

TRAVANCORE



BANKING ENQUIRY COMMITTEE

REPORT

1930

Volume I

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**REPORT**  
**OF**  
**THE BANKING ENQUIRY COMMITTEE**  
**TRAVANCORE.**

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We, the undersigned members appointed to examine and report on the banking conditions in Travancore, beg to submit the following Report:—

**CHAPTER I.**

**INTRODUCTORY.**

The appointment of this Committee in Travancore may be regarded as the outcome immediately of the invitation extended by the Government of India to Indian States to participate in the All-India enquiry. The G. O. constituting the Committee is published as Appendix I.

There has been in the State a demand to enquire into the various problems which have now come up before us for consideration. Problems relating to agriculture and agricultural finance, finance for industries, particularly small-scale industries, the present condition of joint stock banks and co-operative societies, the working of the Chitties Regulation, the facilities for trade and other important matters have been placed before the Government by the Sri Mulam Popular Assembly, the Legislative Council and the Economic Development Board. When the question of the participation by the State in the All-India enquiry was referred to the Economic Development Board, it passed a resolution making a definite recommendation that (1) the enquiry on the lines suggested in the Government of India Memorandum was highly necessary for the State, (2) the opportunity to fall into line with the rest of India in such an investigation should be taken advantage of by us as the bearings of the problems of credit and finance lay beyond the limits of any single State, and (3) a local committee on the lines of the Provincial Committees should be appointed to collect materials for submission to the Central Committee as well as to afford basis for future action on economic questions.

The composition of the Committee was as follows :--

- (1) R. Vaidyalingom Pillai Esq., B.A., B.L.,  
*Registrar of Co-operative Societies,*  
*Member, Legislative Council. (President.)*
- (2) I. C. Chacko Esq., B.A., B.Sc.,  
*Director of Industries,*  
*Member, Legislative Council.*
- (3) R. Nilakanta Pillai Esq., B.A., B.L.,  
*Acting Chief Account Officer and Financial Secretary*  
*to Government, Member, Legislative Council.*
- (4) C. P. Matthen Esq., B.A., B.L.,  
*Managing Director, The Quilon Bank Ltd., Quilon.*
- (5) S. Ganapathi Pillai Esq.,  
*Hundi Merchant, Trivandrum.*
- (6) K. C. Karunakaran Esq., B.A., B. Com. (Birm.)  
*Member, Legislative Council.*
- (7) S. Piraviperumal Pillai Esq.,  
*Member, Legislative Council.*
- (8) S. Krishna Aiyar Esq., B.A., B.L.,  
*High Court Vakil, Kottayam.*
- (9) H. Smith Esq.,  
*Nominated by the Travancore Chamber of Commerce,*  
*Alleppey.*

The President throughout held the office along with his normal duties as Registrar of Co-operative Societies. The first meeting of the Committee was held on the 26th December 1929

2. The G. O. constituting the Committee had defined the scope of its enquiry as covering the subjects indicated in the Memorandum which accompanied the Government of India letter No. F. 2 (XII) F/29, dated the 3rd April 1929, addressed to all Provincial Governments. These related to agricultural credit, co-operation, indigenous banking, and investment habit and attraction of capital. The Committee thought that, so far as this State was concerned, a study of such subjects as regulation of banking, insurance, banking education, etc., which were reserved for the Indian Central Committee's enquiry and a study of the working of the Chitties Regulation, the planting and the motor transport industries, the Travancore currency and such other subjects as are of special interest to the State were essential in the existing conditions. It felt that it should not place itself in the position merely of the British Indian Provincial Committees or tie itself down to enquire and report only on the subjects referred to the Provincial

Committees. The Committee therefore passed the following resolution at the first meeting :—

“ That the Committee feels that it will not be able to do any justice to the reference made to it within the time fixed in the G. O. and as it further feels that the opportunity afforded should be made use of for making an investigation and submitting a really useful report to the Government, the Committee resolves that the Government be requested to extend the term by at least three months and, in case it is not found feasible, the Committee be permitted to submit a report for transmission to the Indian Central Committee within the time now prescribed, and a fuller report to the Government for taking action on the same.”

3. The Committee assembled at Trivandrum in the office of the Registrar of Co-operative Societies on the 26th December 1929 and adopted, with suitable modifications, the *Procedure and Itinerary*. The draft questionnaire set by the Indian Central Committee for the Provincial Committees and framed additional questions which are of special interest to the State and which were beyond the scope of the Provincial Committees' enquiry. The questionnaire is incorporated as Appendix II.

The questionnaire was published in the Travancore Government Gazette on the 14th January 1930 and copies were circulated among the public, both directly by the Committee and by the Tahsildars and Co-operative Inspectors and Co-operative Unions. The fullest publicity was given to the questionnaire and a general invitation was issued to all interested to represent their views. That all possible persons may make the best use of the opportunity afforded by a comprehensive enquiry like this, the questionnaire was also published in Malayalam and Tamil.

The President visited Calcutta in the first week of January 1930 to attend the Conference of the Chairmen and Secretaries of the Indian Central and Provincial Committees. This was found to be of considerable help to the Committee, especially as the Committee in Travancore started work very late.

Soon after the President's return from Calcutta, a meeting of the Committee was called to consider the Committee's plan of work and its programme of tours. The Committee decided upon conducting an intensive survey of seventeen typical villages in the State with the object of ascertaining the extent of indebtedness of the agriculturists and non-agriculturists, the sources and purposes of the loans with the nature of security offered, the facilities for obtaining the finance required for agriculture and for other industries and other particulars pertaining to the general economic position of the villagers. The Committee also decided upon conducting a general survey of indebtedness in three villages in each of the 30 taluks in the State,

For the intensive survey, the Committee proposed to depute three Inspectors from the Agricultural Department and three Inspectors from the Co-operative Department as full-time officers and, for the general survey, the Tahsildars were required to collect the necessary statistics through their subordinates. The villages for the intensive survey were chosen by the Committee in consultation with the Director of Agriculture and Census Commissioner. For the general survey, the selection of the villages was left to the Tahsildars themselves. A list of the villages chosen for the intensive survey and the general survey is given as Appendix III.

We hope that a brief description here of our programme for intensive survey, besides throwing light on the scale on which the enquiry was undertaken, will be of value when an enquiry on similar lines happens to be undertaken in future. For the collection of statistics, three forms were prescribed and printed copies were supplied to the Investigators. Statement No. I was for collecting information regarding the size of the holdings, the nature of crops raised, the land revenue and michavaram (rent due to landlord) payable in respect of the lands, the wealth of the landholder, and other particulars which will give a general idea of the economic position of each landholder and the village as a whole. The second and the third statements were for collecting statistics relating to indebtedness, the former giving the sources of loans, the nature of security and the rates of interest and the latter giving the purposes for which loans were secured. Indebtedness of agriculturists and non-agriculturists was arranged to be separately ascertained. As only a very small portion of the information required could be collected from the land revenue records, the Investigators were asked to collect the statistics by a house-to-house visit which meant a regular census. The Investigators were also asked to ascertain the annual income and expenditure of two families each of agriculturists, artisans and traders, one of which was living in comparative comfort and the other in indigence.

For the general survey of indebtedness, made under the direction of the Tahsildars, the same forms as were prescribed for the intensive survey were supplied; but no house-to-house visit was required.

The Committee also decided upon conducting two more surveys and these related to the trade in seven principal towns in the State, *viz.*, Nagercoil, Trivandrum, Quilon, Kayankulam, Alleppey, Kottayam and Changanchery and to small-scale industries. The former work was to be entrusted to a special staff and the latter to the Textile Expert of the Industries Department. The Committee was fully alive to the fact that it was embarking on a very ambitious programme of work during the short period at its disposal, but felt that the statistics collected, meagre as they may be for

drawing definite conclusions, would still form the nuclei for further investigation and demonstrate the value and usefulness of the statistics.

As there was no time for the Committee to wait for written answers, it resolved upon a plan of holding its sittings at different centres in the State at intervals of a few weeks and examine witnesses. Accordingly, it held its sittings at Kanjirapalli on the 19th and 20th February 1930 and at Quilon in the second week of March. These two meetings gave the Committee the required publicity and, by the time it held its sittings in other stations, a good few written answers to the questionnaire had come in. Altogether, the Committee held its sittings in 11 stations outside Trivandrum. There were in all 23 sittings for taking oral evidence. At these sittings, 130 witnesses were orally examined. They comprised 30 officials and 100 non-officials. Of the latter, 19 were bankers, 8 traders, 19 agriculturists, 18 co-operators, 9 legal practitioners, 16 industrialists and the remaining 11 included pensioners and others.

4. The intensive survey was started from the 20th February 1930  
*Work done.* and, by the middle of May, the following eleven villages were finished:—

1. Thazhakudi	...	Tovala	Taluk.
2. Vayakkalam muri (Kulathur)	...	Trivandrum	Do.
3. Aykudi	...	Shencotta	Do.
4. Muttam	...	Kartikapalli	Do.
5. Kodanthurathu	...	Shertallai	Do.
6. Neendoor	...	Parur	Do.
7. Mekkad (Methukummel)	...	Vilavankod	Do.
8. Kundara	...	Quilon	Do.
9. Eraviperur	...	Tiruvalla	Do.
10. Kuravilangad	...	Minachil	Do.
11. Kaladi	...	Kunnathunad	Do.

Co-operative societies were invited to take part in this interesting work of survey. They helped the Investigators in the above places. The villages of Punalur and Ayyankoikal (in Adur) were independently surveyed by the local co-operative societies under the guidance of the Punalur Co-operative Inspector.

The reports of surveys conducted by the Investigators as well as the forms used are published in Vol. II.

The statistics of the general survey of indebtedness conducted by Tahsildars were received in the Committee's office by the end of April 1930.

The sanction of the Government for the survey of industries was received on the 7th April 1930 and the work was started soon after. Reports on the coir and the screwpine mat industries have been received.

The survey of trade in six of the important towns has been finished.

5. Before closing this chapter, we feel obliged to present some of the more important among the difficulties which the Committee had to face. These were of many kinds, but chiefly traceable to two main sources. The first of these was that the surveys, the collection of the necessary materials, the examination of witnesses and the tabulation of a mass of information had all to be crowded into a period of four short months. The other source of difficulty was inherent in the nature of the enquiry itself. More than the novelty of the enquiry or the labour involved in the collection and tabulation of statistics, was the suspicion of a section of the people as to the real objects of the enquiry. The Investigators who made the village surveys all complained that some of the people feared that the enquiry might eventually result in the enhancement of the land tax or the imposition of some other burden.

6. Another source of difficulty is the inadequacy of our official statistics. The statistics which the Government publish comprise finance, population, transport and communication, education, vital statistics, trade and agriculture to some extent, and other matters which may be termed administrative. The statistics available cannot be considered complete; and their accuracy has been seriously doubted chiefly because of the absence of a suitable controlling agency for their compilation. We have practically no statistics of production, none at all to show the economic condition of the people covering such items as income, wealth, cost of living and indebtedness. Some small attempt was made at the census of 1921 to gather materials relating to the economic condition of the people. The enquiry conducted by this Committee is almost coeval with the preparation for a new decennial census and we hope that the surveys organized by this Committee will be found to be of use and could be continued then with advantage covering a wider area of the State.

Apart from the general census, the need for a permanent bureau of statistics working on up-to-date lines seems to us insistent and we would strongly urge the early organization of a bureau of statistics. This, we find, was recommended in the Census Report of 1921.

7. We did not also have the advantages which some of the Provinces in British India had in their revenue re-settlements. Though the revision of assessments was recognised by the usage of the State, no survey and



settlement were undertaken for a very long time after 1837. The only systematic settlement based on a scientific survey was started in 1887 and it extended over a period of 28 years. Our record of rights cannot be said to be perfect or up-to-date, and the new social legislations affecting three of our large agricultural communities, *viz.*, the Nair, the Ezhava and the Nanjinad Vellala, which permitted the individual partition of family properties have added much to the difficulty of the situation. These, together with the complexity and diversity of land tenures, have made the work of our Investigators extremely difficult.

## CHAPTER II.

### SPECIAL FEATURES OF THE STATE.

8. Travancore is the southern-most of Indian States and occupies the south-west portion of the Indian Peninsula. It forms an irregular triangle with its apex at Cape Comorin, the Land's End of India. Its extreme length from north to south is 174 miles, its extreme width 75 miles, comprising an area of 7,625 square miles.

9. The Western Ghats separate the State from the rest of India, walling it in on its eastern boundary and giving it its special features. From the heights of the mountain chain, the country gradually slopes to the west interspersed by hills and valleys of dense vegetation till it reaches the cultivated and thickly populated plains. The State reserved forests form nearly a third of the area of the State. No extremes of temperature are known in the plains; the maximum temperature seldom rises above 90 degrees in the shade. The prevailing characteristic is a warm humidity. The country receives both the North-East and the South-West monsoons, the latter in a much larger measure. The rainfall is generally heavy, reaching 250 inches a year in some places. The palm-fringed lagoons connected by canals along the entire littoral, besides forming the characteristic feature of the country, serve as cheap and easy means of communication supplementing a length of nearly 5,000 miles of road. The rivers though large in number, are short and shallow affording little facility for navigation except for country craft. Their banks, except in the lower reaches, are high and steep so that the rivers are not of much use for irrigation purposes. There are no vast stretches of level country, so common a feature beyond the Western Ghats. Geographically, the country is capable of being divided into three fairly well-defined regions, each with its special characteristics. The broad sea-belt, with its sandy soil or sandy loam and cocoanut gardens and paddy fields, comprises the western portion of the country. The eastern region comprises the reserved forests and disafforested hills and valleys where the chief cultivation is rubber, tea and cardamom. Between the two regions lies the lower upland area. The soil is of residual laterite. Pepper, ginger, yams, tapioca, etc., are the chief agricultural products of this region.

Economically also, each of these geographical divisions presents common features and, for the purpose of our investigation, we have adopted the division in the main. The two taluks in South Travancore (Tovala and Agastisvaram) and one beyond the Ghats (Shencotta) partaking of the characteristics of the neighbouring British District of Tinnevely have been dealt with separately. Roughly speaking, 11 taluks may be taken as constituting the Sea-board Division, 9 taluks the Montane and Sub-Montane Division and 7 taluks the Lower Upland Division. These divisions are indicated in the map at the frontispiece. It has to be noted that portions of certain taluks will be found to lie in more than one region. The area, population, rainfall, crops raised and other particulars in respect of the taluks are given as Appendix IV.

10. This is level country. The soil is sandy or sandy loam, and is best suited for the growth of the cocoanut palm. It receives an annual rainfall of 40 to 130 inches. This area is the most thickly populated, the density per square mile, according to the Census of 1921, being 1,266 against an average density of 525 per square mile for the entire State. The fishermen, whose huts line the coast, are mostly Roman Catholics ; but, in certain places, the Hindu Arayas and Mahomedans also follow the fishing profession.

*The Sea-board Division.*

Barring the fishing and coir industries, the main occupation may be broadly described as agriculture. There are extensive areas of paddy lands, but these are never the best. Generally, two crops of paddy are raised and the yield is five to ten-fold. The fields are fed by the seasonal rains and small tanks. The irrigation system is not well-developed.

This region also comprises the Kuttanad area covering 22 pakuthies of 4 taluks, principally Ambalapuzha. Throughout this tract, the fertility of the soil depends upon the silt deposited by the Pamba and other rivers. In this area, only one crop of paddy is raised ; and very often the land is left fallow every second or third year. The problem here is not one of irrigation but one of pumping the water out. Formerly—and even now it is not uncommon—the water used to be turned out by means of wheels with broad paddles, a number of men plying at each of them for days and nights together. The power-driven pump is fast supplanting this tedious process ; but the extensive use of the machinery depends on many things, fundamentally finance. Paddy is the only crop raised. The yield is above ten-fold. Reclamations from the Vembanad lake have also been going on, on a large scale, especially during the last sixty years, and a good crop of paddy is reaped from the reclaimed lands. The introduction of power-driven machine pumps has made it possible to reclaim large areas at a stretch. It has

saved labour and cost involved in raising numerous small bunds necessary in the use of indigenous wheels. But enclosing as they do a much wider area, the losses arising from breaches in the bunds are more wide-spread. The operations in connection with the cultivation of these paddy fields, locally known as *punjakrishi*, are so laborious and limited to so short a period that the labour available in the locality is insufficient and thousands of men and women of the neighbouring taluks are employed during the season.

Cocoanut is the other and more important produce of this tract, it being naturally suited for the growth of the palm. It bears all the year round and its uses are many and varied. In fact, almost all the needs of the ryot are satisfied directly or indirectly by the produce of this tree. In recent years, the cocoanut cultivation in taluks like Karunagapalli and Minachil has been largely affected by a pest.

The main industry along the sea-board is the coir industry which supplements the income of the cocoanut grower and supports a very large number of the non-agricultural population. Besides this, fishing, jaggery-making, mat-making, hand-loom weaving, dairy farming, market gardening and a variety of small industries support this thickly populated area. The paddy growers, however, have nothing to occupy themselves with, in the off season (May—August), while those who have gardens (*purayidams*) engage themselves in coir-making or khadjan plaiting.

11. The country here is undulating and made up of small hills and valleys. In fact, one cannot come across any broad  
*Lower Upland*      expanse except along the high banks of the principal  
*Division.*            rivers that break through the country westward. Even  
                              the paddy fields are in terraces in the lower slopes of  
 hills. These fields depend for their water supply upon the seasonal rains. This area has a rainfall ranging from 100 to 130 inches. The soil in the hills may be described as lateritic and of the fields loamy.

Paddy, tapioca, banana, yams and a variety of root crops, pepper, sugarcane and the ubiquitous cocoanut and arecanut form the principal agricultural crops of this region. In certain portions, where the land rises high and has a heavy rainfall, rubber is grown. Five principal rivers cross the country from east to west. But the waters of these rivers are of little use for irrigation as their banks are high except where they meet the lagoons. The freshes in these rivers, however, bring in silt and fertilize the lands where the banks are low. The density of population to the square mile is 832.

*Gur* (sarkara) making is the chief industry which supplements agriculture in Tiruvalla, Changanacherry, Kottayam and Parur taluks where sugarcane grows. Poultry farming has been taken to kindly by certain sections of the people.

12. This area, as the name denotes, consists of hills. A large portion of it is newly developed. Pepper and rubber grow in abundance on the lower hill-slopes and tea in the higher. *The Montane and Sub-Montane Division.* Ginger and turmeric are the other crops of value raised in this area. Tapioca is raised as a catch crop. In the valleys are grown cocoanut, arecanut and paddy.

The population is sparse, the density being 200 to the square mile. The rainfall varies from 130 to 250 inches.

13. The Tovala and Agastisvaram taluks, which together go by the popular name of Nanjinad, partake of the characteristics of the villages in Tinnevelly. *The Nanjinad.* The country here is mostly level. The rainfall in the major portion is 40 inches. In this region lie the extensive paddy lands covering nearly 55,000 acres irrigated under the Kodayar Irrigation Project with channels and distributaries of a total length of 322 miles. Two crops of paddy are generally raised. The Kodayar Irrigation Project, the capital expenditure on which stands at Rs. 86.23 lakhs has brought more lands under the plough and secured for the area it commands practical immunity from drought.

The area of Nanjinad is 252 square miles. It supports a population of 1,74,753. The density per square mile is 693. (The density per square mile in the Agastisvaram taluk is 1,268 and in Tovala 255).

Tamil is the language of the majority of the people in this area and, in dress and social observances, the people here are not materially different from the people in the adjoining Tinnevelly District. Rice is the staple food of the rich and the poor. Cheaper foodcrops like *cholam* and tapioca are not extensively grown in this area. In the matter of inheritance, the Nanjinad Vellalas were under a different system which recently underwent drastic changes by the passing of the Nanjinad Vellala Regulation.

A notable feature in this tract is that a considerable area of paddy lands is owned by investors from other parts of the State giving rise to the evils of absenteeism. It is understood that the return is getting poorer, in spite of the easy means of communication and comparatively greater facilities for marketing.

