible, at least future legislation may be recommended in the matter.

4. The properties of a gentleman were under attachment by an order of the Munsiff's Court. At that time, one of the societies obtained a decree against the same gentleman and got it forwarded to the Revenue Department for execution. The Tahsildar sold the properties but, by this time the Munsiff requested him to send the sale amount for rateable distribution among the creditors. Though it was pointed out to the Government that the amount could not be rateably distributed as desired by the Munsiff, for want of jurisdiction, the Government Advocate's view more or less was that the court has the right to call up the amount and distribute it rateably. He, however, desired the society to protest against the Munsiff's order. Some solution has to be found for such a contingency in the interests of the movement.

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## CHAPTER XII.

## STUDENTS AND CO-OPERATION.

The importance and the desirability of extending the scope of co-operation to schools and colleges were recognised in Cochin long ago and a beginning in this direction was made when Rao Sahib Matthai was the Director of Public Instruction. He selected a batch of teachers, both males and females, for co-operative training, conducted under the auspices of the Cochin Central Co-operative Institute, Trichur, and sent another batch for training at the Y. M. C. A. Rural Reconstruction Centre at Ramanathapuram. By these means, it was hoped to enable the teachers to manage and run institutions on co-operative basis in the schools of the State.

At present, we have got such co-operative activities in the High Schools at Mulanthuruthy, Trippunittura, Thiruvilluamala, the T. D. H. S., Cochin, and the Lower Secondary school at Elankunnapuzha. These are mainly stores, 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. They are conducted on co-operative basis, but are not registered under the Co-operative Societies' Regulation. There are three registered co-operative institutions also (viz.) the Maharaja's College co-operative stores, S. R. K. G. V. Harijan co-operative store at Puranattukara and Vivekodayam L. S. G. S. co-operative society. The College store is the premier institution in this category and has transactions for 1110 coming to Rs. 22,009-13-1. A very important way in which these societies serve the students is by enabling the poor among them to take loans at easy rates of interest to pay their fees in time and thus save themselves from the necessity of paying heavy fines.

Most of these societies are reported to be working satisfactorily. They are of considerable help to the students inasmuch as they can obtain their school requisites to their satisfaction and at reasonable prices. A percentage of profits goes to the help of poor students and so these societies have a social and philanthropic aspect too. Besides, the members obtain loans and dividend from these societies and know the practical benefits of thrift, self-help and co-operation which will be a good incentive to them for managing and running similar institutions after their educational career.

In most parts of India, we have such institutions catering to the needs of the school-going population. Many of the schools in

Punjab have started students' co-operative stores. In Bombay, such stores are started and conducted for the benefit of students. There are 18 such stores in the State of Mysore and 5 in Travancore. In Cochin, we have great scope for extending the activities in this line. All important High schools and Colleges (both for boys and girls) can carry on such co-operative work. In this connection, it may regretfully be noted that we have no such activities in the St. Thomas' College at Trichur and the St. Teresa's College at Ernakulam. That a premier institution among Girls' High Schools of the State take the Government Girls' High School, Ernakulam has no co-operative society is a sad deficiency demanding speedy remedy.

It is hoped that the Heads of all High schools and Colleges with the co-operation of their staff will interest themselves in this work and train the students placed under their care in the principles of co-operation. In many High schools of the State, the subject of co-operation is taught as part of the syllabus and it is only fitting that this should be supplemented by the practical demonstration of the working of co-operation and benefits accruing therefrom by actually carrying on co-operative work in schools. As the Travancore Co-operative Enquiry Committee says "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 of the State. 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 of tomorrow." This is as true of Cochin as of our sister State, and it is hoped that the Director of Public Instruction and his subordinates will kindly extend their patronage and help for the achievement of this noble ideal.

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## PART IV.

### CHAPTER XIII.

#### CO-OPERATION AND THE DEPRESSED CLASSES.

The depressed classes of the State consist of the Pulayas, Parayas, Vettuvas, Kanakas, Nayadies, Ullatans, and such other castes who number 1,24,238 or 10·3 per cent of the population of the State. They are mostly agricultural serfs owning allegiance to their lords in whose lands they live, work and die. Ill-fed, illiterate and unclean and forced to live amidst squalid and depressing surroundings they are considered as chattels or less than human. Possessing no land of their own and being the perpetual victims of capitalistic exploitation, they were here, as in the rest of Malabar, hopeless, helpless and despised.

The absence of social reformers compelled the Government to take up the role of the philanthropist. The Department for the uplift of the depressed classes was organised in 1102 and the Director of Public Instruction Rao Sahib C. Matthai was appointed Ex-Officio Protector. Mr. K. P. Karuppan, an influential gentleman of the Vala community, was appointed as the Assistant to the Protector. In 1107 Mr. V. R. M. Chohan was appointed as a full time Protector with independent charge.

Even before the formation of this department true statesmanship and pure thought made Sir T. Vijaya Raghava Chariya realise the deplorable condition of these classes and to take the first step in the direction of their uplift by organising a depressed class colony at Chalakkudi, now called after him.

The creation of a new department gave a great stimulus for organised work for the uplift of the depressed classes, and various measures were adopted such as the organisation and running of schools for their special benefit, award of scholarships and stipends, both literary and industrial, for the promotion of their education, provision for feeding and supply of school requisites and clothes, running of hostels, provision of house-sites, building up of colonies or settlements, construction of prayer houses, organisation of co-operative societies and similar works. At the end of 1109 there were in existence 36 day schools (9 Sirkar and 27 aided) and 7 night schools (1 Sirkar and 6 aided). The percentage of children of school-going age attending schools was 48. Including attendance in the college department

and several upper and lower secondary schools, the total number that attended schools stood at 6,396 males and 3,068 females. From the very beginning it was found that the provision of house sites by the Government would free them from the oppression of land lords and from their slave-mentality as well. It was also expected that housing them in colonies and giving them ownership of the soil without power of alienation, would create and foster a sense of corporate life in them. Thus in the wake of the Vijaya Raghava Puram Colony many more came into existence at Kunnankulam, Pazhayannur, Narakkal, Adoor, Aranattukara, Pullazhi, Nettur and many other places: At present there are 75 colonies spread throughout the State with house sites numbering 1,529 and 13,192 people being housed in them.

The other important item of activity was the promotion of co-operative societies exclusively for them. "Living isolated with few objects and occasions to combine and act in union, the idea of concerted and continued action for a common purpose has never had a place in their mind". Thus co-operative societies, considered all the world over as a potent factor for the development of thrift and self-help among the masses and for curing them of improvident habits came to be organised rapidly. The first depressed classes' society was registered at Mulavukad near Ernakulam in 1102 and before the end of the next year there were 11 societies for them in the State. The following statement gives the progress of these societies.

Year	No. of societies	Membership	Share Capital	Working Capital	Reserve Fund	Remarks
			Rs.	Rs.	Rs.	
1103	11	52	93	126		
1104	16	482	845	1,697		
1105	29	798	1,380	3,460		
1106	33	1244	2,025	5,688	630	
1107	37	1410	2,407	6,567	921	
1108	42	1594	2,803	7,839	1,534	
1109	43	1725	2,866	8,688	2,119	

It is found that only the credit side of the co-operative movement has been attended to with the result that in all these societies the common phenomenon of poor members having taken loans which they are unable to repay is met with. The loans are not found to have been given for productive purposes,

which explains the cause of the inability of the members to repay. As unskilled coolies, getting casual jobs and more often without any work, they are always in pains for the wherewithal for maintenance and debts contracted for purposes of daily needs are therefore not likely to be repaid in time or at any time. Another regrettable feature of these societies is the absence of literate people among them who can guide the societies on safe lines. It is learnt that there is not a single Depressed Classes man among the trained in the principles of co-operation.

The stagnant condition of the societies can be traced to the following causes. (1) Their general illiteracy and the want of men trained in co-operation among them. (2) Un-employment and low wages (3) The drink evil which makes them improvident and unable to save. The following remarks of the Townsend Committee regarding the depressed class societies seem specially applicable to Cochin. "The condition of these classes is very peculiar. They are extremely poor and have no property which they can pledge. Their only asset is their labour and character and these form the only basis for their credit. Co-operative activity, confined only to credit is of little use to them. Co-operation in their cases must be employed to stimulate thrift, to increase their earning capacity and to secure for them a longer margin of income by better marketing".

The following suggestions for the improvement of the working of the depressed class societies may be adopted:—

(1) Since the members of these societies are not generally capable of maintaining the necessary registers and accounts, group clerks on some small allowance may be appointed by the department at least for a few years to come. Educated members in these communities may be given co-operative training and induced to work up these societies.

(2) Contract works may be taken by the society with the approval of the department. The Government to give patronage to these societies by giving them contract works of roads, tanks, wells or minor buildings.

(3) Colonies to be started in places where there is scope for labour thus enabling these members to earn their livelihood. For cleaning sites and building houses the labour of societies to be indented for, as far as possible. Provision may be made for transferring the ownership of these buildings to the inmates by getting the amount spent on them, in small instalments spread over, say 20 to 25 years free of interest; and thus enabling them

to become owners of properties. As far as possible societies to be invariably started in places where there exists such colonies on the above conditions.

(4) Raw material such as bamboo, etc., to be supplied to these members by the Protector at certain concessions and their hereditary cottage industry encouraged.

(5) The labour department to make special arrangements for the marketing of their produce and for the purchase of their necessaries of life whole-sale from a reliable merchant and by means of indent system.

(6) Savings among these people to be insisted upon by means of having home-safe boxes introduced among them even by the application of a certain amount of mild compulsion.

(7) The present by-laws of the depressed class societies to be recast to give scope for the above suggestions.

In regard to supervision of societies there is an anomaly which requires very speedy removal. For the requirements of the Co-operative Regulation the societies are under the Registrar of Co-operative Societies. But it is the Protector who looks after the societies with the help of two Inspectors. These Inspectors are under the dual control of the Protector and the Registrar. Their pay and allowances are disbursed by the Protector and eventually their disciplinary control rests in the Protector. Their work however is under the general control of the Registrar. The Registrar is found to have recommended to Government a few years back to transfer entire control of these Inspectors to the Co-operative Department. Though the Government at first accepted the Registrar's proposal they were subsequently found to have withdrawn such approval. It is better that the control is transferred to the Co-operative Department. The Protector could, of course, generally act as adviser to the Registrar and bring forward his suggestions, for the better working of the societies individually or generally. As matters stand, there is not sufficient work for the two Inspectors. But when the scheme outlined above comes to be worked out, it will give sufficient work for them. Till then the Inspectors should devote themselves to propaganda and organisation on a larger scale.

## CHAPTER XIV.

### VALAS AND CO-OPERATION.

Valas are Hindus by religion and fishermen and boatmen by profession. They are divided into two distinct sects, viz., Arayas and Valas. Though both are of equal status in the eyes of other castes they neither intermarry nor interdine with each other. The Arayans engage themselves in sea-fishing, but the Valas fish only in the backwaters and the lagoons. They are settled in the littoral tracts of the State:

The total population is 18,258 of which 6,574 are Arayans and 11,684 Valas. Their distribution according to sex works as under:—

			Valas.	Arayas.
Males	...	...	5,979	3,457
Females	...	...	5,705	3,117
			11,684	6,574

*Literacy*:—The following gives the details under this head:—

		No. per 1000 who are literate		No. per 10,000 who are literate in English	
		Males.	Females.	Males.	Females.
Arayans	...	428	118	139	41
Valas	...	461	144	258	73

The Department of Education has provided primary schools under the name of Fishery schools in which instruction is imparted in several subjects including fishing by teachers trained specially for the purpose. There are five such schools in the following places. 1. Edavilanga 2. Vallarpadam 3. Eda-ochi 4. Narakkal 5. Thoosam. The total strength of these schools stood at 493 (251 boys and 188 girls in 1110.)

*Importance of the fishing industry*:—It is one of the natural advantages of the State that it has a large area of backwaters and canals. These backwaters and canals as also the sea that washes the Cochin Coast teem with fishlife and provide occupation to a large number of fishermen, fish curers and dealers as well as boat and hengemen.

The State has however not yet taken steps to develop the fishing industry on scientific lines. They have created a fisheries section in the Land Revenue department which looks only to the Revenue side. There are two fish curing yards one at Narakkal and the other at Kathiyalam, till lately under the Excise

department but now under the Revenue department. Salt is supplied to these yards at a reduced rate.

The importance of the fishing industry cannot be over-emphasied. Next to rice it forms one of the most important of food stuffs. The bye-products namely fish-oil, and prawn-dust are greatly in demand in the commercial world for industrial, and manurial purposes. It is understood that when Sir Joseph Bore was the Diwan of the State, he tried to organise the collection and marketing of prawn and prawn dust, but for want of suitable markets the idea appears to have been dropped. Provided sufficient enquiries are made, a successful organisation for the above purpose now seems possible especially when merchants of Mattancheri are stated to deal in such articles on a large scale. It is found that there is a great demand for cured fish from people of the interior parts of the State as well as from Tellicheri and Thanur, provided the quality is improved. In view of the great importance of the industry to the people of the State, it is hoped that the Government will make a move, just as the Western countries do, to develop this industry of immense possibilities.

#### CO-OPERATIVE SOCIETIES IN THE STATE FOR VALAS AND THEIR PRESENT CONDITION.

Societies for the Valas have members from the Arayans. The first society for Valas namely the Azhikal Vala society was started in 1092. At the end of 1109 there were seven societies of this type. Their position is exhibited below:—

	1107.	1108.	1109.
No. of Societies ..	8	7	7
No. of Members ..	208	238	229
Working Capital ..	25,861	34,119	33,364
Reserve Fund ..	7,115	6,719	5,557
Total transaction ..	4,450	8,544	9,755

The Vala community was found heavily indebted to merchants and middle men of Mattancheri and those merchants were always exercising a special right over them in regard to their catches. The attempts of the department seem to have been therefore first directed in redeeming them from the clutches of those money-lenders so as to enable these fishermen to sell their catches to their best advantage. This accounts for the fact that all the societies happened to be credit institutions.

For some years these institutions worked fairly well, but on account of the want of sufficient caution on the part of the Central Bank in making subsequent advances specially in the case of the Azhikkal Vala society as well as the general improvidence of the members, they failed to profit by the societies.



All these societies are now in a very backward condition. Most of the members are even now stated to be involved without corresponding assets except their small huts, their nets and boats. Activities in directions other than credit, as for instance, joint purchase of necessaries of life, joint stocking and sale of the catches and other joint efforts of the members for mutual advantage side by side with the meeting of the credit needs of the members are sure to improve their condition considerably. Complaints are also received that the middlemen who were advancing money to the fishermen in view of the catches and whose hold disappeared with the formation of societies are competing at the auctions of the fishing rights in most of the places. The following remedial measures are suggested in the matter of rectification of the Vala societies:—

1. The debts of those who are indebted to the middlemen should be gradually wiped off.

2. In the case of societies in whose area rights of fishing are auctioned every year by the Government such rights should be given to societies for reasonable amounts for a number of years.

3. Joint purchase and distribution of the necessaries of life should be taken up by the societies for the benefit of its members so that the huge profits now knocked off by the middlemen may be brought to the society.

4. The Government instead of running the present fisheries department for purposes of revenue should go to the rescue of these Valas and afford them special facilities in the matter of fish curing, by a central organisation for the marketing of fish and other bye-products and by giving all facilities aiming at the betterment of the conditions of the Valas. Fresh societies should be organised in areas where there is scope for such societies. There are possibilities for 4 or 5 societies among the Arayas who fish in the high seas. Till the number of the Vala societies comes to such a figure as will necessitate a full-time Officer the Government can entrust the present fishery Inspector (who has undergone training in the Madras Fisheries Department) with these additional duties. Substantial grants or loans for fishermen's industrial organisations as are given in Western countries especially Denmark and Spain, are also necessary.

Government have to do these things urgently, to mitigate the evils of un-employment and silence the clamour for Government Service. Further the State stands to lose economically and politically by not giving all the facilities to those people for carrying on occupations in which they are well skilled through inherited efficiency.

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## CHAPTER XV.

### A.

#### RURAL RECONSTRUCTION AND AGRICULTURAL COLONISATION.

The question of rural uplift or rural re-construction is now engaging the attention of politicians and economists in India. India is mainly a land of villages and the condition of the villages at present is far from satisfactory. Whether at one period these villages were flowing with milk and honey as some say, cannot be asserted with certainty, but the fact remains that at present our villages are pathetic monuments of ignorance, poverty, indebtedness, ill health and in-sanitation. The march of science and civilisation, and the advent of Railway, Motor Car, Telegraphy, Aeroplane, Electricity, etc., etc., have only tended to make their lot worse. Hitherto their misery and their poverty have passed unknown to and un-noticed by the external world, but now their degradation and their miserable condition have come to the notice of the Government and the public. They have come to know that a greater part of the rural area is eking out a wretched and miserable existence and they have come to realise that they have a duty to redeem the rural population from its sad plight.

And hence, the schemes of rural reconstruction, so much talked of at the present day. Both official and non-official agencies are interesting themselves in this problem. The Indian National Congress under the lead of Mahatma Gandhi is trying to do what it can in the matter. In Bombay we are told that praiseworthy beginning in this direction was made by Sir Frederick Sykes, Ex-Governor, leaving further developments to his equally able successor Lord Brabourne. Realising the importance of the work, the Government of the Punjab have appointed Mr. F. L. Brayne as Director of the Rural Reconstruction Department. In the Sreenikethan Department of the famous Viswabharathi of Dr. Rabindranath Tagore, much practical work is being done. There, rural workers are trained in weaving, dyeing, spinning, dairying, poultry farming, etc., and sent out for rural uplift work.

In some of the provinces of India and States like Baroda, Mysore, Hyderabad, etc., the authorities have decided to solve this problem through co-operative methods. In Travancore

the Registrar of Co-operative Societies has made a beginning in this line by organising a welfare society at Thozukal in Neyyattinkara and this society is working with the hearty co-operation of the departments of Agriculture, Industries, and Public Health. The Travancore Co-operative Enquiry Committee says "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 department with state aid and carry them with a settled scheme and a definite plan, they are foredoomed to failure", and they have recommended the utilisation of 10 to 15 per cent of the profits of societies for rural uplift work and the introduction of rural reconstruction work in 6 villages after careful investigation.

Here in Cochin, we have not made even a beginning in these matters. Neither Government nor non-officials are doing any work for rural uplift. It would be well if a Co-operative Union selects a centre and with the co-operation of the Agriculture, the Panchayat, the Uplift and the Public Health departments tries to organise a village uplift society. Government also should guide the work with sympathy and patronage and if it proves successful, help the promotion of such work in well chosen centres. This is a work which demands immediate attention from educated non-official co-operators of the State.

Allied to this, is the problem of agricultural colonisation. To tide over the present economic depression and solve the problem of un-employment the Travancore Co-operative Enquiry Committee has suggested the formation of co-operative colonies.

They have cited the example of the Vasumathy Agricultural Co-operative Society started in 1907 with the main object of carrying on agricultural farming on a co-operative basis and starting an agricultural colony in which equal opportunity of service and self-help will be offered to all members including facilities for industrial pursuits. The society is now cultivating nearly 40 acres of marshy land in Dalikarikon lying within the reserve forest and it has now spent about Rs. 5,000 for clearing forests and for cultivation. The society has several ambitious schemes in mind, but is handicapped for want of funds.

Whatever be the facilities for working out such schemes in Travancore, it seems doubtful whether we have them in our State. The Director of Agriculture of Cochin is frankly sceptical of its feasibility here. He writes "My idea of an economic holding is 2 acres of wet land (Paddy land) 3 acres of Garden land (for irrigating crops like bannanas, sugar cane, coconuts, arecanuts, vegetables, etc.) and 5 acres of dry land for dry

crops and fruit trees. To have a colony of at least two dozen holdings, we must have a block of 240 acres with water facilities. My point was that such a large area of unassigned land could not be had, except on the fringes of forests, which is not only malarial, but is also subject to the attack of wild animals." Even granting that sufficient and suitable lands are available, there is again the problem of financing the scheme. These things will have to be considered carefully before working out the scheme of agricultural colonisation.

## B.

### CONSUMERS' CO-OPERATION.

Co-operative stores began to be organised in the State from the year 1093 when the Trichur and the Trippunittura Stores were registered. In 1094, another store for the employees of the Chalakkudi Tramway was registered. Of these, only the Trichur Store was started on its work. The others were cancelled, as the original signatories were not found willing to work them up although they were responsible and literate gentlemen fully conversant with the benefits of such co-operative effort. In the year 1096, another store was registered at Kizhakumpattukara but this too did not begin work for want of enthusiasm on the part of its signatories. In effect, therefore, the only store that worked at this time was the store at Trichur. It was registered in 1093 and was started on its work in 1094. It worked from 1094 to 1096, but lack of business-men on the management, and loyalty on the part of the members threw its affairs into confusion, though its directorate consisted of many members of the bar and the elite of the town. It had also to incur a severe loss from the mob getting into the premises and causing loss in the shape of damage to goods, accounts, etc., and taking away the cash during the Trichur ryots in the year 1096. Its registration had to be cancelled in 1097. In the year 1101, on the request of the employees of the Tata Oil Mills, a Store was registered for them. It had also to be cancelled in the subsequent year since the future of the Tata Oil Mills, Ltd., was stated to be in a state of indecision at that time. In the year, 1105 3 stores were registered, one at Trippunittura exclusively for the Princes, one at Ernakulam and one at Vaittila. The Princess' Store and the Store at Ernakulam were started on their work in the same year. The Vaittila store was started on its work in 1106. In 1106, 2 more stores were registered, namely one at Nadavarambu and the other at the Tata Oil Mills and these began work in that year itself. In 1107, 4 more stores were registered, namely, the Adoor, the Manaloor Group Teachers' the Palluruthy, and the Ayalore Parthasarathy Store. Of these the Adoor

Store did not function and had to be cancelled in 1109. In the year 1108, one store was registered at Kanjani but, as it did not function, it was cancelled early in the present year. In the year 1109, one store was registered for the Ezhuthassans of Choorakattukara and it is being run even now. At the end of 1109, there were thus 10 stores in existence in the State. The following statement gives the years of registration, starting on work and cancellation of these stores from the very beginning:—

Name of stores	Year of registration	Year of starting work	Remarks
1. Trichur Stores	1093	1094	Cancelled in 1097
2. Trippunittura Stores	1093	Did not begin	work and hence cancelled
3. Tramway Stores	1094	do	do
4. Kizhakkumpattukara	1096	do	do
5. Tata Stores	1101	do	do
6. Poornathrayisa	1105	1105	Still working
7. Ernakulam Stores	1105	1105	do
8. Vaithila Stores	1105	1106	do (dormant)
9. Nadavaramba Stores	1106	1105	do
10. Tatapuram	1106	1106	do
11. Adoor	1107	Did not begin	work and hence cancelled
12. Manalur group teachers'	1107	1107	Still working
13. Palluruthi Stores	1107	1107	do
14. Parthasarathy Stores	1107	1107	do
15. Kanjany Stores	1108	Did not begin	work and hence cancelled
16. Choorakkattukara	1109	1109	Still working

A: B.—No. on the rolls at the end of 1109 .. 10  
Do actually working .. 9

The following statement gives the figures in regard to the working of the several stores:

Year	No. of societies	No. of members	Working capital	total transactions	Net profit	Remarks
1105	3	523	8,906	92,827	703	2 only working
1106	5	583	8,921	2,54,849	1439	4 do
1107	9	879	17,901	4,62,653	1297	8 do
1108	10	823	23,832	4,79,166	1450	9 do
1109	10	682	22,987	4,89,041	821	9 do

As in other parts of India keen competition of the merchants, absence of trained and experienced persons to work up the institutions, want of loyalty on the part of the members to make their purchases from the stores, the instinctive habit of people of not paying cash when credit can be had to any extent, want of interest and loyalty in the general body of members and particularly on the part of the committee in regard to working of the stores and defective methods of stock-keeping are generally the causes which retard the progress of stores in the State. Particularly, from the experience about the working of 6 stores (Poornathrayisa, Ernakulam; Tata, Nadavarambu, Manaloor Group Teachers and Parthasarathy) Mr. Devadhar found that, sales to non-members for cash, though not allowed by the rules are freely allowed in the name of the Secretary or any of the committee members. He would welcome such sales with specific provisions in the by-laws. They would also be eligible for rebate but at a slightly reduced rate when compared with those of the members. The rebates should not be paid in cash but credited towards shares in the name of those non-members so that, eventually, they could be taken in as members of the Stores. Rebates found declared to members for credit purchases should cease as they are intended only for cash purchases. Such rebate should not also be disbursed to the members but should be utilised for purchase of additional shares. No uniform standard is observed by the several stores in regard to the extent of credit sales to members. He recommends such credit sales up to 70 per cent of the paid-up share capital for a period of one month. There is no element of self-sacrifice on the part of any of the stores towards the movement as a whole, and so he recommends their early affiliation to the Institute and the Unions.

Stores have better chances of development in towns than in rural parts. That 6 of the existing stores are working in rural parts is because they have, on their management, persons who are experienced in the working of other types of co-operative institutions. (The stores at Palluruthi, Nadavarambu, Choorakattukara, Manaloor and Parthasarathy contain persons experienced in the working of credit societies. He recommends that the Department and the co-operators of Cochin bestow their serious attention on this matter and form stores in all the towns which have no stores at present. If, after necessary enquiries, it is found that the Store business in a particular locality will not yield sufficient returns to justify a separate existence, it is recommended that the urban banks there should add and run a store as its branch so that the profits of both the sections together would

suffice to maintain the staff necessary to carry on the work efficiently as in Mysore. The several big factory owners in the several parts of the State will be doing a real service to their fellow-men if they better the condition of the employees committed to their care, by the formation of stores for distributing the necessaries of life to the employees.

In rural parts, there is hardly scope for separate stores, as the standard of life of the people there is low, their wants few and there is the local petty trader who could manage with the minimum of working expense compared with a store and would give credit freely to the people. Purchase and distribution on indent system which is at present being attempted at Mulanthuruthy under the auspices of the credit society there will be a good example to be followed by other primary societies.

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## PART IV.

### CHAPTER XVI.

#### AGRICULTURAL INDEBTEDNESS.

##### *Long Term Credit.*

It has been rightly said that the Indian peasant "is born in debt, lives in debt, dies in debt and bequeaths debt." Indebtedness in itself is not bad, provided the debts contracted are for productive purposes. If we do not mind comparisons, the average American farmer is much more indebted than the poor Indian ryot. It has been calculated, that at the end of the year 1932, the total debts of the American farmers had reached 600 million dollars. But, all the loans that they have taken have been used productively and hence their indebtedness is a sure index of their prosperity. The exact opposite is the condition of India. Money borrowed for absolutely unproductive purposes like marriage, funeral, etc., without assessing the repaying capacity of the borrower, usurious rates of interest, unbusiness-like habits, instinctive fatalism, vagaries of the season, growing wants, defective laws of succession and inheritance, uneconomical holdings, heavy cattle mortality, increasing borrowing power on account of the increase in the value of private lands owing to the improvements in communication and many others have contributed to make the Indian peasant more helpless than ever. The general illiteracy and improvidence have engendered in him a sense of fatalism and inertness which have made him a sorry specimen of humanity and a theme for many economists and social workers.

Whatever is true of India is equally true of the small State of Cochin or any other part of this vast country, the only exception being that the State was never subject to ruinous famines or recurring devastating floods. The deplorable condition of the peasantry who formed the majority in the State had never been looked upon in a scientific manner until the inauguration of the Co-operative movement. Prior to its advent, along with the Tamil Districts of the Madras Presidency, the native States of Cochin and Travancore tackled the problem of rural indebtedness through some indigenous methods of Co-operation like the kuries and nidhis. The Government of His Highness ever solicitous of the welfare of the people, were issuing agricultural loans which, however, was totally inadequate and beyond the



reach of the poor ryots. Kuries also tried to solve the problem in their own way without much success and with many evil consequences.

The advent of the Joint Stock Banks into the State in 1090 with their profiteering methods, high rate of interest, short-periods of loans and compulsion to subscribing for kuries (each Joint Stock Bank will have at least  $\frac{1}{2}$  a dozen of them) ultimately resulted in enhancing the pecuniary troubles of the farmers; for, what little money was available to him formerly at the normal rate of interest which never exceeded 12 per cent was, with the starting of Joint Stock Banks in Towns, attracted by them thus making credit unattainable to him.

The inauguration of the Co-operative movement in the State was hailed from all parts of the State and societies grew rapidly in numbers and in membership. The capitalization of honesty, the harmonious blending of business and morality, the provision of facile credit irrespective of property or credit-worthiness made the people realise that the Co-operative movement would eventually solve many of their social ills. But, the impropriety or inability of Primary Societies to dispense long-term credit, which was the vital need of the people, made them misuse short-term loans for long-term purposes with the disappointing results that they naturally brought about. Instead of repaying from the profits of the business, the misused loans from the Co-operative Societies had to be repaid either from Capital or by borrowing again from outside, mainly from Joint Stock Banks which were started in large numbers in all parts of the State. This method of taking loans for very short periods, not exceeding 3 months, from the Joint Stock Banks and repaying loans of Co-operative Societies or repaying loans of banks from loans from Co-operative Societies worked conveniently for the mass of the borrowers. But as a result of the world-wide economic depression, the money market of the State became very tight towards the beginning of 1106 which compelled Joint Stock Banks to stop the issue of further loans. The dues of societies happened to get into arrears and this fact accounts for the large overdues which is a common feature in most of the societies of this State now-a-days.

It has to be admitted that Co-operative thinkers found out the defect and tried to remedy it by the organisation of a Land Mortgage Bank, the first of its kind in the State in the Cochin-Kanayannur Taluk in the year 1105 M. E. This was organised by Mr. K. S. Rama Ayyar, sometime Honorary Assistant Registrar

of Co-operative Societies in the State, and had a provident fund or Insurance scheme to solve the need for long-term money. The Provident Fund scheme, on the face of it, was un-practical. It was also unsound upon an actuarial basis. The Bank did not work as the depression set in soon after its start and its registration was cancelled.

The depression, which set in from 1106, brought down the prices of agricultural produce to the level that obtained 30 years back and dislocated the economic equilibrium of the agriculturists very severely. The cocoanut growers were hit the hardest as the price of cocoanuts came down from Rs. 70 per 1,000 to Rs. 20. Even rich jenmies (land-holders) whose main stay is agriculture found it hard even to pay the land revenue. This led to agitation for remission of land revenue for long-term money for freeing their lands from prior debts which were pressing them very hard and moratorium in respect of payments for the several kuries working in the State.

The pressure of public opinion and the misery of the agriculturists compelled the Durbar to give remissions of a portion of the land revenue for some years ; but as the complaint of the peasantry did not cease, they proposed to set apart a sum of Rs. 5 lakhs for redeeming properties which were about to change hands in execution of the decrees of courts. Steps to give effect to this loan were in progress when representations of the ryots for more comprehensive schemes of amelioration were made. The Durbar appointed, towards the end of 1109, a mixed committee of officials and non-officials to go into the question of giving relief to the agriculturists. The Committee concluded its labours and submitted its report to Government early this year. As a result of the recommendations of the committee, the Government have chosen to raise the amount of the loan from the original Rs. 5 lakhs to Rs. 25 lakhs ; pay in cash Rs. 5 lakhs and issue negotiable bonds for the balance. The loan will be issued to the extent of 75 per cent of the market value of the properties subject to a maximum of Rs. 5,000 in individual cases and is to bear interest at 6 per cent. It is proposed to be made repayable with interest in equated payments extending to 30 years. The Durbar, has to be congratulated for its prompt action and sympathy towards the ryots but the amount proposed to be loaned out will not at all be enough. Further without the formation of the Debt Conciliation Boards, treated of later in this chapter, the scheme of the Land Mortgage Bank by itself, will not give the agriculturists that amount of help which the Durbar have under contemplation.

Actual figures of the total indebtedness of the ryots are not available as an economic survey has only been very recently started. But it is known from the Superintendent of this survey that the total indebtedness of a typical village surveyed by him comes to Rs. 5 lakhs and that this amount will, in his opinion be more or less the indebtedness of the other 274 villages of the State. It will be hard to expect any Government to help the ryots to free themselves from such a heavy load of debts especially the Cochin Government with its several important financial commitments as the Railway and the Harbour. Herein comes the question of local enterprise helped by the Government. The view is very strongly held that co-operative enterprise is the best medium to achieve this end. The outline of a scheme of a Central Land Mortgage Bank on Co-operative basis with primary Land Mortgage Banks and Debt Conciliation Boards for a taluk or a group of villages is given below.

*Central Land Mortgage Bank.*—(1) A Central Land Mortgage Bank with a share capital of Rs. 5 lakhs made up of 10,000 shares of Rs. 50 each be formed at Trichur.

(2) It should be allowed to float debentures on mortgages transferred to it by the primary Land Mortgage Banks and to finance the latter out of the proceeds of such debentures. The interest on such debentures to be fixed at the maximum of 4 per cent.

(3) The total value of the debentures should not exceed 50 per cent of the value of the total properties mortgaged by the members of the primary Land Mortgage Banks.

(4) Government should purchase debentures floated up to the limit subscribed by the public and the ordinary co-operative societies put together.

(5) The debentures should be made Trustee Investments.

(6) The Government should guarantee interest on the debentures for the 1st 10 years.

(7) The maximum period of the loans should be 30 years. Loans shall be granted only for the following purposes:—

1. The improvement of land and methods of cultivation.
2. The installation or purchase of costly agricultural plant and machinery.
3. The redemption of mortgaged lands and houses and the liquidation of old debts.

4. The purchase of land for purposes of land improvement or for making better cultivation possible in the general interests of the community or for bringing under cultivation, cultivable waste or fallow lands.

(8) The Bank should ultimately finance only the primary Land Mortgage Societies. Till such Societies come to cover the whole area, it should finance also individuals residing in areas not served by primaries.

(9) The borrowing capacity of an Individual or a primary Land Mortgage Society shall be 16 times the paid-up share capital. The maximum borrowing power of the Central Land Mortgage Bank should be fixed at 25 times the paid-up capital plus Reserve Fund. It should not accept short-term deposits. The minimum and maximum of the loans should be fixed at Rs. 1,000 and Rs. 5,000 in any individual case.

(10) A sinking fund should be constituted and the proportional debenture-redemption-money invested profitably and separately. If such investments are not possible, the Bank may purchase back the debentures at par. If these are not also available, debentures may be redeemed or retired by drawing lots.

(11) The management to vest in a board of 15 including a President and to consist of representatives of interests as under:—

Nomination by Government—including the President	.. 3
Representatives of Individual debenture holders	.. 2
Do Ordinary Society debenture holders	.. 1
Elected by the general body	.. 9
	<hr/>
	.. 15
	<hr/>

Nominations by Government shall be from higher grade Heads of Departments and retired officials of higher grades so to inspire confidence in the general public. But care should be taken to see that retired officials or non-officials who are money-lenders themselves and whose interests are diametrically opposed to that of a Land Mortgage Bank, are not selected to the Board.

(12) An executive committee of 7 members may be formed by the Board for disposal of routine business.

(13) The first Board of Directors shall be nominated by Government for 2 years after which the Board shall be constituted as under (11).

(14) The Secretary shall be a salaried officer and shall be responsible for the executive administration of the Bank and shall be appointed subject to the approval of the Government.

(15) The Valuers shall be salaried officers and shall be responsible for the proper valuation of properties to be mortgaged to the Bank as security for loans. They shall also be appointed by the Board subject to the approval of Government.

(16) Power of entertainment of necessary staff and fixation of their pay, etc., shall vest in the Board.

(17) The members of the Board of Directors shall be responsible for the good management of the Bank. They shall also be liable to the Bank for any wilful neglect of duty and causing of loss to the Bank.

(18) Net profit should be divided as under:—

1.  $\frac{1}{4}$  to Reserve Fund.
2. Dividend at  $6\frac{1}{4}$  per cent and
3. Balance, if any, to the formation of a Dividend Equalisation Fund, Staff Provident Fund, Common Good Fund and grant of rebates to punctual members as the general body decides, with the previous approval of the Registrar.

Government should give a grant every year for working charges of the Bank as in Mysore and other places. (In Mysore, a grant of Rs. 7,500 is seen made). The Cochín Durbar will be spending Rs. 20,000 nearly for issuing the present loan of Rs. 25 lakhs. The Central Co-operative Bank will also make available to this Land Mortgage Bank the sum of Rs. 1,00,000 recently ear-marked by it for long-term loans.

#### PRIMARY LAND MORTGAGE BANKS.

Suitable by-laws may be drafted with specific provisions for the following:

1. Area of operations should comprise a group of Villages or a Taluk at the most.
2. Share Capital to be Rs. 50,000 made up of 1,000 shares of Rs. 50 each.
3. Membership open to individuals and societies in the area.
4. Loans shall be given up to 40 per cent of the market value of the property subject to a minimum and maximum of Rs. 1,000 and Rs. 5,000 respectively.

5. Borrowing capacity—16 times the paid-up share capital.

6. Lending rate 9 per cent maximum—Period of loan should be 30 years with equated payments.

7. Committee will consist of 7 members of whom the President and another member will be nominated by Government from among its superior officers of the locality to inspire confidence. First nomination to the Committee to be made by Government and will last *for 2 years*.

8. Secretary will be a salaried officer with the approval of the Registrar.

9. Loans should be issued for the following purposes only:—

1. The improvement of land and methods of cultivation.

2. The redemption of mortgaged lands and houses and the liquidation of old debts.

3. The installation or purchase of costly agricultural plant and machinery.

4. The purchase of land for purposes of land improvement or for making better cultivation possible in the general interests of the community or for bringing under cultivation, cultivable waste or fallow lands.

10. Committee will be responsible for proper conduct of the Bank. Work of investigation of titles, valuation of properties and the assessing of the credit of the borrowers with special reference to the repaying capacity are the most important. Until the Banks are able to secure the services of paid officials, Government should place experienced officials of the Revenue Department at the disposal of the Bank for this work. Competent legal opinion on the documents should also be arranged for preferably with the formation of a sub-committee of the Board called the Law Committee.

## (II)

### DEBT CONCILIATION BOARDS.

From a perusal of the foregoing paragraphs Mr. Devadhar hoped to have made clear the need—the urgent need—for the establishment of Land Mortgage Banks, both Central and Primary. But any scheme for the proper working of the Land Mortgage Banking system is bound to be a failure unless suitable methods are adopted for the compounding of the debts of agriculturists. As the prices of lands have irretrievably gone down with no near

prospects of coming up most of the agricultural families will be unable to pay their dues even if they sell the whole of their properties. Leaders of the movement in all parts of India and even Governments and States as the Central Provinces and Bhavnagar, have come to the conclusion that compounding of debts is a necessity if the agriculturists are to be saved. Mr. Strickland, I. C. S., late of the Punjab service, who was one of the ablest Registrars of Co-operative Societies, stated that in at least 30 per cent of the cases, repayment is totally out of the question. In other words, if substantial reduction is not made by mutual agreement or through the intervention of Debt Conciliation Boards it would be unbusiness-like to clear the prior debts of an agriculturist through Land Mortgage Bank and enable him to begin with a clean slate. So Conciliation Boards should be set up in the different parts of the State and debts compounded at the maximum of 75 per cent of the amounts found due to the creditors. For the present these boards may be set up in the Taluk head-quarters on a voluntary basis. The Tahsildar of the Taluk with a nominee each of the debtors and creditors will form the boards and deal with the cases coming up before them with special reference to the amounts of consideration actually received, the rates of interest, onerous conditions, the repaying capacity of the debtors, etc. When the debts are compounded in this manner, the Land Mortgage Banks will take over such debts and pay the creditors in cash. Persons not willing to submit themselves to decisions of the Board or those who feel aggrieved at their decisions are, of course, at liberty to go to the ordinary Courts. But in these cases, provisions should be made for tracing the debts from their very origin to see whether the debtors have been hit hard by usury or questionable methods of business and necessary help rendered by Courts to the debtors in cases where they have suffered. If this scheme is worked in the right spirit, a majority, if not all, of the debts will get compounded for smaller amounts to the mutual benefit of the parties. This will also substantially reduce litigation with its proverbial delay and expenses. The State will also be helping 80 per cent of its subjects who are so to say the life-blood of the body politic of the State.

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## CHAPTER XVII.

### MARKETING.

Co-operative marketing as an idea has become very popular every where. That the farmer, the backbone of any country, is a victim of the middle-men's exploitation and that his salvation lies in organised selling, is being recognised in all its importance. At the same time in practice, this form of advanced co-operative organisation has baffled all attempts at success except in very few places and that for a short time. Evidently this is due to the want of business capacity, spirit of enterprise, low integrity and hostility of capitalistic concerns who are antagonistic to genuine co-operative business.

In Cochin there was no attempt in this direction so far though there is enough scope for the organisation of numerous marketing societies on commodity basis. Pepper, Ginger, Turmeric, Cashewnuts, Arecanut, Grass-oil, Coir, Copra and Coconut will fetch much better prices if they are standardised in quality and marketed co-operatively.

For this, warehouses have to be built with Government grant at the initial stages, where the members can store this produce, negotiate key-loans with any Bank on the hypothecation of the Warehouse Warrant. The Cochin Central Co-operative Bank can very well give credit accommodation to these products but Mr. Devadhar had no great confidence in the business acumen of the Board which he felt was not quite business-like. To put co-operative marketing on a secure footing he advised the formation of Licensed Warehouses on a co-operative basis especially in commercial towns. These Institutions should be placed under proper and efficient Government control. Each warehouse should specialise in one particular commodity, the Registrar should be empowered to give licenses and Government should finance them. The Warehouse Warrant will become an instrument of title which can be negotiated in any Bank.

He was sure that these Co-operative Licensed Warehouses would be of considerable assistance to the agriculturists as in Denmark and in Ireland. The practice of pooling will teach the village folk the advantages of grading and standardisation. Rules have to be enacted for the purpose and strict and proper supervision will have to be ensured. For this he suggested the appointment of capable warehouse officers by the Government under the control of the Department.

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**PART V.**  
**CHAPTER XVIII.**

**A.**

**CO-OPERATIVE CENTRAL INSTITUTE**

**OR**

**THE WORK OF EDUCATION, PROPAGANDA,  
ORGANISATION AND SUPERVISION.**

Many problems confront the co-operative movement at the present time but it is doubtful whether any is of such importance as that of securing an educated membership. The movement will not attain its maximum success until its members understand its principles, realise its possibilities and remain loyal to its ideals. Many people are induced to join a co-operative society merely by the hope of material gain and these people are sure to be a source of danger to the society unless they can be made to realise that co-operation stands for much more than the mere running of credit organisations. Members who care only for the financial advantages secured through co-operation usually feel no sense of responsibility for the well-being of the society and are ready to withdraw from membership, if they can, at the least sign of any financial difficulty.

The democratic basis of the movement and the fact that every member has equal rights in regard to voting render it still more necessary that the members should understand co-operative principles, as otherwise they may prevent progressive work and fail in the application of the principle of 'each for all, and all for each', in the relation between the society and its members.

*Co-operative Education:*—The object of co-operative education is the "formation of co-operative character and opinions" and "the training of men and women to take part in the economic and social reform and civic life generally." The suggestions for educational work are made in the hope of influencing men and women to seek to obtain right conceptions of their rights and duties in their capacities as co-operators and citizens and in training them to fulfil such duties to the utmost of their ability. Elementary education is provided for by the State. Religious education is the task of religious institutions; technical and what is called higher education is the function of the State and

the Universities. And that part of education which is left for co-operation to appropriate, is the education of the citizens, i. e., the education of each member of the community as regards the relation in which he stands to other individual citizens and to the community as a whole.

This ideal is rather high; but a new chapter will begin in the history of Co-operation in the State, if this high ideal is kept in view. The value of co-operative education was till now neglected by the Government and ignored by the people. What we could do to this day is nothing when compared with what we can or should do. The Co-operative Institute publishes a magazine, four times a year, and holds a summer school for a month. If the Department of Education continues to extend the same sympathy as it used to do, by sending up graduate teachers to the co-operative training class, the movement can be expected to thrive better, since it is through teachers, that the work of propaganda and education—the very essence of the movement—can best be done. Conferences there had been, both Taluk and State, but they were poorly attended and that half-heartedly.

There are effective remedies. Every society should have in it a fair number of members trained in co-operation so that the majority at least of office bearers, may be from them; the opposition bench may also contain some educated members, and the field of choice for office bearers may be so wide as to avoid the necessity for retaining the same men in the same position for long. To achieve this object the mild compulsion over societies to send a certain percentage of their members for co-operative training is necessary. It was to accomplish this as early as possible, that the duration and the scope of the training have been put at the minimum at present. The object of the training has been narrowed down so as to give a working knowledge to the students of organising and managing primary societies and supervising unions. Its scope should be further extended only when there are a good number of trained hands from whom can be selected, candidates for a higher and larger course of training. Unfortunately many societies do not realise the advantages of getting members trained even though this training is the least expensive and of the shortest duration possible. To encourage members of societies to join training classes, rules may be laid down to give preference in the distribution of bonuses or honorarium to such as has been trained. This includes a preferential treatment to trained members in the matter of appointment carrying any emolument or even standard travelling allowance. This will quicken the desire of many members to get themselves trained. Another method is to enforce the setting apart of a

portion of the profit as Educational Fund in every society. This educational fund may be considered as the first line of defence of a society, the reserve fund being relegated to the second line. When the members understand that they cannot make free use of the educational fund they will readily devote it for their education. In England every society is compelled by rule to allot 2½% of its profits towards such a fund which amount in all to nearly three million pounds. This is devoted entirely for co-operative education or in their words to make "Convinced co-operators".

To further popularise this course, the personal and official influence of the heads of the different departments are absolutely necessary. The Director of Public Instruction, the Registrar of Village Panchayats and the Superintendent of Agriculture can take the movement a long way in this direction. More encouragement is highly essential from the Government of His Highness also. Instances are numerous of discouragement shown to co-operators by the different heads of departments and offices. The Inspector of Schools, Northern Division, once issued an order which was for a long time thought to be directed mainly against the co-operative movement. The provision in the Standing Orders to obtain sanction of the Government in individual cases to receive bonus from societies for meritorious services done by Government servants repel them more and more from participating in the activities of societies. In our country, where Government servants have much more status than private individuals, their participation becomes all the more necessary. He was therefore strongly of opinion that nothing short of a general circular by the Government that active participation in the co-operative movement will be given preferential consideration in all cases of promotions, and appointments, will be enough. This will attract to the movement the intelligentsia of the country. The enthusiasm of the District Judges and Munsiffs will naturally make the Vakils more enthusiastic in co-operative activities and studies. Thus it is possible for every educated man to undergo the co-operative training as a matter of liberal culture.

These are not his original suggestions. These practices exist in more civilized countries. Even in countries with hundred per cent literacy, the Governments extend more encouragement than mentioned above. Is it extravagant then to recommend such a course of action in this State, whose disorganised social condition and the inability of the people to evolve measures for their own betterment compel the Government to take up the role of the philanthropist and the guardian which they alone can take up? Japan compels every adult to be a co-operator. Denmark gives the largest freedom to

co-operative organisations and Ireland is trying to do everything through co-operation. It should be the pride of any country, especially of a civilized State like Cochin, that every citizen is a co-operator. Another suggestion is to give co-operative education a conspicuous place in our educational system. The Government should insist on the inclusion of lessons on co-operation in the Text-Books of primary and lower secondary classes, and on the compulsory study of co-operation, its principles, practice and history in all the upper secondary classes. It may be part of the curricula of high school studies along with civics. Though it has been so regulated even now, the subject receives scant courtesy from the heads of high schools. Even in the Training Institution, the subject is treated with a step-motherly affection. So he felt that co-operation might be taught instead of general history which may be relegated to the back-ground as non-detailed study. The Wars of the Roses and the reign of Queen Elizabeth do not deserve the importance given to them in our schools. Similarly there is also the view that what is taught in the name of Indian history is neither wholly Indian nor correct history. So the study of general history may be left to the students themselves. For this we need not wait till the Government of Madras or of Travancore adopts this plan, as he was sure that the Government of Cochin have the length, breadth and depth of mind to be original.

Third comes the organisation of Libraries. There is no Co-operative Library worth the name in the State. There is one in the Registrar's Office, which for all practical purposes, is closed to any one out of that Office. The one in the Institute is only an apology and it has no funds to keep a well-equipped library.

A Central Library at the Institute and group libraries all over the State are quite necessary for the dissemination of co-operative knowledge among the public. Besides, all the big societies may be insisted upon to have decent libraries or reading rooms of their own. Even small societies ought to possess a minimum number of books including those few in the vernacular. The education fund suggested above must substantially help the formation of libraries. The Government also should give liberal grants to them as such libraries help adult education a good deal. They provoke co-operative thought and may sometime help to solve knotty problems. Doubts arising in the course of the management of societies, procedure of meetings, difficulties of work in and around, the pitfalls of law, the reactions of liquidation, the dangers of unlimited liability and a number of similar

deliberations and to deliver impressive lectures, as is done even in Western countries. To them the days of the Co-operative Congress are the most eventful days of the year. Trains will be running from all parts of the country during day and night, disgorging passengers at the place of meeting. Hotels and restaurants begin their preparations months earlier and the whole atmosphere of the place seems to have been charged with electricity. How enthusiastic are the people then and how magnificent and imposing the whole proceedings. These are the types of meetings that we have to hold.

*Supervision.*—The co-operative movement ought to be a self-contained movement. Unfortunately this ideal is not quite possible, for the villagers are ignorant, illiterate, suspicious and fatalistic, besides being heavily in debt and having practically no desire to better themselves. Such conditions among the rural population coupled with the anxiety of the Government to develop co-operation led to the devolution of many of the functions on the Registrar, which ought to have strictly fallen upon the societies themselves. Supervision is the most important among them. The creation of the Unions, was an after-thought to take over some of the functions for which the Registrar was originally responsible. This of course introduced a more pronounced non-official character to the movement as a whole. But the scope of supervision, as distinguished from audit and inspection, is not either clearly defined or properly arranged for. The Departmental Inspector is supposed to do something in that direction. The Group-Examiners and the Directors of the Central Bank are likewise expected to do a bit of supervision. This vagueness is detrimental to its efficiency. The Department has barely time enough even for its statutory duty, viz., audit and the Central Bank cannot supervise unaffiliated societies which form the majority in the State. Supervision to be effective must be friendly and constant and must proceed from within. It must not be associated in any sense with the pressure of officialdom or of the creditor, and the supervising unions appear to be the best agency for the efficient performance of this very important function. The supervising unions however ought themselves to be supervised and a suitable system must be devised for this purpose. For this the control of the unions by the Institute would be the best method as they are after all non-official representative bodies. Supervisors may be appointed on a State cadre by the Institute, preferably one Supervisor for each Union area. The local work of these supervisors may be watched by the unions and directed by the Institute. This implies that all

societies in each area are affiliated to the respective unions and that all unions are affiliated to the Institute. Indirectly the unions will be the local agents or branches of the Institute and will be the media for the decentralisation of its powers and duties. At the same time the jurisdiction of unions has to be enlarged, as at present it is narrow and preventing efficient financing.

The pay and travelling allowance of supervisors have to be paid by the Central Institute, which body has to exact work from them and mete out punishments if recommended by the union.

*Constitution of the Institute.*—This takes us naturally to the constitution of the Co-operative Institute, which is to be the centre of non-official agencies for Education, Propaganda and Supervision. It should have a federal constitution and not direct representation from societies. The managing committee of unions or the local council comprise the general body of the Institute in the same way as the committee members of all the affiliated societies of a union, comprise its general body. The Institute may have also individual members, in view of the valuable technical advice it may get from the well-known co-operators. Its governing body must always have two-thirds majority of society-members and there should be provision for the elimination of individual members in the long run. The governing body should not contain more than 9 members, as otherwise the cost of meeting will be high and the procedure of work slow. A small executive is always better for quick despatch of business as is realised in the case of the Central Bank and other big societies. On this governing body the Central Bank should have an appreciable representation, say 3 out of the 9. The Ex-officio membership of the Diwan and the Registrar may cease. The policy of the Institute and the bigger problems of the movement may be decided only in conferences. The Institute is to be financed by membership fees, educational contributions and Government grants. The Honorary Secretary may give place to a permanent paid Secretary deputed from the Department like the Secretary of the Central Bank. There may be, if necessary, an executive committee of 3 members to attend to urgent routine work of the administration. The staff also may be improved to cope with the increased work of the Institute. A special committee may be formed to revise the by-laws of the Institute when the outline of its work and constitution are finally decided.

*Organisation.*—Hasty organisation has been one of the defects of our movement which has resulted in the formation of

societies on a defective basis and the eventual destiny of many has been collapse and liquidation. Ignorance of the fundamental principles of co-operation among the people misguides them from the very beginning and the 'glorious institution' which is the only alternative to proletarianism and social chaos, becomes the hot-bed of corruption, mis-management, party strifes and communalism. It is this evil that we intend to remove by laying down a few definite dogmas regarding organisation. It should be the policy of the Department to register no more credit societies except on the recommendation of the union of the locality and the Central Institute. The unions and the Institute should in their turn explore thoroughly the scope and possibilities of running a society on a business basis before they recommend its registration. There should be a minimum number of persons in the locality where a society is proposed to be started who have had co-operative training in the Institute's training classes and at least a few other people who are prepared to volunteer their free services, at least for some time for the society. The existence of retired Directors of the Central Bank or of the Institute should be made a good chance for sound organisation and efficient working.

The co-operative movement in the State has however reached the stage when serious steps have to be taken for the organisation of all forms of non-credit societies, for marketing, agriculture, insurance, distribution and the like. The Institute should ear-mark a lump amount for this purpose and should be helped considerably by the Economic Development Committee. Every co-operator has to be taught that his economic salvation cannot be reached by running mere credit organisations. Association for all economic purposes alone will save him. Propaganda in this direction is absolutely necessary as non-credit institutions, more than credit ones, cannot be efficient if improved from above instead of being brought up from below.

*Consolidation.*—The last item is consolidation or 'holding together'. Consolidation has really begun from the time of starting of the federations like the Central Bank or the Institute. But Mr. Devadhar was sorry that it is not continued on a scientific basis. Essentially, consolidation lies in the propaganda side of the movement no less strongly than in the business side. It requires the tackling of all the problems of the movement by analysing and removing the causes which stand in its way towards progress and prosperity. The apathy of the members, the defects of management, the alarming overdues, overlapping of societies and the existence of 'Co-operative deserts' are a few

of the problems that it has to tackle with. In short they may be summarised thus:—

1. A thorough examination of all the outstanding loans particularly with reference to their instalments and solvency, should be conducted.

2. A re-classification of these into short term and long term loans, in view of the borrowers' present repaying capacity of principals with accrued interest and penalty, should be made and societies enabled to readjust them accordingly with proper security.