14. In the Thazhakudi village, which consists of 211 agricultural families, the average area for each family is 2.93 acres. The holdings vary from 15 cents to 32.2 acres in extent. The size of the holdings is given below :—

	<i>Number of holdings.</i>	<i>Percentage to total.</i>
Holdings not exceeding 1 acre ...	91	43.1
Holdings from 1 to 2 acres ...	42	20.0
Holdings from 2 to 3 acres ...	23	10.9
Holdings from 3 to 5 acres ..	25	11.8
Holdings from 5 to 10 acres ...	18	8.5
Holdings from 10 to 15 acres ...	5	2.4
Holdings from 15 to 25 acres ...	4	1.9
Holdings above 25 acres ...	3	1.4

The average income to the cultivating landholder from one acre of double crop wet land is calculated at Rs. 85, the price of paddy being taken at Rs. 6\* per kotta of 75 Madras Pukkas (nearly 190 lbs. Avoir). It is calculated that an annual income of 45 to 50 kottas of paddy may be found necessary to keep a family of 5 in reasonable comfort and, on this basis, 2 to 3 acres of paddy land will be sufficient when the ryot cultivates the land himself. In the case of the non-cultivating landholder, 3 to 4 acres will be necessary to earn so much. It will be noted from the size of the holdings given above, that 74 percent of the ryots own lands below 3 acres. The survey of the village also discloses that the ryots depend solely upon the paddy land for support. Holders of small bits of land therefore sell their labour or hold lands on *pattam* or lease from owners who are absent elsewhere or cannot take the trouble of cultivating the lands themselves. This has created a class of lease-holders whose methods of cultivation cannot be conducive to the maintenance of land in a state of fertility. The agriculturists have no industry to supplement their income.

The maximum assessment on double crop paddy lands here at the last settlement was Rs. 28.3 per acre.

Along the coast in the south and west where the rainfall is scantier lie the salt *alloms* or salt pans covering a total area of 1,194 acres.

The main industries in Nanjinad are jaggery-making, market-gardening hand-loom weaving, mat-making, pottery, brass works, etc. Except in market-gardening caste is still a potent factor in determining the vocation of its members and the industries are carried on on traditional lines.

\*April 1930.

15. This taluk has an area of 129 square miles with a population of 44,650. The density per square mile is 346. It receives an average annual rainfall of 48 inches. Unlike the rest of the State, the rainiest month is Thulam (October—November). The South-west Monsoon is scanty. The ryots therefore widely adopt, during the Kar season, the practice of raising ragi, cholam, varagu, onions and chillies on paddy lands. This system is locally known as *Nanjaimel Punjai* (Dry crop on wet). The assessment, however, is for double crop wet. The paddy lands are fertile. The average value per acre is Rs. 2,000. Dry lands are very poor. They yield next to nothing. The paddy lands are mostly tank-fed and failure of crops due to drought is not common. The best paddy land is assessed at Rs. 27·7 per acre. The assessment on garden lands varies from Rs. 9 to Rs. 12 per acre.

16. As in British Indian villages, the people live in streets. The houses of the well-to-do are substantial and spacious, while those of the labouring classes are small and congested. On an average, a house is valued at Rs. 600. Moopers, Maravars and Pariahs are the cultivators. Labour is still paid for in kind. The standard of living is low. The condition may generally be described as static.

From a few family budgets drawn up, the expenditure of an agricultural family of six in comfort may be taken as Rs. 678 and of one below comfort as Rs. 292. The following statement compares the expenditure of two families, one living in comfort, the other below comfort:—

No.	Items of Expenditure.	Family in comfort. Rs.	Percentage to total.	Family below comfort. Rs.	Percentage to total.
1	Food	388	57·3	168	57·6
2	Dress	150	22·1	22	7·6
3	Lighting	12	1·8	3	1·0
4	House repairs	12	1·8	...	...
5	Education	30	4·4	12	4·1
6	Medical expenses	6	0·9	...	...
7	Intoxicants	...	...	36	12·3
8	Social and religious ceremonies	50	7·3	1	0·3
9	Cost of cultivation	...	...	50	17·1
10	Journeys	24	3·5	...	...
11	Luxuries	6	0·9	...	...

In the case of the family in comfort, the landholder does not cultivate his land, while, in the case of the family below comfort or in indigent circumstances, the family possesses no land but ordinarily holds land on lease. Most of the landholders in comfort are money-lenders also. It is to the cultivators in their own villages and outside that they lend.

The villagers, though simple in their food and spend little on other matters that make for the amenities of modern civilized life, spend comparatively much on marriages and other social functions. An examination of the debts incurred by the people show that over 50 per cent of the debts are for marriages and other social events. Investment on jewels is very common. There are no banks. The financing of agriculture is entirely in the hands of money-lenders of whom there are many. The rate of interest ranges between 9 and 18 per cent.

In Aykudi a person owning about 4 acres of double crop paddy land and cultivating it on hired labour can live in reasonable comfort, while a cultivating landholder requires 2 to 3 acres. Of 135 landholders, 44 have land less than one acre, 21 have 1 to 2 acres, 14 have 2 to 3 acres, 12 have 3 to 5 acres and 44 have above 5 acres. The largest holding is 60 acres. Those who have not enough lands are generally lessees. Aykudi is typical of a prosperous village in Shencotta taluk.

The growing of the sunn-hemp, an important industry connected with agriculture in the village, supports many families.

*The other Regions.* 17. Having dealt with the two tracts which, from their special characteristics, demanded separate treatment, attention may now be directed to the rest of the State.

As has been pointed out, the conditions and the nature of cultivation vary widely and it will be well if each area can be separately considered. But there are certain essential common characteristics in the life and the economic condition of the people in all the three geographical divisions which justify and facilitate a joint treatment. There is also a remarkable homogeneity among the ryots. Though belonging to different castes and religions, in language, conditions of living and, to a very large extent, even in manners and customs and culture, there is a strong current of unity.

*General Economic conditions.* 18. The ordinary ryot lives in his home. In marked contrast with Shencotta and Nanjinad, the house is generally in the centre of a small garden consisting of cocoanut and arecanut palms, jack and mango trees on which usually the pepper vine is trailed. The homesteads are isolated. The houses are more or less similar in design. The older houses (having wooden walls are of a type of construction called the *Nalukettu* with a central



courtyard and outhouses. The cocoanut tree yields the leaves to thatch; but where the cocoanut tree does not grow plentifully, the tall grass or the leaf of the talepot palm takes its place. Recently, however, tiles are used for roofing and kiln or sun-burnt bricks or hard laterite is used for the walls. The poorer among the ryots live in huts. The cost of maintenance to the house ranges from Rs. 10 to Rs. 20 in the case of those who live in comfort, but none at all in the case of the poor.

19. A ryot in the Sea-board division having two acres of double crop paddy land and 40 to 50 cocoanut trees, or one acre of good cocoanut garden and a few cents of open space to grow plantain or garden produce may live comparatively in comfort if he tills the land himself and partly by hired labour. But, unfortunately, the pressure of population here is very high. The average density in this region is 1,266 per square mile; and in Kodanthuruthu village, in Shertallai taluk, the density is 3,148 per square mile. The average area per agricultural family is 3·8 acres. In another village, Vayakkalam Muri (Trivandrum) in the same region, it is 1·4 acres. The following statement shows the size of the holdings in these two villages:—

No.	Names of villages.	Less than 1 Acre.	1 to 2 Acres.	2 to 3 Acres.	3 to 5 Acres.	Above 5 Acres
1	Vayakkalam Muri, Trivandrum taluk	194 (71 per cent.)	46 (16·8 per cent.)	13 (4·8 per cent.)	15 (5·5 per cent.)	5 (1·9 per cent.)
2	Kodanthuruthu kara, Shertallai taluk	91 (43·8 per cent.)	39 (18·7 per cent.)	18 (8·7 per cent.)	23 (11·1 per cent.)	37 (17·7 per cent.)

The above indicates the economic position of the average ryot inhabiting the sea-board. Unless his income from agriculture is enhanced or is supplemented by some other industry, his alternative is a low standard of living, which, in fact, is the case with many.

20. The density of population in the Lower Upland region is less, being 832 per square mile. The survey of Eraviperur village shows that, in this region, the average area per agricultural family is 4·2 acres. The size of the holdings is given below:—

		<i>Number of holdings.</i>	<i>Percentage to total.</i>
Less than			
1 acre	...	100	33·3
1 to 2 acres	...	85	28·3
2 to 3 acres	...	35	11·7
3 to 5 acres	...	34	11·3
Above 5 acres	...	46	15·3

The annual income from 2 to 3 acres of garden land, with the present methods of cultivation, can hardly exceed on an average Rs. 250. This much may be sufficient with the low standard of living to keep a family somewhat in comfort. But the majority of families do not have this minimum.

21. The density in the Montane and Sub-montane division, according to the last Census, is 200 per square mile. The people here are more prosperous. The pepper, which grows in plenty and ginger give them a good return. The survey of Kuravilangad kara shows that almost every family has its garden around its little house. There are, besides, about 500 acres of cultivable waste within the village itself awaiting improvement. The ordinary cultivator here really gets all he wants from his land and lives in many ways a happy life. The size of the holdings in this village is given in the following statement :—

			<i>Number of holdings.</i>	<i>Percentage to total.</i>
Families with less than 1 acre	...		94	21·5
Do. 1 to 2 acres	...		90	20·5
Do. 2 to 3 Do.	...		60	13·7
Do. 3 to 5 Do.	...		79	18·0
Above 5 acres	...		115	26·3

22. Indigent or prosperous, the life of the agriculturist in Travancore has been generally one of meek contentment. The statistics collected show that there are families with as low an income as Rs. 53 a year without any other source. Even with this low income, the agricultural family is better off than a non-agricultural family with the same or higher income. Plainly, this is because Nature is bountiful to him, his small garden yielding his small wants and he is contented with what he gets. The whole of his labour is over in a few days if he grows a crop of paddy. But if he has only a garden to mind, he need spend only a very short time over it now and then. When there is work, the women work in the fields with men.

The ryots in Travancore are generally not extravagant. The expenditure side of the family budget amply demonstrates this.

Items of expenditure.	Family of 5 in comfort. Rs.	Percentage to total.	Family of 5 in indigence. Rs.	Percentage to total.
Food ...	150	36·1	104	72·2
Dress ...	20	4·8	8	5·6
Cost of cultivation ...	80	19·3	3	2·1
Cost of journeys ...	12	2·9	2	1·4
Litigation ...	12	2·9	...	...
Interest on loans ...	36	8·7	8	5·5
Payment for chitties ...	60	14·5	...	...
Ceremonies ...	10	2·4	...	...
Lighting ...	10	2·4	3	2·1
Education ...	10	2·4	...	...
Medical expense ...	6	1·5	...	...
Drink ...	...	...	13	9·0
Tobacco and other luxuries	9	2·1	3	2·1
	415		144	

The above are the averages taken from the annual expenditure of 7 families of each class. In preparing these budgets, we have not taken into consideration families with big incomes, but only those ryots who either cultivate their lands themselves or contribute a part of the labour required. The Investigators have collected the figures with such accuracy as is possible in the circumstances of the case. We are very keenly sensible to the imperfections and the pitfalls in preparing these family budgets. But as these will indicate the general standard of life of the villager, we have had them drawn up. The work has, however, to be pursued if more satisfactory results are to be obtained.

The figures show that the poor man's income is largely spent on food, while the ryot in comfort has several items of expenditure besides. The food of the majority of ryots is the simplest imaginable. A thin gruel of rice—the *kanji*—and cooked tapioca form the principal food. Fish is also largely used. The tapioca that sells so cheap gives the poor his full meal all the year round and, from April he gets also plenty of jack fruits and mango. Though he lives a low standard of life, he lives an easy life. He has not to over-work to get his food. He is therefore easily contented. This probably accounts for his peace-loving nature which one sees reflected in the comparatively low percentage of thefts and similar crimes.

A 'mundu' (loin cloth) costing on an average 12 annas to Re. 1 and 'thorthu' costing 6 annas to 12 annas make for the dress of a man in comfort; while the woman of the same class wants only the same material. The poor ryot is satisfied with the 'thorthu' alone for ordinary wear. The remarkable absence of expenditure on jewels and the low percentage of expenditure on social ceremonies are worthy of note. These afford a striking contrast to the expenditure incurred by the agriculturist in Shencotta.

23. The condition of cattle, on the whole, is not satisfactory. The quality of the breed was never good and efforts for its improvement on the part of the people are lacking. The evidence given before the Committee—and it is supported by the census taken at the intensive survey of villages—shows that the live-stock for agricultural purposes is both insufficient and inefficient. This is attributed to the high mortality and want of grazing grounds. The ryot spends next to nothing on his cattle and stall-feeding is rarely practised except in towns, even where, cattle grazing in the streets is quite a common sight. The Director of Agriculture testified to the unsatisfactory condition of the cattle in general, but said that measures are being taken by the Government to improve the breed and to prevent Rinderpest and other common cattle diseases.

24. Except in certain parts of the State, cholera and malaria seldom occur. But rural sanitation requires considerable improvement as the importance of public health for rural development cannot be over-exaggerated. The Government have taken up this question seriously. The reorganization of the Sanitary Department in collaboration with the Rockefeller Foundation has been taken in hand and a programme of work submitted by Doctor W. P. Jacobs sent by the Foundation has been sanctioned by the Government. The total number of Government hospitals and dispensaries in the State is 82, and grant-in-aid institutions 19.

25. The importance of mass education has been fully recognised by the Government. Leaving alone the Colleges and English High Schools, there are 3,330 Vernacular Schools attended by 4,88,424 pupils of both sexes. Of the Vernacular Schools, 2,642 are Primary Schools and their strength is 3,22,057. Every village of importance has at least a Primary School and the family budgets show the willingness on the part of parents to spend, sometimes more than they can afford, on the education of their children. Education in Primary Schools is free; still a boy or girl at school costs the parent something for the purchase of books and extra clothing. The result is a rise in the standard of living. This may be a blessing, but one cannot ignore the fact that "the cult of the shirt is an inexorable bar to manual labour."

26. The phenomenal development of motor transport has brought the villages in closer contact with the towns. The State has an elaborate programme for widening the old highways to suit modern conditions and has appointed Road Boards with a view to the development of the rural parts. Five years ago, the total outlay on communications was Rs. 14·22 lakhs while, in 1928-29, it rose to Rs. 25·8 lakhs. As a result of the progressive policy, we have a total length of 4,852 miles land and water communications or 1 mile for every square mile of inhabited area. This does not include the backwaters and the rivers navigable for country craft. Connected by the roads, or at least not far away from them, there are 175 public markets and 325 private markets.

27. Rapid changes are taking place in the economic condition of our villages, perhaps much more than in the rest of India. The recent social legislations have placed the Nair, the Ezhava and the Nanjinad Vellala communities on the threshold of a new life. The partition of *tarwads* or joint families on an individual basis has turned many landless. But those who get a decent share have a greater stimulus to work and improve their lot. The economic consequences of these Regulations are far-reaching. These factors and the educational progress have created a stir and the placid life of the village has begun to ripple. The mind of the average villager hankers after higher standards of living, but he has not the wherewithal. His margin of profit from agriculture is insufficient and he has no source by which to supplement his income. This period of transition demands a well-considered plan of rural reconstruction and a co-ordination of the activities of the Departments of Agriculture, Industries and Co-operation with a view to relieve the growing pressure of population on the soil.

28. The system of tenures in Travancore presents a complexity and variety unknown in any other part of India and baffles easy analysis. The lands in the State, broadly classified, are of two distinct kinds from the point of view of ownership, tenure and incidence of taxation, one being *Pandara-vaka* (literally, belonging to the Sirkar) forming more than 75 per cent of the total area and the other *Jenmam* (belonging to a Jenmi or landlord). In both the cases, the rights of the ryots are fixed and secure, and are governed by statutes and custom, the ryot deriving his title from the Sirkar or a Jenmi. The Proclamation dated the 21st Edavam 1040 M. E. (2nd June 1865) enfranchised the Sirkar Pattom lands and declared that the ryots holding these lands may regard them fully as private, heritable, saleable and

otherwise transferable properties ; and the Devaswom Proclamation, dated the 30th Meenam 1097 (12th April 1922) extended the same rights to holders of Sirkar Devaswom lands. The Jenmi and Kudiyan Regulation, V of 1071, defines the law relating to the respective rights of landlord and tenant in regard to Jenmam lands.

At the last Revenue Settlement, as many as 760 tenures under six main heads were recognised. But many of the tenures were common to the several main heads. Leaving out the duplications, the actual number of tenures under the main heads aggregated 436. These, in reality, do not represent so many distinct tenures, but only different names by which the several tenures are recognised in different localities.

For practical purposes, the tenures in existence may be grouped under six main heads as follows:—

- (1) Sirkar or Pandaravaka.
- (2) Sirkar Devaswomvaka.
- (3) Kandukrishi.
- (4) Sreepandaravaka.
- (5) Sreepadamvaka.
- (6) Jenmam.

Sirkar or Pandaravaka tenure represents lands in respect of which the Sirkar is in the position of the landlord. This may be said to correspond directly to the ryotwari system in British India. There are numerous varieties of Pandaravaka tenure. Under all these, the ryots enjoy full proprietary rights. These varieties of tenure are distinguished from one another by the varying rates of assessment ranging between full assessment and absolute exemption and by the incidents attached to some of them.

Sirkar Devaswomvaka lands originally formed the Jenmam or private property of the Devaswoms (temples). They were mostly held on simple lease. But after the Sirkar took over the Devaswoms under its control and management, these lands came to be treated exactly like Sirkar lands and the same principles and methods of settlement have been applied to these lands as well.

Kandukrishi lands form the home-farms or private property of the Maharaja and the tenants have no rights of property in them. But the policy of the Government is to bring the revenue registry of alienated Kandukrishi lands into accord with actual possession by transferring registry in favour of the alienees in possession. The pattom or assessment was, till very recently, payable in paddy.

Sreepadamvaka lands are the private property of Their Highnesses the Maharanis. The essential feature of this class of lands is that the Sirkar is entitled to Rajabhogam (Royalty) on the lands held under favourable tenures.

Sreepandaravaka lands are exclusively the property of Sree Padmanabha Swami, the Tutelary Deity of the Royal Family, but administered by the Government. The rents due in respect of these lands are treated as public revenue as defined in the Revenue Recovery Regulation. They are more or less similar to Government lands as regards varieties of tenure and rates of assessment. The revenue from these lands does not enter into the State accounts. The bulk of the lands pay a Rajabhogam to the Government.

The Jenmi and Kudiyan Regulation which fixes and regulates the rights and duties of the Jenmis and their tenants defines 'Jenmam land' in the following terms:—

“Land (other than Pandaravaka, Sreepandaravaka, Kandukrishi or Sirkar Devaswom land, recognised as such in the Sirkar accounts) which is either entirely exempt from Government tax or, if assessed to public revenue, is subject to Rajabhogam only ; and the occupancy right in which is created for a money consideration (kanam) and is also subject to the payment of michavaram or customary dues and the periodical renewal of the right on payment of renewal fees.”

The Regulation recognised the Kanapattom as an essential feature of the Jenmam tenure, but as a matter of fact, there are other tenures known as *Adima*, *Anubhogam*, etc., under which Jenmam lands are held by tenants. In respect of such tenures, the relations between the Jenmis and their tenants are governed by the ordinary law of landlord and tenant and not by the Jenmi and Kudiyan Regulation.

The present Jenmi and Kudiyan Regulation, while it secures the tenant practical immunity from eviction and certain rights for compensation for the improvements effected by him and the Jenmi such safeguards against the tenants defaulting payment of rent or committing waste on the property, leaves several matters for adjudication by the civil court with the result that the dispute between the Jenmi and his tenants are endless and the litigation in which they launch themselves has in many cases impoverished both the parties. The tenants being financially the weaker party are hit hard very much more than the Jenmis. Consequently, there has been persistent demand from both parties for the amendment of the existing law and an amendment embodying the conclusions arrived at at a conference of the Jenmis and the tenants is likely early to redress the longstanding grievances of both the parties.

29. The area and assessment under the different

*Area and Assessment under different Tenures* are given below:—

Tenures.		Percentage of extent.	Percentage of net demand.
1.	Pandaravaka	75.13	89.25
2.	Sirkar Devaswomvaka	5.64	7.09
3.	Sripandaravaka	.82	.23
4.	Sripadamvaka	.06	.01
5.	Kandukrishivaka	.81	.00
6.	Jenmam		
	(1) Devaswom	3.77	.99
	(2) Brahmaswom	8.10	2.06
	(3) Madampivaka	1.03	.37
7.	Karamozhivu (Tax-free)	4.64	...

Since the last settlement, a very large extent of fresh Government lands has been brought under occupation. If figures for these lands are taken into consideration, along with the demand thereon on account of land revenue, the percentages for Pandaravaka lands both in respect of extent and demand should be higher.

The assessment for wet lands is based on a classification of soils and the calculation of the gross and net produce. The assessment per acre on double crop paddy land varies from Re. 1-1 anna in the Ampalapuzha taluk to Rs. 28 in Nanjinad and on single crop from 20 chuckrams (11 as. 3 ps.) in Ampalapuzha to Rs. 18-8 annas nearly in Nanjinad. The assessment for dry lands has been fixed on the acreage basis according to a schedule which classified the lands into 13 *tharams* or classes, the maximum rate per acre being 15 fanams (Rs. 2-1-6) and the minimum 1 fanam (0-2-3). The rates below the sixth *tharam* have been abolished, with the result that the lowest rate is 7 fanams (0-15-9) per acre.

In regard to garden lands, the scheme of assessment was based on a combination of tree tax and ground tax which is a peculiar feature. Three kinds of trees, viz., cocoanut, areca and jack are subject to tree tax all over the State, while the palmyra, the mango, the tamarind and



the punna are taxed in certain southern taluks. Of these, all except the cocoanut tree have fixed rates. The cocoanut tree alone has a scale of rates ranging between 4 chuckrams (2 as. 3 ps.) and 1 chuckram (6 ps.) per tree.

30. In a country like Travancore, having a wide range of soils and physical features materially affecting the conditions of agriculture, land values vary widely. Even where conditions are similar, the presence of a variety of tenures and the systems of inheritance are disturbing factors. Along with the nature of the soil, the facilities for communication, nearness to markets, conditions of labour and price of crops go to determine the values. Most important of all is the pressure of population on the soil. On account of the deep-seated belief that investment on land is the safest, the average price of land is very high compared with the return. Fairly satisfactory data may be found in the figures furnished by the Registration Department of the values mentioned in the sale deeds. In Nanjinad, where the best paddy lands of Travancore lie, the average price per acre works up to Rs. 1,325. Only in 5 other taluks in the State has the price of paddy lands exceeded Rs. 1,000 per acre. These are Trivandrum, Quilon, Kartikapalli, Pathanamthitta and Shencotta. The highest average is Rs. 1,432 for the lands in the Tovala taluk. The average sale price of wet lands in other taluks ranges between Rs. 400 and Rs. 980. From enquiries made by the Committee, through the Investigators, it is seen that, in Nanjinad and Shencotta, where reliable irrigation facilities exist, the best wet lands fetch about Rs. 2,000 per acre and sometimes even Rs. 2,500. In other parts of Travancore, the prices never come up to this level. They range between Rs. 600 and Rs. 1,500.

In the taluks which lie on the sea-board and other cocoanut producing areas, it is the garden land which fetches a high price. There are cocoanut gardens which used to fetch as high a price as Rs. 5,000 per acre. But partly owing to the devastation caused by the cocoanut palm disease in certain areas and the present low price of the produce of the cocoanut palm, the garden lands have depreciated in value. The figures furnished by the Registration Department show that the average price level varies between Rs. 900 and Rs. 1,300. In other parts of the State, the average sale price of garden lands ranges from Rs. 180 to Rs. 920. In these areas, the cocoanut palm thrives, but the land derives its value chiefly from its suitability for growing either sugarcane, pepper, ginger, turmeric or market garden produce. In the generality of cases, other varieties of trees and pepper are grown in gardens and it is not therefore possible to strike averages of crop value per acre.

In the highlands are extensive areas of rubber and tea plantations in which many lakhs of rupees have been invested. The value of these lands has considerably gone down with the present slump in the rubber market and rather unfavourable price of tea. We are told by the rubber planters of Kanjirapalli that nobody would have lands planted with rubber, while lands not planted would fetch, if available, up to Rs. 500 per acre. These are mostly for homesteads.

For dry lands, without tree growth, the sale price ranges from Rs. 36 per acre in the Vilavankod taluk to Rs. 625 in the Agastisvaram taluk. These figures do not convey the real value of such lands for agricultural purposes. The sales of wastes by Government may furnish a more substantial basis for ascertaining the values. The figures furnished by the Land Revenue Department show that 12,800 acres of dry land, brought under occupation during 1928-29 (1104 M. E.), have fetched a capital revenue of Rs. 5,46,461, yielding an average of Rs. 43 per acre. The average price in the Trivandrum Division is Rs. 19 per acre, in Quilon Rs. 44, in Kottayam Rs. 84, and in Devicolam Rs. 88. As stated before, lands suitable for being developed into gardens with accessibility to road are difficult to have and where such lands may be had, the price goes up to Rs. 500. In this connection, we should not omit to mention the evidence furnished by one of the Travancorean planters in North Travancore. The gentleman, with four or five others, has invested over a lakh and a half of rupees in developing lands in Malabar. The reason he gave for migrating to Malabar was that land values were too high here and a large sum has to be invested in the purchase of the land itself which, at the rates at which lands can be had in Malabar, could be better utilized in developing them. The lands referred to in Malabar are lands belonging to the Jenmis which have been secured on easy terms on lease for 99 years.

An examination of the average prices for the last eight years shows that there has been a remarkable fall in the price of paddy lands during the last two years and a gradual rise in the price of dry lands. The fall in the price of paddy lands is undoubtedly due to the succession of bad seasons and the recent low price of paddy. The rise in the price of dry lands evidences the growing demand for extension of cultivation by small farmers.

31. The principal crops cultivated in Travancore are paddy, cocoanut, tapioca, rubber, tea, pepper, arecanut, sugarcane, ginger, cardamom and turmeric and, of late, cashewnut also is assuming some importance as an export produce. Jaggery is produced from palmyra palm in South Travancore. All except paddy are largely exported after meeting the consumption within the State. A statement setting forth the quantity and value of the the above commodities exported from the country in 1928-29 is given below.

*Statement showing Quantity and Value of Exports.*

Name of article.		Quantity.	Value. (Rs.)
<b>Produce of the cocoanut tree—</b>			
Copra	Cwts.	4,21,064	76,46,518
Cocoanuts (husked)	No.	1,72,18,363	8,98,280
Cocoanuts (unhusked)	No.	49,27,682	2,68,899
Coir	Cwts.	7,28,592	1,12,28,888
Coir mats	Cwts.	1,73,382	41,71,443
Coir matting	Yds.	42,75,873	42,18,357
Cables	Cwts.	485	4,849
Coir fibre	Do.	6,008	60,220
Coir rugs	Yds.	3,27,656	3,21,254
Cocoanut husk	Cwts.	14,337	1,14,707
Punnac	Cwts.	2,31,301	11,56,506
Cocoanut oil	Do.	4,33,893	65,08,511
<b>Produce of the arecanut tree—</b>			
Arecanut (in husk)	Cwts.	1,168	64,265
Arecanut (without husk)	Do.	8,313	16,63,508
Turmeric	Do.	16,150	2,42,248
Pepper	Do.	38,374	1,87,30,122
<b>Ginger (green and dry)—</b>			
Ginger (unscraped)	Cwts.	5,014	1,25,360
Ginger (dry)	Cwts.	62,928	23,60,565
Tea	lbs.	3,04,52,556	3,04,35,768
Cardamoms	Cwts.	38,529	22,35,366
Cashewnuts	Do.	63,034	56,41,543

## Statement showing Quantity and Value of Exports.—(concl.)

Name of article.	Quantity.	Value. (Rs.)
Produce of Palmyra tree—		
Jaggery                      Cwts.	66,360	6,63,603
Palmyra fibre (manu- factured)                      Do.	17,538	3,07,184
Sugarcane produce—		
Cane sugar (unrefined) Cwts.	38,453	3,84,552
Tapioca                      Do.	1,61,014	3,17,564
Rubber                      lbs.	92,91,799	58,34,344

32. According to the report of the Director of Agriculture, the price of paddy during the major part of 1104 (1928-29) ranged between Rs. 7-4-0 and Rs. 7-1-0 per bag or 14 annas 6 pies and 15 annas 6 pies per para. (A para of paddy is equal to 8 Madras measures or 20 lbs. in weight.) We have pointed out in Chapter I that we have no reliable statistics of production. There is, therefore, considerable difficulty in determining the average yield for the State, as a whole or the quantity that we have actually to import to meet the requirements. From the intensive survey, however, we are able to gather that the annual yield per acre from the best lands in Nanjinad may be put down at 7,500 lbs; but the average may never exceed 3,500 lbs. These estimates relate to lands on which two crops are raised every year. In Kuttanad, where only one crop is raised, sometimes only two in three years, the average yield per acre is estimated at 1,700 lbs. In the other paddy producing areas, a large portion is comparatively poor and the yield hardly pays the cultivator anything more than the cost of cultivation and land revenue or michavaram (rent). On the whole, we may roughly estimate the average yield per acre at 15 cwts. and, on this basis, the paddy grown on 6,69,727 acres may be estimated at a little over 10 million cwts. Taking the average for the last five years, the annual import of paddy may be estimated at 1.3 million cwts. and, of rice, 2.2 million cwts. to a total value of Rs. 27.8 millions.

The yield from the paddy lands is, as we have seen, too insufficient to leave a fair margin of profit to the cultivator. In Nanjinad, however, the

non cultivating landholder is able to obtain about Rs. 55 to Rs. 60 per acre which works out at 3 to 4 per cent interest per annum on his investment.

33. At the beginning of 1104 (1928-29), the price of tapioca stood at Rs. 20 per candy (672 lbs.). There has been a steady fall down to Rs. 8-14-0. This abnormal fall in the price has upset the economy of the household of the poorer classes; for they depend on this not only for their own food, but for the purchase of their other necessaries of life by the sale of the surplus.

*Tapioca.*

The area under tapioca is 4,85,237 acres. If properly cultivated, the yield per acre will be 10,000 to 12,000 lbs. The cost of cultivation in this case will be Rs. 40 per acre; and, in normal times, the net income from one acre may not exceed Rs. 70. But the average yield from one acre may be put down at only 2,500 to 3,500 lbs.

34. The average price of unhusked cocoanut in 1104 was Rs. 55 per thousand nuts and of husked Rs. 46. The prices have fallen so low that we could have these at a little over half the above prices. Correspondingly, and as the cause of the low price, export values of copra and cocoanut oil fell heavily from Rs. 112 per candy for copra and Rs. 162 for cocoanut oil to Rs. 85 and Rs. 130 respectively in July 1929. The present prices show a further fall. The position of coir was not so bad. Alapat yarn sold at Rs. 112 per candy in the beginning of August 1928, but the price fell to Rs. 89 in December, but improved gradually thereafter until it reached Rs. 120 at the end of 1104 (July-August 1929).

*Cocoanut*

*Products.*

The area under cocoanut cannot be easily estimated as almost every back garden will have a few palms. The official statistics show that 5,26,950 acres are under cocoanut cultivation. The difficulty of estimating the value of the crop per acre is even greater. On an average, the yield from one acre is estimated at 2,000 to 2,500 nuts per annum which, in normal times, can fetch about Rs. 120 to Rs. 150. Excluding the cost of cultivation, the net annual income from one acre is calculated at Rs. 75 to Rs. 100.

35. This industry is now passing through a crisis. The rubber growers who appeared before the Committee have stated that, at the present low price of rubber, they could hardly meet even the expenses of production. From November 1928, with the discontinuance of the Stevenson Restriction Scheme, the price of rubber fell from about 90 cents to 40 cents per pound in the Colombo market. In the earlier half of 1104 (August-December 1928), the price varied from 42 to 45 cents. There was some improvement and the price went up to 58 cents, but began to decline again. It is now in the neighbourhood of 16 cents in the Colombo market.

*Rubber.*

The total area under rubber is 56,564 acres. Bud-grafting and other improved methods to increase the output are still in the experimental stage. The average output per acre is estimated at 200 lbs. and the cost F. O. B. for Indian owned estates is 3 annas per lb.

36. The area under tea is 71,305 acres, 25 per cent more than under rubber. 3,04,52,556 lbs. of tea to the value of Rs. 3,04,35,768 have been exported in 1928-1929 fetching the Government customs duty amounting to Rs. 4,60,689. *Tea.* To the Travancorean planter, the investment on one acre is estimated at Rs. 600 to Rs. 700 for a minimum unit of 300 acres and the cost F. O. B. is estimated at about 6 annas per pound.

37. This commodity, however, had a good time, the price ranging from Rs. 450 to Rs. 585 per candy. The average export price was Rs. 493. Compared with the figures in the year previous, the price shows a fall in the maximum; in 1927-28 it touched Rs. 630 per candy. The price is rapidly falling and it is Rs. 250 per candy at present. As in the case of cocoanut trees, the area under pepper cannot be estimated. The cultivation is seldom attempted as a regular plantation as tea or rubber. Where it is attempted, about 500 vines may be grown on an acre, the average yield from which is estimated at 200 lbs. of dried berries. *Pepper.*

38. The average price of green ginger in 1104 is estimated at Rs. 25 per cwt. and of dry ginger at Rs. 37.5. Arecanut sold at an average price of Rs. 182 per candy; cardamoms at Rs. 59 per cwt.; jaggery at Rs. 10 per cwt.; turmeric at Rs. 15 per cwt.; and tamarind at Rs. 12 per cwt. Cashew-nut which, till lately, had no foreign market, is now being exported in increasing quantities. 3,465 cwts. of Kernel to the value of Rs. 3,10,160 were exported through Alleppey in 1928-29. The demand for this is likely to decline with the high tariff in the United States of America. *Ginger, Areca-nut, etc.*

39. It may not be out of place here to refer to two sources of official information regarding the values of crops. The one is *Weekly Reports and Tariff Values.* what is usually published weekly in the Government Gazette. The other is the tariff valuations. In regard to the former, there is a widespread feeling that the prices quoted are very inaccurate. They are ostensibly those prevalent in the headquarter stations of the Revenue Divisions, so that, the real value to the producer and how far he is able to take advantage of the prices beyond his limited sphere cannot be ascertained. Again, the statistics are prepared by low-paid subordinates of the Revenue Department. We wish the work be done with greater accuracy. Another feature about the

information regarding prices is that they will not bind the Government in any contracts which they enter into with private individuals in case of dispute.

The tariff valuations have no pretence to correspond to actual prices. "The valuations are based upon considerations, both of current rates and future prospects, the object being, as far as possible, to fix a valuation which shall not differ widely from the actual value during the period for which the valuation is in force. The valuation is therefore in the nature of an estimate or guess, and it sometimes happens that prices do not follow the course anticipated, with the result that the tariff valuation differs considerably from the actual market value." (Report of the Indian Fiscal Commission).

## CHAPTER III.

### GENERAL DESCRIPTION OF EXISTING CREDIT FACILITIES.

40. There are two branches of the Imperial Bank of India, one at Alleppey and the other at Trivandrum, and an Out-station at Quilon. The Trivandrum branch, we understand, does mainly the treasury work of the Government. The working of the Imperial Bank in the State is governed by the Imperial Bank of India Act of 1920 which has been recognised by a Proclamation issued by H. H. the Maharaja ; and its relations with the Travancore Government are governed by an agreement entered into with the Bank. The Government maintains a minimum balance of Rs. 2.5 lakhs with the Trivandrum branch upon which no interest is paid by the Bank and this sum is exclusive of any cash balance in current accounts on which an interest of 2 per cent is allowed on the daily balance, if the amount exceeds Rs. 1 lakh. The Bank will receive money to the credit of the Government, if required. Cheques, bills, credit notes and other orders payable at the bank, at its Head Office at Madras or branches within the Madras Circle, are to be realised and credited at par and intimated to the Trivandrum branch of the Bank.

The Bank takes fixed deposits and keeps current accounts. It discounts trade bills. Advances are made against produce and gold security. Cash credits and overdrafts are allowed to a limited extent. The rate of interest charged is 1 to 2 per cent above the Madras rate, subject to a minimum of 6 per cent. From the nature of its constitution and owing to its conservative policy, it has been of use to the Indian trading classes only to a limited extent. The import trade in paddy at Quilon, however, is largely financed by the local Out-station. Witnesses stated that the Bank discriminated against Indian traders and estate owners, but no specific instances were mentioned.

41. There are 3 branches of joint stock banks incorporated under the British Indian Companies Act and 264 banks incorporated under the Travancore Companies Regulation. The former are the Indian Bank Ltd., having its branch at Alleppey, the Nedungadi Bank Ltd., having its branches at Alleppey, Quilon and Trivandrum, and the Namputiri Bank Ltd., having its branch at Alwaye. The branches of the Indian Bank and the Nedungadi Bank at Alleppey finance trade, but the Trivandrum and Quilon branches of the latter, we are told, finance trade only to a very limited extent.

A list of the Banks incorporated under the Travancore Companies Regulation, up to the end of 1104 (July 1929), classified according to their paid-up capital, is given as Appendix V.

Of the Travancore banks, one is a Nidhi.



The joint stock banks of Travancore incorporation are of recent origin. For three decades from 1883, we had, with five exceptions, what were called 'Ela Nidhis'. These institutions were ephemeral and started for all manner of fanciful purposes. They were governed by the Companies Regulation, I of 1063 M. E. (1888). Except the one Nidhi, the Travancore Permanent Fund, Ltd., all have died out. When the new Companies Regulation, I of 1092 (1917) was passed there were, besides the Travancore Permanent Fund, four banks. These were :—

1. The Changanachery Banking Co., Ltd.
2. The Malabar Family Assistance Co., Ltd.
3. The Travancore National Bank, Ltd.
4. The Ambalapuzha Christian Bank, Ltd.

From 1919, the growth of the joint stock banks is phenomenal. The following statement will amply demonstrate this:—

Year.	Total number working at the end of the year.	Paid-up capital at the end of year.(Rs.)
1092 (1916-17)	6	1,44,418
1093 (1917-18)	5	1,55,396
1094 (1918-19)	8	2,83,848
1095 (1919-20)	35	11,70,097
1096 (1920-21)	43	14,76,861
1097 (1921-22)	41	17,37,561
1098 (1922-23)	38	16,84,024
1099 (1923-24)	36	17,41,783
1100 (1924-25)	36	17,92,245
1101 (1925-26)	44	19,34,025
1102 (1926-27)	57	24,95,863
1103 (1927-28)	120	32,13,697
1104 (1928-29)	195	42,50,933
1105 (1929-30)	258	(Not available).

In 1104 (1928-29), as many as 74 new banks were started. The average paid-up capital of a bank at the end of 1104 was Rs. 21,800. Of these banks, only five have a paid-up capital of above one lakh of rupees. They are, in the order of their paid-up-capital :—

1. The Travancore State-Aided Bank, Ltd.
2. The Travancore National Bank, Ltd.
3. The Travancore Commercial Bank, Ltd.
4. The Quilon Bank, Ltd.
5. The Travancore People's Bank, Ltd.

Four of these have opened branches, both in the State and outside.

An examination of the place of origin of the banks in the State shows that they are spread over 23 taluks. They finance local trade, agriculture and, to some extent, small industries. It is doubtful if they play any appreciable part in the large import or export trade of the country. Their balance sheets reveal that few have any reserve fund at all. The proportion of cash balance is negligible. With two or three exceptions, they lend at 15 to 24 per cent on pro-note on joint signatures, on gold, and on landed security. They declare high dividends ranging from 12 to 28 per cent. One notable feature of all the banks is that not less than 166 of them are conducting chitties. The working of these banks and their present condition demand special attention and a separate chapter has been devoted to it.