3. The outstandings of a society should be classified into mobile and immobile according as the borrowers are regular or irregular to-day. The loans of some irregular members and particularly those against whom legal procedure is taken or decrees obtained, must be considered temporarily dead capital. The latter amount will have so far swelled in some societies that the mobility of the other amount will not be adequate to serve the regular members. The Central Bank should give consideration to this particular state of its affiliated societies and allow adequate funds. Convenient adjustments for the latter amounts of loan should be given on the stipulation of remitting to the Central Bank every pie of that collection provided the solvency is guaranteed.

4. The management of every society should be examined and weak panchayats must be re-constituted. The Registrar must exercise his power of removing recalcitrant panchayatdars and all panchayatdars who have been defaulters for 3 months should automatically cease to be such. In all such cases the remaining panchayatdars must have power to co-opt a member to the place or the Registrar may nominate one. If a proper man cannot be found from among the members of the society the Registrar may appoint a co-operator from outside. When the majority of members happen to be from outside, they may suspend the activities of a society for a time not exceeding a year at one stretch and appoint an agent to collect the outstandings according to instalments and pay up the dues of debtors. This system may be continued for a year or until otherwise settled in a general body called for the purpose. In the previous case the Registrar may call a general body by the end of the year and continue the arrangement or cancel the society as the general body recommends.



5. The strength of a society is in the character of its members. Many undeserving people have got into societies now. There must be a regular crusade against them. A bad defaulter should not be allowed to vote in a society. A defaulter who does not pay up may be sued against, after adjusting all dues in his name including share amount. In the case of others, removals may be effected as soon as the decree is obtained. In all such cases of removals the loans to which the removed members were sureties may forthwith be recalled or the borrower asked to supply fresh surety. This system will soon weed out a good many undesirable members. The societies will then be in the hands of safer people.

6. The reserve fund at present shown is a misleading figure. It is made up greatly of unrealised profits. To write off a great part of the dues to societies, will soon be a demand. A careful examination of such write off amounts may be made and the recoverable dues and the reserve fund may be fixed at their correct estimate.

7. The premature attempts of having societies' own office buildings have been a vice of enthusiasm. Uncontrolled expenditure on the matter has been a greater vice. A poor man's movement to be run on the verandhas of private houses should not have the ambition of urban banks and financing banks which are more akin to Joint Stock Banks. The profit should first be so used as gradually to reduce the borrowed working capital. When the latter diminishes the problem of high interest will automatically solve itself. This is the spirit of Reifeissen. Mr. Devadhar does not agree with the separate investment of reserve fund as in Joint Stock Banks for it will not help the reduction of interest. Much less does he agree with the utilisation of borrowed capital for unproductive uses. The rent on a good building cannot cover half the interest due on the capital borrowed for it. Further when a house is built we have a tendency to make it large enough to meet future demands. There is therefore great risk in putting up buildings with borrowed capital. The question may be considered by rural societies only when the reserve fund has come up to half their working capital. The interest on the reserve may then be set apart to liquidate a debt which may then be borrowed. In that case if part of the reserve fails, there is the building asset to cover the irrecoverable dues.

8. The imperfections of the law. The chief among these is the want of disciplinary measures. Crimes and violations of law ought to be met with penalties and punishments. Immediate provision must be made for these. There must be arrangements

for summary trial as in the case of disputes and realisation of loans. Some sort of magisterial power must be vested with the Registrar. The supervising officer must be authorised to conduct the initial enquiry and prosecution and the cost should be recovered from the parties or the societies as decided by the Registrar. There is no use waiting for a society to do the needful. A general body will never stand united in such cases. They will often be ignorant and indifferent to the matter. There is little personal grievance to prompt them to take up a case seriously. The cost and trouble of prosecution stand in their way. To add, there is often delicacy and unpleasantness in assuming such an impersonal responsibility. Still if the movement is to progress justice must be done. Therefore as in general laws the Police has a power, the supervisors must have the power to prosecute and be the prosecuting officers. They are non-officials. They are the agents of a responsible representative central authority that can afford to make advances for prosecution. The power of action can be concentrated when left to these individual officers. With a body of people, as a union or even panchayats of the societies concerned, the power will never remain tight. As the supervisors are appointed on a State cadre the possibility of bad local influence will be at a minimum. Their work will be controlled and regulated from the head-quarters.

9. The proverbial delay of law should cease even by the appointment of extra hands in the Department and extra agency for execution work.

If these suggestions are taken up and put into practice in earnestness the movement is sure to stir up and grow healthy in future. Each society must do what it can for itself. Still there must be an agency to see that the societies do their best. The supervisors can do a good deal. The Department must be more vigilant and see that nothing is left undone.

*Conclusion:*—To conclude, the movement is still in its infancy. This is to be a strong lever for the nation's future welfare. The old individualistic mind did not see this. Now governments have therefore to view it in a new perspective. More importance has to be given to the Department. The head of it must have a better recognition. His staff has to be increased. More amounts have to be set apart for its administration. More rigid discipline may have to be maintained. But all these will be amply repaid in the healthy development of the State and its citizens.

**PART VI.**  
**CHAPTER XIX.**  
**DEPARTMENT.**

The Department was organised in the year 1090 with a full time Registrar and clerk. The present personnel of the Department consists of the Registrar and a staff of seven Inspectors, one Head clerk, five clerks, a typist, 11 peons and a masapidy. During his tours, Mr. Devadhar visited the Registrar's office twice, and spent much time to acquaint himself with the details of the working of the Department from the very beginning.

2. He found that sufficient staff was at no time available to work out a systematic and comprehensive programme of work. Only the absolute minimum was always given and for this too, the Registrar had almost always to approach the Government more than once and so only routine work could be attended to. An intermediate office of the Chief Auditor was created in the Department in 1095 but it was abolished in 1098. The request of the Registrar for a Personal Assistant was turned down more than once. The effect of these was that the Registrar was tied down to his routine administration of the Department without time for other important work. The executive staff had also scarcely time left after the statutory audit for such work as rectification and expansion on an organised scale. These account, not a little, to the absence of activities in directions other than credit. The Department got trained two of the Inspectors in Dairy farming in the Institute at Bangalore, a couple of years ago but as they could not be spared for special work in this direction and had to be put in charge of regular divisions, the Department could not get the benefit of their training in any practical work. For want of a separate Inspector for attending to the work of liquidation and arbitration, those in charge of Divisions had to be made to do this work. Each is in charge at present of 40 societies on an average, and each has to audit them at least twice a year besides visiting, holding enquiries, attending general meetings, etc. Hence his considered view was that the present strength of the Inspectorate is quite inadequate if the movement is to record substantial improvement and progress including activities in directions other than credit.

He suggested the necessity for reorganisation and the form that it should take in the following paragraphs:—

*Registrar, his status, pay, etc.*—The Registrar's pay was fixed at Rs. 125 when the post was created in 1090. This was raised to Rs. 150—250 in 1092. Subsequently the scale was raised to Rs. 250—300, in 1105 as a result of the recommendations of the Special Finance Committee. This scale, given to the 3rd grade Heads of Departments of the State, seems to be quite inadequate in view of the status to be given to him and the qualifications that he should possess. He could not express his ideas about this subject better than by quoting the relevant portion from his report on the Travancore Co-operative Enquiry. "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's views and opinions are often 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 he should be accorded such 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 Diwan 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 should be kept in that place for not less than five years." Perhaps it might have been with the same view that one of the previous All-Cochin Co-operative Conference resolved that the Registrar must be made a major Head of Department. He therefore suggested that the pay of the Registrar should be raised to Rs. 450—40—650. He should also be given a seat in the Legislature of the State as that will increase his status and dignity among the public and will give him a good opportunity to wield his influence and secure more advantages and benefits to his Department by representation in the Council. (He is now given a seat in the Council.) The Royal Commission on Agriculture rightly lays much stress upon the necessity of the Registrar having experience of European co-operative movement. He strongly recommended that in the recruitment to the Registrar's post here also, the observations of the Royal Commission should be kept in view and one having such qualifications appointed, if available.

## REGISTRAR'S ASSISTANT.

In the words of the Imperial Committee on Co-operation in India, "He (The Registrar) must be continually studying co-operative literature which is now most extensive (Volumes have increased by hundreds since 1915.). He must make himself acquainted with economic conditions and practices both throughout India and in his own Province. He must know the principles and methods of Joint Stock Banking and must examine the systems of developing thrift and inculcating co-operation which have been tried in other countries. He is also head of a teaching establishment and must devise effective means for imparting a real knowledge of co-operation on the bulk of the population. He has further to control a large staff and to draft model by-laws, to collect statistics and write reports, to advise Government in various subjects, and to keep in close touch with the higher finance of the movement as managed by provincial and central banks.

The above naturally leads one to the conclusion that an intermediate officer known as Assistant Registrar or Personal Assistant to the Registrar, is highly necessary to relieve the Registrar of his present routine, but none the less important work. He should be attached to the Registrar's office and will be in charge of the suits filed by societies, supervision of the Central Institutions, viz., the Institute, the Central Bank and the Unions and Non-credit work. He must preferably be a Law Graduate well-qualified for the work by good co-operative training and knowledge of its working. Consistent with the status and the work expected of him, his pay may be fixed at Rs. 150—10—200.

*Inspectorate.*—As already stated, the present Inspectoral Staff are not able to devote particular attention to non-credit activities and their development in the several desired directions. He has been convinced in his tours that there are great possibilities for societies for irrigation, cattle breeding, dairy farming, marketing and warehouse, production and distribution and poultry farming, if duly qualified hands are entertained, and a comprehensive scheme for development, adopted. There are possibilities for organising many societies among women if an Inspectress is appointed. The work of liquidation of cancelled societies is now attended to by the Divisional Inspectors. As they have to do this work in addition to their legitimate duties of audit and inspection the progress is naturally very slow. He came across

one instance of a society, cancelled as long ago as 1097, whose liquidation proceedings are not over to this day. An Inspector with sole charge of liquidation of cancelled societies, will alone be able to bestow the maximum attention to liquidation work. As recommended by him in his chapter on Depressed Classes' Societies, the two Inspectors for the Depressed Classes have to be brought under the control of the Co-operative Department. With the creation of an Assistant Registrar's post, the post of the Head-quarter Inspector may be abolished. The 6 divisions now existing should remain as heretofore in spite of the transfer of the non-credit societies to separate Inspectors as they will have even then tight work. The net result of these proposals will be the strengthening of the Inspectorate of the Department by 5 more hands distributed as under:—

1. Inspectors in charge of the Divisions	6
2. Liquidation and Arbitration Inspectors	2
3. Inspector for developing Agricultural non-credit societies	1
4. Inspectress for organisation of societies among women	1
5. Inspector for charge of Industrial Co-operation	1
6. Inspector for charge of other non-credit work such as Stores	1
7. Inspectors for Depressed Classes transferred from the Department of the Protector of the Depressed Classes to this Department	2

Recruitments to items 3, 4, 5 and 6 should be from Graduates in Agriculture, Lady Graduates trained co-operation, Graduates trained in Industry especially weaving and from a Government Diplomat in co-operative accountancy respectively. Future recruitments to the general line should also be from graduates with training or practical experience in the working of Co-operative Institutions. Preference may as far as possible, be given to qualified men connected with the working of the societies in the State.

*Pay and Status.*—The scale of the Inspectors at present is one on Rs. 60—80 and the rest on Rs. 40—60. Thus the generality of the Inspectors are allowed only the scale of pay that an ordinary typist of a Government Office draws. In view of their high responsibilities and in view of the higher qualifications proposed for future recruits, he was of opinion that the scales of pay should be improved. The auditors of the Comptroller's Office and the Inspectors of the Panchayat Department in this State are seen allowed uniform rates of pay of Rs. 25—100 and Rs. 60—100 respectively. The work of the Inspectors of the Department is more onerous than those of the auditors of

the Comptroller's Office as the former have to deal with non-officials. Hence it is recommended that a uniform scale of Rs. 40—4—100 should be given for all the Inspectors of this Department. As per this scale the maximum could be reached in 15 years and a contented service will be available.

*Staff of the Registrar's Office.*—The present staff of the Registrar's Office consists of a Head clerk on Rs. 60—80, a clerk on Rs. 40—60, a typist on Rs. 25—60, 4 clerks on Rs. 25—40 and 12 peons. He was convinced after enquiries that the correspondence and the suit sections have to be strengthened by the addition of one more clerk to each. The Record-keeper has to be made the Librarian also and entrusted with the work of going through all periodicals and latest publications on co-operation and allied subjects and keep notes on matters adaptable to the movement here. He should also maintain statistical tables connected with economic and co-operative subjects. The issue of the audit reviews and audit orders of societies are stated to be delayed on account of congestion of work in the fair copying section. For these and similar works, the post of a clerical attender has to be created. Consistent with the increase of pay, suggested for the Inspectors of the Department, the increase of work consequent on the several new proposals made by him and the necessity that may arise to take over experienced Inspectors on to the Registrar's Office as Head clerks in the interests of the Department the scale of pay of the Head clerk which at present is that of the 1st grade Inspector has also to be increased. The Assistant Registrar and the new Inspectors have also to be given one peon each. The present and the proposed staff will be as under:—

Registrar 250-10-300 ..	Rs.	287½	Registrar 450-40-650 ..	Rs.	600
Inspectors, 1 (60-80),			P. A. to Registrar		
6 (40-60) ..	405		150-10-200 ..	187½	
Head clerk 1 (60-80) ...	75		Inspectors, 14		
One Second clerk			(40-4-100) ..	1,050	
(40-60) ...	55		Head clerk, 1		
Clerks 4 (25-40) ...	145		(80-4-100) ..	95	
Typist 1 (25-40-60) ...	48½		Clerks, 2 (40-4-60) ...	110	
Peons 14, 13, 12,			" 5 (25-3-40) ..	181¼	
8 (11) ..	127		Typist, 1 (25-3-40-		
Masapady (10) ..	10		4-60) ...	48½	
			Peons, 15, 14, 13, 12		
			and 15 (11) ..	219	
			Attender (20-25) ...	23½	
Total ..		<u>1,042 5/6</u>	Total ..		<u>2,514 5/6</u>

*Note.*—1. Transfer of 2 Inspectors and 2 peons from the Depressed Classes Department does not, strictly speaking mean an additional expenditure to Government.

2.  $7\frac{1}{2}\%$  on the amounts realised from the societies under liquidation will be credited to the Department.

A Law Graduate should be recruited if possible, for working in the suit section of the Registrar's Office. For the Library work proposed, a graduate should be recruited as Record-keeper.

*Sale Officers.*—The appointment of sale officers to effect recoveries under decrees will become necessary when suggestions for amending the Regulation come into force, and the cost of this additional staff which may be fixed by the Registrar may be met out of the impositions of fees, etc., to be levied on the basis of the circular issued by the Madras Registrar on the subject, viz., execution of decrees and levy of fees.

*Reforms Officer.*—These recommendations will involve far reaching and radical changes both in respect of the finance of the movement and the general re-organisation of the Department. Since the Registrar's function and duties are manifold and his hands always full with the routine work of the Department, Mr. Devadhar recommended the appointment of a separate officer on Rs. 150 per mensem for three years, with the necessary staff and provision for T. A. This special officer will work under the directions of the Registrar.

*Translation of the Report.*—This report, being in English, will not be understood by the numerous co-operators of the State. He therefore suggested that necessary arrangements may be made to get the report translated into Malayalam.

*Departmental Manual.*—It is high time to take up the work of compiling a co-operative Manual for the State. Necessary steps may be taken for appointing at an early date an experienced officer of the Department for this work with the necessary staff. If finances will not permit of the appointment of a separate officer, for this purpose, the re-organisation officer may be entrusted with this work also.

*Advisory Boards.*—In order to enable the co-ordination of the activities of the Development Departments he suggested the resuscitation of the Economic Development Committee with the Registrar as an Ex-officio member.

*Village Libraries.*—In order to popularise the movement among the masses, he suggested that all the village libraries



working in the several parts of the State and receiving grants from the Education Department be compelled to spend a certain portion of such grants in getting down co-operative literature for the benefit of the public.

*T. A.*—With the increase proposed under officers and staff, the allotment for T. A. will have to be considerably increased. He did not think that it was necessary to fix the amounts; but liked to say that tours should not be restricted for want of provision under T. A. Amounts consistent with the status of the officers should also be allowed. He estimated the total under this head to be Rs. 8,000.

*Contingencies.*—The allotment under purchase of books and periodicals usually provided for the Department is quite insufficient. A minimum of Rs. 300 should be allowed for this progressive Department every year. He estimated the total under contingencies at Rs. 2,500.

*Office building.*—The location of the Registrar's Office at Ramavarmapuram which is away from the Central Bank and the Institute and which is not easily accessible to the members of societies who may have to go over to the office often does not, in his opinion form a convenient place for the Registrar's Office. The Registrar's Office will be best located along with the Central Bank and the Institute. The Central Bank has a building which is in an unsuitable locality, as it is away from the business centre of Trichur on the one hand and the public offices and the Treasury on the other. The Institute does not possess any building of its own. He suggested that a three storied building be put up in the vacant Government plot to the north of the Taluk Office compound wherein the officers of all the three most important institutions of the co-operative movement could be housed. For this the Institute may be given a building grant of Rs. 20,000 on condition that one of the storeys is always made available for holding the Registrar's Office. The Central Bank may sell its present building and invest the Rs. 15,000 on the new building. Such a building will catch the imagination of the public; be an advertisement by its imposing size and give the movement a great impetus.

#### AID TO NON-OFFICIAL WORK.

*Non-recurring.*—Building grant to the Institute Rs. 20,000 and propaganda as slides, charts, etc., and for furniture and library (with Registrar's approval).

*Recurring.*—Grants to 10 unions at Rs. 500 through the Institute

Rs. 5,000.

Grant to the Institute for supervision, education and propaganda (details to be approved by the Registrar)

Rs. 5,000.

*Financial effect.*— Excluding the non-recurring grant of Rs. 22,500 these proposals will involve an additional approximate expenditure of Rs. 32,000. If the expenditure on account of the Depressed Classes Inspectors for Co-operative Societies which is only a transfer from the Department to another is omitted, the net additional expenditure will be Rs. 30,000.

He did not think that the above expenditure was high. The Education Department of the State, including the expense for buildings and repairs, spends about 20 lakhs. No one will say that the Co-operative Department has only 1/100th of the importance of the Education Department. Co-operation is a scheme for adult education, teaching the people of the State their rights and responsibilities as citizens and the art of representative Government. More than mere literacy, this sphere of activity is highly important towards actual nation-building.

Further, the Departments of Agriculture, Panchayat and Protection of the Depressed Classes are spending far more comparatively than this Cyndrella of all Departments, although, the activities of all other Departments and their results are largely dependent upon the work that the Co-operative Department can do.

He therefore hoped that the Government will find their way to be quite sympathetic towards this movement by the liberality of their grants and by the expeditiousness with which these reforms are carried out.

## CHAPTER XX.

(Miscellaneous.)

## I. CO-OPERATIVE PRINTING PRESS.

The books and forms required by societies were being obtained and distributed by the Department for the first five years of the working of the movement, i. e., from 1090 to 1095. When the Department found that the work was difficult to be managed by the existing staff, it persuaded the Central Bank, which had come into existence by that time, to take up the work on behalf of the societies. The Central Bank agreed to the proposals and has been working it up for the last 15 years. In the early years, the societies *were mostly loyal* and were getting their things from the Department and the Central Bank. But for some years past, many societies are making their own arrangements and getting their requirements locally. In the case of standard books alone, which if printed by the local societies for their individual use will involve high cost, most of the societies are indenting on the Central Bank even now. The Central Bank finds that the existing amount of sale is not such as to make it a self-sufficient concern and wants to be divested of this function. The question of total abolition of the stock and supply of registers cannot be decided upon since it will affect many a primary society which will not be able to make its own arrangements for books. Moreover, it will be in the interests of the movement as a whole that stocking *is always centralised*. It is twenty years since the movement has been introduced, and viewed from this aspect, it must be said that it is high time that a Co-operative Printing Press is organised.

Mr. Satchit who is the owner of a press himself stated that an investment of Rs. 20,000 will enable a *decent* press to be put up. He, however, also stated that he was managing with one costing Rs. 10,000. Asked about the minimum amount of orders which will make the concern with an investment of Rs. 20,000 a self-sufficient one, he stated that Rs. 5,000 worth of orders should be the irreducible minimum.

Full data as to the amount of orders that could be expected as well as the minimum establishment, etc., charges necessary are not available. The following are however, understood to be,

more or less, the probable receipts and expenditure for running the concern. *Absolute loyalty* on the part of all Co-operative Societies is taken for granted in arriving at the probable receipts.

*Receipts.*

	Rs.
Work for the Central Bank in a year ...	200
Do Institute (including Magazine) ...	300
132 Agricultural Societies at Rs. 5 each ..	660
30 Town Banks at Rs. 15 each ..	450
12 Employee's Co-operative Societies at Rs. 15 each ..	180
10 Stores at Rs. 10 each ..	100
58 other societies at Rs. 3 each ...	170
(Less Rs. 4 for rounding)	
6 new societies every year at Rs. 15 each ..	90
Job works such as College Magazine, Teachers' Magazine, Seals, etc., for societies ..	350
Total ...	2,500

*Expenditure.*

	Rs.
One Proof Reader ...	300
One Compositor ...	240
One type setter ...	180
One Binder ..	120
Two Peons ...	180
Interest at 6 per cent on Rs. 12,500 ...	750
Bonus to Secretary ...	300
Contingencies ..	280
Total ..	2,350
Probable profit ..	150
Grand tota ...	2,500

(Cost of paper is excluded in arriving at the above orders of the societies).

If, therefore, the societies *will fully co-operate* it might be presumed that the organisation of a Co-operative Printing Press could be attempted, after thorough enquiries into the financial aspects of the scheme.

The by-laws of a Co-operative [Printing Press Society registered in Coimbatore in 1933 is available. Apart from the general provisions governing Co-operative Institutions, the following are the specific provisions of these by-laws.

*Objects.*—Printing for Co-operative Societies and their members and to supply stationery, account books, rubber stamps

etc., to the societies. The press should also undertake to print for the public and to sell articles of stationery.

*Capital.*—Rs. 20,000 made up of 2,000 shares of Rs. 10 each.

*Membership.*—Individuals and societies—Maximum share for an individual—25 shares and maximum for a society—100 shares.

*Borrowing power.*—8 times the paid-up share capital.

Maximum interest  $7\frac{1}{2}$  per cent.

*Management.*—Board of 9 members consisting of a President, a Secretary and 7 other members elected for 2 years at a time. One representative for the Central Bank, 3 for individuals and 5 for societies.

*Subsidiary activities.*—With the approval of the general body a retail shop for books, forms, paper and stationery may be opened.

*Profits.*—(1)  $\frac{1}{4}$  to reserve funds.

(2)  $\frac{1}{6}$  of the balance as bonus to the Secretary.

(3) Out of the remainder, dividend not exceeding 9 per cent.

(4) Out of the balance, such bonus to members on their orders according to the decision of the general body.

and (5) All undisbursable and indivisible profits shall be added to the reserve fund.

These by-laws may be adopted here also.

## 2. RESERVE FUNDS OF PRIMARY SOCIETIES.

The total reserve fund of primary societies on the last day of 1109 was Rs. 3,51,676—12—10. For a very long time, the system was that the reserve fund should be fully invested in the Central Bank or other places selected by the Registrar, but from two years back the Rules of investment of the entire reserve fund was changed to 50 per cent of the reserve fund and this Rule is in vogue now. In cases where societies put up buildings of their own, the societies were allowed to utilise their reserve fund for such purposes but with the proposal of the Central Bank to allow building loans. Societies are advised to go in

for such loans thus keeping the reserve fund intact.

State	Total reserve Fund	Invested outside the Societies	Used in tran. sactions	Percentage of invest-ments outside	Percentage of amount used as work- ing capital
Mysore ..	26,40,458	16,51,801	9,88,657	62.6	37.4
Cochin ...	3,51,676	2,22,768	1,28,908	63.3	36.7

*Central Bank.*—The reserve fund of the Central Bank stood at Rs. 52,039. It has invested Rs. 14,000 in a building. The rest is included under the investment of Rs. 2½ lakhs made by the Bank in Government loans. (Experience shows that it is always desirable in the interests of the societies and the financing institution to invest the whole of the reserve fund outside without allowing such attempts to get it merged in the working capital of societies).

### 3. JOINT STOCK BANKS:

Joint Stock Banking dates from the year 1090 when the first Joint Stock Bank was registered in the State. From the years 1090 to 1101, the growth was slow. It was only from 1102 onwards that a substantial increase in their number became noticeable. On the last day of 1109, there were 208 companies on the rolls, besides 24 companies incorporated outside Cochin State but having branches in Cochin. Of these, 155 registered in the State and 9 foreign companies having branches in the State were engaged in the business of Banking. The following statement gives the number of banks registered till the year 1109, with the years of their registration.

Year.	Number.
1090	1
1092	1
1094	2
1095	1
1096	4
1098	4
1100	2
1101	2
1102	7
1103	18

Year.	Number.
1104	59
1105	29
1106	7
1107	8
1108	4
1109	6
Total	<u>155</u>

Most of these are concerns which must be said to exploit the poor and the needy as the following account of their beginning and methods of transactions will show:—

A few persons join together with small individual subscriptions in the shape of share capital and form a company. They lend this out on pro-notes. If Rs. 100 is required by a person, he executes a bond with a surety. Only Rs. 96 is paid to him actually, the balance being taken as advance interest. The bond stipulates payment of the amount, *viz.*, Rs. 100 in 100 days at Re. 1 per day. Failure to make daily remittances entails a penalty of one pie for a day per Rupee. This works out an average to 30 per cent without fine and 48 per cent with the minimum fine. Petty traders and persons who cannot command a ready money and those whose financial position is in a tottering condition generally take advantage of these kinds of loans. To make their position secure these Bankers, not long after their start, run chitties of several kinds. The debtors are induced or forced to join the kuries. Most of the people fall an easy prey to these Bankers by joining the kuries run by them which are so to say the most refined and legal methods of exploiting the needy. With the right of the Banker's lien they can set off the subscribed sum towards the dues of the Banks and in course of time, they gain enormously by way of interest on the daily remittances and penalties. On a rough calculation, it can be said that Rs. 100 invested by a share-holder of the Bank doubles itself in the course of three years. The result is that Bankers amass much wealth in a very short time at the expense of the people. There is another kind of kuri which works greater havoc among the subscribers by offering prizes on an ascending scale, say Rs. 50 for tickets won from 1 to 10, Rs. 60 from 11 to 20, etc. This is more or less a raffle which brings in great profit to the promoters without corresponding benefit to the subscribers. However, the generality of the people are

attracted towards this kind of kuri on account of the element of speculation in it. Strictly speaking, the monthly savings deposit in societies will produce to the depositors a higher amount in the same period. The Courts recently interpreted these kinds of kuries as Raffles and so fresh ventures under this head are no longer attempted.

There is again a third kind of kuri which is generally in existence in several Banks. Monthly kuries of Rs. 5,000 consisting of 111 tickets of Rs. 50 each in which lots are taken every month and the winner is paid Rs. 5,000. Rs. 50 is taken as commission, Rs. 4 as contingent expenses and the balance of Rs. 496 divided as interest among the undrawn ticket-holders. Every such kuri brings to the promoters, at its close, an average profit of Rs. 15,000. When Banks are started and run as shown above they grow fat within a few years.