42. Among the joint stock banks, special mention about the Travancore State-Aided Bank is needed in view of the position it occupies. This bank, primarily the outcome of public demand, was established in 1101 M.E. (1926) at Alleppey. It was intended almost entirely as a commercial bank to carry on the business of banking in all its branches and departments. It is not empowered to advance or lend money or open cash credit upon mortgage, or in any manner solely upon the security of the immoveable property or documents of title relating thereto, the bank being, however, at liberty to accept immoveable property as collateral security in addition to any other authorised security. The bank cannot also make any loan or advance for a longer period than six months. These restrictions therefore preclude the bank from being serviceable to the agriculturist as such. But it may advance on personal security up to a maximum period of six months; and one of the objects in establishing the bank is to finance the middle class merchant and the small borrower who, it is said, "do not get sufficient accommodation from the existing branches of the Imperial Bank." (Report of Mr. R. Nilakanta Pillai, present Financial Secretary to Government *re* starting of a State-Aided Bank in Travancore, Paragraph 34).

The concessions that the Bank enjoys from the State and its duties are :—

(a) The Government will deposit in the bank, without interest, and for a period of five years, a sum equal to 50 per cent of the paid-up capital of the Bank subject to a maximum limit of Rs. 2,50,000.

(b) The Government will also deposit in the Bank another equal amount, *i. e.*, 50 per cent of the paid-up capital, subject again to the maximum limit of Rs. 2,50,000 carrying simple interest at the rate of 4 per cent per annum and for a period of five years, interest being payable half-yearly.

Both the above deposits will be subject to the proviso that the bank maintained at all times with the State unencumbered assets to the aggregate amount of the said Government deposits.

(c) The Government will pay half the working expenses of the Bank for the first five years ; and this contribution is not to exceed Rs. 10,000 per annum unless the written sanction of Government has been obtained to increase the working expenses to more than Rs. 20,000.

(d) The Bank may, at the discretion of Government, be given at District headquarters and other approved places, such treasury work as may be decided upon by the Government from time to time.

(e) The Bank may, at the discretion of Government and under a special agreement, be allowed :—

(i) to act as their bankers at such time, to such extent and in such manner, as may be determined by them from time to time and to pay, receive, collect and to remit money, bullion and securities in such manner as may be laid down by them.

(ii) to undertake and transact any other business which the Government may from time to time entrust to it, provided that every such agreement shall provide that the Government shall have power to issue instructions to the Bank in respect of any matters which, in their opinion, vitally affects the financial policy or the safety of Government balances and that, in the event of the Bank disregarding such instructions, Government may declare such agreement to be terminated.

(f) Government will supply treasury guards and escort for remittance, within the State, between places not connected by railway, free for a period of five years and thereafter on payment of such charges as may be agreed upon between the Government and the Bank. But the Government shall not be held responsible for losses by theft, negligence, etc.

(g) The Government will permit municipalities and other local bodies, on their application, to deposit their surplus balances with the Bank wherever it has branches.

A further concession of Rs. 5,00,000 cash credit at 5 per cent per annum on daily balances and Rs. 25,000 over-draft at 5½ per cent is also allowed.

43. The financing of the entire internal trade of the country has been in the hands of the indigenous bankers or Hundi merchants who were all Tamilians. We have no statistics to show how many of these existed prior to the advent of the Imperial and other joint stock banks. The evidence tendered before the Committee shows that their number has decreased considerably either by their voluntary withdrawal from the field or collapse. At present, however, we have 22. Most of them do business with their own capital, but some take in deposits also. They still exercise a good deal of influence in the internal trade of the country and in the transactions with the neighbouring British Indian districts with which Travancore carries a large trade. There are Hundi merchants who have agents in Madras, Calcutta, Ceylon and Burma.

*Exchange Banks.* 44. There are no Exchange Banks.

45. The returns that we have received show that there are 62 private banks and bankers. But we have no definite information as to the exact nature or extent of their transaction. From what we have gathered they do money-lending business and are not distinguishable from money-lenders.

46. These exercise by far the greatest influence in financing agriculture. From the Tahsildars' returns, we see there are 264 prominent money-lenders. A distribution statement of these money-lenders shows that agricultural centres like Nanjinad and Kuttanad alone have 74 of them and Shencotta where there are no joint stock banks has 46. One of the witnesses informed us that 75 per cent of the financing of the agriculture in Kuttanad was in the hands of the Brahmin money-lenders of the Monkompuzha village. He estimated the annual requirements of Kuttanad at Rs. 10 lakhs. The rate of interest they charge ranges from 6 to 12 per cent on money loans and 10 to 20 per cent on paddy loans. The bulk of the loans is unsecured. The loan is generally for short term, say, one year. But it was pointed out that the loans are not being readily repaid. These money-lenders are themselves big landowners.

Besides these, there are a large number of small money-lenders who deal with small capital. Their transactions are generally with smaller cultivators and traders. They generally levy much higher interest. The number of these money-lenders cannot be easily ascertained. At the last Census, money-lenders were grouped with banks, insurance agents, brokers, etc.

47. There are 1,733 co-operative societies of all classes and types with a Central Bank in the capital of the State. The number of societies working in 1928-29 was 1,717. The following is a classified abstract of the societies on the rolls:—

<i>Class and Type of Societies.</i>			<i>No.</i>
Central Credit		...	1
Agricultural	}	Credit	1,384
		Credit, production and sale	8
Non-Agricultural	}	Credit	278
		Credit, production and sale	20

The rest are Unions, non-credit societies, etc. The total number of members of all the societies is 1,96,078 against 74,076 at the beginning of the last quinquennium. The average number of members per society is 116. The working capital of these societies is Rs. 52,75,865, against Rs. 16,72,659 at the beginning of the last quinquennium. The share capital of all these societies is Rs. 26,72,830 which also shows a similar increase. The total deposits of all the societies amounted to Rs. 17,50,485 and disbursements to Rs. 14,06,789. The Central Bank issued 414 loans for an amount of Rs. 4,17,728, the primary societies 70,866 for an amount of Rs. 31,88,305. Of this the loans issued by the Agricultural Societies amounted to Rs. 20,47,983.

The Central Bank deals with individual members also and advances loans to them. But there is a movement to restrict the transactions of the central institution to local, district or taluk banks which in turn ought to finance rural or primary societies. It is also the intention to delimit its business with individuals to their deposits.

The rate of interest at which the Central Bank advances to individual members is 8 3/4 per cent, 8 1/4 per cent to the societies, and to taluk banks 8 per cent.

48. The Government are issuing loans for land improvement and agricultural purposes under the Land Improvement and Agricultural Loans Regulation, IX of 1094. This enactment contains provisions similar to the two British Indian Acts. The rate of interest charged is 6 per cent. For land

improvement purposes loans could be issued on the security of land for periods up to 20 years. For agricultural purposes loans could be granted for ten years on the security of land and for two years on personal security up to Rs. 200. The amount granted during the last year under the Regulation was Rs. 1,50,015. The loans were meant entirely for improvement purposes. The short-term loan for agricultural purposes is practically unknown.

49. The chitty is a prominent feature in Travancore finance. It is the most popular institution both for investment and credit.

*The Chitty.* The number of chitties is increasing every year. 9,931 registered chitties with a total capital of Rs. 2.36 crores were being conducted at the end of 1104 (1928-29). The conduct of the chitties is governed by a special enactment, the Chitties Regulation, III of 1094. Besides the above, there are innumerable small chitties with less than Rs. 100 as their capital which need not be registered under the Regulation. The capital of such chitties may be roughly estimated at Rs. 14 lakhs. Thus a sum of Rs. 2.5 crores is being pooled at every instalment and distributed among the subscribers.

The Chitties Regulation defines a chitty in the following terms:—

A chitty means a transaction by which one or more persons hereinafter called the foreman or foremen enter into an agreement with a number of persons that every one of the contracting parties shall subscribe a certain amount of money or quantity of grain by periodical instalments for a certain definite period and that each in his turn as determined by lot or by auction or in such other manner as may be provided for in the Variola shall be entitled to the 'prize amount.'

'Variola' is the document containing the articles of agreement between the foreman and each of the subscribers relating to the chitty. The foreman is the person who under the Variola is responsible for the conduct of the chitty.

Usually an enterprising man gets together a few friends to help him start a chitty. We will suppose the capital is Rs. 10,000 to be subscribed in 20 instalments at an interval of six months. Including the foreman who also subscribes to the chitty, there will be 20 subscribers, each subscriber taking one full share. But in chitties with big capital the shares are usually subdivided into four or more numbers so that a person taking only one number out of four has only one-fourth share and the capital for which he joins the chitty is therefore Rs. 2,500. Strictly speaking each subscriber taking one full share has to pay Rs. 500 at each instalment. But this will never be the case. For the subscribers compete among

themselves to have an advance and the demand will determine the exact amount that a subscriber will have to pay actually. For securing a lump sum in advance, a subscriber may be willing to reduce the capital by 40 or even 50 per cent. He secures, say, Rs. 6,000 in advance out of the capital of Rs. 10,000. The remaining subscribers are entitled to the balance of Rs. 4,000, after deducting a certain percentage ranging from 1 to 5 by way of commission towards remuneration to the foreman. The balance is distributed rateably among the subscribers. So that the amount that an unprized subscriber has to pay down is his normal quota of Rs. 500 less this amount which is called *veethapalisa* which means proportionate dividend. To the prize-winner of the chitty it is an institution to secure a lump sum as advance, but to the unprized subscriber it is an investment. The foreman also gains a commission for his trouble. He has certain privileges also. He can have one instalment of the chitty, generally the second and sometimes the first, without being auctioned so that he secures the full amount in advance. But he has to take a good deal of risk too. Defects in the Regulation have been brought to the notice of the Committee by a large majority of the witnesses and a detailed consideration of the chitty and its regulation and the suggestions to amend the law will form the subject of Chapter XIII.

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## CHAPTER IV.

### VOLUME AND DISTRIBUTION OF AGRICULTURAL INDEBTEDNESS

#### IN TRAVANCORE.

50. The question of indebtedness of the cultivator in Travancore has attracted the attention of the Government and the non-official public. The late Mr. V. Nagam Iyah, who was the Settlement Officer at the last Revenue Settlement, has given a brief account of the indebtedness of the Travancore agriculturist in his *State Manual*. He estimated the volume of the indebtedness by giving the aggregate amount of the mortgages and money bonds for one year (1903-04). It then amounted to Rs. 2,40,33,735, the total number of the deeds registered being 1,02,476. This represented only a fraction of the debt as most of the mortgages effected in the previous years must have been unredeemed. However, it will be interesting to see how the figures stand now (1928-29).

Serial No.	Nature of documents.	1903-04.		1928-29.	
		No.	Value Rs.	No.	Value Rs.
1.	Instruments of sale ...	24,550	59,32,197	79,881	2,93,31,443
2.	Instruments of mortgage (with possession) ...	49,826	95,23,228	65,113	1,50,09,860
3.	Instruments of hypothe- cation ...	50,957	1,06,87,733	1,08,647	3,11,42,508
4.	Money bonds ...	1,693	38,22,774	3,056	3,97,230
	Total of 2 to 4 ...	1,02,476	2,40,33,735	1,76,816	4,65,49,598

The percentage of increase in the number of mortgages and hypothecations is 72, while the increase in the value is 128.4. The higher proportion in the value of the mortgages must be largely due to higher land values; but the increase in the number is a clear indication of the increasing tendency to charge landed property with debt. These figures, however, suggest nothing as to the volume of the subsisting debts.



51. Different methods for estimating the volume of subsisting debts have been adopted in the British Indian Provinces and Indian States where the problem of rural indebtedness was studied. Notable among these is the method adopted by Sir F. A. Nicholson in his valuable report on the possibility of introducing Land and Agricultural Banks in the Madras Presidency, who, after examining the term of the mortgages registered in 1890 and 1891 found that the average duration of mortgages was 3 years. On this basis he adopted the formula that the subsisting mortgage debt in the Madras Presidency at the time of his enquiry could be estimated by multiplying the value of the mortgages registered in that year by three.

In Travancore, under the Marumakkathayam law which governed three important communities, sale of *tarwad* (family) property by the Karanavan or manager was impossible because *tarwad* estates were not partible. Alienations, therefore, took the shape of long-term mortgages with right to permanent improvement, the mortgagor often not redeeming the property at all. Second and subsequent mortgages are freely made to meet the needs for additional credit. "The bulk of the transactions relating to immovable property are of the nature of mortgages with possession. Whatever the strict legal import the people do not look upon a mortgage as a mere debt. The bulk of the immovable properties of many families consists of mortgage properties." (Legislative Council Proceedings, dated the 11th May, 1895.)

The Marumakkathayam law was altered only during the last four years and, even after the partitions effected under the Nair, the Nanjinad Vellala and the Ezhava Regulations, the antecedent debts do and will persist.

*Some Statistics of Intensive Survey.* 52. At the intensive survey, statistics were collected under the following heads, among others, by a house-to-house visit :—

(1) Number of holdings, (2) number of ryots in debt, (3) number free of debt, (4) amount of mortgage debt (with and without possession) classifying the sources of the loans, (5) the amount of unsecured debts, classifying the sources and (6) the amount of land revenue and Jenmi michavaram or rent due to the Jenmis. A statement showing the results of the investigation of 13 villages is given below :—

*Statement showing the Results of the Intensive Survey  
of Thirteen Villages.*

Serial No.	Name of village surveyed.	Occupied area (acres)	Land tax and Jenmi michavaram. (Rs.)	Total debt. (Rs.)	No. of agricultural families.	No. of families in debt.
1	Aykudi ...	864·8	4,564	16,981	135	26
2	Thazhakudi ...	617·4	9,844	1,87,596	211	129
3	Methukummel ...	672·0	1,809	1,12,029	252	189
4	Kundara ...	157·0	416	38,233	121	82
5	Adur (Ayyankoikal muri) ..	553·0	540	23,667	57	41
6	Eraviperur ...	943·6	852	67,383	224	119
7	Punalur ..	867·7	1,014	23,291	113	102
8	Kuravilangad ...	1,200·0	2,036	2,15,480	438	350
9	Vayakkalam ...	384·9	1,182	72,185	273	160
10	Kodanthuruthu ...	785·0	5,433	2,44,669	208	134
11	Muttam (Kartikapalli) ...	186·0	1,998	25,809	94	92
12	Neendur ...	142·0	866	12,517	25	25
13	Kaladi ...	302·5	403	39,050	100	100
	Total ...	7,675·9	30,957	10,78,890	2,251	1,549
	Average ...	...	...	...	...	68·8%

*N. B.*—The debts of landholding agriculturists alone are taken into account in this statement.

## Statement showing the Results of the Intensive Survey—(concl'd.)

Name of village surveyed.	No. of free debt	Average debt of indebted Agricultural families. Rs.	Average area per Agricultural family. Acres.	Average debt per acre. Rs.	Debt's multiple of land revenue and Jenmi mi-chavaram	Land tax per acre. Rs.
1. Aykudi	109	653	6.4	19.6	3.7	5.3
2. Thazhakudi	82	1,454	2.9	304.0	19.0	15.8
3. Methukummel	63	592.7	2.6	166.7	61.9	2.7
4. Kundara	39	466	1.3	243.5	91.9	2.1
5. Adur (Ayyankoikal muri)	16	577.3	9.7	42.8	43.8	1.0
6. Eraviperur	105	566	4.2	60.7	79.0	0.9
7. Punalur	11	228.3	7.7	26.8	22.9	1.2
8. Kuravilangad	88	615.6	2.7	177.9	105.8	1.7
9. Vayakkalam	113	451	1.4	187.5	61.0	3.0
10. Kodanthuruthu	74	1,825.8	3.7	311.6	45.0	6.9
11. Muttam (Kartikapalli)...	2	280.5	1.9	138.7	12.9	10.3
12. Neendur	...	500.7	5.6	88.0	14.5	6.0
13. Kaladi	...	...	3.0	125.7	96.9	1.3
Total	702	...	...	...	...	...
Average	31.2 per cent	683.4	4.1	145.7	50.6	4.5

It has to be noted that Muttam (Kartikapalli taluk) is a village entirely belonging to a Jenmi where 92 out of 94 families are in debt. Neendur, a village in Parur taluk, is found to consist of home-farms belonging to landlords who live in the neighbouring town of Parur. There are only 25 landholders living in the village itself, the other residents being the servants or agents of the non-resident landholders. All the 25 of the resident

landholders are indebted. Though these two villages are, by no means, typical of the taluks in which they are situate, much less of the State as a whole, they are important in our calculation, the former as a type—perhaps an extreme one—of Jenmi villages and the latter of a very poor village.

The figures show wide divergence between one village and another. Nevertheless, the villages are fairly representative and a generalisation for the entire State based on averages for these villages is not likely to be far out. In determining economic conditions we cannot by any means reach mathematical accuracy and it would be sufficient for our purpose to know approximately the range and character of the indebtedness, its causes and consequences and any general tendency towards rise or fall.

Some explanation in regard to the figures given in the statement appears necessary. For the investigation the landholding family has been taken as the unit. The average size of a family was found to be 5·6. The average area per family of agriculturists should be taken subject to what has been stated in Chapter II regarding the size of the holdings in these villages. The average is given here to show by comparison the pressure of debt in each locality, account being had of other factors, *viz.*, the number of families in debt, the debt per landholder, the debt's multiple of land revenue and michavaram and the debt per acre. The average debt per acre, taken by itself, is likely to be misleading. While the debt per family is that of the average for indebted family only, the average debt per acre is derived by dividing the total debt of the village by the number of acres comprised in it, so that lands which are not charged with debt have also been brought into account. The figure is useful only for purposes of comparison and for estimating the total volume of debt. In making these calculations the presence of divergent tenures and lands of widely varying fertility are disturbing factors and it is not practicable to eliminate them. Thus, for instance, in Aykudi, where the maximum rate of assessment is Rs. 27·7, the average is only Rs. 5·28. Again, at Eraviperur a goodly portion of the land comprised in the village is of Jenmam tenure and it has not been possible to ascertain the rent due to the Jenmis from the tenants. The Investigator has stated that, through the slackness of the Jenmis, several years' rents lie accumulated and stand charged against the tenants' account as debt due to them. But the average tax due to the Government works out only at Re. 0·9 per acre. These low averages largely affect the debt's multiple of land revenue.

53. *The mortgage debt.*—We have seen that through various causes, but largely as a result of the laws of inheritance, mortgages for long periods have tended to loom large. A statement showing the number and amount of sales, mortgages and money bonds for the past 12 years is given below

*Statement of Sales, Mortgages and Money bonds.*

Year.	Sales.		Mortgages with possession.		Mortgages without possession.		Registered Money bonds.	
	No.	Rs.	No.	Rs.	No.	Rs.	No.	Rs.
1093	35,843	1,37,42,447	48,630	1,11,62,909	74,731	1,96,39,005	2,249	3,08,620
1094	45,784	1,93,27,660	60,540	1,43,29,387	83,188	2,10,10,256	2,337	3,41,946
1095	50,315	2,47,13,846	67,574	1,77,26,181	87,198	2,47,59,366	2,382	2,95,285
1096	43,188	1,97,27,165	63,491	1,73,85,865	83,052	2,51,96,229	2,587	3,38,532
1097	40,612	2,09,86,612	69,565	1,95,95,907	69,905	2,00,05,812	2,597	3,62,550
1098	41,511	2,71,85,144	57,059	1,45,60,860	83,703	2,30,81,242	2,399	3,27,446
1099	42,024	2,04,75,636	55,606	1,41,26,397	83,257	2,40,46,188	2,387	3,22,896
1100	48,726	2,22,47,715	61,745	1,63,29,355	91,514	2,46,53,758	2,952	3,47,172
1101	59,056	2,83,33,174	61,487	1,61,15,586	95,418	2,73,51,555	3,023	3,76,117
1102	70,929	3,08,00,911	64,507	1,52,26,289	98,601	2,70,86,377	3,310	3,71,854
1103	85,251	3,31,78,054	70,985	1,64,76,757	1,09,802	3,09,62,293	3,312	3,95,080
1104	79,881	2,93,31,443	65,113	1,50,09,860	1,08,647	3,11,42,508	3,056	3,97,230

So far as mortgages with possession are concerned it will be noticed that the number and value tended rapidly to increase from 1093 to 1097 ; but from 1098 the tendency is to fluctuate round Rs. 1.5 crores, the maximum being Rs. 1.6 crores and the minimum Rs. 1.4 crores. The number and value of hypothecations, on the other hand, show a steady rise. The large increase in chitty transactions which involve the furnishing of property security by the prized subscribers and the foremen may be one of the factors in affecting this class of debt. Well-informed opinion is that we may put down 12 years as the average duration of mortgages with possession and six years of hypothecation or mortgages without possession.