The Banks existing before 1101 got fattened by the above methods of working. This brought in many more to the field and that accounts for the vast increase in the registration of fresh Banks from 1102 onwards. These Banks live mainly at the expense of the masses and the kuries have actually ruined many of them. The kuries started by these Banks have also brought within their clutches many people whose belongings are pledged to these Banks as security for the kuri amounts they have obtained. The acute economic depression does not enable people other than those getting a fixed income to meet their obligations to the Banks. If the present depression continues for some time more, the defaults will increase and the lands pledged as security will mostly change hands. The Banks are likely to suffer, as the market value of properties have come down by 50 per cent and whole-sale action against defaulters will further diminish their chances of realising the full amount and Court expenses. The proclamation issued by the Government recently in regard to the defaults of kuries, no doubt, helps defaulters to some extent.

The paid-up share capital of the 208 companies amounts to Rs. 39,65,268 which works out an average of Rs. 19,063 per company. This is nearly double the average of the working capital of a Co-operative Society which stands at Rs. 9,647.

A question comes up for consideration why people resort to these Banks when there are Co-operative Societies to finance them according to their needs, at little cost, on account of the exemption from stamp and registration fees which come to a big amount. The explanation is that people do not care as to costs



so long as money is made available to them. (2) Joint-stock Banks offer more attractions to their clients than Co-operative Societies, by such methods as Vechupathippu, raffle like kuries, loans on jewels, etc.

If, therefore, the Co-operative Societies are to attract at least a portion of the business of the Banks to them, they have to move with the times and change their methods of business. A beginning may be made in the following manner.

1. Introducing the system of Vechupathippu in localities which are fit for it at a reduced rate of interest.
2. Lending against gold and silver in select localities to members and non-members.

#### 4. FACTION IN THE SOCIETIES.

Factions are more or less common in the movement. There are certain societies in which faction does not subside at all while in many cases, a general meeting in the presence of the Departmental Officer or a Union representative is able to set matters right. Now-a-days factions have become so acute and so deep rooted that it is not found possible in some instances to find out any solution at all. Party spirit begins in a particular locality when some Legislative or Panchayat election takes place. The feelings run so high that they find expression in all places where such people have occasions to assemble. *The Society happens to be one of such places.* Faction is also caused in the competition amongst members of the societies for places in the management, especially lucrative offices, such as the post of Secretary.

The following are some of the places where factions had taken serious turns:—

1. *Thanium Co-operative Society, No. 27.*—Even the Diwan and certain major Heads of Departments interfered without success. The faction has now partly subsided.
2. *Trippunittura People's Co-operative Bank, Ltd., No. 51.*—This was the seat of faction for 2 or 3 years manifested intensely in the election to the managing committee.
3. *Velianad Co-operative Society, No. 29.*—Do. last year for Secretary's place.
4. *Mulanthuruthy Co-operative Society, No. 23.*—There was faction 3 years ago on account of religious split among the Xians.
5. *Kumbalam Kerala Pattaria Society.*—Do. this year or management, but it has subsided.

6. *Vadakkumbhagam Society*.—Faction, last year on account of serious party spirit caused by auction of license to sell tobacco.

7. *Irinjalakkuda Town Bank*.—There was serious faction some nine years back due to wrangle for Secretary's place which carries high remuneration with it.

8. *Arippalam Society, No. 76*.—Faction, due to wrangle for President's place between two influential brothers who were at logger-heads.

9. *Trichur Government Servants' Society*.—Occasional factions due to party spirit created by certain influential officers competing for lucrative posts on the management.

10. *Kunnamkulam Y. M. C. A. Co-operative Society*.—Two parties who were quite inimical to each other on account of council elections, etc., had a wrangle for getting the upper hand in the management.

11. *Vadakkancheri Government Servants' Society*.—Occasional factions occurred due to competition to obtain the lucrative posts. Unless, therefore, the general morale of the people substantially improve, it is not possible for the Department or anybody else to stop these factions.

The point may be advanced that illiteracy is one of the chief causes for this state of things. But experience in this State proves that it is generally the highly educated that fall an easy prey to these factions. It is, however, a matter for gratification, that the faction has never been inter-communal.

#### 5. FRAUDS IN SOCIETIES.

The following are the instances where frauds were detected in Co-operative Societies. The action taken in each case is also given.

1. *Narakkal Society, No. 8*.—The Secretary of this Society (cancelled long ago) did not receipt in the accounts of the society, a sum of Rs. 400 taken as a loan from the Ernakulam Town Bank. He was prosecuted and was convicted by the Sessions Judge of Anjikaimal. He preferred an appeal. At this stage, the case was withdrawn in the interests of the movement which was in its very infant stage, under the prerogative of the Government.

2. *Kurseekad Co-operative Society, No. 26*.—The clerk of the society realised full amounts but credited only lesser.

amounts than were due under interest in the case of certain loans. He also short-totaled the receipts but suitably adjusted the monthly statements to avoid detection. The total amount misappropriated was, however, a small sum. The loss to the society was made good from him and he was let off without criminal action by a resolution of the general body.

3. *Trichur Government Servants' Co-operative Society, Ltd.*—The clerk there misappropriated a sum of Rs. 500 by not receipting an amount drawn from the Central Bank and certain Departmental recoveries. When this matter came to notice, the amount was made good from him by the committee and he was dismissed. Criminal action was not taken against him as he left the place for good.

4. *Koonamoochi Co-operative Society, No. 11.*—The clerk of the society misappropriated a sum of Rs. 600 and odd by false bonds and also short-totalling receipts and adjusting the monthly statements in such a way as to avoid detection. The auditor's initials were also put by him in two places. He was charged before the Magistrate who committed him to the Sessions. The Sessions Judge, however, gave him the benefit of the doubt and acquitted him. A civil suit for money due under this head was preferred. It was decreed and got executed. But as the clerk was very poor only a very small amount was realised.

5. *Cheranellur Co-operative Society, No. 62.*—The Secretary of the society misappropriated a sum of Rs. 600 and odd by not crediting certain amounts received from the Revenue Department in execution of the decrees, by not crediting amounts of certain adjustment vouchers, by incurring certain expenses without sanction, etc. The society preferred a Civil suit to secure the amounts misappropriated and obtained an award. The question of criminal action has been postponed by the general body till realisation of the amounts due by execution of the award.

6. *Kottapuram Catholic Co-operative Society, No. 162.*—The Secretary of the society misappropriated a sum of Rs. 2,000 by not receipting certain payments towards loans in the cash book, by substituting certain bonds and misappropriating the cash on hand to the extent of Rs. 160 and odd. The Secretary absconded and his whereabouts are not known. The 2nd accused, in the Criminal suit who is the brother of the Secretary, was acquitted, but the Court has recorded that the crime has been proved against the first accused. Since he is absconded his properties were sold in auction by the Government and

the amount realised kept in deposit. A civil suit is pending.

7. *Andikkadavu Co-operative Society, No. 46.*—The Secretary has misappropriated a large amount by a process of not receiving the old loans in the case of adjustment loans sanctioned to members and keeping alive the old and new bonds and increasing the liability of the members. The members do not appear to have insisted on getting receipts or the old bonds. Strictly speaking, the society will not lose but only the members. He was proceeded against criminally but the Magistrate dismissed the complaint saying that definite charges have not been framed. An appeal has been preferred in the District Court where it is pending (convicted to 5 years' rigorous imprisonment by the Sessions Judge).

8. *Ochanthuruthu Co-operative Society, No. 72.*—The Secretary has absconded and it is stated that he owes to the Society a big amount by way of loans. Some benami loans are also reported to have been taken by him. A special committee appointed by the general body is going into the matter with the help of the Departmental Inspector and the Central Bank Group Examiner. The General body is unwilling to take any criminal action against him.

The experience so far gained from such prosecutions is that it is safer to go in for such prosecutions only in cases where clear evidence to secure convictions are available. At present, the societies have to bear the expenses of such prosecutions till the accused are committed to the sessions. It is highly desirable that such cases are treated as Government cases and the societies exempted from the expenses from the very beginning.

#### 6. DISCIPLINE IN SOCIETIES.

The ordinary village societies, more or less, observe the requirements and rules under the Regulation as well as the orders of the Registrar. The major societies consisting of the literate section of the people—even Government Servants' Societies included—do not generally care to observe the Regulation, rules and Registrar's orders. Some societies resent if derelictions of duties found out in the course of inspection are pointed out. Some years ago, the general remarks of the Registrar on the audit order of the Ernakulam Town Bank, though based on facts, were resented by the society. They waited on deputation on the Diwan not to publish the audit order in the Gazette *with the General remarks*. Publication without the general remarks was alone made at the instance of the Government.

From this date, the adding of the general remarks to the audit order was put a stop to. Though the rules specially provide that the Reserve Funds of societies should be invested in such manner as is prescribed by the Registrar and though the Registrar used to advise the Societies to invest the amounts in the Central Bank, several Societies do not obey this order (Ernakulam Town Bank with a reserve fund of nearly Rs. 10,000 has not cared to deposit a single pie in the Central Bank). Similarly, monthly statements are not submitted to the Registrar by many societies in spite of provision thereof in the Rules.

(Frequent reminders are not possible in this respect on account of the limited allotment in the Budget of the Department for service labels). The Registrar's orders, reviews, etc., remain unenforced in many places. Cancellation is the only weapon with the Department which will be hard to adopt in the general interest of the movement and of the members of the society. Specific provision prescribing penalties for failures to send up returns, as well as to act up to the Registrar's instructions are urgently needed for the safety of public funds.

#### 7. FACTORY EARNERS AND CO-OPERATION.

According to the latest Census, there are 96 factories that come under the Factory Regulation. The actual number of operatives is not definitely given, but 67 factories are said to employ 10,000 people.

There are only 2 societies among the factory workers at present, viz., Tata Co-operative Society and Tata Co-operative Stores. There are possibilities of having such societies in most of the factories. The credit society or the store by itself will not suffice. What is wanted is a store and a society or the functions of the two combined in one. In the credit society, the thrift side could also be developed to a very great extent by means of compulsory deposits, home safe boxes, etc. But for the successful working of these societies the co-operation of the Proprietors or Managing Directors is needed to a great extent. The merchants and the money lenders to whom most of the factory employees are heavily indebted are against such organisation. There are factories in the State where their workmen are compelled to purchase the provisions they require, the clothes they wear, and even the mid-day lunch from shops belonging or patronised by the proprietor. This is a double-edged exploitation.

Hence it seems desirable that owners of all factories should be compelled to do welfare work among the employees by the organisation of co-operative societies among them.

## 8. UTILISATION OF COMMON GOOD FUND.

Half the amount should be set aside for objects of general utility, say for the use of the Co-operators in the State when in distress. The other half should be invested separately and the interest accrued thereon should be used for strengthening the basis of the Co-operative movement in the direction of encouraging the study and propaganda of the movement.

For this purpose, prizes or medals may be offered for the best essays or books from among (1) co-operators, (2) the general public and (3) students of schools and colleges alternately. In other words, prizes or medals for real merit from each of the three groups have been suggested as the best means of making the members more "Convinced Co-operators" for attracting the general public towards the movement and for the encouragement of co-operative study and enthusiasm among the youth. The fourth part of the annual interest should be entirely devoted towards the encouragement of authors and playwrights for writing good books and dramas on co-operation. The authors of such essays and books, who merit rewards should be insisted upon for delivering a series of at least half a dozen lectures in Malayalam in rural centres. Besides, the books and dramas so written should be made the property of the co-operative Institute for their publication in suitable forms. They are not intended to be hard and fast rules but the utilisation of the fund may be on some such lines.

## 9. SUPERVISING UNIONS.

Supervision, education and propaganda were till the year 1102, being carried on by three agencies, viz., (1) The Department with its Inspectors (2) The Central Bank Directors and its Hon. Supervisors and (3) the Institute. But with the growth in the number of societies it was found necessary to give the non-officials more opportunities in such kind of work. With this objective, the Registrar in his Circular No. 1/02 proposed the formation of a new type of non-official Institutions, viz., the Unions. The whole State was divided into 12 groups and suitable by-laws and rules were framed. The first Union registered was the one at Cheruthuruthy. There are now seven Unions and their dates of starting are as under:—

1. Cheruthuruthy Union	18—1—03	7 years.
2. Anthikkad Union	6—6—05	5 "
3. Chittur Taluk Group Union	22—11—05	5 "
4. Vaitilla Union	5—2—06	4 "
5. Palluruthy Union	17—12—06	do
6. Mulanthuruthy Union	28—12—06	do
7. Kunnankulam Union	8—12—07	3 years.

*Membership.*—The number of members in all the seven Unions together stands at 82. 32 societies remain out of the pale of the Unions. Most of these are major credit societies or Urban Banks. The Ernakulam Government Servants' Co-operative Society, the Ernakulam Town Bank, the Mattancheri Town Bank and the Kumbalanghy Society are some of the instances in point.

*Receipts of the Unions.*—These consist of delegation fees and supervision fees. The supervision fees come to only a very small amount as it is only 8 as. on every Rs. 100 of interest realised by every affiliated society.

*Grants.*—The Government gave an initial grant of Rs. 300 to each of the Unions. In the subsequent years, amounts varying from Rs. 25 to Rs. 150 were granted according to the work of each Union. The present practice is that out of the total budget grant of Rs. 1,100 or 1,200 allowed every year by the Government, Rs. 600 is granted to the Institute and the balance is divided among the several Unions according to their working. The Central Bank and the Institute used to give small amounts for supervision and propaganda by the Unions.

The work of the Unions in general is organisation of new societies, supervision, inspection and propaganda, holding of Taluk Conferences and celebration of the Co-operators' Day.

*General.*—The work is very greatly handicapped for want of funds. When the scheme for supervision which is under consideration at present takes definite shape, Unions will become the main limbs of the Institute and get decent grants for their work. Their direct receipts from the Societies will then consist of delegation fees alone. The point which requires urgent action in the case of the Unions, is to make provision for compelling societies to become their members.

K. NARAYANA MENON,  
Registrar of Co-operative Societies.

## APPENDIX I,

### Note by Mr. T. K. Sankara Menon, Superintendent of Economic Survey.

I have completed an economic survey of five villages\* in the State; and the results of my investigations show that the co-operative movement has not been developing on safe and satisfactory lines in our rural areas. I may state at the very outset that my observations are based, not so much on a direct and detailed study of the working of the co-operative credit societies in the villages surveyed, as on the first hand information I have gained from the people of the locality concerned (several of whom had direct dealings with the societies), and on the evidence furnished by the statistics of indebtedness collected from the villages.

2. A few relevant figures given in the following table will illustrate how the movement has been able to achieve but little hitherto.

Village	Total indebtedness (all kinds of loans and liabilities combined)	Short-term loans alone	Amount and proportion of short-term loans raised from co-operative credit societies	Amount and proportion of short-term loans raised from joint stock banks, professional money-lenders, private parties etc.
	Rs.	Rs.	Rs.	Rs.
Nayarambalam	5,75,038	1,32,477	2,697 2.04%	1,29,780 97.96%
Anthikad	3,40,679	77,294	5,919 7.66%	71,375 92.34%
Choondal	1,56,504	36,555	1,689 4.62%	34,866 95.38%
<b>Total</b>	<b>10,72,221</b>	<b>2,46,326</b>	<b>10,305 4.18%</b>	<b>2,36,021 95.82%</b>

\*These villages are Nayarambalam, representing the coastal tract, Anthikad, typical of the villages in the kole tract, Choondal in the very heart of the paddy and arecanut area and Eruttempati and Pattancheri in Chittur Taluk.

The short-term loans shown in the table include only loans raised on pledges or pronotes, and do not cover hand-loans, shop-debts, etc. And when it is seen that the co-operative credit societies account for only a poor 4.2 per cent, while Joint Stock Banks, indigenous money-lending concerns and private parties appropriate as much as 95.8 per cent of these short-term loans, it may not be wrong to infer that the co-operative movement has touched but the extreme fringe of the problem which it is intended to solve.

3. It would appear that little or no propaganda-work on proper lines was done at the time when the societies were started or even subsequently.



At any rate, the villagers (including the members of these rural societies) are wholly ignorant of the true ideals and principles of co-operation. To the rural population a co-operative credit society is but a Joint Stock Bank with another name, and their transactions with the societies have been regulated accordingly. The villagers found a new and facile source of credit in these societies and as many of them as could manage to secure loans readily did so. The rural population, as a rule, seem to be firm adherents of the maxim "sufficient unto the day is the evil thereof". The tendency to tide over the day's trials by reckless borrowing without a thought for the morrow and without means or plan for repayment, is seen to be widely prevalent in rural areas. The returns of indebtedness show that the same family has raised loans from Banks, co-operative societies and private parties. For this reason, the co-operative movement cannot be regarded as having contributed to the reduction of rural indebtedness to any perceptible extent. Indeed, it is even to be feared that the economic condition of the members of credit societies has, to some extent at least, deteriorated as a result of the facile credit.

In the course of my investigations I was not able to find any tangible evidence to show that the operations of credit societies have perceptibly enhanced the earning capacity of the members or instilled into them a sense of self-reliance through mutual help. And if we are to measure the usefulness of credit societies by what they have done to reduce the indebtedness of the members, to increase their earning capacity and assets, and, above all, to promote self-reliance through mutual help, we may have to admit that our rural credit societies have been only of little use.

4. The last two columns of the table given in paragraph 2 above will show that professional money-lenders have had as yet nothing to fear from the co-operative movement and that their business has not suffered because of the working of credit societies. The very large increase of recent years in the number of joint stock and private limited banks all over the State, point in the same direction. Money-lenders do not appear to entertain any hostility to the co-operative movement, apparently because they are ignorant of its true aims and immense potentialities. Indeed, instead of any hostility, we find very cordial relations existing between credit societies and banks. Thus professional money-lenders are not only members of credit societies, but they often get themselves elected as office-bearers. In one instance I found that the President of a credit society was himself one of the richest money-lenders of the locality. And yet no one views it as inconsistent or incongruous.

Co-operators point out that professional money-lenders have been compelled to reduce their rate of interest as a result of the movement. This is to some extent true, particularly of those localities where credit societies exist. But does the average villager derive any advantage therefrom? The average villager seems to be a born defaulter in money transactions, and the penalties for defaults are heavy enough to make up for any reduction in the rate of interest.

5. The attitude of the rural population towards the co-operative movement is seen to be generally one of indifference, but in one of the villages surveyed (Pattancheri in Chittur Taluk) a difference was noticed. Many complaints are made against the credit society at Pattancheri, and some are even of opinion that the society was a positive evil and that it caused much hardship to poor and honest folk. Several ignorant and illiterate members

complained that they were not given receipts for the amounts they remitted in repayment of the loans they had taken. Nor were these amounts entered in the accounts. Subsequently decrees for the original amounts borrowed together with interest, penalty, etc., were secured against them. Such is the version given by several aggrieved villagers. There seems to have been a good deal of bungling or mismanagement in the past; and the new committee have not been able to restore confidence.

Several specific instances of serious hardship and loss caused to members of credit societies at Pattancheri and elsewhere have been brought to my notice. They are unfortunately to be attributed to the indifference, irresponsibility and at times, even to the dishonesty of the management concerned, all leading to the unbusinesslike and inefficient conduct of the societies' affairs. And, if such abuses are to be checked, it seems not only desirable but highly necessary that the co-operative department should supervise the activities of these societies more frequently and in greater detail, and wield drastic powers to bring all delinquents to book, at least until the people themselves are sufficiently educated in the principles and methods of co-operation. It is indeed an irony of fate that the poor villagers who stand most in need of the help of the co-operative movement are too ignorant to be able to organise or run a society for themselves, and have therefore to depend on their moneyed neighbours for its management. Naturally the latter are not much interested in the well-being of the society and often allow selfish considerations to influence their conduct. Hence the necessity for strict departmental control.

6. While the co-operative movement has been discredited at Pattancheri and the credit society in the village has become unpopular, the same village furnishes reliable proof to show that the necessity for co-operative institutions organised on proper lines is keenly and urgently felt in the whole locality. The poor ryots and labourers in all rural areas are in the habit of raising loans in kind—they are almost always paddy loans—from their land-lords or rich neighbours during slack seasons. The loan is to be returned at the next harvest (in 3 to 4 months' time) with an interest which ranges from 20 to 50 per cent for the short period (80 to 200 per cent per annum!) And be it noted that these loans are, as a rule regularly repaid. There is another kind of loan called the "six months' loan", widely prevalent among the poor at Pattancheri. During the slack season in the month of Karkadagam, enterprising money lenders go from door to door, offering small money-loans to the poor ryots and poorer labourers. The offer is accepted readily by many, because the temptation is too strong and the poor people have no cash with them at the time. The amount is to be returned six months later. From each rupee lent, a commission of one anna is deducted on the spot, and a sum of Re. 1-8-0 has to be returned at the end of the period. In other words the poor people have to pay an interest of 120 per cent per annum! And, what is more, the creditor incurs no risk of loss in these transactions, for he is at perfect liberty to take possession of the cattle, poultry or other belongings of the defaulter, the neighbours desisting from all interference with the creditor's high-handedness in taking the law into his own hands.

Paddy-creditors and six-months-terrors are not the monopoly of Pattancheri. They or their counterparts exist in all villages. And it is obvious that a well-organised co-operative society started to help the villagers, particularly during the slack seasons of the year, will be of invaluable service to them.

7. In the economic life of the villages, it is not the needy borrower alone that has to suffer as shown above. The absence of a safe and easily accessible repository for the small economies of the poorer classes of the rural population has been causing real hardship and loss to the thrifty labourer also. At Pattancheri I noticed more than one instance of the kind. An old and frugal tapper of jaggery toddy who had saved as much as Rs. 150 (more than a life's fortune to a man of his position) by practising rigid economy and subscribing to a local chit, lent the amount to a rich neighbour, because he could find no better or safer way for investing his fortune. The neighbour became insolvent and the tapper lost every pie. An elderly Muslim widow of the labouring class with two little children to look after, living a miserable hovel, had managed to scrape together Rs. 100 during her husband's life-time. The amount was lent to an apparently well-to-do Muslim neighbour. The latter is now a bankrupt and the helpless woman has been reduced to beggary. These are not, by any means, isolated instances, but bad investments seem to be common in rural areas, particularly among the poorer classes. Here too, the co-operative movement has to bring succour to the suffering population of the villages.

8. In none of the villages hitherto surveyed, could I find a single instance of a credit society striving to attain the ideal of the movement by expanding into a multiple-purpose society, engaged in co-operative production and distribution. The scope for such expansion is unlimited in the rural areas. Thus, in the sphere of agriculture, an ideal field for co-operative cultivation is to be seen in the kole lands of Trichur Taulk. For various reasons such as the silting up of the irrigation channels resulting in water scarcity, the kole lands have deteriorated and their yield has decreased; and with the low price of paddy now current, kole cultivation has ceased to be profitable. The lands are parcelled out into many small holdings among proprietors and tenants for purposes of cultivation, because the initial expenditure involved in the pumping out of water from the whole area and the repair and maintenance of bunds, etc., is too big an item to be met by any one cultivator or even by a few combined. And yet, instead of joining together and undertaking the whole work on a co-operative basis, the cultivators engage a contractor who agrees to pump out the water and maintain the bunds for a stipulated amount. And the contractor who receives his payment in advance is perhaps the only person who stands to gain anything from kole cultivation as carried on at present. It will undoubtedly be to the advantage of the ryots if they displace the contractor and undertake his functions on a co-operative basis.

The process of fragmentation of holdings through partition of family properties and other reasons is incessantly at work in the villages, so much so, that the number of holdings that are too small to be economical is ever on the increase. A remedy for this evil too, is to be sought for in the co-operative movement.

9. The marketing of paddy and of other similar agricultural products will admit of much reform at the hands of co-operative societies. Most of the ryots are so poor that they have to sell the produce as soon as it is available. The market rate immediately after the harvest is the lowest and therefore the ryots secure only the lowest price. The societies may meet the immediate requirements of the ryots and yet postpone the sale of the produce for two or three months, so that a higher price may be obtained.

10. In the sphere of industries also, there is much scope for the development of non-credit co-operation in villages. There is, for instance, the

coir-industry which is the main-stay of the poorer classes in the coastal tract of the State. By far the largest quantity of coir-yarn manufactured in the State is produced on a cottage industry basis. The poor labourer purchases a couple of annas' worth of retted husks when he returns home after his day's toil. All the members of the family devote their spare hours to the manufacture of coir yarn from the husks. The yarn is then sold to the petty shop-keeper from whom the family buys its daily necessaries. When a sufficient quantity is accumulated, this shop-keeper sells it to a local coir-dealer and the latter disposes of the yarn thus collected and stocked to a coir merchant at Mattancheri, who again has to approach some of the exporting firms in British Cochín. It will be clear from this account that the labourer who actually produces the yarn will get but a poor return for his labour, the price he receives being far below the market rate, because there are so many greedy middlemen to share the profit. There are labourers (almost invariably women) employed on wage system by local coir-dealers for spinning coir-yarn. But these labourers too do not fare much better, for an adult woman gets only an anna on the average for ten to twelve hours' spinning!

If the manufacture and marketing of coir-yarn are organised on a co-operative basis, so that the middle-men might be eliminated, the economic condition of those engaged in the industry must improve much.

11. The arecanut industry holds a prominent place among industries in the northern taluks of the State. Talappalli Taluk in particular is the centre of this industry and Ottupara (near Vadakkancheri) is the most important arecanut market in the State, where agents or brokers from the Tamil districts of the Madras Presidency make large purchases on every market day during the arecanut season.

The arecanut gardens are owned by petty landholders who cultivate the palm, irrigate the gardens during the rainless season (for more than six months in the year,) fight the pests which attack the tender nuts and thus produce the raw materials for the industry. The raw nuts are purchased by small dealers who separate the kernel from the husks, slice, boil and season it and thus make it ready for the market. Most of these dealers have no capital with them and hence to run the business they generally raise loans which bear interest at the rate of 30 per cent or more (a rate high enough to eat away their profits.) When the finished product is taken to the Ottupara market which is the only place where arecanut dealers, living within a radius of 10 to 12 miles, can readily dispose of their goods, the price obtained is often less than the cost of production, because the market rate is arbitrarily fixed by the agents and brokers, the producer having no voice at all in the matter. He is helpless and cannot afford to take his goods back with him because of the cart-hire, market tolls, dues &c. which he has already paid and because of his pressing need for money. If the arecanut dealers organise themselves and production and more particularly marketing are undertaken on a co-operative basis, their income from this trade will undoubtedly be much higher than at present.

12. In certain villages in Chittur Taluk adjoining Coimbatore district, a few ryots whose lands have sufficient irrigation facilities have recently taken to the cultivation of sugar-cane, because it is found to be four to five times as profitable as the cultivation of paddy. But they have no local equipment for the extraction of juice from the canes or for the manufacture of sugar, refined or unrefined. During the harvest season, therefore, they have to summon help from Pollachi (in Coimbatore district) from where owners of portable 'chucks' (mills worked by oxen) arrive, fill their purses

in a short time at the cost of our ryots and return home. The ryots have to supply the oxen for working the mills, and pay heavily for the transport of these mills from Pollachi and back. The Pollachi experts' charges for the extraction of juice from the cane and for the manufacture of Sarkara (un-refined sugar) are also very high. A non-credit society owning the necessary equipment is certain to bring more profits to the ryots and popularise the cultivation of sugar-cane.