In estimating the total volume on the basis of the value of mortgages, it is necessary to remember certain facts. Firstly, the prior mortgage debts will run during these periods also. Secondly, of the mortgages some discount has to be made for the mortgage of house or non-cultivable property. Travancore being a country where people live in isolated houses with a garden or *purayidom* around it, it is difficult to make a distinction between house-property as such and agricultural farms, except in Shencotta taluk, Nanjinad and in the towns. Ten per cent of the total amount of the mortgages (with and without possession) has been roughly taken to represent this item. A hypothecation deed may be, in the first instance, for a period of three years. But it may be renewed for a further period or, as usually happens, it is converted into a mortgage with possession. All such transactions will appear as fresh ones. Again, some portion of the debts secured may have been discharged during the period ; and as it is not compulsory that release should be registered it is not possible to know the extent of the discharged debt with any degree of accuracy. From a number of Sub-Registrars whom the Committee examined, it was gathered that roughly 40 per cent of the total mortgage amounts may be deducted to correct the mistake arising from recounting and for making allowance for the debts discharged.

7,46,302 mortgages (with possession) to the value of Rs. 18,80,45,353 during the last 12 years (1917-18 to 1928-29) and 5,87,239 (without possession) to the value of Rs. 16,52,42,679 during the last six years (1923-24 to 1928-29) have been registered. The total of the two items amounts to Rs. 35,32,88,032. From this, the following reductions have been made:—

(1) Mortgages (with and without possession) of house property 10 per cent of the total.

(2) To avoid the error in duplicate counting, 40 per cent of the balance.

This leaves a balance of Rs. 19.12 crores which is taken as the net secured debt.

54. *Unsecured debt.*—To this has to be added the unsecured debt. From the intensive and the general surveys we have been able to ascertain the proportion between the secured and the unsecured debts. The intensive survey yields the proportion of 69·6 to 30·4, while the proportion arrived at by the general survey is 67·6 to 32·4. We may take the proportion as 70 to 30 which is nearer the intensive survey figure. Thus calculated, the total volume of rural debt stands at Rs. 27 crores. This figure may be checked with those obtained by two other methods with fewer assumptions.

55. “For land-owne rs much the best measure of debt is the land revenue for, broadly speaking, the amount of land  
*Debt in terms of* revenue a man pays varies with the yield of his land.  
*Land Revenue.* Viewed as such it is a form of income tax and is not a bad indication of his general position.”\*

The statement given under paragraph 52 sets forth the results of the intensive survey showing the proportion of land revenue due to Government including michavaram or rent due to the Jenmi. The proportion is expressed as debt's multiple of land revenue and michavaram. As the proportions for the several villages vary widely we have taken the mean average of the multiples which is 50·6.

The ordinary land revenue of the State for 1104 (1928-29) excluding arrears is Rs. 38·9 lakhs. This will not include the michavaram due to the Jenmi and the revenue arising from Sripandaravaka and other lands. We have seen in Chapter II that Pandarapattom lands formed 75 per cent of the total settled area of the State, the balance of 25 per cent being made up of Jenmam and other tenures. Making some allowance for the increase in the extent of Pandarapattom lands since the last Revenue Settlement, we may fix the proportions at 80 and 20 per cent. There is no means of ascertaining what exactly the tenants have to pay in respect of the latter class of lands. The dues to the Jenmi may be higher than the Pandarapattom assessment. Against this must be counted the presence of tax-free lands and lands favourably assessed. We have, therefore, estimated the rent or other dues from the ryots in respect of these lands at the same rate as on Pandarapattom lands and fixed the total land revenue and Jenmi michavaram at Rs. 48·6 lakhs. The debt's multiple of land revenue being 50·6 we may estimate the total volume of debt at Rs. 24·6 crores.

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\* *The Punjab Peasant in Prosperity and Debt* by Mr. M. L. Darling, I. C. S.

56. For the purpose of the intensive survey the State was divided into three main and two minor regions having distinctive features. The following statement gives the area under cultivation (excluding lands under rubber and tea) as well as the average debt per acre in each region as disclosed by the intensive survey.

Division.	Area under cultivation Acres.	Average debt per Acre Rs.	Total debt. Rs.
I. Sea-board	6,54,808	270·8	17,73,75,625
II. Lower upland	5,13,101	103·8	70,80,794
III. Montane and sub-montane	4,63,402	115·5	5,35,22,931
IV. Nanjinad	48,473	304·0	1,47,35,792
V. Shencotta	9,510	19·6	1,86,396
Total	16,89,294		25,29,01,538

57. The total debt for the whole State as estimated above is Rs. 25·29 crores. The approximation to accuracy of the results obtained by these methods will depend upon the representative character of the villages chosen. Investigation of a larger number of villages must yield more reliable results. It is noteworthy that the results obtained by the three methods, viz., Rs. 27·3 crores, Rs. 24·6 crores, and Rs. 25·3 crores are remarkably in agreement. It may, therefore, be estimated that the total rural debt of the State is somewhere about Rs. 25 crores. This gives an average of Rs. 68 per head of the rural population. The average for the Punjab as estimated by Mr. Darling is Rs. 74. The average debt of a rural family in Travancore will be Rs. 380.

58. *Over-population.* Agriculture is the basic industry of the people, 54 per cent of the population directly or indirectly depending on it. We have already given statistics relating to the density in different tracts in Travancore. An examination of the figures in comparison with the rest of India shows that the pressure of population in Travancore is perhaps the heaviest in India.



*Statistics of Density of Population per square mile in different parts of India.*

Administrative Divisions.	Under 150.		150—300.		300—450.		450—600		600 and over.	
	Area.	Pop.	Area.	Pop.	Area.	Pop.	Area.	Pop.	Area.	Pop.
	p. c.	p. c.	p. c.	p. c.	p. c.	p. c.	p. c.	p. c.	p. c.	p. c.
1. Bengal	15·4	1·0	7·6	3·1	19·3	12·6	19·4	17·6	38·3	65·7
2. Bihar and Orissa	28·0	10·0	33·5	21·9	13·9	15·6	7·3	11·2	17·3	41·3
3. Bombay	60·4	29·0	32·8	44·3	5·5	12·6	·3	·9	1·0	13·2
4. Central Provinces and Berar	70·5	49·6	27·7	45·5	1·6	4·9	...	...	...	...
5. Madras	30·1	9·7	26·1	17·9	22·6	28·0	13·9	24·0	7·3	20·4
6. Punjab	38·0	13·6	39·4	41·4	16·0	27·4	4·8	11·3	1·8	6·3
7. United Provinces of Agra and Oudh	19·7	4·2	12·5	6·5	19·5	18·3	28·4	35·1	19·9	35·9
8. Baroda State	22·6	7·8	48·3	43·6	23·4	31·5	2·6	4·8	3·1	12·3
9. Cochin State	...	...	...	...	54·3	31·0	...	...	45·7	69·0
10. Gwalior State	78·4	62·8	19·8	31·9	1·8	5·3	...	...	...	...
11. Hyderabad State	53·9	36·8	45·8	58·8	·5	1·0	...	·2	·1	3·2
12. Kashmir State	89·2	34·7	8·3	43·6	2·3	19·4	·2	2·3	...	...
13. Mysore State	36·2	20·2	52·8	55·6	10·8	17·4	...	...	·2	6·8
14. Travancore State	32·6	5·0	7·4	2·7	16·3	10·9	11·3	11·4	32·4	70·0

In European countries a vast proportion of the population is concentrated in towns and is supported by trade and manufacturing industries. In England, for instance, the proportion of urban to rural population is 75 per cent, while in Travancore it is only 14 per cent. In fact we cannot say we have urban areas at all in the sense in which the term is applied in European countries. The natural consequences are that agricultural lands have been split up into holdings too small by themselves to be profitable for the cultivator to pursue the industry and the price of land has risen very high. The intensive surveys show that 68·8 per cent of the families are in debt in varying degrees. It is found that debt varies inversely with the size of the holdings. In Thazhakudi, for instance, we find that out of 211 holdings 90 are below one acre and of these, again, 30 are below 50 cents. Similarly in the coastal regions the density of population is very high and both wet and garden lands are seen to have been minutely sub-divided. In Kodenthuruthu (Shertallai) the debt per indebted agricultural family is heaviest in the State amounting to Rs. 1,825·8, against Rs. 1,454 in Thazhakudi. In the lower upland and the sub-montane regions where density of population is lower the debt also tends to be less.

59. *Small Holdings.*—The smallness of the holdings, which is as well the result of the recent laws of inheritance as of the pressure of population, is also the principal cause contributive to the growth of indebtedness. This evil is found all over India and in fact in European countries also; and everywhere the consequences are the same. “Land is wasted in innumerable boundaries and labour and time in going from plot to plot; rotations cannot be varied, nor can valuable crops be properly supervised; scientific cattle breeding is impossible; disputes are frequent and enterprise is paralysed. In short, all the evils of small holdings are aggravated as hundred-fold and agricultural progress is impossible.” We have not been able to ascertain the extent of fragmentation. The question has to be studied with care before any remedial measures could be suggested.

60. *Inherited Debts.*—The following statement compiled from the figures furnished by the Sub-Registrars sets forth the purposes for which loans were secured by mortgage of property in 1104 (1928-29) and the percentages to the total will amply demonstrate the burden of inherited debt:—

	<i>Purpose.</i>		<i>Percentage to total.</i>
1.	Payment of prior debts	...	71·7
2.	Marriage and other ceremonies	...	6·8
3.	Improvement of lands	...	4·8
4.	Litigation	...	4·7
5.	Purchase of agricultural implements	...	4·0

	<i>Purpose.</i>	<i>Percentage to total.</i>
6.	Food and other necessaries of life ...	2·5
7.	Education of children ...	2·2
8.	Flood and other distresses ...	2·5
9.	Payment of Jenmi michavaram ...	0·8

Let us examine the borrowings from co-operative societies.

1.	Payment of prior debts ...	32·1
2.	Cultivation ...	15·1
3.	Building and repairing ...	5·1
4.	Purchase of land ...	4·8
5.	Purchase of cattle ...	4·0
6.	Purchase of food stuffs and other necessaries of life ...	3·7
7.	Purchase of raw materials ...	3·2
8.	Permanent improvements to land ...	2·0
9.	Education ...	1·5
10.	Construction of carts, boats, etc. ...	1·2
11.	Payment of land revenue and michavaram ...	·8
12.	Stridhanam ...	·7
13.	Other purposes ...	2·1

The results of the intensive surveys also point to the same facts. Everywhere, with the exception of Aykudi, antecedent debts loom large. In Kodenthuruthu (Shertallai) 87·8 per cent of the debts of the villagers were contracted for clearing prior debts ; in Kuravilangad this item covers 61 per cent ; in others it ranges between 20 and 40 per cent.

Most of the prior debts are undoubtedly the legacy handed down by the forbears to the present generation. And of all debts this class is the most dangerous as the ryot will not ordinarily be able to pay even the interest ; at least, the interest will consume a large share of his income, leaving him to borrow more and more for his current needs.

61. *Present methods of cultivation.*—The evidence that we have received everywhere shows that land has become unremunerative. This cannot but be

so with the present methods of cultivation. Except in Aykudi and certain other villages intensive cultivation is generally not carried on. The Director of Agriculture stated that very many of the cultivators do not care to apply manure to the required extent with the natural consequence that the fertility of land diminishes with repeated cultivation. The present backward condition of agriculture is as much, perhaps more, the consequence of chronic indebtedness than the cause of it. The most urgent requisite for the improvement of agriculture in this country is, therefore, proper finance, both short-term and long-term, so that the ryot may be enabled to clear his antecedent liability and at the same time increase the productivity of the land.

62. *Low price of agricultural produce.*—When with these causes the value of agricultural produce goes down it is apparent that no other cause is needed to account for the ryots' indebtedness. But Nature in Travancore is merciful and, except in Nanjinad and Shencotta, the ryot depends in a generality of cases not on a single crop. He has a few cocoanut and other trees which enable him to spread his receipts throughout the year. The result is that he is satisfied with what he gets and accepts a low standard of living.

63. *Improvidence, how far a cause.*—It will be idle to say that improvidence on the part of the ryot does not exist as a cause of indebtedness. The expenditure on marriage and other festivals is, to some extent, a cause of indebtedness. But, except in Nanjinad and Shencotta, it cannot be said the ryot is extravagant on these occasions. In Aykudi 52·8 per cent of the total debts is for marriage and other social events, while in other parts of Travancore the percentage of expenditure on these items is negligible. Among Syrian Christians, however, there is a tendency to pay heavy dowry. Nine per cent of the debts in the Kuravilangad village is reported to be due to this. The expenditure on such occasions may undoubtedly be called extravagant when compared with the ryots' means, but the occasions are not frequent and probably in a course of years the total sum spent in this way by any ryot is not larger than a man in his position is justified in spending on social and domestic pleasures. No doubt, the expenditure forms an item of some importance in the debit side of the ryots' account. The following analysis of debts illustrates the above remarks. It may be observed that the antecedent debts have been excluded from the total debts and the proportion of debts contracted for marriages, etc., is shown as a percentage of the debts incurred by the present generation.

*Borrowings for Marriage and other Social Events.*

Name of Village.	Percentage of population.								Percentage of debts (excluding antecedent debts) contracted for marriage and other social events.
	Brahmins.	Vellalas.	Christians.	Nadars.	Nairs.	Ezhavas.	Mahomedans.	Others.	
Aykudi	20·0	29·0	...	...	...	...	1·0	50·0	59·2
Kaladi	8·5	...	49	...	1·2	8·5	1·5	31·3	35·1
Thazhakudi	5·6	65·0	...	...	·8	...	...	28·6	33·9
Kuravilangad	...	...	69	...	1·6	11·6	...	17·8	26·0
Methukummel	...	·4	28·3	33·4	20·2	5·0	...	12·7	23·2
Eraviperur	...	...	74·3	...	9·1	3·6	...	13·0	19·4
Punalur	1·5	5·7	38·0	...	26·5	7·0	9·8	11·5	17·1
Adur (Ayyankoikal muri)...	...	1·0	37·3	...	25·0	4·0	...	33·0	14·8
Kundara	...	1·5	72·0	...	4·0	11·0	...	11·5	5·9
Vayakkalam	...	...	5·0	...	1·4	31·8	·9	60·9	4·5
Neendur	1·0	...	5·0	...	2·0	37·0	1·5	53·5	2·9
Kodanthuruthu	...	...	9·0	...	16·0	39·0	4·0	32·0	0·8
Muttam (Kartikapalli)	...	...	11·6	...	22·7	40·5	7·6	17·6	0·8

*N. B.*—Of the 28·3 per cent of Christians in Methukummel 23·7 per cent are Nadar converts.

64. *Other causes.*—The many small constantly recurring items of debt for food and other necessaries, for the purchase of seed and cattle and for the payment of land tax and Jenmi's dues have contributed to swell the indebtedness. Among the poorer ryots drink also has a share. The delay in law courts and difficulties for the speedy recovery of debt through the civil courts have called into existence an inferior class of money-lenders and banks dealing at high rates of interest with the lower classes of the agricultural population. Co-operative societies merely touch the fringe of the problem.

After the last survey and settlement more especially in recent years, vast areas of land have been brought under cultivation. The eagerness to extend the cultivation grew and is growing. This is particularly the case with the montane and sub-montane regions. We have already seen that the facilities for obtaining the necessary finance on reasonable terms are few and far between. There are no agencies for giving long-term loans which extension of cultivation requires; and the chitty and the money-lender are the sole resort. In his desire to secure a lump sum the ryot prizes a chitty sometimes recklessly and the concensus of opinion expressed by the witnesses is that this institution has done more harm than good to the agricultural population. Insecurity of harvests, which is so common a cause of indebtedness elsewhere, is fortunately not generally so telling in Travancore. Of course, floods have caused great damage to cultivation in certain areas; so too drought. But compared with conditions prevailing elsewhere we may say that Travancore is free from the havoc of floods or drought and in these we do not see the causes of the indebtedness of the agriculturists to any appreciable extent. To the causes must be added the expenses of litigation and in some cases of education also.

65. The normal effect of pressure of population upon land should be that, as soon as extended cultivation has reached the limit of profitableness, the cultivators endeavour by improved agriculture and increased industry to obtain more from the soil. This result is, under the present conditions, not to be looked for here. That land is not so productive as it used to be; that labour has become more costly; that green leaf manure is not easily obtainable and that the policy of the Forest Department is mainly responsible for it; that the low price of paddy and copra precludes the possibility of spending anything on the soil are complaints usually made. Behind these is the fact that their present state of indebtedness prevents them from making efforts to increase the out-turn from their land. The exhortations of the Agricultural Department, its demonstrations and exhibitions can be of no avail, when the ryot is in the grip of debt. The

conditions of agriculture have not tended to increase the fertility of the land and indebtedness often takes away the zest for improved cultivation. This, however, cannot be said of the sub-montane tract where indebtedness is perhaps no sign of poverty. But in the existing state of finance it will not continue to be so for long; for money is borrowed at high rates of interest ranging from 18 to 24 per cent for cultivation and land improvement and this should eventually make the indebtedness a burden.

66. We have seen in the previous chapter the inadequacy of the existing credit institutions for financing the agriculturists. The

*Sources o.* main sources available to him are :—

*Loans.*

- (1) Government Agricultural and Land Improvement Loans.
- (2) Co-operative societies.
- (3) Money-lenders and wealthy agriculturists.
- (4) Joint stock banks.
- (5) Chitties.

67. Except from the Government and the co-operative societies, the conditions of borrowing are adverse to the ryots and in

*Conditions o.* some cases even ruinous. Agricultural loans are issued  
*Borrowing.* at the rate of 6 per cent per annum and the co-operative societies lend at 10 1/2 per cent. The joint stock and private banks charge from 12 to 24 per cent. The money-lenders' rates vary widely. Tradition holds good in some places even now and some witnesses have informed us that what is called *Kramapalisa i. e.*, normal rate, 12 per cent, is only charged. The professional money-lenders, however, charge high rates of interest ranging from 18 to 50 per cent. The money-lenders of Monkompulend money at interest ranging from 9 to 12 per cent and paddy 10 to 20 per cent. The period for which loans are granted is usually one year. Conditions elsewhere are more adverse. In Nanjinad we were told that the ryots are financed by petty money-lenders who charge interest up to 75 per cent. But the period of the loans is short, seldom exceeding two months. A system called *Kottakadam* is prevalent. The agriculturist borrows money or paddy a month or two before the harvest. He secures 66 or 75 per cent of the estimated cost of one kotta of paddy at the harvest on condition that he will repay one kotta of paddy after the harvest. If the price of paddy is estimated at Rs. 6 per kotta, the borrower gets Rs. 4 1/2 and he has to pay back one kotta of paddy. Thus he pays an interest of Rs. 1 1/2 on Rs. 4 1/2 for a period not in any event exceeding 6 months. The same rate is charged even if the period is one month. Such loans are small, nevertheless very oppressive.

68. The part played by the different agencies for financing the agriculturists may be gauged to some extent from the figures furnished by the Registration Department. They relate to the mortgage debts for 1104 (1928—29).

*Part played by the Financing Agencies.*

Source.	No. of loans.	Amount. Rs.
Joint stock banks ...	2,467	15,63,994
Co-operative societies ...	1,709	5,60,178
Money-lenders ...	50,986	1,52,71,138
Government Agricultural loans ...	280	1,50,015

These figures may be taken merely as an index to the part played by the different agencies. There exists, besides the mortgage debt, a large extent of loans given on personal security or on the security of jewels. The co-operative societies have contributed Rs. 20,04,262 for loans on personal security.