13. There are numerous cottage industries which form the chief means of support of a considerable proportion of our rural population. Some of the more important of them are the weaving of cotton cloth (particularly of certain special varieties), the manufacture of mats from sedge grass, screw-pine leaves and bamboos, basket-making, bell-metal works, and the manufacture of jaggery from toddy drawn from the cocoanut, palmyra and sago palms. These industries also stand in urgent need of organisation and development on a co-operative basis, if they are not to disappear altogether in the face of the ever-growing competition from factory industries. The methods of marketing, in particular, followed by the cottage-workers, are so defective that the producer often gets but 50 to 75 per cent of the price paid by *local* consumers, the difference being pocketed by enterprising middlemen. The following paragraph from Chapter VIII—Occupation—Part II—Industries, etc., (pages 151—163,) of the latest Census Report of Cochin, refers to the helpless condition of the cottage-worker in the villages and suggests a possible remedy for the existing evils:—

' We have seen how there is a tendency on the part of industries in Cochin to get organised on modern factory lines. It is remarkable that, in spite of this tendency, the State is in 'substantial possession' of its cottage industries, even though cheap machine-made goods are everywhere available. More than 80 per cent of those engaged in industries as earners and working dependants are pursuing them on a domestic basis. In paragraph 32 above, it was stated that the artisan weaver was supreme in the manufacture of certain special varieties of cloth favoured by the locality. It is such specialised products that have kept them going in the face of competition. At the same time, competition is leaving its mark on the earning capacity of the unorganised cottage workers. A two-fold remedy suggests itself for the removal of the defects of the present situation. It is education and organisation. The artisans have to be trained in the use of improved tools and methods and sub-division of processes, so that their technical skill may improve. Further, they have also to be taught to be business-like. This cannot but lead to enhanced efficiency, cheap production and increased demand. If new markets for the various products are also captured through advertisement, the cottage industries will be assured of a bright future. The Industrial Exhibitions held by the Government at regular intervals in different centres have been of some assistance in this connection. But the real solution for the problem lies in the organisation of Industrial Co-operative Societies for the production and sale of the artisans' products. An individual debt-ridden artisan is helpless, and if he is left to himself, he can only move in a vicious circle and be exploited by enterprising middlemen. It is here that the help of the Co-operative Societies is required. In the initial stages the opening of Government stores for the sale of cottage industry products, may also be of considerable use. The results achieved by such stores in some of the Indian States like Mysore and Hyderabad are encouraging. A store may be organised here also. Even if this involves some risk in the early stages, it is justifiable in view of the supreme importance of the whole question relating to the economic progress and well-being of the artisan classes.'

14. From what I have seen of the life in our villages in the course of my investigations I feel convinced that the co-operative movement, developed and worked on useful lines, has to play the chief role in the redemption of the rural population from their present most miserable plight, and that the proper organisation and efficient working of multiple-purpose societies catering for all the economic needs of the villager, should be one of the first steps to be taken in the economic reconstruction of our villages.

T. K. SANKARA MENON,

## APPENDIX II.

### Note

(On Bhavnagar scheme of Agricultural Debt Redemption).

The Bhavnagar Agricultural Debt Redemption Scheme is appended to the Report on the operations of the Scheme published under the caption "Redemption of Agricultural Indebtedness in Bhavnagar State."

For a full and complete understanding of the Scheme, the reader will please refer to the above publication.

But to indicate briefly the nature of the Scheme it may be stated that this was a Scheme, depending for its success upon the voluntary co-operation of the Sowcars and the Kheduts; and rule 1 of the Scheme provided that the Scheme would be applied in a big compact area, such as a Mahal or Tappa, where a majority of both the cultivators and Sowcars were prepared to settle up their accounts according to the terms and conditions laid down in the Scheme. Further, the scope of the Scheme covered all the customers of the same creditor and all the creditors of the same debtor. Again, as the redemption loan was to be advanced by the Darbar on behalf of the indebted Khedut and then recovered from him, though of course, by easy instalments, the amount of such loan had necessarily to be limited according to the capacity and solvency of the Khedut concerned.

So according to the Scheme, the amount paid in composition was to be governed by a twofold limitation, viz:—

- (1) It should not exceed a sum equal to three times the annual amount of assessment payable by the debtor Khatedar. (Registered Holder).
- (2) The total amount paid on account of a particular Tappa should not exceed four annas ( $\frac{1}{4}$ th) of the total nominal outstanding debts of the Kheduts of that Tappa.

In spite of the amount paid in composition being greatly reduced by these inherent limitations, it was seen that the creditor under the Scheme was able to recover, if not the whole of his outstanding arrears, a reasonable portion of the original principal together with a moderate rate of interest. If a similar scheme of composition be adopted elsewhere, the creditors may, at first be seen to be a little chary of availing themselves of its benefits. But they would readily fall in, after a little persuasion and propaganda enabling them to realize that they would be able to recover in cash and at one stroke, far more under the Scheme than they, if left to their own devices, could otherwise hope to collect in a number of years from their Khedut customers suffering from chronic indebtedness.

But one may safely assume that, after all, the creditors would not require much persuasion to accept composition in these times when the margin of agricultural profits, from which the indebted Khedut could hope to make repayment towards accumulated arrears, is greatly reduced, owing to the unprecedented slump in prices especially in those of agricultural commodities.

Further, one would think that the urgent need of debt-redemption in the case of the agriculturists was hardly an arguable point. Indeed everybody seems to admit the grave and menacing nature of the problem; and this makes

still more surprising the ostrich-like attitude too often adopted towards it. But as the Royal Commission on Agriculture forcibly put it, "the worst policy towards debt was to ignore it and do nothing". The Indian Central Banking Inquiry Committee, as a result of its elaborate investigations formed the deliberate opinion that the problem of debt redemption is one "of supreme importance from the point of the economic prosperity of the country as well as for the purpose of stemming the growth of discontent among a large section of the population." Even political discontent in the country can be mainly traced to economic condition of the rural population. As the Chairman of the Bhavnagar Committee, Diwan Bahadur Tribhuvandas, puts it:—

"But I feel that the recent movement in politics has its origin in chronic indebtedness of the agricultural classes and their rack-renting by the superior holders to be met everywhere. Any person can satisfy himself by visiting a village and examining the conditions of the poor classes. It is no wonder that political extremists easily find this a fertile field for their exploitation. It is, therefore, for the Several Administrations to try to remove these possibilities, by adopting all available means for the amelioration of the conditions of these classes. Our efforts are distinctly directed to this end, though we are no propagandists, but silent workers in our own way and in our own spheres".

Unless therefore, the economic rehabilitation of the village cultivator is achieved betimes, the position which is grave and menacing enough in all conscience, will continue to worsen and ultimately might precipitate a country-wide cataclysmic disaster far more serious than any artificial political agitation, however violent and unscrupulous, could ever bring about. The only way to a peaceful administration lies through economic contentment; and relief of the burden of past debts of the village Kheduts—the backbone of the country—is the first and essential step in that direction.

But in spite of there being such an overwhelming case for undertaking redemption of agricultural debt, one finds that the problem is shelved and shirked and only a nonpossumus attitude is adopted towards this question. The explanation of this curious phenomenon is perhaps to be found in the following passage taken from a letter of Sir P. D. Pattani to the well-known co-operator and public worker, Mr. Devadhar, in reply to a letter of his inquiring about the Bhavnagar Scheme:—

"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 recognised, is behind the nonpossumus 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 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 total 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. An 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. For, while this dead-weight hangs like a mill-stone round the Khedut's 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.

As a newspaper writer, analysing the Khedut's reaction to indebtedness, says:—

“Agriculture suffers because, after all the human factor cannot be regarded as negligible and we cannot expect much from the labour and enthusiasm of an agriculturist round whose neck hangs the huge mill-stone of old debts”. This view is further reinforced by the sense of relief experienced by the redeemed Kheduts. As Sir Prabhaskar wrote to a friend in reply to an inquiry received about the Scheme, “another favourable result noticed in the areas that have come under the operation of the Scheme is that where formerly the Khedut was a mere listless and indifferent cultivator owing to the ever-present fear of his creditor attaching his harvested crops, he is now seen to put more heart and industry in his work owing to the sense of greater security and relief brought about by the removal of the burden of past debts.”

The above, in brief, furnishes the *raison d'être* of the Scheme adopted by Bhavnagar.

It must be admitted that friendly critics have not been wanting who have felt and expressed their honest doubts regarding the uncertainty of the future even after wholesale redemption was once effected. Of course it will be fool-hardy to make any accurate forecast regarding the future.

Our experience in Bhavnagar is of far too short a duration to base any generalizations 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 he require them.

As stated before, the money-lender cannot be altogether replaced. Diwan Bahadur Tribhuvandas, in this connection, remarks in the course of a Council minute dated 15th January 1932, as follows:—

“As far as I understand, it is not our idea to destroy the relation between our Kheduts and their money-lenders, indispensable as they are in a village community. What we aim at, is to remove the present conditions and to restore the pristine purity of those relations. I would not mind, if our Kheduts incur productive debts even at 12 per cent interest. That will not kill the goose. But we know these conditions do not exist at present between them, and the present unproductive debts of our Kheduts are accumulations of ages of principal and the exorbitant rates of interest and commission charged thereon. The whole class is involved therein beyond redemption and by our measures we desire to extricate them from their present embarrassments. The Khedut Relief Act, we have passed, would

control the rates. But the object of redemption of these debts by Darbar loans is to lighten the burden of the past unproductive debts. Once this burden is removed, I believe, it would be possible to have the old relations re-established. The capacity of the Kheduts, to repay the loan with reasonable interest would increase, and this condition would naturally reduce the present rigorous terms."

That it was never intended to oust the Sowcar class altogether, would be made still clearer from the following extract from the Report of the Original Committee :—"It is obvious the State cannot replace all the Sowcars nor has the Darbar any intention of doing so. No one acquainted with rural life will grudge to acknowledge the important and useful part the Sowcar once played in the economic-life of the village. At the same time it cannot be denied that of late years both the Sowcar and his Khedut customers have been greatly estranged, and the breach is daily widening. Certainly there is nothing left of the old personal touch and sympathy, which made their mutual relations so happy and useful to both sides. And it is because the Darbar earnestly wish that these old happy relations may be early restored to the mutual benefit of both the Khedut and the Sowcar, that this big experiment has been undertaken of wholesale and simultaneous redemption of all the Kheduts of the State, and surely it is not too much to hope that, with the Kheduts freed from old debts, the Sowcars would resume their old connection with them, charging only moderate rates of interest, and at the same time the old nexus of personal touch and sympathy will be restored".

The Bhavnagar Darbar 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 redeemed Kheduts will again relapse in the old condition of indebtedness after a few years. At the same time it is expected 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.

But granting that the future is uncertain, that, it is submitted, should not be made an excuse for not undertaking or delaying action, whose necessity is otherwise plainly indicated.

Of course it was never expected that redemption alone would immediately and all at once restore complete economic health to the debt depressed Khedut. But it is an essential and indispensable preliminary if he was to write on a clean slate once again. Besides the redemption proceedings themselves constituted a great education even for the ignorant and illiterate cultivator. The open public examination of the Sowcar's manipulated accounts showing repayment of large amounts several times the original nucleus and yet leaving a large balance of outstandings, was a revelation and an eye-opener even to him. The lesson having been thus burnt in his mind, he would, it is hoped, think twice before getting enmeshed in fresh usurious transactions of this nature. It should be added that Sowcars too are at present chary of lending. But this is only a temporary and passing phase—the necessary reaction to the Redemption proceedings and further I am not sure if such partial shrinkage of credit, far from being a calamity is, after all, not a blessing in disguise; for past experience shows that the ignorant and improvident Khedut cannot be trusted to use well and wisely the provision of too ample and easy credit facilities. These rather tend to his demoralization and aggravate the too facile tendency to run into debts.

All the same, one must concede—and one cannot ever emphasize it—the need for future vigilance and watchfulness lest the good results garnered at so much trouble and expense may be frittered away. All District officers of the State have been asked to miss no opportunity of warning the peasantry against incurring fresh debts recklessly. Efforts are also made to multiply co-operative societies, which are also exploited for seeing that no member of a society borrows loans from outside and every occasion for a loan is also scrutinised by the society Panch. In short, these societies are also made to function in a way as better living societies. Further Village Panchayats are also freely extended, wherever the growth is found to be prepared to a certain extent. The only unfortunate factor, which has prevented the full realisation of the hopes entertained of good results following redemption, is the unprecedented slump in agriculture prices which has greatly reduced the margin of the Kheduts' profits, practically leaving no savings, which again stand in the way of the extension of co-operative credit. Bhavnagar may modestly claim that it has done much. But any one who has a realistic idea of the problem cannot get rid of the feeling that much more still remains to be done, and what is being done to cherish and perpetuate the good achieved is briefly indicated above.

Bhavnagar,

24th January 1935.

(Sd.)

Revenue Commissioner,  
Bhavnagar State.

### APPENDIX III.

#### Sree Narayana Dharma Sanghom, Trichur.

1. This is an association of dedicated workers or sanyasins registered in the Trichur Registrar's office in 1103. The workers and institutions have existed now for over 40 years though the association was registered only in 1103.

2. Membership is open to all without distinction of caste who accept the principle of the brotherhood of man and who dedicate their whole life to selfless service. Members are not allowed to have family ties or acquire private property. The present strength is 25 of whom 5 know English. Among these 5, one is a B. A. LL. B. another an M. A. and the third an Englishman.

3. The Sanghom was founded by the late H. H. Sree Narayana Gurudev and has centres of work in Travancore, Cochin and British India.

4. The Sanghom is strictly non-political. It is also non-sectarian. But as its services are meant for the poor and the helpless its activities in Malabar mainly benefit the Depressed Classes and others with similar disabilities. All the institutions of the Sanghom are open to the Depressed Classes.

5. The followers of the late Guru Dev numbering about 20 lakhs were among the Depressed Classes until a few years ago. But as a result of the advancement made in the last generation the Government have ceased to treat them as depressed. During recent centuries in no other part of India has there been such an extensive and permanent mass-awakening and cultural uplift of the down trodden peoples. Our organisation can, therefore, claim to be not only pioneers in this field but also the largest and the most successful effort for the redemption of the Depressed Classes.

6. At present, one of our members, Swami Ananda Theerthan, M. A., is responsible for most of the Harijan work in British Malabar. He is conducting Harijan Hostels in four places giving free boarding, lodging and education to not less than a hundred Harijan boys and girls.

7. In Travancore, exclusively Harijan work, more or less, is done by another member Swami Subhananda who has established in the Mavelikara Taluk over a dozen prayer halls and a few Mutts.

8. In Cochin we are not doing any exclusive work for Harijans for want of funds, but all our institutions are open to them and invariably benefit them. We were, however, willing to start some really good work for them and some years ago the present writer wrote to the then Diwan Mr. T. S. Narayana Ayyar offering his honorary services for organising a department for the protection of the Harijans.

9. We have the following centres of work.

#### IN COCHIN STATE.

(a) *Trichur*. With a Mutt for workers and free board and lodging for a few boys including Harijans a free medical dispensary for the poor, a free Sanskrit school with 5 classes and 150 students, and associated activities.

(b) *Peringottukara*.—A mutt for workers including free board and lodging for a few boys, a temple open to all classes and a Sanskrit school recently started.

(c) *Ramavarmaapuram*.—(Trichur) A prayer hall opened to all classes and a worker.

- (d) *Pudukad.*—A Mutt and a worker.  
 (e) *Trippunittura.*—A Mutt and a worker who is doing extensive medical relief work in diseases of the mind.

IN TRAVANCORE.

- (a) *Varkkala.*—Mutt-temple, English school, weaving school, Sanskrit school, rest house, etc.  
 (b) *Alwaye.*—Mutt and Sanskrit high school.  
 (c) *Aruvipuram.*—Mutt and temple.  
 (d) *Mutiacad.*— do  
 (e) *Chempezhanti.*— do and other minor centres.

IN BRITISH INDIA.

- (a) *Madras.*—Mutt and free medical dispensary to the poor (Mambalam).  
 (b) *Conjeevaram.*—Ayurvedic hospital and Mutt.  
 (c) *Madura.*—Free medical dispensary and Mutt.  
 (d) *Thirithala in Malabar.*—Temple, Mutt and school.  
 (e) *Cannanore.*—Harijan Hostel.  
 (f) *Payyanor.*—(N. Malabar) do  
 (g) *Kalliasseri.*—Harijan's Hostel.  
 (h) *Etakkat.*—Mutt and other minor centres.

We have also registered a joint stock-company with a capital of one lakh of Rupees to take up the management of charitable institutions and do propaganda. Owing to the present economic condition, no attempt has been made to raise shares.

A few of our members are primarily engaged in lecturing work including magic lantern shows.

There is a proposal to open a home for women workers and a decent house for use with an endowment in cash of Rs. 1,500 has been offered to us by a well-wisher in Trichur. The ways and means of raising more funds and the scope of the work to be done by the Home are under our consideration. In Mavelikara we have already registered a cottage industries scheme on a co-operative basis. It is our idea to start similar co-operative efforts in all our important centres of work and thus combine the spirit of service with co-operative business methods and aims.

We are willing to co-operative in any substantial scheme for the redemption of the Harijans.

Sreenarayanapuram,  
 Trichur,  
 13th January 1935.

(Sd.)  
 SWAMI DHARMA THEERTHAN,  
 B. A. LL. B.

#### APPENDIX IV.

##### **Land Colonisation Scheme for the boys who pass out of Agricultural Schools.**

Most of the boys who passed out of the Agricultural Schools in the State were found to idle away their time for want of opportunities to utilise their training. They had neither land nor capital to begin farming. It was found that such a state of affairs, if allowed to continue, will in the course of a few years hamper the progress of agricultural education in the State. To remedy this evil proposals were submitted to Government to grant a few acres of land and to render some financial help to these trained boys so that they may start farming on scientific lines. Government accepted the above proposals and sanctioned the assignment of 300 acres of land at Koni, subject to the following conditions:—

(1) The area of 300 acres of land lying uncultivated should be parcelled out into ten acre blocks and each student given one block of 10 acres for purposes of cultivation.

(2) The land will be granted only to students who have passed out of the Agricultural Schools in the State after successfully completing their period of training.

(3) The tenant should live on the land assigned and carry on farming on scientific lines under the guidance and supervision of the Agricultural Officer in charge of the Pepper Farm, Koni.

(4) The tenant will, on application, be granted a loan not exceeding Rs. 500 under the provision of the Land Improvement and Agricultural Loan Regulation and the rules issued thereunder on the recommendation of the officer in charge of the farm, to be utilised for the purchase of seeds, manures, implements, etc. The loan will, however, be repayable in ten equal instalments, the first of which, will fall due at the end of three years from the date of disbursement of the loan. The officer in charge will see that the money is spent on the farm itself.

(5) The timber, other than royal trees standing on the land can be used by the grantee for the construction of buildings, etc., on his plot, on condition that the Government have a lien on the buildings.

(6) The grantee should bring under cultivation two acres by the end of the first year, three acres in the second, five acres in the third, seven acres in the fourth and the entire area before the end of the fifth year.

(7) The assignment will first be in the nature of a lease but the land will be assigned to the lessee after the entire amount of the loan advanced is recouped and on payment of 'tharavila' or ground value and assessment to be fixed at the time of such permanent assignment.

(8) The land can be enjoyed free by the lessees during the first two years, but the lessee shall, till the registry is completed, pay annually on the area brought under cultivation an amount calculated more or less as equivalent to the tax leviable on the land under the revised Puduval Rules.

(9) Application for leases should be addressed to the Director of Agriculture and Fisheries who will sanction the leases and through the officer in charge of the Farm, realise the rent and the loan instalments and remit the same to the credit of the Revenue Department.

The scheme has been brought into effect from the beginning of May 1927 and so far lands have been assigned to 24 trained boys all of whom have already cultivated the area assigned to them with crops like paddy, tapioca, coconut, pepper and rubber. From the progress made by them so far, it is hoped that a model agricultural colony of trained farmers will come into being and pave the way for the formation of more such colonies, which will be one of the ways of solving the problem of the educated unemployed in the country.

APPENDIX V.

Jairam Jivraj

Post Box No. 16,  
Cochin.

21st January 1935.

My Dear Mr. Devadhar,

In reply to your letter dated 18th instant I have to inform you that this subject is a hard one for an ordinary man to deal with but I can give you ideas which I think will be necessary for improving quality and sales.

1. The growers are bringing raw copra for sale in this and Alleppey market, by which they lose much because the buyers of this particular quality will always be quoting lower prices than what it will be worth if fully dried.

2. *Cocoanuts*.—If I am not wrong, every year the cocoanuts are going down in size, by which bigger quantity of nuts will be required for one candy of copra.

To remedy this it is necessary that Government should give immediate attention to grow trees not exceeding the number required per acre and that the system of cultivation must be enforced by the Government, which alone will give the desired effect. If this is not done I have my own doubts whether this famous industry of Malabar will survive long.

*Ginger*.—From the report received from Colombo there are encouraging news to the effect that the Ceylon Government has already cultivated the stuff and cultivated samples were sent to London and are much appreciated there; whereas Cochin and Travancore Government are not active enough in the direction of this produce by which the grades when compared to with those found five years ago, are much lower and if proper attention is not given it will come to such a stage that stuff will not meet the grades required for the foreign markets. So it is high-time for the Government to interfere and see that the cultivators pay more attention to this product.

*Pepper*.—The quality, though depends upon the rainfall, yet there are defects in cultivation also specially this year the quality is much lighter, by which the actual grower is effected and they do not get the right price.

In my letter addressed to the Director of Agriculture, Travancore, I have raised a question whether the Government could not possibly arrange for plantations to yield pepper (to convert same into white pepper) because this year the price of white pepper is double than that of black and as such a special attention is necessary.

*Turmeric*.—Cochin and Travancore were big suppliers of Turmeric and in the recent years the price of this commodity was so low that it was really neglected; but this year Malabar Fingers are required in New York at 50 to 60 per cent over the price of Madras and Bombay Fingers. So the cultivation of this commodity should receive the attention of the Government.

*Coir and Coir Yarn*.—I am not fully acquainted with these commodities and my information is that this industry requires the attention of the department concerned.



*In General.*—There are many commodities which are suitable for Malabar at present, which are coming from Singapore, which can be grown in Malabar.

*Colombo Copra and Oil.*—Duty on these.

	Beginning Rs.	Then reduced Rs.	Now Rs.
Copra	70—0—0	67—8—0	50
Oil	40—0—0	36—0—0	24

} per ton 20 cwts.

From the above figures you will see that there is a bar on Colombo Copra and Oil and even with this a very big quantity of Copra and Oil is imported into India which is due to the facilities granted by the Ceylon Government to cultivators, which enables them to sell copra and oil cheaper than Indian prices.

Now-a-days while barren countries are bent upon cultivating various kinds of seeds, grains, etc., I am sorry I have to remark that our country, to my mind, is neglected of its existing cultivation, for which the Government should take immediate steps.

Yours sincerely,

(Sd.)

JAIRAM JIVRAJ.

To

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

APPENDIX VI.

G. Srinivasaraghavachariar,  
Retired Deputy Collector

43 Annavasal Street,  
Mannargudi,  
Tanjore District,  
17-1-1935.

Dear Sir,

Your kind favour of the 13th to hand. I am glad to find that you are in general agreement with my views. I would however like to have your detailed and enlightened criticisms of my article.

To be candid, I must say that the co-operative movement has, so far, nothing to its credit both by way of positive and negative good results, unless it be for the revelations of the defects and pitfalls which are to be avoided for a successful working of the movement. As a result of the several mistakes of omission and commission too well known to co-operators for which the Government and the non-official co-operators, in their difference of opinion, have yet to find suitable remedies, the rural credit movement in particular has come to a standstill in many places and becomes discredited in others, even to the extent of scaring away the depositing public. And nothing short of a strong, thorough and intelligent, change of policy on something like the lines already indicated by me can, in my humble opinion, avert the present catastrophe.

As was stated by me already, co-operation, unless it is steadily and intelligently applied to agriculture and industries, can do no good. The working and direction of the movement should therefore be entrusted from the top to the bottom to a single set of officers competent to give advice to the ryot on these matters and also able to catch his ear. I need hardly say that these officers should begin their work anew and with persons, though they may be a few, who have saving capacity but not with those who have no margin of income as was done in the past. For the co-operative movement to yield the fruits which can be expected of it, the state should also reduce its land burdens to make agriculture a paying concern even under the worst conditions and also help the ryot in all possible ways in the direction of finding out suitable subsidiary occupations by means of grants-in-aid where necessary. Co-operation can succeed only under these conditions and I hope you will be able to give a suitable lead to it in the State with which you are now connected, to serve as an example for others to follow. I have no other alternatives to the co-operative movement to suggest.

With the kind regards,

I remain,

Yours sincerely,

G. SRINIVASARAGHAVACHARIAR,  
Retired Deputy Collector.

To

Mr. G. K. Devadhar, Esq., M. A., C. I. E.

APPENDIX VII.

Elaya Raja's Palace,  
Trippunittura,  
18th January 1935.

From

E. Krishna Menon,  
Cashier to H. H. the Elaya Raja of Cochin.

To

The President,  
Servants of India Society.

Sir,

Your letter dated 13th January 1935 was presented to His Highness the Elaya Raja and I am directed to communicate to you His Highness' opinion as follows:—

1. Co-operation is necessary for success in all undertakings and professions, such as agriculture, industry and commerce. As Malabar is chiefly an agricultural country, co-operative societies are to be introduced in rural parts to advance the interests of peasants in the following ways.

2. They should buy paddy and other grains at a low price during the harvest seasons and convert a portion of them into good seeds and keep them ready. They may be sold at a reasonable price or lent at a low interest when they are needed by cultivators especially when their cultivation is damaged by floods or other causes.

3. All tenants are not able to keep draft animals owing to the scarcity of grazing ground in their neighbourhood. So they are forced to hire them on a high payment. This disadvantage may be removed if the societies maintain them and rent them on a low payment; for the societies will be able to keep the animals without loss by purchasing grassy lands in the hilly parts and sending the animals there for feeding purposes and bringing them back when needed by cultivators for ploughing.

4. The ordinary rural cultivators have not even heard of the up-to-date implements used for agricultural purposes in modern times. So, the societies should buy them and lend them to the poor cultivators for various agricultural operations at a nominal rate of interest or rent. By using such improved implements the fertility of the fields will gradually increase and lessen the expenses on tillage.

5. The next fundamental and important thing is manure. Both natural and artificial manures are to be stored and given to the cultivators whenever necessary. By using such manures the produce of the land will considerably increase. Tenants are generally so poor that they may not be able to manure the land in the most scientific way without such help. So far the necessity of the societies is shown in connection with paddy cultivation. The planters of coconuts and other fruits will also require such societies. Now-a-days they borrow money from money lenders at a very high rate of interest to improve

the cultivation of their fruits. So, it will be a great boon for them nay, a real blessing, if the societies lend them money at a low rate of interest.

6. The next business of the society is to fetch the highest price for the produce of the cultivators. Agents are to be employed, on commission basis, to receive the articles of produce and carry them to markets to get the maximum price possible. Then the money realised from the sale is to be given to the tenants taking the freight charge or actual expenses incurred. This process will put a stop to the work of the middle men who buy them at a low price and sell them at a very high price to their benefit.

7. Lastly, the societies are to be very careful in lending money to the poor cultivators and other business people; for many of them are tempted to lead luxurious lives and involve in debt. To remove this evil the societies should not advance money unless they are convinced that it is needed for useful purposes.

With kind regards,

I remain,  
Yours sincerely,  
E. KRISHNA MENON,  
Cashier.