Though joint stock banks seem to have issued loans on the security of landed property, probably as collateral security, we are told that they are not of much use in financing agriculture as, usually, they lend only for short periods. The help rendered by the Government agricultural loans is very small and the co-operative societies are not yet in a position to give substantial assistance. The rural societies have granted loans to the value of Rs. 5,51,310 during the last year for agricultural purposes. The bulk of the requirements is met by the money-lenders and chitties. The money-lenders play the largest part in financing agriculture.

69. We have seen in the foregoing paragraphs that the present indebtedness in the country is in great part a legacy of the ryots from their forefathers and that the industry has suffered very badly under the pressure of debt. These react on each other and the low productive capacity of the land is as much the consequence as the cause of the increase in debt. Any suggestion to improve the position of the agriculturists should, therefore, be based on providing adequate facilities for both long and short-term credit and an all round improvement in the methods of cultivation so as to enable the small landholder to obtain the maximum yield from his land. The finance of agriculture will form the subject for discussion in the following chapters. For



the improvement of agriculture we wish to make the following suggestions apart from the suitable adoption of the recommendations of the Royal Commission on Agriculture in India:—

(1) We should have fuller statistics of the condition of the agriculturists. The present survey has been confined to landholders. In every part of the country there are many cultivators who are landless and our information touching their condition is meagre. Further, we have not been able to collect reliable statistics regarding the yield from the land or the income of the agriculturists. From the surveys conducted we could not also reach a satisfactory estimate of the amount required for current needs of agriculture. We therefore recommend the continuance of the survey by a special staff of investigators under the Co-operative Department or the Department of Agriculture.

(2) We have received a considerable volume of evidence that the activities of the Department of Agriculture in effecting improved methods of cultivation do not receive adequate response from the agriculturists on account of their extreme conservatism and that this is a serious obstacle to the progress of agriculture. It is not possible to expect a sudden change in the traditional methods in any old country. The present generation of agriculturists cannot be given any school education. Intensive propaganda aided by magic lantern and cinema shows and free demonstrations on the ryot's land can alone dispel the suspicion in new methods. The Department of Agriculture is doing something in this direction as their report for 1928-29 shows. More vigorous steps should be taken and the Government should not stint any expenditure on this useful work.

(3) Though progress in agricultural education cannot be expected too soon the foundation for a well-informed class of agriculturists can be laid by making suitable provision. The Unemployment Enquiry Committee in Travancore had suggested the gradual conversion of English and Vernacular Middle Schools in predominantly rural areas into what are called 'Agricultural Bias Schools' on the Punjab model. The Committee had also recommended that an officer of the Education Department and an officer of the Agricultural Department should be sent together on deputation to study on the spot the Panjab type of Middle School. We fully endorse the above recommendations. But, in the meantime, something may be done in this direction without any large expenditure. We are of the view that not less than 12 of our Vernacular Middle Schools—or they may be even Vernacular High Schools—in agricultural centres should be converted into agricultural schools of the type of the Kottarakara and Always Agricultural Schools with this difference. Classes I to IV may be retained, but classes above

the fourth should be run on the same lines as the agricultural schools. For purposes of demonstration and experiment it may not be possible in all places for the Government to acquire land. It is, therefore, proposed that a few acres of land, both paddy and garden, may be taken on lease from a neighbouring landholder. As for the staff the existing teachers for classes I to IV may be retained. For classes above the fourth, Agricultural Inspectors or Sub-Inspectors should be appointed.

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## CHAPTER V.

### CREDIT FACILITIES FOR CURRENT NEEDS OF AGRICULTURISTS.

70. The cultivator in Travancore as elsewhere requires capital for the purchase of livestock, agricultural implements, manure and other expenses of production for payment of land revenue as well as for meeting his domestic expenses when his stock of grain is run out. His requirements for certain items may be more pressing than others and he cannot but borrow to meet them. Land revenue is collected in convenient instalments and, ordinarily, an agriculturist may not have to borrow on this account. But he may have to sell his produce at an unfavourable price in preference to which he may choose to borrow in the hope of repaying when his produce commands a better price. The agricultural implements commonly in use are of the primitive type. The finance required for their manufacture, renewal or repairs can be secured without much difficulty. But the free use of the improved implements and the scientific manures which the Department of Agriculture is trying to popularise by means of demonstration and propaganda can be expected only with adequate credit facilities.

*Existing Credit Facilities.* 71. The credit facilities existing in the State for these items are explained below :—

*Co-operative Societies.*—There are 1,392 agricultural societies with a working capital of Rs. 27,09,000. During 1928-29 these societies have granted 54,531 loans to the value of Rs. 20,47,983. Of this a sum of Rs. 4,82,623 was for cultivation purposes, Rs. 1,30,245 for purchase of cattle and Rs. 25,406 for payment of Sirkar kist or Jenni michavaram. The evidence adduced before the Committee shows that the societies have not been able to meet all the demands of the members and that the societies stood in need of more money for disbursements. The number of members in all the agricultural societies together stands at 1,53,000. This will show clearly how small a proportion of the agricultural population of the State is benefited by the co-operative societies.

*Government Agricultural Loans.*—The grant of State loans is governed by the Land Improvements and Agricultural Loans Regulation, IX of 1094 (1919) already referred to. Along with the provision for the grant of loans for permanent improvements, the Regulation provides for grant of loans for purchase of seed, cattle, manure, agricultural implements, etc. The latter class of loans we are considering here may be granted to “owners and occupiers of arable land.” The rate of interest is 6 per cent per annum and

the maximum period for which such loans may be granted is 10 years, the amount being repayable in equal instalments fixed by the officer granting the loan. The maximum amount of this class of loans is Rs. 200 when given on personal security.

The rules are sufficiently elastic and the terms are advantageous to the borrower. That the system is not usefully worked and has not been taken advantage of by the people is what we have gathered from the evidence. There are no figures to show what portion of the State loans is agricultural loans proper, i. e., for purchase of cattle, seed, manure, etc. It is believed they are very negligible if there are any. All the non-official witnesses who appeared before the Committee at the various centres were unanimous in the view that the average ryot is not aware of the existence of the facility for short-term credit and that even if he did he did not resort to it because of the difficulty in obtaining a loan in time. In loans of this class, timely grant is of very great importance; and, as the security to be furnished may be personal, no cumbrous procedure is required and the officers could, if they wanted, grant the loans within a reasonably short period. Complaints of malpractices on the part of the subordinate revenue officers were also made but no specific instances were adduced.

*Joint stock banks.*—The joint stock banks as has been stated in Chapter IV do not play any considerable part in financing agriculture directly. The conditions are not so favourable. The rate of interest is high, ranging between 12 and 24 per cent per annum and the loan has to be repaid in 3 months—at any rate not later than 6 months.

*Money-lenders.*—The money-lenders play the largest part in financing the industry with advances in cash and grain. The terms are in many cases hard to the poor cultivator. The petty money-lender, on whom the cultivator often depends for timely assistance, is able to dictate terms. He is also generally a dealer in produce and the natural result is he gets back the loan usually in kind at lower than the current prices, the cultivator thereby sustaining a double loss. Through his indebtedness to some one or other the cultivator has perforce to sell his produce soon after harvest. Thus he is not able to wait and realise the best price which he could under favourable circumstances.

72. Adequate credit facilities are indispensable for enabling the ryots to carry on their operations in time. So far as short-term

*Proposals.* credit is concerned the witnesses were all of the view that what was wanted was money at cheaper rates of interest as, by the payment of interest on loans, the small margin of profit that a farmer is able to make is considerably diminished. The interest of the cultivator is not the money-lender's concern.

The suggestion contained in the answers to our questionnaire and those made by the witnesses for improving credit facilities may be classified under the following heads :—

(1) The Government agricultural loans should be made more useful.

(2) Starting of agricultural banks.

(3) Issue, on credit, of seeds, improved ploughs and other agricultural implements, manures, etc., stocked by the Agricultural Department, either directly or through co-operative societies.

(4) Expansion of the co-operative movement.

We will deal with these suggestions *seriatim*.

73. *Government Agricultural Loans*.—We have already shown that for current needs of agriculture the Government agricultural loan is seldom or never resorted to by the cultivator, the main reasons being that the existence of the facility is not widely known among the poorer ryots and the provisions are not properly worked. Even those who are aware of the facility do not take advantage of it because of the feeling that a loan cannot be secured without influence or delay. All these causes have perhaps contributed to its unpopularity. The effect is that the agricultural loan for current needs of cultivation is not resorted to at all. It is highly necessary, therefore, that the widest publicity is given to it and all measures to make it popular are adopted. We have already pointed out that the rules are sufficiently elastic. What is wanted is that the officers should administer them sympathetically and discreetly keeping in view the interest of the poor cultivator who by his efforts contributes so much to the State revenues. The Government should also sanction sufficient funds, year after year, until the co-operative societies are able to finance the industry to the extent required. As for giving the system wide publicity we would suggest the publication of a standing notice in the Gazette, the Travancore Economic Journal and at the Anchal Offices. A portion of the total grant may also be placed at the disposal of the co-operative banks at such rate of interest as would enable them to lend at the same rate at which Government advance to individuals directly.

74. *Starting of Agricultural Banks*.—Unquestionably, and it is admitted on all hands, the State has a duty to assist agricultural credit. But how far the examples of such institutions in other countries are applicable to conditions in this State requires careful study. It is doubtful if those who advocate the starting of agricultural banks have thought well over the consequences of a too sudden extension of credit facilities. It is true that the agriculturists here are not generally prone to be extravagant. But it cannot be said that they have attained that degree of self-restraint which is essential

for a proper utilisation of cheap credit. The problem can by no means be solved by a single stroke. "In fact cheap credit is a blessing to a rural population only where the average cultivator is possessed of the knowledge and strength of character required to induce him, on the one hand, to limit his borrowing within the range of his capacity to repay, and on the other to apply the greater part of the borrowed money to sound productive purposes. The provision of facilities for cheap credit must, at the outset, bring new temptations as well as extended opportunities. Those only can hope to profit by its opportunities who have learned to resist its temptations."\* It may reasonably be asked if, by the establishment of banks affording cheap credit, the ryots will not be liberated from money-lenders. This is quite possible. But the intimate knowledge that the money-lender has of the character and life of the ryots to whom he lends and on which he extends or contracts credit cannot be expected to be possessed by banks. We do not, therefore feel confident in recommending the starting of agricultural banks for short-term credit.

75. *Issue, on credit, of seeds, improved ploughs and other agricultural implements, manures, etc.*—This is a suggestion which is worthy of note and offers several advantages and none of the dangers of cheap or 'facile credit.' The Agricultural Department is trying to do something in this respect; but nothing in a specially organised way. If any such plan should prove fruitful, it must be financed by the Government in an unstinted measure and placed under a special assistant to the Director of Agriculture. This branch of the Department may operate directly or through the co-operative societies. In any case the success of the scheme will depend upon the measure of financial support it receives from the Government.

76. *Expansion of the co-operative movement.*—As an agency for providing short-term credit the co-operative societies have been found from the experience of certain well-managed societies here to be the best institution. The habit of thrift and self-reliance, so essential to the agriculturist, are best inculcated through co-operative societies. In all countries where agriculture has pushed forward through cheap credit, furnished by the State or otherwise, the foundation has been well laid. Of whatever that is done for agricultural research, for reducing the cost of the several factors of production or for affording facilities for marketing, the cultivator is primarily the recipient of the advantages. Unless he is rendered efficient no improvement in any other direction is possible. "Only through the medium of co-operative association can the teaching of the expert be brought to the multitude who would never be reached individually." The co-operative movement has therefore the double advantage. On the one hand it would afford cheap

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\* Report of the Royal Commission on Agriculture in India.

credit and on the other it can make the recipient fit. By an expansion of this movement the existing facilities can function better.

It is, therefore, necessary that the existing societies should be stimulated into better activity. The defects in the working of the societies and the causes and remedies therefor will be discussed in Chapter X. For the present we are concerned only with the finance aspect. The rural societies should be furnished with funds to the extent required and, for this purpose, the Co-operative Central Bank should receive substantial State-aid when necessary. The public also will then have greater confidence in the movement.

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## CHAPTER VI.

### CREDIT FACILITIES FOR LAND IMPROVEMENT.

77. In this chapter we are concerned with long-term credit for land improvement. The problem of irrigation is closely allied to that of land improvement and we may briefly refer to it here as the witnesses examined by the Committee laid emphasis on the subject.

Barring the Kodayar Irrigation Project and the area it commands, the paddy lands in Travancore depend generally on the monsoons and the water in the rain-fed tanks. The general complaint is that the tanks and channels have become silted up through neglect, with the result that several paddy lands are exposed to the effects of drought or inundation. The repairs and maintenance to these minor irrigation works are governed by the Irrigation Regulation. It has been recognised that there are defects in the provisions of the Regulation and that there is room for improving irrigation facilities. With a view (1) to investigate the extent of minor irrigation, the facilities available in the different parts of the State and to submit proposals for their conservation, improvement and proper maintenance, (2) to consider whether a separate agency should be appointed for the execution, maintenance and control of irrigation works, and (3) to submit proposals for the amendment of the Irrigation Regulation and the rules thereunder, a committee has recently been appointed by the Government.

78. Almost as important as the minor irrigation works are protective works intended to ward off the damages caused by floods.

*Protective works.* We will refer to two instances of some importance locally which are also typical. We were told at Quilon that about 30,000 acres of single crop paddy lands in Ittikara, Edava and Eravipuram can be made to yield two crops if certain works are executed to prevent the damages by floods in the Ittikara river and the inflow of brackish water with the ebb tide from the Paravur back-water. The works, we were told, require a large capital outlay and could not be undertaken by the people themselves. The ryots who own lands in the area are prepared, the witness assured us, to contribute towards the expenses or pay higher tax when the lands are insured against flood damages. Though we are not directly concerned with the subject we recommend to the Government an early enquiry into the matter, particularly as the recurring damages to the lands have contributed to the indebtedness of a large number of landholders in that area.



79. The other instance we wish to refer to is the Punja cultivation in Kuttanad. What irrigation is to other parts of Travancore, drainage or baling out water is to Kuttanad. Before the beginning of the cultivation season an area of 2,00,000 acres of paddy land is under one vast sheet of water. Cultivation here is a strenuous fight against Nature. It is almost a gamble; for, if a breach occurs in any part of the ring bunds that keep the water out, the consequence is that the cultivation over the entire area is ruined. Draining the water off such an extensive area requires 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. The fixing of the bunds and the baling out of water are important items of work to be attended to jointly by the proprietors. Though the finance required is normally for a short-term it usually happens that a large portion of the loans raised stands over unpaid at the end of the stipulated period of six months or one year. It is even said that debts incurred in these operations remain undischarged from generation to generation. For this reason and in view of the immensity of the cost involved we have included the consideration of the subject here.

In order that enormous joint effort may be ensured provisions are made in Section 23 of the Irrigation Regulation, III of 1072 (1897), effectively to prevent any losses arising to a large number of proprietors through the neglect or failure of a recalcitrant proprietor or proprietors not only by compelling them to do any specific portion of the work but also by recovering from them the cost of the joint work in which the portion to any individual proprietor cannot be specified. Such, for instance, is the case where the water over a wide expanse has to be baled out.

The provisions are considered not sufficient in practice. The difficulties pointed out are—

(1) the officer has, in the first instance, to institute an enquiry on the application of a reasonable number of proprietors and then pass such orders as he deems fit;

(2) that he has to wait for the proprietor to execute the work within the time specified, before he may himself undertake the work or order him to pay the cost to the party who carries out the work and is entitled to it;

(3) that waiting occasions loss of time and consequent difficulty in timely cultivation; and

(4) that the officer now available being the Tahsildar with multifarious duties, his assistance could not be secured at the hour of need.

The suggestions made are that a special officer not below the rank of a Division Assistant should be appointed during the season, solely for the purpose of enquiring into the complaints and enforcing the provisions contained

in the Section. The law should also enable him to take steps at the instance of one or more who are competent to act on behalf of a reasonable number of proprietors by virtue of any agreement. He should also be empowered to take steps without having to wait for any proprietor to carry out the work.

80. We have considered the suggestions carefully and have come to the conclusion that the provisions as they stand are sufficient to compel any recalcitrant proprietor either to undertake his share of the work or contribute the cost of labour in case the work is done by the officer or other proprietors. But the complaint that the Tahsildar is not able to institute the enquiry at the proper time appears to be genuine; and as time is the essence of the cultivation in Kuttanad, the presence of an officer for settling disputes then and there is very essential and we would strongly support the suggestion for the appointment of a special officer not below the rank of a Division Assistant for the purpose.

81. We do not think it necessary to make any special suggestions regarding the finance for the cultivation in Kuttanad as our suggestions for the provision of long and short-term credit for the cultivators generally will apply equally to the ryots of Kuttanad. It would be invidious and perhaps outside the scope of our enquiry if we were to make any suggestions in regard to the burden of tax on Kandukrishi lands in Kuttanad. But we may mention in passing that the complaint that the rates of commutation into money of *pattam* payable in kind work great hardship on the tenants at the present low prices of grain is a fit case for an enquiry.

82. The terracing of the hill-slopes and the construction of bunds to prevent erosion of soil are mainly the problems of our sub-montane region. For want of funds, we are told, the progress of cultivation of these hill-slopes is tardy, the small landholder with his family being able to contribute only the labour. The cocoanut trees in the region take 7 to 10 years to yield and the pepper vines 4 to 6 years. The cultivator, therefore, requires finance for all this period of waiting. The catch crops which he is able to raise in the meantime can at best maintain him and his family and we cannot expect that, at least for the first two or three years, the cultivator will be able to pay back any portion of the money borrowed by him. A liberal system of long-term credit repayable in instalments is what is suggested by every one of the witnesses who appeared before the Committee.

83. We do not bring within the purview of this chapter the problems of the planter of rubber and tea. These two industries, agricultural as they are, have tended to become concentrated in units of expanding size, while the ordinary agricultural industry has remained and, in the peculiar

*Terracing of Hill-slopes and Construction of Bunds.*

*Rubber and Tea Cultivation.*

nature of Travancore, will remain scattered and small scale. The rubber and tea growers, possessing as they do marketable security, obtain financial help from joint stock banks which do not as a rule advance on agricultural land. They are, however, now confronted with the problem of the low price of their produce. They look forward to the solution of their difficulties in obtaining more favourable facilities for marketing. In the case of rubber, it is said that assistance to turn the produce into partially manufactured articles, such as crepe-sole, would be a great relief. We will consider this subject in Chapter VIII.

*Existing Credit Facilities.* 84. The following are the facilities open to the farmer for long-term credit :—

(1) Mortgage credit.

(2) Loans under the Land Improvement and Agricultural Loans Regulation.

(3) The Chitty.

85. Land mortgage is the form widely resorted to by agriculturists for raising long-term loans. The Royal Proclamation of 1040 M. E. (1865) has given the landholder the right to alienate the land and with this the value of land as security has appreciated. We have seen the probable extent of mortgage debt in this country. The figures given in Chapter IV clearly demonstrate the extent to which mortgage debt has increased during the last twenty-five years. It may be stated that loans raised by mortgaging land is seldom resorted to for any purpose other than the clearing of prior debts. Only about 5 per cent of the total mortgage debt in 1928-29 is seen to have been contracted for land improvement. Generally, however, "it is resorted to when the unsecured debt becomes larger than the lender considers safe, and, in times of distress, for ordinary agricultural needs ; it is too often an indication that a weak debtor has fallen into the hands of a strong creditor. The existence of a heavy burden of debt of this character exercises a most detrimental influence on agricultural progress. This is due not only to the fact that an important source of credit is being drained for unproductive purposes and that the potential credit available for improvements is correspondingly curtailed, but also because it is found that, in the case of usufructuary mortgages, the mortgagor too often declines to the position of a permanent tenant under the mortgagee, paying, not a fair rent, but the utmost the lender can extract or extort." \*

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\* Report of the Royal Commission on Agriculture in India,

in the Section. The law should also enable him to take steps at the instance of one or more who are competent to act on behalf of a reasonable number of proprietors by virtue of any agreement. He should also be empowered to take steps without having to wait for any proprietor to carry out the work.

80. We have considered the suggestions carefully and have come to the conclusion that the provisions as they stand are sufficient to compel any recalcitrant proprietor either to undertake his share of the work or contribute the cost of labour in case the work is done by the officer or other proprietors. But the complaint that the Tahsildar is not able to institute the enquiry at the proper time appears to be genuine; and as time is the essence of the cultivation in Kuttanad, the presence of an officer for settling disputes then and there is very essential and we would strongly support the suggestion for the appointment of a special officer not below the rank of a Division Assistant for the purpose.

81. We do not think it necessary to make any special suggestions regarding the finance for the cultivation in Kuttanad as our suggestions for the provision of long and short-term credit for the cultivators generally will apply equally to the ryots of Kuttanad. It would be invidious and perhaps outside the scope of our enquiry if we were to make any suggestions in regard to the burden of tax on Kandukrishi lands in Kuttanad. But we may mention in passing that the complaint that the rates of commutation into money of *pattam* payable in kind work great hardship on the tenants at the present low prices of grain is a fit case for an enquiry.

82. The terracing of the hill-slopes and the construction of bunds to prevent erosion of soil are mainly the problems of our sub-montane region. For want of funds, we are told, the progress of cultivation of these hill-slopes is tardy, the small landholder with his family being able to contribute only the labour. The cocoanut trees in the region take 7 to 10 years to yield and the pepper vines 4 to 6 years. The cultivator, therefore, requires finance for all this period of waiting. The catch crops which he is able to raise in the meantime can at best maintain him and his family and we cannot expect that, at least for the first two or three years, the cultivator will be able to pay back any portion of the money borrowed by him. A liberal system of long-term credit repayable in instalments is what is suggested by every one of the witnesses who appeared before the Committee.

83. We do not bring within the purview of this chapter the problems of the planter of rubber and tea. These two industries, agricultural as they are, have tended to become concentrated in units of expanding size, while the ordinary agricultural industry has remained and, in the peculiar

*Terracing of Hill-slopes and Construction of Bunds.*

*Rubber and Tea Cultivation.*

nature of Travancore, will remain scattered and small scale. The rubber and tea growers, possessing as they do marketable security, obtain financial help from joint stock banks which do not as a rule advance on agricultural land. They are, however, now confronted with the problem of the low price of their produce. They look forward to the solution of their difficulties in obtaining more favourable facilities for marketing. In the case of rubber, it is said that assistance to turn the produce into partially manufactured articles, such as crepe-sole, would be a great relief. We will consider this subject in Chapter VIII.

*Existing Credit Facilities.* 84. The following are the facilities open to the farmer for long-term credit :—

(1) Mortgage credit.

(2) Loans under the Land Improvement and Agricultural Loans Regulation.

(3) The Chitty.

85. Land mortgage is the form widely resorted to by agriculturists for raising long-term loans. The Royal Proclamation of 1040 M. E. (1865) has given the landholder the right to alienate the land and with this the value of land as security has appreciated. We have seen the probable extent of mortgage debt in this country. The figures given in Chapter IV clearly demonstrate the extent to which mortgage debt has increased during the last twenty-five years. It may be stated that loans raised by mortgaging land is seldom resorted to for any purpose other than the clearing of prior debts. Only about 5 per cent of the total mortgage debt in 1928-29 is seen to have been contracted for land improvement. Generally, however, "it is resorted to when the unsecured debt becomes larger than the lender considers safe, and, in times of distress, for ordinary agricultural needs; it is too often an indication that a weak debtor has fallen into the hands of a strong creditor. The existence of a heavy burden of debt of this character exercises a most detrimental influence on agricultural progress. This is due not only to the fact that an important source of credit is being drained for unproductive purposes and that the potential credit available for improvements is correspondingly curtailed, but also because it is found that, in the case of usufructuary mortgages, the mortgagor too often declines to the position of a permanent tenant under the mortgagee, paying, not a fair rent, but the utmost the lender can extract or extort." \*

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\* Report of the Royal Commission on Agriculture in India,

86. We are here concerned with the working of one part of the Regulation, viz., the loans granted for land improvement purposes.

*Land Improvement and Agricultural Loans Regulation.* As has been pointed out already, the major portion, if not the whole, of the loan made available every year under the Regulation is granted for land improvement and the amount thus granted can bear only a small proportion of the needs of the cultivators. The following table gives the number and amount of the loans sanctioned during the last four years :—

	1925-26	1926-27	1927-28	1928-29
Number ...	157	209	273	302
Amount in rupees ...	97,929	97,289	1,61,985	1,72,307

It is quite clear that there have been a steady increase in the number and amount of the loans sanctioned. Nevertheless, the infinitesimal part the system plays in financing the agriculturist is equally clear. The system came in for much scathing criticism during the course of our enquiry. Except one, all witnesses condemned in strong terms the way in which the system was worked. The cumbrous procedure, the delay caused by the indifference of the Land Revenue authorities, the shortness of the period for which a loan is granted, the misapplication of the funds and the failure of the authorities to detect it, the practical difficulties of deserving applicants to secure the loan and the chances of leakage and corruption were the main points of attack. It is unnecessary for us to enter into a detailed discussion of these points. One point, however, which we particularly noted was that, except one, none of the witnesses advocated the total abolition of the system on the score of the evils which it has unfortunately become heir to. This clearly shows that the loan is considered useful and that the criticisms were well meant and made with a view to focus attention on the necessity for the immediate removal of the defects. We may proceed to consider the remedies suggested.

87. *Transfer of the administration of the loans to the Agricultural Department.*—The advantages sought to be gained by this are that the Agricultural Department will be better able to advise the borrowers on the improvements to be made and check whether the amount has been expended on the improvement for which the loan was obtained. But it is not known how 12 Agricultural Inspectors could be taken to have greater facilities than the 30 Tahsildars to attend to the work. It is doubtful if the disadvantages arising from the transfer have been fully considered. Foremost among these are the

difficulty in estimating the value of the security offered and the recovery of the loans for which the Land Revenue Department has obvious advantages over the Agricultural Department. We have carefully considered the suggestion in all its aspects and the suggestions made before the Travancore Unemployment Enquiry Committee, but are unable to find a clear balance of advantage in favour of the transfer.

88. *Appointment of local non-official Committees.*—This suggestion found favour with all the witnesses, with few exceptions. The possibility of such committees being influenced by parochial interests was referred to in the evidence by some. But most of the witnesses thought that there would be public spirited gentlemen to serve on the committees and viewed the suggestion as possessing some distinct advantages. It may not be that all the defects in the present system can be eliminated by this. However, the suggestion may be given a fair trial, experimentally in certain taluks, and the system extended later on, if found successful.

89. Other complaints are that the periods for which loans are granted are too short, being usually only five to seven years or ten years, at the most, and that recovery is effected generally from the next year after the grant of the loan. It was suggested that the Rules under the Regulation should be suitably amended. But we find that the rules allow a maximum period of twenty years and repayment being started at dates not exceeding two and a half years from the date of disbursement of the loan. The complaints are probably based on a misunderstanding caused by the practice.

Another complaint made was that the borrower was not given credit for the interest on the instalments paid by him so that the rate of interest actually worked to more than 6 per cent. This is clearly incorrect. The system of repayment is based on the principle of amortization under which, with every instalment, a portion of the principal is extinguished and interest is calculated only on the outstanding balance.

The State help to the agriculturist under this Regulation can possibly be only limited. The ryots dislike the delay and uncertainty that follow the careful enquiries officers have to make before granting loans. Real effort might, however, well be made to make greater use of the Regulation by prompt initiative on the part of local officers.

90. This is a most popular indigenous institution and is perhaps the easiest method of securing a lump sum as advance enabling repayments in instalments. Agriculturists very largely resort to this for borrowing. It cannot, however, be said that these chitties are being utilised as supplying long-term credit for land improvement purposes to any large extent. From the statistics

*The Chitties.*

collected, we find that, in areas where land awaits improvement, there are several chitties with a maximum period of 24 years and we may fairly infer that, in such places, the chitties do play a part in affording long-term credit. In view of the generally heavy burden of indebtedness, we would not be wrong in assuming that chitties are more largely availed of to clear prior debts. We will consider this subject in detail in Chapter XIII.

91. It will be clear from the foregoing paragraphs that there are no suitable agencies for affording long-term credit. A well-organized

*Land Mortgage Bank.* system of Land Mortgage Banks alone can satisfy the need. This subject will be dealt with in Chapter X.

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## CHAPTER VII.

### A.—MARKETING.

92. When we speak of “Marketing”, the fundamental idea is that there exist individuals or groups of individuals who want to dispose of the stock in their possession and others wanting them. As applied to the marketing of crops produced in the country, it may be taken essentially to mean the distribution of the crops or goods from the producer to the consumer, directly or indirectly, the most essential point being the sale; but in order to effect this, the crop or goods must most often be gathered from the places where they are produced. The producer may be said to ‘market’ his crops when he hands over the crops to the consumers or to the middlemen; equally so, the middlemen and the exporters when they pass the goods to the buyers. These transactions together form one chain in the process of marketing and are not clearly distinguishable from trade. The principal crops of this country such as cocoanut, pepper, rubber, tea and ginger being exported in large quantities, we deal in this section with the export trade in the principal crops, the conditions of our local markets, facilities for communication and other matters which would help the cultivators in obtaining better prices for their produce.

93. The principal crops produced in the country and which form the main items of export are pepper, ginger, turmeric, coconuts and cocoanut products, arecanut, rubber, tea, cardamoms, jaggery and other produce of the palmyra palm, *sarkara (gur)*, tapioca, etc. Paddy which is extensively grown in the country is not sufficient for local consumption and is being largely imported. So too are pulses and other food grains. We have already pointed out that we have no statistics of production in respect of these crops, but have attempted an estimate in Chapter II. We included in the statement certain manufactured articles also, for the value of these largely affects the value of the raw produce.

94. We have to make it plain that owing to the short time at our disposal and the want of trained investigators, our investigation on this subject has not been complete or satisfactory. So far, nothing has been done by the Government in this direction. The importance of such a survey to the cultivator in his business of agriculture cannot be over-emphasized. To quote the Royal Commission on Agriculture in India, “The collection and study of exact information on the question must necessarily

precede the formulation of an effective policy for the improvement of marketing. Guesses and hearsays cannot provide the grounds for action, and, at present, the Department of Agriculture is without much of the material essential for a forward move." We would recommend therefore that the Government direct a regular survey of markets and marketing at the earliest opportunity.

95. The information that the Committee has been able to gather relates *Present Methods of Marketing* to the marketing of a few principal commodities and these are dealt with below :—

96. *Pepper, ginger and turmeric.*—These products are mostly exported to Indian and foreign markets. We have seen that in 1928-29, 38,374 cwts. of pepper to the value of Rs. 1,87,30,122 ; 67,942 cwts. of ginger (green and dry) to the value of Rs. 24,85,925 and 16,150 cwts. of turmeric to the value of Rs. 2,42,248 have been exported from the State. The principal foreign markets for these are the United States of America, United Kingdom, Germany and Italy.

As has been described in Chapter II, these crops are raised in small gardens and in small quantities. The producers bring them individually either to the open markets or, as is not uncommon, sell them to the middlemen at their gardens. In the case of pepper, even before the coras or berries are plucked from the vines, the middlemen enter into an agreement with the growers to buy the lot of standing crops, the price being fixed on an estimate of the quantity and the tendency of the market. Such dealings are often made only when the market for pepper is strong and the middlemen anticipate a rise. All the same, it is purely a matter of speculation. To the producer, such contracts are not always advantageous ; but he runs no risk arising from the fluctuations in the market. In Kanjirapalli, Meenachil and other places where pepper is extensively grown, the grower is not ignorant of the current market rates and those who hold fairly large stock bring it to Alleppey market and sell directly or through brokers to middlemen who are also exporters to Indian markets. In the majority of cases, it is the middlemen who collect and bring the produce either to the inland merchant who performs the function of a bigger middleman or to the exporting centres. These middlemen mostly deal with the European exporters who may be buying on their own account or in their capacity as agents for foreign firms. Thus, before the commodity is exported, it will have passed several hands.

The profit that the middlemen may make will depend on the market conditions ; and in a commodity like pepper, there is considerable fluctuation in prices and there are instances of fortunes having been made and lost.

For the purpose of marketing, the producer does not generally require any finance as, in most cases, he sells his crop on a cash basis. Sometimes, he will have received even an advance from the middlemen. But he could not ordinarily withhold his crops in reasonable anticipation of better prices. The middleman or the inland trader, on the other hand, requires finance to pay the producer, to transport the articles to the exporter and also to meet other charges, in case he is not able to effect the sale within a reasonably short period. We may expect him to have some capital of his own, but that alone will not be sufficient. What is done to raise money is to approach the local Hundi merchant or joint stock bank, if there is one. The Hundi merchant or the banker advances money to the middleman who draws a Hundi or Havala on the exporter, payable ordinarily seven days after sight. In the absence of any well-recognised agency for transport, such as railway, the middleman himself arranges for the transport. The Hundi merchant or banker has therefore to rely purely on the personal credit of the middleman. This is a serious drawback in so far as it militates against the middleman securing the necessary assistance in the process of marketing.

97. *Cocoanut and Arecanut*.—These two articles are consumed in the State itself in large quantities. The export, after meeting the local consumption, is 9,481 cwts. to the value of Rs. 23,27,111 in respect of arecanut and 2,21,46,045 nuts to the value of Rs. 11,67,179 in respect of cocoanuts, husked and unhusked. The larger proportion of the cocoanuts and arecanuts exported is husked. Both these articles are mostly exported to the neighbouring British Indian Districts by rail or by road. A portion of the cocoanuts is exported also to Cochin along the Arukutty customs house. The trade in these articles is entirely in the hands of middlemen. They collect them either in open markets or at the farms, more often the latter.

98. *Copra*.—Bombay and Karachi are at present the principal markets for this product. 421,064 cwts. to the value of Rs. 76,46,518 were exported in 1928-29. The well-seasoned and sun-dried Travancore copra is considered superior to the kiln-dried copra from Ceylon and Malaya and the darker variety of the other parts of the West Coast. The white copra, especially, commands a very good market in Karachi and Bombay. The export is mostly through Alleppey.

The collection and preparation of copra are done by other people than the producer of cocoanuts and copra-making forms an industry by itself. Nuts are collected in hundreds and thousands from the producers and at the favourable season cut and dried in the sun. The white copra is sorted out from the rest. The copra-maker does not concern himself with the marketing of the article and it is left entirely in the hands of middlemen who buy of the producer and sell it either to the oil mills in Alleppey and Cochin or to the exporters or their agents in Alleppey as in the case of pepper.

99. *Coir Yarn.*— Though cocoanut trees are grown all over the country, cocoanut husk is of value for the manufacture of coir yarn only in places within easy reach of the back-waters where it is soaked. In places where there is no convenience for soaking and which are not near enough the back-waters, the husk is usually dried and used as fuel.

So far as the producer is concerned, the business of marketing the husk is simple. The cocoanut crop is ordinarily gathered six times and in some places eight times, in the year. The grower is, in the majority of cases, such a small unit that he easily contents himself with the sale of the husks to the petty collector. The transaction is purely on a cash basis. The producer cannot think of holding on the husk for any length of time as it becomes useless for soaking if it gets dried. The buyer is, therefore, able to dictate terms to some extent. However, with the transfer of the commodity to the small buyer, the marketing of the husk is over.

The small collectors buy in small lots and sell them to the soakers or their local agents at a small profit. The small collectors are often men with no capital and very often will have received an advance from the soakers or their agents. But the soakers are ordinarily petty capitalists. Some firms who manufacture mats and matting also soak husks. The husks have to be under water for six to eight months to get ready for the extraction of fibre. The soakers realise their investments only in periods varying from four to six months.

The extraction of coir fibre from the soaked husks, the spinning of the coir yarn and the manufacture of mats to some extent form the most important cottage industry in the State and will be dealt with in Chapter VIII. The marketing of the yarn is, however, dealt with here.

As in the case of the cocoanut and the husk, the manufacturer of yarn is a small unit. Coir yarn intended for local use as such is purchased from the manufacturer by small traders and is brought into open market or sold in the bazaars. Its main use in Travancore, however, is in the manufacture of mats and matting which are entirely marketed outside the State. But the large volume of coir yarn produced in the country is exported either in original country bundles of 34 lbs., principally to Calcutta and Rangoon, or in hydraulically pressed bales of 3 cwts. and in coils varying from 1 to 2 cwts. to oversea markets. The marketing of the yarn for the above purposes is in the hands of middlemen and contractors who deal with European and Indian manufacturing and exporting firms. The middlemen collect the yarn in small quantities and bring them to Alleppey and arrange for sales through brokers who are paid a brokerage of Re. 1 to Rs. 2 per candy.\* Locally, the business in coir yarn is known as 'Chungam' business, Chungam being the name of

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\* 1 Candy = 672 lbs.

the locality in Alleppey where yarns from all parts of Travancore are brought for sale. At Chungam, the middlemen sell their yarns to yarn-dealers having godowns of their own on spot basis or stock yarn in the godowns to be sold on their account on a commission basis, the rate varying from Re. 1 to Rs. 3 per candy according to the variety of the yarn handled. When the transaction is on a commission basis, the yarn-dealer advances 75 per cent of the current market price on the security of the yarn placed in his godowns at 12 per cent interest per annum.

In the case of the yarn exported to Indian markets, the method of marketing is simple. The agents or representatives of the buyers in Rangoon and other markets are at Alleppey and Cochin and they buy the requirements of their principals from the yarn-dealers on cash basis or on seven to ten days' credit.

As regards the yarn exported to foreign markets, it is supplied by contractors who land yarn at the firms' godowns and receive advances from them without interest. The contractors supply yarn on 'baled weight' basis and when the bales are passed according to the firms' grade, their accounts are finally adjusted.

For the manufacture of mats and matting, firms buy from the yarn-dealers at Chungam on cash basis, as is usually the case with the European firms. Most of the Indian manufacturers have not the command of capital to buy on cash basis and have perforce to raise credit by means of bills of 25 to 40 days' usance.

100. *Cocoanut Oil*.—Another cocoanut product of importance is the oil. Oil is pressed all over the State in indigenous mills known as *Chekikus*. This oil is mostly consumed in the localities where it is produced, the producer often effecting the sales directly to the consumers. The large quantity of oil which is exported is extracted in power-driven mills most of which are established in Alleppey. It is not possible to estimate the quantity of the oil consumed locally; but the quantity exported in 1104 (1928-29) is 4,33,893 cwts. valued at Rs. 65,08,511. The chief outside market for the Travancore oil is Cochin from where it is exported to foreign places. The following figures will show the volume of the export from Travancore through Cochin:—

Customs House.	Quantity. Cwts.	Value. Rs.
Alleppey ...	117	1,748
Arukutti (to Cochin) ...	3,01,572	45,23,579
Aramboly (to Tinnevelly) ...	7,167	1,07,508
Trivandrum-Tinnevelly Railway ...	1,23,898	18,58,477

101. *Paddy*.—In Chapter II, we have attempted an estimate of the yield of paddy in the State. The paddy produced in the country is quite insufficient for local consumption and, as a result, Travancore has to import every year on an average 1·3 million cwts. of paddy and 2·2 million cwts. of rice to a total value of Rs. 28 millions. The distribution of the large quantities of imported paddy and rice will be dealt with in the next Section. The marketing of the paddy produced in the country is confined to the localities of production and their immediate neighbourhood. Though, in some places, *tharakukar* or *dallals* play a part in the sale of paddy, they do not come in for any large share demanding special notice.