## APPENDIX VIII,

### A Note on Dr. Patel's Report on Cocoanut Industry in India.

1. We have gone through the report of Dr. Patel on the cocoanut enquiry in India. We are glad to see that an attempt has been made to collate the figures of production, exports and imports of cocoanut produce in India. We however feel that the report has been prepared in a hurry and to judge from the figures of our mill which are seriously mis-stated, we feel that there may be other mistakes also. In paragraph 74 a reference is made to the crushing capacity of our mills at Ernakulam; unfortunately however this has not been correctly appraised by Dr. Patel. We have not only two Jurgen Expellers, each having a crushing capacity of 48 tons of copra per day of 24 hours, but a battery of eight Expellers for second crushing in addition to 27 Hydraulic presses. If we can get sufficient copra, the crushing capacity of our mills is nearly 200 tons of copra per day of 24 hours. Similarly we see that the Buyers' and Shippers' Chamber of Karachi have also pointed out Dr. Patel's error in estimating the crushing capacity of the Bombay and Karachi Mills. We would have been glad to give the correct information had we been asked, and in view of our knowledge of the existence of these mistakes, makes us suspect that there may be other mistakes in the gathering of information.

2. We are glad to see that Dr. Patel has endorsed the opinion that we have expressed for several years, that the import duty levied by the Travancore State on the export of copra is a retrograde step and can only benefit a few oil millers of Travancore at the expense of the cocoanut planters. Since the publication of Dr. Patel's report, the Travancore Government have reduced the tariff valuation on copra and cocoanut oil, but the revised duty is still unlikely to help the grower. We hope that your Committee will urge upon the Travancore Government the necessity to remove the export duty on copra altogether at an early date. We have no doubt that the millers of Travancore will offer a strong protest against such a step, but the interest of the masses must prevail over those of a few millers.

3. In our opinion the export of coconuts in enormous quantities from important producing centres for the purpose of edible or culinary consumption is an economic drain. In view of the fall in the copra prices to figures which perhaps do not leave any margin over the cost of nuts, the quantity exported has greatly increased and is partly responsible for the reduction in the supplies of copra for the purpose of milling. From the figures given by Dr. Patel, we estimate that nearly 150 million nuts are exported annually to all over India from important producing centres. As 6,250 nuts yield a ton of copra, it will be seen that nearly 25,000 tons of copra yielding 15,000 tons of oil and 8,000 tons of oil cake are lost to the industry and the extra value of these finished products is lost to the country. In our opinion it would be definitely to the advantage of the country to discourage this export of nuts by every possible means. We would go to the extent of suggesting that a small export duty be levied on exports of nuts in order to discourage a trade which is economically unsatisfactory for several reasons.

4. Dr. Patel does not sufficiently stress the urgent necessity for the Indian millers to install efficient and modern machinery to get the best results. If the Indian oil milling industry is to stand abreast of the times, it is necessary that it should be equipped with machines that will give the most efficient and economic results. Dr. Patel estimates that 62½ per cent of oil can be extracted out of West Coast copra. This estimate, we may point out, can only refer to the "Ghanis" or "Chekkus". With Expellers it is possible to obtain, and we actually do obtain, on an average 65 per cent of oil out of the same copra. In paragraph 86, Dr. Patel estimates that the West Coast oil mills crush on an average about 1,30,000 tons of copra per annum. At 62½ per cent of extraction this quantity of copra will produce about 81,250 tons of oil, whereas were all these mills fitted up with Expellers, the same quantity of copra would have yielded 3,000 tons of oil more which even at the low rate of Rs. 200 per ton means an economic loss to the country to the tune of 6 lakhs of rupees per annum, which cannot be off-set by any small premium which they may get for the cake.

5. Dr. Patel has endorsed our often expressed opinion that the present import duty on copra and cocoanut oil facilitates the import of oil in preference to that of copra. As millers, we of course support Dr. Patel's recommendation that the duty on a ton of copra should not be more than that on 12 cwts. of oil. It may be observed that the price of copra and cocoanut oil always moves in a definite ratio of about 1: 1.5, i. e., the price of cocoanut oil is as a rule 1½ times that of copra. We attach herewith a statement of the average prices of cocoanut oil and copra at Cochin from 1927 and it will be observed that this ratio is regularly maintained within a narrow range of fluctuations. On the other hand the tariff valuations of copra and cocoanut from the year 1927 which are attached herewith bear no such ratio to each other whatsoever and are therefore presumably arrived at arbitrarily. Of course Dr. Patel's recommendation that the duty on 12 cwts. of cocoanut oil should be higher by Rs. 12—12—0 over that on 1 ton of copra would be welcomed by all millers as it would definitely encourage the import of copra in preference to that of oil. It must however be borne in mind that this recommendation is based on the fact that the present freights, from the West Coast ports to Bombay, Karachi, Calcutta and Rangoon are higher than those from Ceylon to Indian ports. If the Indian shipping Companies can be induced to reduce their freights so as to bring them in line with the freights from Ceylon, the difference of Rs. 12—12—0 that Dr. Patel suggests would of course be reduced. We ourselves are however of the opinion that if the tariff valuations on copra and cocoanut oil are fixed on a definite ratio of 1: 1.5 between these two commodities respectively, and that a duty of 20% is fixed for copra and 30% for oil, accordingly, both the Indian milling industry as well as the grower would be protected as it should lead to a substantial reduction in the import of cocoanut oil from Ceylon and at the same time keep the rate of copra constant. This method of assessing duty would be fairer to all the interests concerned in the long run than the one suggested by Dr. Patel.

6. Dr. Patel confirms our belief that there has been deterioration in the yield and quality of the Indian copra due to neglect and overcrowding of the plantations. The number of seedlings per acre on the West Coast varies from 55 to 100 with the result that an Indian cocoanut tree yields 20 nuts per tree whereas in Ceylon (according to the "Survey of Oil Seeds and Vegetable Oils", Vol. II issued by the Imperial Marketing Board), the

number of trees to an acre of land varies between 55 to 65 and yields between 60 to 70 nuts per tree. We are firmly of the opinion that if the existing area under coconut plantations in India is properly cultivated, the trees regularly manured, and the overcrowding of planting is avoided, we should be able to obtain the same yield of nuts as in Ceylon and could therefore make ourselves independent of all foreign supplies of either copra, oil or nuts. To achieve this end it would be necessary for the Government to step in. For the States of Cochin and Travancore this is an urgent question as the prosperity of Malabar is largely due to the coconut products and it would be a suicidal step if no effort is made to continue this prosperity. These Governments can help in various ways, the chief amongst which are:—

1. The imparting of correct information about the type of tree to be planted.
  2. The study of pests and methods of guarding against them.
  3. The necessity for periodical manuring of the trees.
  4. Making available to the plantations cheap supplies of manure.
  5. The desirability of weeding out old trees and replacing them with new trees at regular intervals.
  6. Restricting the number of trees per acre.
  7. Reducing the burden on the planter by reduction of land taxes.
  8. Combining number of small holdings into one economic unit.
  9. Arranging for the marketing of the produce through a central body on a co-operative basis,
  - and 10. Generally helping the planter in getting over his difficulty and improving his plantation.
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APPENDIX IX.

Coimbatore,  
3rd November 1934,

Rao Bahadur T. A. Ramalingam Chettiar,  
B. A., B. L., M. L. C.

Dear Sir,

Sub:—Reserve Bank of India—Organisation of Agricultural Credit  
Department—Memorandum for discussion with Mr. Darling.

Ref:—Your D. O. No. 5373 of 1934, dated 17th September 1934 and  
your D. O. No. A. 5373 of 1934, dated 10th October 1934.

I presume that it is not intended that a long note on the position of the ryot and the various stages and purposes for which he requires help should be submitted and all that you want is the several points which may be discussed with Mr. Darling.

In the first place I would suggest 2 amendments to the Act to meet the present position as regards the credit given by the Co-operative Societies. In this Province the Central Banks finance the Primary societies which directly deal with the ryots. So, the finance required for agricultural credit is to pass through Central Banks. Now these Central Banks are not recognized in the Reserve Bank Act and if they want help they have to apply to the Bank through the Provincial Bank. That means, the Central Banks and the Primary Banks will have to pay about one per cent interest for the services rendered by the Provincial Bank and thereby the rate of interest to the ultimate borrower is enhanced. I believe in the original Bill the Central Banks were also recognized. I would suggest the recognition of the Central Banks, at least those approved by the Local Governments concerned for dealing directly with the Reserve Bank.

2. Section 17 of the Act does not allow the grant of cash credit even to the Provincial Bank for the purpose of keeping fluid resources or for other purposes. The Imperial Bank has been allowing cash credit to the Central Banks and the Provincial Bank. I would suggest an amendment to the Act allowing the grant of cash credit to Central Banks and Provincial Banks by the Reserve Bank.

3. The Central Banks and the Provincial Banks are financing the needs not only of short term credit but also intermediate credit up to 5 years. It is a matter to be considered whether the Reserve Bank cannot help by giving credit for terms longer than those mentioned in Section 17 to the Central Banks and Provincial Banks on proper security.

So far as Land Mortgage Banks are concerned such of the debentures as are guaranteed by the Government can be purchased under Section 17 (8) of the Act. I will only suggest that the Central Land Mortgage Bank may be treated as a Provincial Bank. I recognise that it will have no securities which can be negotiated by the Reserve Bank. But with reference to cash credit which I want the Reserve Bank to give, the Central Land Mortgage Bank may be treated as a Provincial Bank.



The Indian Central Banking Enquiry Committee has examined the demands of the Co-operative organisations in Chapter 9 of its report and has given a summary of facilities given for agricultural credit by Great Britain, some of the dominions and the United States of America in pages 186 to 190.

So far as rural credit in India is concerned the main defect is want of organisation. The agriculturist is very poor and is not able to undertake intensive cultivation. First because he cannot afford it and secondly because the holdings are very small. The yield from agriculture is very poor and the general opinion is that agriculture is not a paying proposition as carried on at present. The ryot has work only for a portion of his time and the remaining time is spent idly. So, the problem is one of augmenting his holding, helping him to carry on agriculture intensively by the use of manure, good cattle and machinery where possible and also helping him to carry on secondary occupations to employ his spare time. In addition to all these there is the question of his indebtedness. It may be said that a very large majority of the ryots are heavily indebted and a fairly large portion of them will not be able to pay their debts even if they sell all their lands in the market. So, first some means of moderating and redeeming the ryot from his old debts is one of the chief factors in the problem of rural uplift. In the several rural centres various attempts are being made to help the ryot to adopt improved methods of cultivation and find subsidiary occupations for his spare time and also to help in the marketing of his produce. It cannot be said that a satisfactory solution has been found for the difficulties above-mentioned and that in any place the ryot has been placed in a satisfactory position.

In addition to these, there is the question of the marketing of the agricultural produce and other productions of the country side. It is well known that the handloom weavers in the country parts are in a very poor way and their chief difficulty is marketing. Even for fruits, vegetables, eggs, eri silk cocoons and such other produce there are no facilities for marketing. Under section 54 of the Act the agricultural credit department of the Reserve Bank may undertake a study of these needs and see at what stage credit is required and try to meet it.

I would suggest the Bank undertakes to have a number of Marketing Officers for helping in the marketing of agricultural produce and also for organising the sale of rural handicraft productions.

As under the Act the Bank can only deal with short term credit, I recognise that it will not be possible to meet all the needs. But if an agency is created to study the question and suggest methods of helping, other agencies may be utilised or created to help where the Reserve Bank cannot.

There will be one difficulty felt in the working of Section 17 (4) (d) of the Act as related to the Co-operative Societies. The Loan and Sale Societies (marketing societies) may have produce pledged to them and in their custody. I do not know whether such goods will be covered by the clause. It will be necessary to bring into existence warehouses which will take goods and issue documents of title. It will no doubt be difficult to develop this very much as the factories and commission agents who are dealing in ryots' goods do not charge anything by way of rent or charge only a nominal amount. The warehouses which have to charge for keeping goods in custody and for insuring the goods will not be popular. In the Tirupur Trading Society which is a Co-operative Society mainly for sale of cotton, one of the constant complaints is that the society charges rent and insurance fee whereas, the commission agent does not.

As to the legislation needed for the relief of agricultural debt, I consider that a compulsory conciliation of the debts is necessary if even a fair proportion of the ryots are to be saved. I have myself brought a Bill in the Local Legislative Council providing for the constitution of boards for voluntary conciliation and it is being long delayed and I am not sure that the Government will allow it to be passed. On account of the depression the ryot is not able to meet his demands of interest, not to speak of the principal. The result is a crop of suits and insolvency proceedings and sale of agricultural holdings everywhere. Some Governments have undertaken legislation to fix the maximum rate of interest and the aggregate amount that can be collected by way of interest. In some places, execution of decrees so far as agricultural lands are concerned are put off. In Cochin recently a proposal has been made that the State will intervene and issue debentures in lieu of agricultural debts and have the debt paid in instalments. This will be an excellent arrangement if it can be undertaken.

A suggestion was made in Berar that each ryot should be assured of a minimum holding and only what he has extra should be sold for his debts. This seems attractive provided the ryot can start afresh with a clean slate and financial help necessary for his agricultural needs is given.

Yours sincerely,

APPENDIX X.

Rao Bahadur T. V. Kasturi Ranga Ayyar  
(Retired Diwan Peishkar and Acting Diwan of Cochin).

"Krishnadas Nivas"  
Thiruvambadi,  
18th February 1935.

Dear Mr. Devadhar,

Thank you for your letters of the 1st and 5th insts.

2. I have already expressed to you in the course of our conversation the other day, my views in general as to the lines on which the Co-operative Movement should develop in the State. I do not therefore propose to inflict a long letter on you, as you have already plenty of literature on the subject.

3. I am afraid that in this State, as indeed in other parts of India, too much attention has been paid to the development of the credit side of the Movement. I think that, hereafter, we should pay more attention to what is known as "Constructive Co-operation" or organisation of societies for production and distribution. We should have a network of societies functioning throughout the country to develop our Agricultural and Industrial resources. The function of credit societies should merely be to cater to the financial requirements of those organised for production and distribution. The work requires the concentrated activities of an enthusiastic Head of a Department assisted by a capable band of non-official co-operators. You may suggest to the Government the appointment of a trained and experienced officer to succeed the present incumbent as Registrar of Co-operative Societies.

4. Now, coming to the points specified by you in your letter, I may say at once that an Advisory Board of the type suggested by you may be of some use. But our present Heads of Departments have very little knowledge of the details of the Co-operative Movement. Each moves within his own normal sphere of work, and I doubt very much whether any of them will find time to take an intelligent interest in the Co-operative Movement. I consider that the time has come for the establishment of Land Mortgage Banks. Debt Conciliation Boards, started on a voluntary basis, will, no doubt facilitate much the operations of the Land Mortgage Banks. Both should be treated as parts of one scheme.

Hope you are enjoying good health and with kind regards,

I remain,

Yours sincerely,

(Sd.)

T. V. KASTURI RANGA AYYAR.

G. K. Devadhar Esq., M. A., C. I. E.

(President, Servants of India Society, Poona),

President,

Cochin Co-operative Enquiry Committee,

TRICHUR.

P. S.

Apparently the enclosed paper has been despatched to me by mistake. I, therefore, return it.

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APPENDIX XI.

P. J. H. Stent Esq., I. C. S.,  
Commissioner,

Nagpur Division,  
Nagpur C. P.

D. O. No. 144.

Nagpur,  
25th February 1935.

Dear Mr. Devadhar,

Many thanks for your letter of the 11th February. The Board whose working I suggested your studying was that at Seoni which has been working now for some time with considerable success. It is true that a new Debt Conciliation Board is to be established at Multai in Betul district, but the personnel of the Board has not yet been decided and I fear there will be nothing for you to see if you visit Betul about the middle of March. It is intended that the new Board should start work about then. What I would advise again is a visit to Seoni, where Rao Saheb Chandorkar, the Chairman, will, I am sure, be glad to give you any information you require. I enclose a copy of the Government's last printed review on the working of the Debt Conciliation Boards. The next review will probably be published in June or July.

Yours sincerely,

(Sd.)

P. J. H. STENT Esq., I. C. S.,

Commissioner,  
Nagpur Division,  
Nagpur.

To

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

## GOVERNMENT OF THE CENTRAL PROVINCES.

### Revenue Department.

#### REVIEW.

The Debt Conciliation Act was passed in January 1933. It was decided to begin with two boards only in areas where indebtedness was heavy and the chances of settlement were favourable. One board was accordingly established at Khurai in the Saugor district on the 3rd July 1933, and the other at Seoni for the Seoni and Lakhnadon tahsils of the Chhindwara district on the 21st July 1933. Later a third board was established at Balaghat on the 15th February 1934, and a fourth has recently been started at Narsinghpur. Two boards have also started work in Berar this month, one at Mehkar in the Buldana district and the other at Pandharkaoda in the Yeotmal district.

2. It is too early to form any opinion on the working of the last four boards but Government has read with interest the reports for the period ending the 31st March 1934, submitted by the chairmen of the Khurai and Seoni boards. The suggestions made by them for improving the law and procedure are being considered separately and orders will be passed in due course. A brief review summarizing the progress made by the two boards is, however, published for general information.

3. *Khurai Board.*—The board worked for 192 days. The number of applications received was 1,970, involving debts amounting to Rs. 23,82,600. Of these, 178 applications, involving Rs. 1,56,800, were dismissed under section 7 (1) of the Act either in default of the applicants or for non-payment of process-fees or for other minor reasons. 265 applications involving Rs. 3,90,500 were also dismissed under section 14, as no settlement could be arrived at with the creditors. Certificates under section 15 (1) declaring that the creditors had unreasonably refused amicable settlement were issued in 208 cases, involving claims amounting to Rs. 4,08,255. Agreements under section 12 (1) were executed in 498 cases for debts aggregating Rs. 4,40,579. The latter were conciliated for a sum of Rs. 2,39,711, which works out to 54.5 per cent of the demand. 1,042 cases involving Rs. 13,80,000 were pending on the 31st March 1934. Many fresh applications are not now expected. In the settlements of this board the principal has generally been allowed and reduction made in the interest. An instalment does not generally exceed the annual rent paid by the debtor and the total number of instalments does not exceed twenty.

4. *Seoni Board.*—This board worked for 167 days. The number of applications presented was 1,402, involving debts to the amount of Rs. 18,94,700. Of these, 69 applications, involving Rs. 3,18,500, were dismissed under section 7 (1), and 27, involving Rs. 72,800, under section 14. Certificates under section 15 (1) were issued in respect of Rs. 42,800 in 29 cases. Agreements were executed in 317 cases for debts amounting to Rs. 3,59,400. The latter were conciliated for Rs. 2,34,600 or 65 per cent. It is interesting to note that a number of the cases conciliated by this board included mortgage or decretal claims. 989 cases, involving Rs. 11,80,500, were pending at the close of the period under review. There has been a falling off in the number of fresh applications. Easy instalments have been fixed, and, except in a few cases, no interest is to be paid.

5. The boards have not been at work long enough to enable Government to arrive at definite conclusions as to the value of the Act in its present form. It still remains to be seen how the instalments fixed are paid up by debtors and what reactions will follow on the grant of fresh credit to those who have entered into agreements. It has been found, however, that creditors are in many cases apathetic, particularly those whose debts are secured, and who can afford, therefore, to refuse to listen to any compromise. A large number of debtors in the Kburai area is reported to have refrained from applying, owing partly to the impression that the board with its limited powers would be unable to help them effectively and partly to fear of retaliation by creditors and the stoppage of further credit. It has accordingly been suggested in some quarters that no distinction should be made between secured and unsecured debts and that the voluntary principle on which the Act is based should be replaced by one introducing an element of compulsion. Government is not yet prepared to abandon the voluntary principle after so short a trial and would prefer to gain further experience before taking action in this direction.

6. The Governor-in-Council takes this opportunity of recording his gratitude to the non official members of the two boards for the ungrudging way in which they have given their time and energy to this work at considerable personal sacrifice. Government also has noted with appreciation the prompt and efficient manner in which the chairmen, Raj Sahib Thakur Chattra Singh and Rao Sahib N. R. Chandorkar, have conducted the proceedings of the boards.

R. N. BANERJEE,

*Revenue Secretary to Government,  
Central Provinces.*

Nagpur,  
The 23rd June 1934.

## APPENDIX XII.

### Rao Sahib C. Matthal.

When I was asked by Mr. I. N. Menon to preside at this public meeting in connection with the annual conference of our Industrial teachers, I gladly accepted the invitation that was so kindly extended to me, not because I possessed the necessary technical knowledge to speak with any authority on questions relating to industrial education, but simply because of the interest I took in this department of educational activity during my tenure as Head of the Department, and the importance that I ascribe to the development of Industrial education in the State as an essential factor in promoting the material well-being of our people. I remember this conference was instituted in my time about seven years ago, and I am gratified to find that it has been continued with unabated enthusiasm providing a much-needed stimulus to our Industrial teachers and a means of rousing public interest in matters connected with industrial education.

The first Industrial school in the State was opened, if I remember right, during the time of the late Mr. Pope, when he was engaged in reorganising the department in the capacity of Special Educational Officer. A separate Industrial Department was created afterwards and the Industrial schools were transferred to that Department. Considerable development and consolidation of work were effected when Mr. Krishna Pisharodi was Superintendent of Industries. When he was later appointed as Comptroller of Accounts, the post of Superintendent of Industries was temporarily abolished as a measure of retrenchment and the Industrial schools came back to the Educational Department when I was the Head of it. Within the limited resources of the department and with the more limited capacity of a layman like myself to deal with industrial problems I tried to do what I could to encourage industrial education, but I had always felt how inadequate was the attention paid by the State to the progress of Industrial education and to the development of Industries in general.

In the matter of Industrial and technical education we have only made a modest beginning, and much of the work was of an experimental nature to be revised in the light of later experience. The only institution that we have as yet which may be said to provide anything in the way of technical education is the Government Trades School where we are now assembled. But the main part of its work is training in rural industries and nearly all our other Industrial schools are of the rural type and are located in villages. Our immediate aim in establishing these schools and later in introducing handicrafts into the curriculum of our literary schools, was not so much to produce skilled artisans as to give an industrial and vocational bias which might act as a corrective of the purely literary character of the instruction that was being imparted in our ordinary schools. It would be a great achievement if by the moulding of our educational system we could remove from the minds of our people the deep-rooted but absurd notion that manual occupation is a debasing thing and that dignified starvation is more respectable than earning an honest livelihood by manual work. I do not know if any country has suffered, as India has, by this prevailing prejudice against manual occupations. We should give ample facilities for handwork in all our schools, and our boys and girls should take as much pride in

manual skill and the ability to turn out useful and beautiful things with their hands as they now do in literary excellence.

We have achieved a gratifying measure of success in spreading literacy among our people and it is now incumbent on the State to divert the attention of the great bulk of the pupils that pass through our schools to agricultural and industrial pursuits whereby they may be enabled to earn their livelihood and the economic condition of our villages improved. The problem is a very complex one and has to be approached from many sides after a careful study of local conditions. The teaching of industrial subjects in schools does not necessarily promote industrial employment. A large proportion of the young people trained in our Industrial schools are seen to make little use of the training they have received at the expense of the State. The trained student may be ever so anxious to practice his art but he finds he is unable to set up for himself and there is no organisation in the village which can utilise his trained skill and give him a living wage in return. The labour payment system of our Industrial schools was devised as a partial solution of this problem. The school canvassed for outside orders in order to provide work for the students who had passed out and who could not secure employment through their own exertions. The school had to come to their help and keep them employed as paid apprentices until they were able to shift for themselves. But however well-intentioned the school authorities might be and solicitous about the welfare of their past students there is a limit to the extent of help they could provide in this manner. In western countries the Co-operative movement has been largely instrumental in the development of village industries on a basis of self-help. But with us the movement has not yet reached that stage. And vigorous propaganda is needed to bring home to the village artisan and agriculturist the potentialities of co-operation in supplying him with cheap capital for the purchase of raw materials and tools, in effecting the sale of his products on advantageous terms, and in helping him to tide over difficult times. The teachers of our State play a conspicuous part in the management of our Co-operative Societies and they will be rendering a great service to our village population by enlarging the scope of usefulness of these societies. I remember we started Co-operative Societies in our schools and gave special training in Co-operation to a number of our teachers in order to instil the principles of Co-operation in the minds of the pupils and to familiarise them with its methods of work.

It is sad to think of the languishing condition of some of the finest of our indigenous industries, such as Grass-mat and Bell-metal, which have evoked the admiration of outsiders by the artistic skill and excellence of workmanship which they display and yet these men live in a chronic state of poverty and debt hardly able to earn a bare livelihood. Of the various industries taught in our industrial schools hand-weaving is for obvious reasons the most popular and the best appreciated. Owing to the universal demand for wearing apparel there is no difficulty for the sale of the woven fabrics. Weaving including spinning, is the best suited for a home industry and can be pursued by men as well as by women. By putting up one or two looms in the house the members of the household can turn to profit the time that they can spare from their ordinary duties. It can provide occupation for agriculturists during their slack seasons so as to serve as a means of supplementing their income, or at any rate they could save part of the money they would otherwise have to spend on clothing. Mat-making is another suitable home industry for poor people. In and about Cranganur, for instance, I often



noticed the poorer classes and especially women taking to the market coarse mats woven by them at home out of screwpine grown in their compounds which they could readily convert into money for purchasing their necessities at the market. If some of our Rural Industrial schools would take up this industry it might be possible to improve it so as to produce mats of a finer quality. I remember deputing Mr. Swaminathan, our present Industrial Inspector to study the refining process in Travancore and after his return he was able to produce some fine specimens out of local screwpine. Crude articles of various kinds are similarly made in many parts of our State from materials like cocoanut fibre, palm leaves, bamboo, and reeds, which are available in abundance. In fact we have a wealth and variety of raw materials in our plains and in our forests for all kinds of cottage Industries. The Convent at Ollur has demonstrated the possibility of silk-rearing and weaving through the enthusiasm and originality of Rev. Fr. Cruz. Bee-keeping is another home industry which has been successfully introduced in our State by Mr. Manalar who was trained at the Y. M. C. A. Rural centres at Marthandom in South Travancore and Ramanathapuram in Coimbatore. I visited both these centres and found that much useful work was being carried on for the improvement of rural industries and for bettering the conditions of Village life. I suggested to the Y. M. C. A. authorities the opening of a similar centre in our State and I daresay they would be glad to do so if they could expect the same support from our Government as they receive now at their other centres of work.

The campaign that Mahatma Gandhi is now inaugurating will no doubt give a powerful impetus to the improvement of village Industries throughout the country. We have paved the way to a certain extent by means of our Rural Industrial schools, by the spread of mass education, and in other ways; so that the conditions are favourable in our State for an onward stride. It should provide a wide field of useful work to some of our educated young men whose un-employment is one of the menacing problems of the day. We have been hearing of educated young men being employed as village guides in Pudukottah, and recently of an attempt on an extensive scale made by a provincial Government in North India for inducing educated young men to take to Industrial avocations. But I have no knowledge of how far these experiments have been successful. I hope our Government and our public men will be prepared to give the necessary lead in a matter that so vitally concerns the general well-being of our State. It is work that may not be attended with glamour but there is no sphere of activity where our men could render greater genuine service to the country. It is often urged against the encouragement of rural industries that they are bound to be displaced by the introduction of large-scale machinery. Even if such a change be inevitable it must take a long time in a country like India; and in the meantime, we have to adjust our economy in relation to existing conditions and tackle the problem of poverty and un-employment that is staring us in the face. Future adjustments necessitated by changing conditions may well be left to posterity. "Sufficient unto the day is the evil thereof". Even in western countries it is now being recognised that the drift of population from the country side to congested urban areas as a result of the large-scale employment of machinery and the centralisation of industrial activities in cities has been productive of many evils, and the cry of "back to the villages" is raised in responsible quarters. We may well pause and deliberate as to the wisdom of allowing the labour conditions of the west to be reproduced in our country. Such factors as the cheapening of electric power and increased facilities of

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communication and transport lend themselves to the development of the country side by the improvement of village industries and the opening of new avenues of work for the village population. By these means also the products of village labour could be more easily conveyed to their markets and better amenities of life provided for the country side.

### APPENDIX XIII.

Government Trades School,  
Trichur,  
31st January 1935.

Dear Sir,

With reference to your letter dated 27th January 1935, I wish to state that I have no objection to your including my small note on 'Artisan Societies' in your appendices to your report, if you think it a presentable one.

My omission of any reference to small co-operative societies attached to Industrial Schools, does not mean that they do not find a place 'in any scheme of an industrial School of the modern times'. The general lines of organisation suggested in that note on 'Artisan Societies', would, I suppose, serve the purposes of ex-students of industrial schools also.

The main defects of the kind of industrial schools they are getting corrected gradually—we are having here and elsewhere are, it seems to me, to be the following :—

- (1) There is no reasonable assurance that after the pupils complete their course they will find appropriate employment. The occupational accommodation available in a locality or localities, has never been taken into consideration in the scheme of such schools.
- (2) The primary aim of such schools, as I conceive it—the provision for scientific training, in better methods and patterns and in the use of up-to-date tools and appliances, to the artisans who are following their hereditary occupations and also for training them to better organise themselves so that they may improve their earning capacity has not succeeded so well as it should. As a result very few hereditary artisans who are following the trades, seek admission into these schools. The ex-students of these schools find themselves in competition with artisans, who though not scientifically trained in modern methods, at least have acquired experience by constant practice.

These defects are more noticeable in trades like, carpentry, smithy, etc., where skill is acquired and perfected by constant practice and graduated exercises, than in other trades like weaving, for example, where skill is easily obtainable. In these latter success depends more upon commercial considerations of marketing, etc., as the products are in direct competition with cheap machine-made goods. The point I wish to emphasise is, that organisations of indifferent workmen, working under Government patronage and encouragement can do more harm than good to the trades concerned.

In these circumstances, I may suggest the following as guiding considerations in the organisation of co-operative societies of ex-students attached to Industrial schools :—

1. In the first instance societies may be organised of trades like weaving where commercial considerations are more important than manual skill.

2. Societies of other trades like carpentry, etc., if organised may not restrict themselves to ex-students. Their membership may be so extended as to include artisans in general.
3. All such societies of ex-students may be organised as a separate institution independent of the schools. But the schools may keep a careful watch on them and supervise their work giving them all necessary help and guidance.
4. In the G. T. School, Trichur there is a system of Provident Fund which finds to the students who leave the school after a full course of training, an amount equal to between forty and fifty rupees, which can be their initial capital. In the other industrial schools there is no system like this and they may have to find their capital by other means.

In other matters the points raised in my general note on artisan societies, will, I hope, be useful to these societies also.

I am sorry in my haste, I could not enlarge upon the points touched upon. This may be used for your personal information. If there is time and if you so desire I can meet you to further explain the note.

Yours sincerely,

(Sd.)

Superintendent,

To

G. K. Devadhar Esquire, M. A., C. I. E.

## APPENDIX XIV.

### A Note.

#### *On Artisan Societies.*

(By V. K. Achyuta Menon, M. A., B. Com., Trichur).

The artisans as a class are illiterate. They are following an individualistic and selfish policy. They have no independence and self-reliance. Mutual distrust is their trade policy. In their struggle for existence, cut-throat competition is the order. They have no faith in the public and the public have no confidence in them. Let an artisan put on the market for sale an article of indisputable quality, and as sure as anything, the purchasing public would not believe him and the poor worker will have to be satisfied with whatever he would get. Sell he must, no matter what the price is. In these circumstances, he is compelled to adjust the quality of the ware to suit the price which he can anticipate from the public. As a result the quality of the cottage industries' products has been deteriorating, and this process has reached a stage when no reliance could be placed on the wares the artisans vend. The picture is gloomy, but it is not hopeless. If they could be convinced of 'fair' returns for their work, things can be made to improve. This 'convincing,' however, is not easy. To get them out of this morass of disorganisation, careful handling of the situation is necessary.

Non-credit Artisan Societies point a way out of this difficulty. Co-operative societies are business propositions; but philanthropic considerations also find a large place in them, at least in this stage of their development in the State. A happy co-ordination of 'business' and 'philanthropy' is, as I conceive it, the problem of non-credit societies here. The artisans cannot be left to themselves, or, they can only fail. This is a stage in the organisation of these societies, when they have to be guided by 'outside sympathisers.' Co-operative mentality has not yet taken root among even the educated public of Cochin. And, I believe, that, for some time to come, the conduct of these societies must be under strict Government control. And here Government cannot be over-careful in the matter of the selection of the person entrusted with the work of supervision. To a great extent success may be said to depend upon the honesty of purpose and ability of this person.

Keeping in view these general observations, I suggest the organisation of two or three model societies in different localities and of artisans belonging to different trades. They have to be considered as experimental societies and their success or failure will have an immediate effect on the development of artisan societies in general.

1. I have suggested Government supervision since that is the best authority to instil confidence among the public and among the artisans themselves.

The managing committee is to be elected from among the members. Government control is to take the form of advising the committee to arrive at workable resolution, the person controlling having, however, power to assert himself when he thinks it in the

best interest of the society. From my small experience, I may state, that this is not very difficult of achievement.

3. There must be a paid secretary. If one could be had from among the members that will be an ideal situation. But it may not be possible and an outsider will have to be engaged for the purpose. He is to attend to the routine work of the society, such as the writing up of the accounts, purchasing of raw materials, etc. At the same time he must initiate the members of the society to such work so that they may become independent of outsiders in course of time.
4. Members of the society, workmen in fact, have to be paid a minimum daily wage.
5. There must be wholesale purchase of raw materials, which only can help to reduce the cost of production.
6. The question of capital is always difficult with these societies, and until they establish credit. Government have to advance capital up to a certain limit or guarantee advances made by other institutions. If this involves in small losses, it will be no real loss to Government, since whatever is lost is for the improvement of the industries of the State and the economic well-being of the poor artisans.
7. It has to be the constant care of the society to see that the articles going out with the society's seal, are of the best quality. That is the surest way to create confidence and increase sales.
8. As far as it is within their power Government must encourage and patronise the articles made by these societies.
9. In the early days of these societies, the profits they make may not be sufficient for the payment to be made to the secretary. In such cases Government will have to find the amount.
10. Canvassing of orders and their timely execution, their marketing, etc., are all details into which I may not enter at present. But these are matters where the secretary has to show his ability.

## APPENDIX XV.

### Note by Pandit K. P. Karuppan.

Respected Sir,

About 26 years back, i. e., in 1909 A. D. the social atmosphere of the Depressed Classes was so clouded that it was deprived of any light. May I draw your kind attention to the Group Photo recently taken along with you at the Abalasaranam Industrial School, Ernakulam, and there you can see behind you a few of the well-dressed depressed class ladies of that Institution. Till 1909, nobody could have dreamt of seeing a single lady from the Depressed Classes in so decent a dress. You know personally Mr. K. P. Vallon who is the representative of the Depressed Classes in the Cochin Legislative Council. Does he not seem to be a modern Keraleya in his dress and manners? If you had the opportunity to visit Cochin a decade back, I am sure you would not have seen a similar well-dressed gentleman from that community. Such being the conditions in Cochin, you can better imagine the state of things that existed elsewhere in Kerala.

Till 1909, not a single boy from the Depressed Classes was studying in any of the Educational Institutions of the State. As regards their dress, the males wore a small piece of cloth which seldom extended below their knees and were worn until they fell to pieces. The females, as a whole, were half-naked. In certain parts the females used to wear even grass instead of ordinary clothes.

Only one or two individuals, as far as I could know, possessed real houses worth the name. Most of them had their habitations in 'madams', in the close vicinity of the fields. The floor is slightly raised and is generally damp in the rainy seasons.

They were denied the right of walking through public roads. The evils existing in the name of caste were numerous. The Nairs were oppressed by the Nambudiries and the Nambudiries and Nairs combined together to oppress the minor communities, namely the Thiyas, the Arayas, etc., who are backward in education and all these communities, in turn, oppressed the Depressed Classes. A Pulaya has to keep up a distance of 64 feet from a high caste Hindu. Even now, there are many orthodox people in Kerala who are desirous of continuing this convention. I doubt very much whether there was a single individual who, at one time or other, had not suffered the insults or mental degradations at the expense of the caste system. I myself had written a series of articles in the paper 'Sahodaran' describing the various difficulties and hardships I had to undergo as a low-born Hindu. If you happen to read those articles, you will be moved to tears out of pity and compassion. Under such circumstances, you can think of the pathetic situation of the Depressed Classes.

If questioned about the welfare, a Pulaya might readily answer that he was the serf of a certain 'jenmi'. More pathetic and terrible were the conditions of the Pulayas, decades back. They were bound to the soil. They were included among cattles and other movable properties of the house. You may be surprised to hear that they were sold in auction for one or one and a half rupees per head. In decree of an attachment from the Court, they were

also taken along with other movable properties. Comparative instances had only been heard of as the atrocities committed against the negroes of South Africa.

### The Cochin Pulaya Mahajana Sabha.

In 1909 an organisation of the Pulayas of the State was started under the name of the 'Cochin Pulaya Mahajana Sabha'. The Pulayas alone constituted three-fourth of the population of the Depressed Classes which exceeded a lakh. The remaining portion comprised various communities namely, the Vettuvan, Ulladans, Parayans, Nayadies, Kadans and Malayans. The Pulaya Mahajana Sabha was started for their upliftment since they formed the majority of the Depressed Classes. The ideas which prompted me to begin this organisation were manifold. I have already mentioned the fact that I am born in one of the oppressed communities of the State. The difficulties and hardships I had to undergo in the name of caste were the prime factors that tempted me for this organisation. After attaining a moderate knowledge in Sanskrit, Malayalam and Logic, I used to spend my time in delivering lectures at the communal gatherings of my own men. I never had the opportunity to listen to any of the public speeches but had only read of them in the Journals. I made my first speech in my 18th year before a well-attended meeting of my own community. But it was in my 24th year that the Pulaya Mahajana Sabha was organised. Then I had only a short experience of conducting meetings. While I was longing for an organisation, some Pulayas came to me at my lodge which was located on the southern side of the St. Teresa's Convent and on the northern bank of the canal crossing the Broadway. I was then the Malayalam Pandit of the Convent High School. They belonged to Mulavukad, the small island north of Bolghatty and lying west of Pachalam Vala Colony which you have recently visited. Mulavukad is a strong Pulaya centre which had the fortune to send the two representatives to the Legislative Council; Mr. Chanchan, the Ex-M. L. C., and Mr. Vallon, the present member whom you know personally. Mr. Krishnady was the prominent man among those who had approached me. They respectfully informed me that they had purposely come to adopt me as their 'guru' (teacher). As requested I composed for them a few songs and verses and asked them to come for a second time. It was their appreciation for my first work "Jathikkummy"—a small book dealing with the disabilities of the caste system, namely, untouchability and unapproachability based upon Sankaracharya's 'Maneesapanjakam' that prompted them to select me as their guru. The then circumstances were even against my desire of entertaining them at my house. Now we have no objection for inter-dining and there have been occasions when myself and Mr. Vallon took dinner at one and the same table. More than that, boys and girls from the depressed classes are engaged for preparing our meals. The Pulayas had not the privilege to walk through public roads and to appear in the market and bazaar. Mr. Krishnady and his friends had come to realise the magnitude of their disabilities, while the others were entirely ignorant of the fact. Their self-respect, little or limited it may be, gave me a spark of hope to start my scheme of amelioration. On the second time, when they came, I discussed with them about the starting of an association in order to improve their literacy and for ascertaining their right of free movement. You may doubt why I did not suggest them to organise co-operative societies for their economic improvement. Well, the answer is, the movement had not come into the notice of the Government and there is no wonder why I had not the least knowledge about the same.



### The first Pulaya Mahajana Sabha.

The first General Meeting of the Cochin Pulaya Mahajana Sabha was held in April 1914, in the premises of the St. Albert's High School, Ernakulam. All the arrangements for the meetings were personally made by me. Rev. Fr. Dominic, the then Manager of the School, rendered me every possible help. Mr. T. K. Krishna Menon, B. A., a prominent figure in the social and literary fields, presided over the function. Most of the citizens were invited to the function but only a very few had the good mentality to attend the same. As a result of the incessant and strenuous work of Mr. Krishnady and his followers, there was a gathering of more than 1,500 Pulayas representing the various centres of the State. The meeting was a splendid success. I recollected the words of Bharthruhari "അമ്മേയ്ക്കു ചെറുതാലോ" when I observed the huge audience attending to the various instructive lectures. It was on this date that the constitution of the Pulaya Mahajana Sabha was framed.

This association of the Pulayas had its own sequences among the high caste Hindus. The up-roar levelled against this was more surprising than the rumour spread on the day succeeding the earthquake of 1894. People began to misconstrue this in their own characteristic ways. The educated and conservative high caste Hindus wondered how these poor illiterate Pulayas and through whose instrument had organised themselves into such an association. Not even in the bazaar, market and in the public roads, but wherever a few people happened to meet together, the Pulaya Sabha formed their topic of conversation. The caste Hindus were perplexed at the idea that they could not proceed through the roads without being polluted by the Pulayas who might, thereafter, dare to walk. The Jenmis were anxious whether the Pulayas would be available to work in their fields and parambas. The older section of the caste Hindus expressed among themselves that all these were the characteristics of the Kali-yuga as has been dealt with in the Bhavishyal purana.

### The Second Pulaya Mahajana Sabha.

The second General Meeting was held in the premises of the same school six months after the first meeting. The audience exceeded 2,000 in number. As the school hall was not sufficiently large to contain such a big gathering, we were forced to conduct the meeting in the open air within the school compound itself. But for the few incidents that happened just before the meeting, the function would have been a complete success. More irritating and annoying were the mischiefs committed by certain orthodox idle vagrants against the Pulaya Samaj and they began an earnest propaganda in order to prevent the Pulayas from attending the function. Standing along the way, a set of young men from the caste Hindus, with their characteristic dexterity, made them believe that the meeting was contrived for transporting them wholesale to foreign countries like the Andamans where they were to be sold as slaves. Certain others frightened the innocent Pulayas by saying that arrangements were proceeding to levy a new tax upon their working implements. Still others impressed them that a new tax called the 'Poll Tax' would be levied upon those who had assembled there; while another set told them that they were to be shipped to distant parts to serve in the army. These false interpretations were more than sufficient to make many of them return without participating in the function. Where these attempts proved futile, they even resorted to physical force.

In this connection the names of certain high caste Hindus and members of other religions who had rendered valuable help towards the success of the meeting are worth mentioning.

By the lapse of time, the threatenings and misinterpretations of the orthodox caste Hindus against the Pulaya organisation proved ineffective. The Pulayas themselves could realise the evil motives. Subsequently several meetings were held at various places in the southern taluks of the State and instructive lectures adapted for their progress and welfare were imparted on those occasions.

#### The Pulayas and their conversion.

You may not have the least doubt that I am making any references against any religion in particular; but the fact is that I am relating my own experiences. At the early stages of the Pulaya Mahajana Sabha, there happened to hold a meeting of the Pulayas at Narakkal at the instance of Mr. Peter, B. A., L. T., who was the Head-master of the local High School. Similar meetings were conducted at Trippunittura and Amballur. Illustrious persons like Rao Bahadur T. V. Kasturi Ranga Ayyar and Sree Narayana Chandra Varkar respectively presided over the functions. Mr. Peter very soon turned to be a missionary and he took active part in converting a large number of Pulayas from the villages of Amballur, Trippunittura and Edakkattu-Vayal. This caused to excite misconception among the Pulayas concerning the objects and motives of their Samaj.

The conversion had its own benefits. The adoption of a new name under conversion was accompanied by a fresh spirit and vitality in the person. As Chathan is changed to John, and Cheethankan to Charley, the very name regains an automatic mental strength. The difference in the social status among the various religionists like Christians and Muhammadans is attributed to this change of mental attitude. The unimpaired right of walking through public roads is the immediate advantage of the Converts. Perhaps you may have heard about the 'Sathyagraha Campaign' at Vaikom. The movement was started not to ascertain the right of temple-entry for the backward classes or for the Harijans but it was intended for the privilege of walking through the public road within the close proximity of the temple. The Campaign caused lakhs of rupees and the constant efforts of hundreds of volunteers. And even Mahatmaji had to visit the scene of action. All these were for the fundamental and elementary right of walking through the roads where even the menial animals could pass unobstructed. Without any of these difficulties conversion ascertained for them this privilege. Conversion, for certain, enabled them to enjoy the advantages of obtaining employments and contracts on easy terms.

Had it not been for the aversion conceived by the elder sect towards the new Converts, there would have been mass conversions in these parts. In spite of the benefits and advantages conversion had its own evils also. The new Converts could not expect to enjoy an equal social status. It is our ardent hope that the caste system may disappear, even before the extinction of the difference in mentality regarding the nobility of birth and rank among the members of other religions.

A few years later, Mr. Krishnady and his associates who were the promoters of the Pulaya Samaj, became Converts to Christianity and they enjoyed every right of a free citizen. They had free access even to the palace at

Trippunittura and similar other places where we cannot boast to enter. I take this opportunity to state that there are Princes in our Royal family who are so generous and magnanimous to allow the same equal social status to their subjects irrespective of caste. After the shifting of the residence of His Highness the Maharaja to the Hill Palace, every subject is allowed to enter into the palace and appear before the Maharaja. They are not in any way responsible for the prevalence of this system. The priestly class alone can get rid of this conventional system. As the rulers are bound to respect the integrity of the priestly class in religious matters, they follow a neutral attitude.

The reasons for the retardation of the activities of the Pulaya Mahajana Sabha:—

The Mahasabha was started at the time when I was a Malayalam Pandit in the St. Teresa's Convent High School. My transfer to Trichur and the conversion of Mr. Krishnady, retarded the activities of the Samaj. Mr. P.C. Chanchan and Mr. K. P. Vallon, M. L. C., were then very young. But now, with their hearty co-operation and earnest assistance we are trying to revive the institution.

#### The achievements of the Sabha.

##### 1. Freedom of walking through public roads:—

At the initial stages of the Sabha, resolutions were passed and sent to the Gracious Maharaja requesting to grant them the privilege of walking through public roads. His Highness was gracious enough to issue an open declaration to the same effect except in those roads which passed through the proximity of palaces and residence of Nambudiries.

##### 2. Depressed Class people were given admission to the Schools.

3. A fresh vigour and spirit among the Depressed Class population was originated through the Sabha.

It is not an exaggeration when I relate the existence of numerous disabilities among the Depressed Classes, in the name of caste. Lapse of time alone cannot remove them. Forcible attacks on those conventions are necessary. Then and then only we can relieve ourselves from the yoke of these evils. Rao Bahadur Guna Pai, B. A., B. L., an efficient lawyer of the Bar, related to me in the course of the conversation the other day, certain experiences he had, at the commencement of his practice. He had actually seen at the Magistrate's Court, Depressed Class witnesses being examined under trees, away from the Court, without allowing them to enter into the Court. He had also the misfortune to see Pulayas beaten to death for polluting the caste Hindus on the way.

In 1927 our Government organised a separate department for the upliftment of the Depressed Classes; and I was appointed as the Assistant to the Protector, under the Director of Public Instruction who was the Ex-officio Protector. Mr. C. Matthai was then holding the office of the Director. I was deputed to the new post from the educational service. My lectures in the first Legislative Council regarding the amelioration of the Depressed Classes had helped me in the said appointment. When enquiries were made the Depressed Class people unanimously brought my name, as a sincere well-wisher of theirs, to the notice of the Government. It was in consideration

of my former services that I was appointed to this new office. Within the course of two years after my appointment, I visited almost all the Depressed Class centres in the State and came into intimate touch with them.

**My scheme of work towards the elevation of the Depressed Classes.**

1. *Water supply*:—This problem was engaging the due and proper attention of the Government. Wells and tanks were constructed in places where there was scarcity of water. I had an elaborate scheme regarding water supply; and this I have submitted before the Government.

2. *Construction of Prayer Houses or 'Bhajana Madhoms'*:—The Depressed Classes were denied of admission into the Temple of high caste Hindus. They never had the chance to get religious instruction necessary to develop their spiritual side. Therefore, Prayer Houses were built for their use in the colonies.

3. *Acquirement of Puramboke*:—The disabilities of the Depressed Classes mainly rise from the fact that they live in lands owned by the jennies, who could handle them according to their wishes. They are forced to work for their land-lord at a lower wage, nor had they any freedom to work for another even if they could afford to get a higher wage. The Government thought it wise to provide them with lands free of charge. The conservative mentality of certain village officers proved an impediment here.

4. *Establishment of Colonies*:—Controversial points are raised regarding the idea of establishing separate colonies for the Depressed Classes. One school of thought attacked the system of colonisation by saying that in the colonies the Depressed Classes had no facilities of mingling with members of other advanced communities, which alone could enlighten them. This is not without truth. But the foundation of colonies was advantageous in various aspects. If the Depressed Class people live scattered, it is humanly impossible for a propagandist to visit them individually and give them instructions. In the colonies, there is ample convenience for imparting instructions. For instance, while I had the occasion to camp at Chalakkudi Colony, I along with the Pulaya boys used to take my bath in the tank. After the bath was over, we all assembled in the 'Bhajana Madham.' Myself and the warden of the colony instructed them the mode of washing clothes. As a result, many of them are practising this, at present.

The wages of the Pulaya labourers at Ernakulam and suburbs are comparatively higher than those existing in the northern taluks of the State. In this town, the wage may vary from eight annas to a rupee while in the northern taluks they get only two to four annas. If he is to work for his land lord, he can expect to get a still lower wage. After the Pulaya Colony was established at Chalakkudi, the Government felt the responsibility of finding out adequate work for the labourers. The Parayans were provided with facilities of Rattan work and for the manufacture of bamboo-mats and baskets; while the Pulayans were employed for field work within the colony itself; I was trying to make the necessary arrangements for giving them the fields in the neighbourhood, on lease. The labourers of the colony consequently came to be rewarded with six to eight annas a day. This led to the increase in wage in the surrounding villages. In my opinion, the establishment of colonies in Depressed Class' centres is an imperative necessity for their progress and prosperity. The more the benefits will be, if adequate

attention is paid to establish colonies in properly selected centres. I know that you have visited certain colonies within this short time. I have no knowledge about the working of these colonies at present. For the welfare and progress of the colonists, I may assure you that there must be efficient wardens prepared to work at least for 12 years without the least care of their own remuneration. The colonies being illiterate, there are certain preliminary difficulties. They may even misapprehend that they are observing the rules of sanitation and cleanliness for the sake of the authorities concerned and not for any interest of their own. Once in the course of a lecture before the colonists, I emphasised the necessity of making their houses and surroundings neat and clean. The next day when I came to visit the colony, an old woman who had been engaged in cleaning her house made haste to me and requested me to pay her something for having cleaned her house as instructed by me. Matters have taken a different turn at present and the Depressed Class people have come to realise the worth and necessity of a hygienic life.

5. *Co-operative Societies*:—When the Protectorate Department was organised, the number of Co-operative Societies among them was very limited. The Societies of the southern taluks have the greater scope than those of the north. In these parts more than ten societies had been registered at my instance. I have now no knowledge about the present condition of these societies. Mr. O. M. Makotha, M. A. (Hons.), the present Co-operative Inspector of the Southern Taluks, I know, has the greatest affection towards the Harijans and the Societies under him may be flourishing.

The wages of the labourers in the Northern Taluks, as I have stated, are comparatively lower than those in the Southern Taluks. It is due to this fact that we find the scarcity of Co-operative Societies in those parts. It is very difficult to start Societies among the Depressed Class people who get only very low wages not even sufficient for their own subsistence. We must, first of all, improve the material side of the Depressed Class labourers by founding colonies and only after raising their wages, Co-operative Societies can be worked satisfactorily.

(a) *The Depressed Classes and their extravagance*:—The practice of moderation in expenditure is the fundamental principle of co-operation. Unfortunately, the Depressed Class people and the numbers of my community inhabiting the southern parts of Cochin lack the idea of regulating their expenditure. They are very much interested to celebrate unnecessary ceremonies.

(b) *Their superstitious beliefs*:—The Depressed Class people lavish a greater part of their savings in offering gifts to the Deities. They believe that their deities like Chathan, Chamunny and Rakshassu are all responsible for their prosperity as well as their adversity and so regular offerings are made in their names. They are not satisfied unless they contribute something towards the temples of high class Hindus.

(c) *Depressed Class and the temperance movement*:—Since the Pulaya inhabitants of the Southern Taluks have fallen a victim to the habit of using intoxicating liquors like toddy, their progress and advancement have greatly been marred. In 1929, I visited a Pulaya Co-operative Society at Ochanthuruthu. Almost all the members of that Society were men who used to take toddy. On my enquiry I understood that a member spends on an average two to four annas per day. You may be put to laughter when I say that an old man of sixty whom I questioned, used to take toddy daily worth four annas

and that on calculation he had taken toddy worth Rupees Three Thousand Six Hundred from his twentieth year onwards. As a result of the advices made on various occasions, the younger generation have begun to conceive an aversion towards this evil practice. Notwithstanding, they lavish a considerable sum for tea and smoking. Fresh efforts and considerable time may require to check the evils coming out of the false notions regarding fashion and culture.

(d) *Unwis: imitations:*— There is a great tendency among the Depressed Classes to follow others in every thing blindly. They lavish a lot of money for their dress. Instances are odious for their blind imitations. Some five years ago, a General Meeting of the Depressed Classes was conducted in the premises of the Sirkar Girls' High School, Cranganur, under the presidency of Mr. U. Kandir Menon, the then Diwan Peishkar of Cochin. We could only arrange two bouquets of "Mallika" in place of nine garlands along with half a dozen limes. A few soda bottles also were placed under the presidential table. In a succeeding meeting held at the same locality I witnessed the same number of "Mallika" bouquets and limes besides the soda bottles. On a third occasion also, I had the chance to see the same arrangements. Now I caught the point; and I had to correct them that meetings could be held even without these articles since they are not the essentials of a meeting.

(e) *Home safe boxes.*—While I was the Assistant Protector, I had supplied home safe boxes in certain localities. This system was found to be a splendid success in those Colonies which were managed by efficient wardens.

#### **My scheme regarding the Pulaya Co-operative Societies.**

It was my desire to establish a Central Institute or Union for the Depressed Classes. The villages of Elanguvapuzha, Narakkal, Edavanakkad, Nayarambalam, Kuzhupilly and Pallipuram offered the best place for the working of my scheme. Because this is the most flourishing centre gifted with abundance of cocoanut trees and a large area of backwater suited for fishing. The labourers of these parts, moreover, enjoyed high wages. There are more than 30 Depressed Class centres altogether. My scheme was to form societies at these various centres and to establish a Central Union of these Societies at Narakkal which formed the best place for the same with ample facilities for commerce and industries. Also, my scheme was to form Depots at the various centres with a Central Store above them for purposes of distributing the daily necessities of life for their consumption. Sump-  
tuous profit can be expected from the sale of articles like rice, kerosene oil, cocoanut oil, salt, etc.

*Depressed Class and Poultry.*—The Depressed Class people are endowed with a natural skill for poultry. On an average, every Depressed Class house possess a dozen hens. The eggs from the individual houses at the various centres may be collected through the Depots to the Central Store, from where they may be sold wholesale.

*Fisheries:*—Most of the Depressed Class people and even their females are engaged in Fishing. The fishes caught can be stored in the Central Store through the Depots and from the Central Store, wholesale transaction may be effected. This too is profitable. In like manner, mats, baskets and similar articles manufactured by the Depressed Class women may also be profitably disposed of through the said agencies.

I have submitted to the Ex-Officio Protector, an elaborate and practical scheme wherein all these aspects have been dealt with. With my change of office to literary activities from the work of ameliorating the Depressed Classes, I am sorry to state that I have not enough time to continue my activities in that field.

#### The Abalasaranam Industrial School.

I may state a few words about this Institution which has been blessed with several of your valuable visits.

#### Sister Thapaswini.

It was about twenty-five years back that Sister Thapaswini approached me to study certain advanced Sanskrit works from me. She was then known not by this name. She devoted her time in deep meditation. I was then the Malayalam Pandit of the St. Teresa's Convent High School. In my little leisure time I taught her advanced Sanskrit works. She came from an old respectable family of the Thiyas. She was free from the prejudices of the caste. She herself cooked her meals. Without caring for caste or status she respected everybody. Perhaps she might have been captivated by an idea in the Bhagaval Geetha "ഈശ്വരം സർവ്വഭൂതാനാം ഹൃദയേഷു ന തിഷ്ഠതി" She could fast for many days and once without taking anything she had remained for one full week. Her uncommon power of endurance and the intense sympathy for the poor emboldened me to make her the instrument of working my idea about starting a "Sadanam" for the distressed ladies. Formerly I had thought of only an institution for the development of the spiritual side of women and to attach a residential home with it. I got the model from an institution like the local St. Teresa's Convent where I was serving as the Pandit for a few years. I have seldom seen a lady in Kerala with such exalted ideals.

From Swami Brahmananda, a well-reputed Yogi of the Alathur Asramam, Thapaswini had the fortune of practising 'Raja Yoga'. Above these, she studied under my guidance higher Sanskrit works like 'Makham' and 'Panchadisi' an advanced work in Philosophy. My brother Swami Ananda Yogi, and Thapaswini are the devoted disciples of Swami Brahmananda Yogi.

The existing Hindu Sadanam—a boarding house for the students—was organised by Thapaswini. But unfortunately she had to withdraw herself from the managing committee since evils in the name of caste crept into the ideals of the institution. It was in May 1926 that the Abalasaranam was started. At the time she had not even a single pie with her. I can only say that the institution is nothing but the outcome of her ardent faith in God and her devoted affection for the distressed. There are many who are rendering substantial help for the running of the institution. Only after a year of its existence Government grant was obtained. Since you have made personal acquaintance with the working of the institution, I don't mean to make this report too elaborate by dealing with the same.

It is a universally admitted fact that for the enlightenment of any society it is highly necessary to improve the cultural side of the females. In the whole of Kerala, this is the solitary instance of its kind which is suited for the improvement of the cultural as well as the spiritual side of the

Depressed Class girls. The institution is capable of imparting them necessary equipments for making them better housewives in future. It is a well-known fact that our Government is noted for their benevolence and sympathy towards the Depressed Classes. Lakhs of rupees are being spent to acquire large areas of lands for their colonisation. Thapaswini who manages the institution unfortunately lacks the necessary command of that language which alone can make the Government understand the real motives of the institution. Had the Government come to understand the benefits and advantages derived from this institution, they would not have failed, even at the cost of a large amount to maintain this institution, at the expense of the Government. The institution which has attracted the attention of eminent persons of international reputation like Mahatmaji, Sir T. Vijayaraghavachari and yourself, is, I hope, advancing into a brighter future.

#### **Our Government and the Royal Family.**

Before concluding this report, I may be allowed to state a few words about our Government and the Royal Family. At the outset of this report, I have mentioned the various evils of the caste system prevailing among the high class Hindus. I have emphasised these points not because that I have not the due regard for my country but that I wanted to draw your attention towards these disabilities for which you may have the imagination to find out a proper solution for remedying them. Our Rulers and the Government are trying their best to eradicate this evil and to elevate those who are oppressed by the caste Hindus. Due and special encouragements are always extended to the members of low caste Hindus. I may respectfully state for instance that I myself am a true example for the same. However, we cannot but admit that it is not an easy task for the Government to cut down, all on a sudden, the deep-rooted and venomous tree of caste by any hasty measures

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## II

### SUMMARY OF RECOMMENDATIONS.

#### PART II—CHAPTER III.

Page No.	Recommendation No.	
25	1	More Societies should be organised in the Mukundapuram and the Chittur Taluks, the distribution of Societies in the various Taluks being uneven.

#### PART II—CHAPTER IV.

##### The Central Bank.

30	2	At least 4 members of the Board should be nominated by Government.
	3	The Secretary's seat on the Board and his power of vote have to be done away with. The Secretary and the local Tahsildar may be substituted by the Diwan Peishkar and the Comptroller of Accounts.
	4	The sitting fee of Rs. 3 may be raised to Rs. 5 when the business of the Bank doubles itself, and when the financial depression is over.
32	5	The maximum loan may be fixed at 12 times the paid-up value of shares.
	6	Loan applications from Societies should come to the Central Bank through the respective Unions.
33	7	There should be a clear-cut division in respect of short term and medium loans. Applications for these should be scrutinised by two sub-committees formed from among the members of the Board, separate statistics being kept for the two kinds of loans.
	8	A uniform practice with regard to the percentage of the compulsory deposits, the periods for which they are to be held, and the interest they are to bear, has to be followed.
34	9	The Central Bank should appoint Inspectors as agents for the realisation of overdues from affiliated Societies.
35	10	The Central Bank should depute a Special Officer to examine the outstanding loans of Societies.
	11	Trained and qualified men may also be appointed for the proper working of the system of introducing property and valuation statements, as well as statements of credit worthiness.
36	12	Investments of funds in joint stock Banks should be discouraged.
	13	The services of the Branch Offices of the Imperial Bank of India should be secured to Co-operative Banks for transmission of funds by remittance transfer receipt, free of charge.
	14	The fluid resources of the Central Bank should have a standard fixed.
37	15	The margin of profit on the Government loan should be utilised to augment the contribution to the Instituté.
	16	The maximum dividend should be lowered from 6½ % to 5 % and the balance should be added on to the inspection fund. A dividend equalisation fund should be created.

Page No.	Recommendation No.	
	17	The Central Bank need not spend money on its library but may make a contribution to the Institute for its library, which will meet the needs of the Bank also by way of circulation.
38	18	The proportion of the propaganda Fund should be raised from 3 to 10 % of the net profits and be handed over to the Institute.
	19	The post of the Secretary should be abolished and a Manager with commercial qualification should be appointed on Rs. 60 to 100. Men with University qualifications, preferably Graduates in commerce with co-operative training should be appointed to the staff. The appointment of a Government diplomate in Co-operative accountancy at the earliest opportunity is highly desirable.
	20	The present Bank building should be disposed of and a two-storied one should be constructed in the round of Trichur. The Institute should be housed in one of the storeys.
	21	The system of supplying books and printed forms by the Central Bank to all Societies should be given up. A printing press on Co-operative basis should be organised.

#### CHAPTER V.

##### Organisation of Taluk Banks.

40	22	Taluk Banks should be established as Branches of the Central Bank.
41	23	Individuals may be admitted as members in Taluk Banks. The Board of management of the Taluk Banks should have four members to represent primary societies and two to represent individuals, and two nominated by Government. The share capital should be fixed at Rs. 50,000 and the maximum borrowings should be ten times the face value of the shares.
41	24	The lending and borrowing rates of the Taluk Banks should be 7½ and 4% respectively.
41	25	In the beginning Taluk Banks may be housed in the buildings of Urban Banks and managed by the Secretary of the Urban Bank.
42	26	In places where Taluk Banks do not come into being the Central Bank should establish its branches.

#### PART II—CHAPTER VI.

##### Primary Societies.

43	27	In backward Taluks more primary societies should be organised.
44	28	Remarks of the Institute or the local Union should be obtained before the registration of fresh societies.
	29	Formation of communal societies should be discouraged.

Page No.	Recommendation No.	
	30	Membership in a society should be restricted to a maximum of 100.
	31	There should be one society for one village.
	32	Membership should be restricted to one society alone of the same type.
45	33	The share capital should be increased and the members should be persuaded to take as many shares as they can up to the maximum limit.
46	34	The system of compulsory deposits should be introduced in all societies.
	35	Only well developed societies should be allowed to accept current and savings deposits.
	36	Interest on local deposits should never exceed the rates of the Central Bank.
	37	The borrowing capacity should not exceed ten times the paid-up share value.
47	38	Loans issued for the purchase of seed, manure and raw materials for industry, payment of Sirkar Kists, etc., should be made repayable within a maximum period of 18 months. Loans for the purchase of cattle, implements, digging wells, etc., may however be granted periods of repayment between 3 and 6 years.
48	39	Loan committees for closer scrutiny and supervision of loans and loan applications should be formed.
	40	Forecast of requirements of societies should be insisted on, by the Department and the Financing Bank.
49	41	No one should be a committee member for more than a year at a time—Bankers and those interested in the promotion of Joint Stock Banks should not be elected to the committee. Committee members should be held responsible for all acts of commission and omission.
	42	More of educative work should be done by the supervising bodies.
50	43	All societies should be compelled to maintain the property register.
	44	Two law Graduates may be appointed as Inspectors who can be entrusted with urgent and important duties in connection with cases of misappropriation in societies.
	45	Dormant societies should be cancelled if attempts at their rectification do not prove successful within a year.
	46	As a remedy for the accumulation of overdues the system of "Kettu Thengu" may be introduced in as many societies as possible.
	47	Investments in buildings should not exceed 50% of the reserve fund plus building funds, or ten percent of the working capital. As much donation as possible should be raised for putting up buildings.
51	48	All Societies above three years of age should set apart at least 7½ per cent of their net profits towards their common good fund.
	49	Good Rural Societies should engage themselves in popularising improved methods of cultivation by stocking and supplying agricultural implements, maintenance of stud bulls, etc.

Page No.	Recommendation No.	
	50	The Agricultural and the Co-operative Departments should conjointly work for the organisation of agricultural non-credit Societies.

PART II—CHAPTER VII.

53	51	The working capital of the Urban Banks should be substantially improved.
54	52	Current Savings and compulsory deposits should be introduced as well as the cheque system.
	53	The reserve fund should be invested in accordance with Departmental orders.
	54	Urban Banks having buildings and a permanent staff should issue loans on the pledge of gold.
	55	Banks with a working capital above Rs. 30,000 should entertain full-time Secretaries.
	56	Office buildings should be put up and libraries run, by Banks which can afford them.
	57	7½ per cent of the net profits should be set apart as provision for bad debts.
	58	The penalty should be reduced to a uniform rate of 6¼ per cent.
	59	For the benefit of the Bank employees the system of provident fund should be introduced.
	60	Societies of Government servants should adopt purchase and distribution of the necessaries of life on the indent system.
55	61	<i>Municipal Societies.</i> Societies should be organised in such of the Municipalities as have none. Purchase and distribution of the necessaries of life on the indent system should be introduced.
56	62	<i>Weavers' Societies.</i> More Societies should be organised with provision for wholesale purchase of yarn and for stocking and sale of finished products.

PART III—CHAPTER VIII.

**Non-agricultural non-credit Societies.**

57	63	The ground should be prepared by educative propaganda and Societies organised for (a) Dairy and cattle breeding, (b) Cottage industries like (1) Rattan, (2) Mat-making, (3) Coir, (4) Lime-burning, (5) Ceramics, (6) Oil-pressing, etc., (c) Poultry and (d) House building.
	64	<i>Dairy Societies.</i> A concerted "drink more milk" campaign should be organised by the Departments of Public Health and Panchayats, Agriculture and Municipality. Milk-supply Societies should be organised in Trichur, Ernakulam and Mattancheri with the co-operation of the respective Municipalities. The common good fund of Societies may be utilised for the formation of such new Societies. Necessary laws should be promulgated for the compulsory castration of unfit bulls. Provision should be made for keeping proper stud bulls in select areas by the Agricultural Department.

Page No.	Recommendation No.	
58	65	<i>Cottage Industries.</i> A central Institution for financing Industrial Co-operative Societies should be formed. An industrial expert should be appointed for the supervision of such Societies. Government aid should be granted in the initial stages.
	66	<i>Rattan and coir making.</i> Trained Marketing Officers should be appointed for the profitable sale of finished products.
59	67	<i>Poultry Societies.</i> Poultry Societies should be organised with financial assistance from Government.
	68	<i>House building Societies.</i> Financial help should be rendered by Government for launching a scheme of house-building.
	69	<i>Rural reconstruction.</i> A board consisting of the Heads of the Departments of Co-operation, Public Health and Panchayats, Education, Agriculture and Industries should be constituted for joint control of concentrated activities in a selected area.

CHAPTER IX.

Liquidation.

60	70	Official liquidators having exclusive charge of liquidation work should be appointed.
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CHAPTER X.

Women and co-operation.

61	71	Thrift, vocational and distributing Societies should be organised. One Society each for thrift, cottage industry and milk supply should be organised with the help of Lady Teachers trained in Co-operation, the local Unions and the Central Institute.
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CHAPTER XI.

Arbitration.

64	72	A Graduate-in-Law should be appointed as a senior Clerk to expedite arbitration of suits. A panel of arbitrators should be constituted in every Taluk.
	73	<i>Execution of awards</i> —Powers should be granted to the Registrar for execution of decrees and for the conditional attachment of properties, with necessary changes in the Regulation and Rules.
65	74	<i>Judicial interference.</i> —Provision should be made to do away with the practice of insisting on the production of original records of Societies by Courts.
	75	Trial of appeals on the award of arbitrators on grounds of alleged fraud by Munsiffs' Courts should be prohibited by statute, or vested in a higher Court of judicature.
66	76	The interests of Societies should be protected by proper legislation against time bar brought about by delay in the execution of decrees through the Revenue Department.
	77	In place of rateable distribution among creditors, of debtors' properties by attachment and sale, preferential

Page No.	Recommendation No.	
		claim over the debtors' properties should be granted to creditor-Societies.

**CHAPTER XII.**

**Students and Co-operation.**

67	78	All Colleges and important High Schools should have Students' Co-operative Stores attached to them.
68	79	The Director of Public Instruction and his subordinates should help and patronise the movement.

**PART IV—CHAPTER XIII.**

71	80	Group Clerks with a small allowance may be appointed to maintain accounts in Depressed Class Societies.
	81	Minor contracts may be entrusted to these Societies.
	82	Fresh colonies may be founded with Government finance and society labour; and the land and buildings may be ultimately transferred to members by realisation of the cost in small instalments spread over 20-25 years.
72	83	Raw materials such as bamboo, etc., necessary for hereditary vocations at concession rates should be supplied to the society.
	84	Provision shall be made for organised sale of finished products and purchase of necessaries of life on indent system.
	85	Home safe boxes should be introduced by persuasion.
	86	The entire control of the Inspectors of Co-operative Societies for Depressed Classes should be transferred to the Co-operative Department.
	87	The Inspectors should concentrate their work on propaganda and organisation.

**CHAPTER XIV.**

**Valas and Co-operation.**

74-	88	An institution for the collection and sale of cured fish and prawns should be organised.
75	89	The prior debts to middle-men should be gradually wiped off.
	90	The rights of fishing should be granted to fishermen's Societies at reasonable rates for a number of years.
	91	Joint purchase and distribution of the necessaries of life by Societies should be organised.
	92	There should be provision for further facilities for fish curing. A central organisation for marketing of cured fish should be established.
	93	Fresh Societies for curing and sale of fish should be organised.
	94	For the present the Fishery Inspector should be in charge of the work of organising fish curing and selling Societies.
	95	When the number of Societies increases sufficiently a full-time Officer may be put in charge of them.
	96	Government should give grants to fishermen's industrial organisations.

## CHAPTER XV.

## A. Rural reconstruction and Agricultural Colonisation.

- 77      97      A village uplift Society should be started in a selected centre under the auspices of a Union, with the active Co-operation of the nation-building Departments such as the Departments of Agriculture, Public Health and Panchayats. Such a society should be partly financed by 10 to 15 per cent of the profits earned by the Societies under the Union and partly by Government aid. If the Society proves successful, similar societies may be started in other centres.
- 78      98      The scheme of agricultural colonisation should be carefully considered before its adoption.

## B. Consumers' Co-operation.

- 80      99      In the by-laws of Store Societies there should be provision for effecting sales to non-members.
- 100      The rebate to members should be higher than the rebate to non-members.
- 101      The rebate should not be paid in cash but credited towards shares in the case of non-members and towards additional shares in the case of members.
- 102      The extent of credit sales to members should be fixed at a maximum of 70 per cent of the paid-up share capital for a period of one month.
- 103      The Store Societies should be affiliated to the Unions and the Central Institute. As Store Societies can be better worked in Towns they should be formed in all the towns of the State where they do not already exist, by the joint action of the Co-operative Department and the Co-operators of the State.
- 104      Where a Store cannot function successfully by itself, one should be attached to the Urban Banks as one of its side activities, as is done in Mysore.
- 81      105      Big factory owners should be induced to open Co-operative Stores for the benefit of the employees.
- 106      In rural parts credit Societies should attempt joint purchase and distribution on the indent system.

## PART IV—CHAPTER XVI.

## Agricultural Indebtedness.

- 85      107      There should be a central Land Mortgage Bank and it should have affiliated primary Land Mortgage Banks in every Taluk with supplementary debt conciliation boards.
- 108      The establishment and other working charges of the Central Land Mortgage Bank should be met by a Government grant.
- 109      The area of operation of a Primary Land Mortgage Bank should be limited to a group of villages or at the most to a Taluk.

Page No.	Recommendation No.	
87	110	Membership should be open to individuals and Societies.
88	111	Government should help these Primary Banks with the services of experienced officials of the Revenue Department. There should be a law committee for consultation on legal matters.
89	112	Debt reconciliation Boards should be set up in Taluk Headquarters for the present. The existing debts should be compounded at a maximum of 75 per cent of the dues to the creditor.
	113	The Primary Land Mortgage Banks should take over the compounded debts and pay the creditor in cash. Aggrieved creditors may be left to take their cases to law Courts.

#### CHAPTER XVII.

##### Marketing.

90	114	On the Danish and the Irish models licensed ware-houses built and run by Government grant-in-aid in the early stages should be established for co-operative sale of farmers' products, such as ppeper, ginger, turmeric, cashewnut, arecanut, grass oil, coir, copra and cocoanuts. These ware-houses should be established in commercial centres.
90	115	Each ware-house should specialise in a particular commodity.
	116	The Registrar should have power to license such ware-houses.
	117	The ware-houses should issue warrants negotiable in Banks.
	118	Government should appoint capable ware-house Officers for carrying out efficient grading and standardisation

#### PART V—CHAPTER XVIII.

##### Co-operative Central Institute.

92	119	Each Society should be mildly compelled to send up a certain number of members for training in Co-operation.
	120	Societies should frame rules to give preferential treatment to trained members in the matter of grant of bonus, honorarium and travelling allowance.
	121	Societies should set apart above 2½ per cent of the annual profits as educational fund to be utilised for the training of members in Co-operation. The Heads of other Departments should use their personal and official influence to popularise the movement. Greater encouragement from the Government is also essential.
93	122	The provision in the standing orders enjoining Government sanction for Government Servants to receive bonus from Societies should be cancelled. Participation in the co-operative movement should be given preferential consideration, for purposes of promotion and appointment,



Page No.	Recommendation No.	
94	123	The subject of Co-operation should be given more importance in the syllabus of studies by the Department of Public Instruction.
	124	A central library at the Institute with branches all over the State should be established.
	125	All societies should own at least a minimum number of books on Co-operation, part of the education fund of the Societies being utilised for purchase of co-operative books.
	126	The "Sahakarana Prabodhini," the organ of the Central Institute, should be converted into a monthly. All Societies should subscribe at least for a minimum number of copies of the journal. The Institute should supply the magazine to Depressed Classes' Societies at a concession rate.
	127	Societies should enroll only literate persons as members and those who undertake to become literate within a specified time. Those failing to comply with this condition should be deprived of the rights of membership.
	128	Individual Societies or groups of them should establish night Schools to remove adult illiteracy. These Schools should be financed partly by the educational funds of the Societies and partly by grant from the Department of Public Instruction. Propaganda should be carried on by means of magic lantern lectures and by demonstrations, leaflets and Conferences. Two paid propagandists may be appointed to carry on systematic propaganda as is done in Madras and in some Provinces of North India.
96	129	State and Taluk Conferences should be held in alternate years.
	130	Eminent co-operators from outside should be invited to address the Conference.
*97	131	The Central Institute should appoint a non-official supervisor for the supervision of each of the Unions.
98	132	<i>Constitution of the Institute:</i> —The Institute should have a federal constitution through indirect representation of Societies through Unions.
	133	The Managing Committees of Unions should form the general body of the Institute. The Institute may have individual members. The governing body should consist of only 9 members, two-thirds of whom should be representatives of Societies, and the remaining third those of the Central Bank and the individuals. There should be provision for the elimination of individual members in the long run.
	134	The ex-officio membership of the Diwan and the Registrar should be cancelled. As in the case of the Central Bank the Institute should have a paid Secretary.
	135	The staff of the Institute should be strengthened.
	136	<i>Organisation:</i> —No more credit Societies should be organised except on the recommendation of the local Union.

4. B.—Pages 97—123 referred to here are numbered from 95—121 in the body of the report where pages 95 and 96 are repeated.

Page No.	Recommendation No.	
		and the Central Institute. Intensive propaganda should be carried on for the organisation of non-credit Institutions.
100	137	<i>Consolidation</i> :—Outstanding dues in all Societies should be thoroughly examined for solvency. The loans outstanding should be classified into two categories, short term and long term and they should be readjusted with proper security.
	138	The loans of members, who are either irregular or who are sued against or against whom decrees have been obtained, should be considered as immobile outstandings, on the stipulation that all collections from the immobile outstandings should be remitted to the Central Bank.
	139	The Registrar should have power (1) to reconstitute a Panchayat, (2) to remove a recalcitrant or defaulting Panchayatdar, (3) to nominate a Panchayatdar from outside and (4) to call a general body meeting. The Panchayat should have power to co-opt a member in case of the removal of a member.
101	140	Defaulting members should be sued against and finally removed.
	141	The reserve fund should be correctly estimated after a careful examination of the unrealised profits, write-off amounts and irrecoverable dues.
	142	Rural Societies should not put up Office buildings of their own before their reserve funds come up to half their working capital.
	143	<i>The imperfections of the law</i> .—The Supervisor appointed by the Central Institute should be given powers to prosecute persons who commit crimes against Societies or violate its laws and the Registrar should have powers of summary trial in such cases.
102	144	The cost of prosecution should be met either by the Societies or the parties concerned. The delay in the execution of decrees should be removed by the appointment of extra hands for the work.

PART VI.—CHAPTER XIX.

104	145	<i>Department, Registrar, his status, pay, etc.</i> —The Registrar should be made a major Head of Department and his pay raised to Rs. 450—40—650 and should be given a seat in the Legislative Council to improve his status and increase his influence.
	146	He should have experience of European Co-operative movement.
	147	<i>Registrar's Assistant</i> .—The Registrar should keep abreast of up-to-date literature on Co-operation, the economic conditions and practices throughout India and methods of joint stock Banking.
	148	A qualified Assistant Registrar on Rs. 150—10—25 should be appointed and attached to the Head Office to be in charge of suits, supervision of central Institutions and non-credit work.

Page No.	Recommendation No.	
106	149	<i>Inspection</i> .—Qualified Inspectors should be appointed for organising Societies both agricultural and Industrial. An Inspectress should be appointed to organise Societies among women.
	150	An Inspector should be in sole charge of liquidation work.
	151	The two Inspectors for Depressed Classes Societies should be brought under the entire control of the Co-operative Department. The post of the Head-quarter Inspector may be abolished.
106	152	There should be 14 Inspectors distributed as follows:— (a) for divisions—6 (b) for liquidation and arbitration—2 (c) for agricultural non-credit Societies—1 (d) Inspectress—1 (e) for Industrial Societies—1 (f) for other non-credit Societies as Stores—1 (g) for Depressed Class Societies—2
	153	For all future appointments to the Inspectorate—only graduates and diplomates should be chosen.
	154	Preference for appointments should be given to qualified men connected with the working of Societies.
	155	The pay of the Inspectors should be raised to a uniform scale of 40—4—100 in view of their responsibility and the qualifications to be insisted on.
107	156	<i>Staff of the Registrar's Office</i> .—The correspondence and the suit sections should be strengthened by the appointment of one clerk to each section.
	157	In place of the record-keeper a Graduate should be appointed as librarian. The pay of the Head clerk should be increased to Rs. 80—4—100 so that an experienced Inspector might be taken over to fill up the post, if necessary.
	158	The Assistant Registrar and the Inspectors should be given peons.
108	159	<i>Sale Officers</i> .—Sale officers should be appointed for effecting recoveries under decrees. The necessary expenses for the staff should be met from imposition of fees on the Madras Model.
	160	<i>Reforms Officer</i> .—An Officer on Rs. 150 with necessary staff and provision for Travelling Allowance should be appointed for organisation work.
	161	Arrangements should be made to get the report translated into Malayalam so that it might be understood by the majority of Co-operators.
	162	The work of compiling a Co-operative Manual should be arranged for. The work should be entrusted to either an experienced officer of the Department or to the Re-organisation Officer to be appointed.
	163	The Economic Development Committee should be resuscitated with the Registrar as an ex-officio member.
	164	Village libraries receiving grants from the Department of Education should be compelled to purchase co-operative literature for a fixed proportion of the grant.

Page No.	Recommendation No.	
109	165	Tours should not be restricted for want of T. A. and the system of fixed T. A. should be removed. A total of Rs. 2,500 should be provided for towards contingencies, and of this Rs. 300 should be set apart for purchase of books and periodicals.
	166	A three-storeyed building should be put up in the vacant plot to the north of the Trichur Taluk Office for housing the Central Bank, the Central Institute and the Registrar's Office. The Central Bank should sell its present Office building and contribute Rs. 15,000 towards the new building.
	167	The Institute should be given a building grant of Rs. 20,000.

## CHAPTER XX.

112	168	<i>Co-operative Printing Press.</i> —A Co-operative Printing Press should be organised after a thorough enquiry into its financial aspects on the model of the Coimbatore Co-operative Printing Press.
115	169	The reserve funds of all primary Societies should be deposited in the Central Bank and should not be merged in the working capital.
117	170	In selected Societies the system of Vechupathippu should be introduced to attract business, now going to Joint Stock Banks.
	171	Lending against gold and silver to members and non-members should also be introduced in selected Societies.
120	172	<i>Frauds in Societies.</i> —Expenses for prosecution against frauds capable of being proved should be borne by the Government and the cases should be treated as Government cases.
321	173	<i>Discipline in Societies.</i> —Specific provisions should be made prescribing penalties for failure on the part of Societies to send up returns and to act up to the orders of the Registrar.
	174	<i>Factory workers and co-operation.</i> —The factory owners should be compelled to organise Co-operative Societies to do welfare work among the employees.
122	175	<i>Utilisation of common good fund.</i> —Half of the fund should be set apart for the use of the Co-operators in the State when in distress.
	176	The other half should be invested separately and the accruing interest spent for strengthening the basis of the movement, viz., for education and propaganda, the institution of prizes or medals for the best essay and the best book written on Co-operation, etc.
	177	Play wrights and authors on Co-operation should be encouraged.
123	178	<i>Supervising Unions.</i> —Provision should be made for compelling Societies to become members of local Unions.

**CHECKED**  
**2003-04**