102. *Rubber and Tea*.—The area under rubber is 56,564 acres and under tea 71,304 acres. The entire quantity of the rubber and most of the tea produced in the state are exported to foreign markets. So far as the European planters and planting companies are concerned, they find their own finances and probably do not experience any difficulty on that account in marketing their produce. They have business connections in London and Colombo and have their brokers or representatives in those markets. The case of the Travancorean planters is very different. They depend entirely on the 'Coastal Firms,' *i. e.*, European trading and shipping firms, who act as middlemen for the marketing of their produce. The Travancorean planters prefer to sell their produce in the Colombo market because they are able to realise the value earlier than if they were to arrange for the sale in the London or other foreign markets. The cost of marketing tea through the 'Coastal Firms' is said to be 1 anna per pound excluding freight, commission and insurance charges. The rate of commission is  $1\frac{1}{2}$  per cent on the sale proceeds. The absolute dependence of the Travancorean planters on the 'Coastal Firms' for the marketing of their produce is ascribed to their want of push and capital and indebtedness to the 'Coastal Firms.' They realize the advantage of dealing directly with the London brokers, but none so far is known to have established touch with them. The difficulties pointed out to us were that they have no agent in the London market and that arranging for sales through brokers was attended with some risk unless they have their own agents also.

103. *Cardamoms*.—Travancore enjoys to a pre-eminent degree facilities for the cultivation of cardamoms. The high elevation of the montane area is peculiarly suited to the cultivation of this plant. It is commonly believed that Travancore supplies nearly 80 per cent of the world's requirements of this spice. The area under cultivation, covering 48,000 acres is constituted into a reserve called 'The Cardamom Hills Reserve' in the Devicolam Division which is under the dual control of the Forest and the Land Revenue Departments. The cultivation of the spice is entirely in the hands of the British Indian ryots of the adjoining

Periakulam taluk of the Madura District. The principal markets for cardamom are Bombay, Calcutta and Karachi. Until very lately, the cardamom growers were entirely at the mercy of middlemen with the result that their returns were steadily diminishing. In the past few years, the cardamom growers became alive to their condition and organized themselves co-operatively. As a consequence, the price they realize has more than doubled and they are better off. The organizations are not, however, regular co-operative sale societies. They are more of the type of crop-advance societies. The experience of these societies, which are in British India (Madura District), should be a lesson to the agriculturists here to organize sale societies. The total quantity of cardamom exported from the State in 1104 (1928-29) was 38,529 cwts. to the value of Rs. 22,35,366.

104. As with rubber and tea, so with every other commodity produced in the country. Unorganized and devoid of sufficient *Organization of* knowledge of the markets abroad, the producers and exporters are seriously handicapped in marketing their goods in foreign countries. The conditions of trade have also become more risky and without adequate acquaintance of the stability and standing of the foreign buyers, the exporters from Travancore are exposed to grave danger. The Special Officer for Travancore at the British Empire Exhibition held at Wembley has forcibly presented the difficulties of the Travancorean exporters in marketing their goods and emphasized the urgent necessity for an agent at London. He says:—

“A trade agent in London will be able to do a great deal to develop our trade and to safeguard the interests of our merchants. His chief functions will be to advertise our goods in foreign markets, to book orders, to communicate to the merchants here the ruling prices of commodities in London market, to advise them on the financial position of the foreign buyers, and to arrange for arbitrations, when necessary. Should our merchants receive enquiries or orders from unknown merchants abroad, they could forward the same to the trade agent who would then institute necessary enquiries and advise them as to how they should proceed. If firm orders are placed, the merchants would require payment against documents. This would be possible only if the buyers would open credit in Travancore, which, I was told, British merchants, as a rule, would not do. Various difficulties would arise if goods were shipped without payment against documents. In such cases, a trade agent's services would be very useful, as he could satisfy himself as to the reliability and honesty of the buyers and induce them to open irrevocable credit in London though not in Travancore, and in this way he would be able to guarantee payments to the sellers.”

The prosperity of Travancore depending so largely on her export trade, it is the paramount duty of the Government to take effective steps for organizing it. We would recommend that a Commercial Department under an officer who has had sufficient knowledge and experience be started for organizing the trade in the country and that local agents are arranged in important foreign markets with which Travancore has dealings. The officer in charge of the Commercial Department will be in constant touch with the foreign agents and afford the necessary facilities for the trade of the country. The Commercial Department can also be charged with the collection of accurate statistical information regarding trade, the lack of which has to be deplored.

105. Except rubber, tea and cardamoms, most of the articles for export and for local consumption are usually brought to the open markets of which there are 500. 175 of these are public and 325 private markets. The markets are controlled by the Markets Regulation, VII of 1092 (1917), and the regulation of markets outside the limits of municipalities is one of the functions of the Land Revenue Department. On a very rough estimate, the total volume of business transacted annually, as calculated by the Tahsildars, amounts to Rs. 32,20,00,000. In the more important of these markets, and in the cattle markets especially, business is transacted through *tharakukars* or *dallals*. The distribution of the articles brought into the markets is in the hands of middlemen. The producer is so far unconcerned with the ultimate consumer or of the possible additional gain he could get by organized group marketing. In the words of the Royal Commission on Agriculture in India, "The circumstances of the average cultivator favour this attitude. His farming is still largely of the subsistence type."

106. We have pointed out elsewhere that there is 0.6 mile of road per square mile of the total area or one mile to a square mile if the inhabited area alone is taken into account. The following figures will show the comparative position of Travancore:—

	Travancore.	Nine Major Provinces of British India.	United States of America.
Density of population per square mile	525	240	31.5
Mileage of all roads per square mile	0.6	0.2	0.8
Mileage of all roads per 1,00,000 of population	125	84	2,550



Almost all the markets are connected by roads the majority of which are fit for motor traffic and the rest for country carts. With the opening of some more roads, under construction, the prosperity of certain unexplored regions is assured. The Government have long recognised the importance of good communications and the need for their further development as is evident from the fact that the Government have recently constituted Road Boards.

The existence of good roads has resulted in a remarkable increase in motor transport and the bullock-cart, even for purposes of transport of goods, is being gradually supplanted by lorries. The inestimable advantages of a well-regulated system of transport can never be questioned. At the same time, we have to observe that motor transport by itself is insufficient and has several limitations. It can at best be only complementary to railways and transport by water. Of the former, we have only 110 miles and of the latter 220 miles in canals and back-waters. Further development of road communication should be based on a co-ordinated plan of railway extensions.

107. Travancore has four seaports, *viz.*, Alleppey, Quilon, Trivandrum and Colachel. The ports are favourably situated in regard to all trade routes between Australia and the East and Europe and America. There are deep-water anchorages fairly close inshore, at all these ports, especially at Trivandrum and Colachel. The following statement gives the number and tonnage of the vessels that called at the four ports during 1928-29 which will give some idea of their importance.

Name of Port.	No. of steamers that called in.	No. of country craft that called in.	Tonnage.
Alleppey	420	152	9,39,966
Quilon	29	100	89,524
Trivandrum	38	15	1,05,334
Colachel	39	29	1,29,881
Total	526	296	12,64,705

Statistics disclose a general increase from year to year in the number of steamers and country craft, which is undoubtedly due to the expansion of trade generally, both foreign and coasting.

108. In spite of the existence of these ports, we find that exports from Travancore are largely through the Cochin port. For instance, the total value of tea exported through Cochin is Rs. 1,04,42,656 while, Alleppey port, which is nearer to the producing areas exports a negligibly small quantity only. Similarly, in regard to cocconut oil and many other products. Whatever be the reasons, it should be matter for concern that the diversion of our products to the Cochin port, besides affecting the commercial importance of the home port [at Alleppey, militates against the development of trade in the country. The causes have to be investigated and exports through our own ports encouraged. It was suggested to us that a road connection between the main-land of Travancore and Alleppey will largely tend to produce this result. We are aware that the subject is a big one and is already before the Government. We recommend that the question be taken up and settled early.

109. In the course of our investigation, it was suggested that the construction of a pier at Quilon will largely develop the usefulness of the Quilon port, especially for the export trade in tiles. Statistics show that the export of tiles through Quilon is on the increase and the construction of a pier there would further encourage the export of this article and help the development of the industry.

110. One source of great difficulty in marketing is found in the diversity of weights and measures. Pepper, for instance, is sold at the exporting centre in candies of 672 lbs. In the producing centres, it is bought by middlemen in Tulams. In Todupuzha taluk, 30 Tulams are said to make one candy, while, in certain other places, 24 Tulams make one candy. In some places, the middlemen purchase by measure and not infrequently on an estimate of the quantity of standing crop. The result is that the ignorant cultivator is easily inveigled by the middlemen. In measuring paddy, again, there is great diversity of measures. In Nanjinad, the Kotta measures 21 Marakkals, that is, 75 Madras Pukkas, while, in Shencotta, the Kotta measures 105 Madras Pukkas. (A Madras Pukka of paddy weighs  $2\frac{1}{2}$  lbs.) In Edanad, (Kalkulam and Vilavancod taluks) the Kotta is equal to 15 Marakkals of Nanjinad. In other parts of Travancore, Para is the measure for paddy and other grains. One standard Para of paddy weighs 20 lbs., while, the Ela, Kallurkadan and other local Paras are much smaller. Then, again, confusion is caused by *Rathal* or the Dutch Pound and the Avoirdupois Pound. The middlemen use bigger

measures or weights in purchasing articles from producers. We have not been able to go into the details of this serious problem; but, from what we have been able to gather, we are convinced of the urgent need for a thorough enquiry with a view to standardize the weights and measures. We are not unaware of the Weights and Measures Regulation, VI of 1085 as amended by Regulation IV of 1092; but it is a well-known fact that it is practically inoperative. We recommend that a small committee with power to co-opt local members be appointed to examine the question in all its aspects.

111. The cultivators become easily indebted to middlemen by taking advances in times of need. The answers to our question-  
*Effect of Indebted-* naire contain sweeping denunciations of the middlemen  
*ness on Marketing.* to whom is attributed a good deal of the indebtedness of the producer. There is undoubtedly some truth in this. We have mentioned that one of the difficulties pointed out by the planters in effecting direct sales was their indebtedness to the "Coastal Firms". This largely indicates that, once the producer is indebted to the middlemen, the tendency is that he is unable independently to market his commodities and the natural results are that he gets less price and has to pay interest on loans. This cuts his small margin of profit clean. The evil is best illustrated by the export trade in fish. One of the witnesses at Quilon informed us that two agents at Quilon mostly control the export trade. They advance all the money required on condition that the catch is sold to them. For every Rs. 160 advanced by them, they get a promissory note executed for Rs. 200. It was said that they never take back the capital, but only the interest which is Rs. 40 per annum. The fisherman practically loses his liberty to sell his fish to any one else. The case is very much the same in the marketing of many of the agricultural crops also.

112. The distribution of the agricultural crops is entirely in the hands of the middlemen. Except the small growers of garden  
*Part played by* produce in the neighbourhood of the towns, the producer  
*Middlemen.* seldom sells directly to the consumer. Undoubtedly, the middlemen's profits are high, but the risks he runs are also equally heavy, perhaps not in proportion to the profits he makes. This has resulted in the wide-spread denunciation of the middlemen as a class. The detractors of the middlemen are, in a majority of cases, those connected in some way with the co-operative movement though nothing has so far been done by any of the societies to promote co-operative marketing. In the export trade in commodities like pepper and cocoanut, the risks which the middlemen are open to are seldom appreciated. It is said that the middlemen are not affected by adverse weather conditions affecting the producer and that, if he runs any risks, it is because he stakes for high

profits in which the producer never participates. Though this is true, the part played by the middlemen and the difficulties incidental to their business cannot but be appreciated. Keen competition among them cuts their profits to the advantage of the cultivator. But it is when a middleman happens also to be a money-lender and the cultivator his debtor that he is a source of danger to the cultivator. On the whole, in the existing conditions of marketing, we have to recognise that he plays a very useful part and any charge levelled against this class as parasites upon the poor cultivators is the result of an unsympathetic view of the nature of his business. That there are abuses, no one can deny. But a satisfactory solution can come through improvement of markets and communications. 'Bad communications and chaotic conditions of marketing encourage a superfluity of middlemen.'

113. Pools and sale societies offer a very satisfactory solution to remove the loss caused to the cultivator through the activities of the middlemen. This can be achieved only as a result of intensive propaganda. The Co-operative movement has, so far, developed only along credit lines. *Pools and Sale Societies.* No society has yet been formed for marketing of crops. But, as a preliminary, the cultivators should have received the necessary training in group marketing. In our view, therefore, the essential requisite to marketing is to enthuse co-operative societies to undertake co-operative marketing wherever facilities exist. At the present stage of the movement, active and liberal State aid is necessary.

114. We have pointed out the difficulties in marketing some of the important produce and have indicated the opportunities to the cultivator from well-organized markets. *Improvement of Local Markets.* Sanitation, water supply, facilities for carting, provision of stalls, proper weights and measures and facilities for weighment, publication of prices and ever so many items which should go to make an organized market are practically absent. There is considerable public opinion as evidenced by the proceedings of the Legislative Council and the Economic Development Board that this important subject should engage greater attention on the part of the Government. In 1104 (1928-29), against a revenue of Rs. 91,201 from the public markets, Government have spent only Rs. 47,342 on the items mentioned below :—

	Rs.
Maintenance and improvement by the Revenue Department	... 36,693
Original works by the P. W. D.	... 9,929
Sanitary arrangements	... 720
Total	... <u>47,342</u>

“The importance of markets lies not only in the functions they fulfil, but in their reactions upon production. Well-regulated markets create in the mind of the cultivator a feeling of confidence and of receiving fair play and this is the mood in which he is most ready to accept new ideas and to strive to improve his agricultural produce. Unless the cultivator can be certain of securing adequate value for the quality and purity of his produce, the effort required for an improvement in these will not be forthcoming. The value of the educative effect of well-regulated markets on the producer can hardly be exaggerated.” (Royal Commission on Agriculture in India.) Since the Markets Regulation, VII of 1922, was passed, there is some improvement, mostly in the matter of accommodation, in markets. Though provision is made for regular inspection by officers, the complaint is that markets do not receive sufficient attention. We would recommend that greater attention be given to this important question and the control of markets be assigned to the Commercial Officer we have recommended *supra*.

115. The cultivator seldom concerns himself with the distribution of the produce and this has fallen entirely in the hands of middlemen who buy and distribute not only crops locally produced but also products imported into the country. For marketing of products for internal trade, therefore, it is not the cultivator who puts agents into operation that needs money, but it is the man who distributes the produce and thinks of a speculative reward. After all, the range of business is very limited being confined to articles of daily consumption, seldom requiring storing for any length of time. The finance required by the middleman is only small and for a very short period. He is often, we may say as a rule, financed by the local money-lender and, in some cases, by one of the small joint stock banks. The money-lender and the middleman are old friends. No security is demanded for a loan. But the interest charged is usually 8 cash (3 pies) per rupee for any period within a month, be it even a week. But the loan is returned in less than two or three days and the rate of interest works out abnormally high. The bank, if there is one, charges 15 to 24 per cent; but it will demand gold security and is therefore not so popular in the mofussil. It will be of great use for the middleman if he can get advances on cash credit basis from co-operative societies.

So far as our import trade goes—and the value of our imports for the year 1928-29 amounted to Rs. 9.33 crores—it is in the hands of the capitalist trader. He has his own resources which are supplemented by the Imperial Bank, the State-Aided Bank, the joint stock banks incorporated in Travancore and outside and the Hundi merchants.

The external trade of Travancore has concentrated in the hands of a few European 'Coastal Firms' and certain Indian traders in Alleppey and Cochin. Some of these are trading firms, some manufacturing and trading, some mere shipping, while others are agents to foreign firms. From the answers we have received from some of these firms, we understand that most of them have their own capital. The commodities exported by them to foreign markets are collected through their agents to whom advances are sometimes made and these or their sub-agents in turn gather the articles either in markets or preferably by visiting the producers in their homes. The advance the agent receives from the firms is insufficient for his purpose. He finds the balance either himself or by borrowing from the money-lenders, Hundi merchants or joint stock banks. His business being on a larger scale than the small distributor, his requirements are larger.

The export trade from the villages is said to suffer from the existence of an undue number of middlemen who intercept a large share of the profits. We have seen some of the reasons for this, one among them being the indebtedness of the small cultivator and another the absence of marketing organization and well-regulated markets. Even where the cultivator is not indebted, his business with the middleman who is generally also a trader in grain, cloth or articles which the farmer wants, is often on *per contra* basis, his purchases and sales being reckoned in cash in the dealer's books, at rates not always known to the customer. In the marketing of commercial crops like pepper, rubber, tea, ginger, turmeric, etc., there is much room for co-operative marketing which will mitigate many of the evils arising from a large number of middlemen.

116. A consideration of this subject is important here inasmuch as it enables the dealer, be he the producer or the middleman, to raise credit during marketing by supplying an additional support to sound credit in the warehouse warrant.

*Licensed Warehouses.*

One of the very common methods by which traders raise finance at present is by the well-known system of 'key loans'. This means a hypothecation by the merchant or producer of his produce to a bank which on that security allows him cash credit or overdraft. This system involves the necessity for the bank to keep a large proportion of its funds in liquid form. We will take an instance. We saw that, in coir yarn business, the middleman brings yarn to Alleppey and, for raising finance before marketing, he generally entrusts the product through his broker to one of the yarn-dealers at Chungom and receives an advance, usually at 12 per cent interest

The yarn-dealer in turn usually raises funds by means of bills or otherwise from one of the banks. In any event, the assistance from this source is necessarily limited.

Besides the strain on the bank, the present method is open to another serious defect. The merchant or producer who raises finance by hypothecating his produce cannot afford to give credit to his customers and this causes some loss to the merchant and inconvenience to the customer.

To remedy such defects, the system obtaining in the United States of America may be adopted. There, under an enactment, the Secretary of Agriculture is empowered to license warehousemen who are prepared to abide by certain prescribed conditions. The person entrusting his goods in such a warehouse receives a warrant or receipt from the warehouseman containing full information regarding the goods. On presentation of such document, a warehouseman is bound to hand over the goods described in it to the holder. Thus the warehouse warrant becomes an instrument of title which can be negotiated. The principle underlying the arrangements is that the warrants can be made use of in outright sale of the goods to a buyer or in raising finance temporarily as any bank may safely accept such warrants as collateral security for an advance.

This system offers clear advantages over the present method. Owing to imperfect understanding of the system and its working, there is not a consensus of opinion on the part of witnesses in favour of introducing the arrangement in Travancore. At Alleppey, witnesses who have experience of similar institutions realized the advantages of introducing the system under proper Government supervision and control. Some, however, doubted if it would not leave room for reckless speculation and fraud. We think that the business in Alleppey affords ample scope for the introduction of the system there and that the dealers in pepper, coir yarn, coir mats and matting and other export produce will avail themselves of it. The system offers great facilities in marketing and will be beneficial eventually to the agriculturists. Later on, licensed warehouses may be opened at places like Kottayam, Changanachery, Kanjirapalli, etc., where agricultural produce is gathered. We are confident that private enterprise will be forthcoming in this direction. But the necessary legislative provision will have to be made and we recommend that step be taken by the Government for the purpose. The value of warehouse warrants as security to raise credit will largely depend upon the care taken by the licensees in sampling and describing the goods. This necessarily involves proper and strict supervision which can be left to the Commercial Officer we have recommended.

**B.-- DISTRIBUTION OF IMPORTED GOODS  
AND CONSUMERS' CREDIT.**

117. In the previous section of the chapter, we have dealt with the marketing of the principal crops produced in the country and have, with some justification, touched on the marketing of commodities like coir and copra in which a manufacturing or curing process is involved. We brought within the scope of that section the export trade in the commodities dealt with, without limiting ourselves merely to the sale of the produce by the agriculturist to the trader. We also took occasion to deal with such general subjects as the improvement of the local markets and of the facilities for marketing. The scope of the present section is, therefore, limited to the distribution of the imported goods. We will also deal with the credit facilities for commerce as well as consumers' credit.

118. The following statistics for 1928-29 will show the nature and extent of the principal imports into the country : —

*Imports.*

*Value of Important Imports.*

Name of articles.	Rs.
1. Food and drink ... ..	5,59,220
2. Fruits and vegetables ... ..	7,42,754
3. Grain and pulses ... ..	17,56,027
4. Paddy ... ..	1,00,56,710
5. Rice ... ..	3,05,15,982
6. Sugar ... ..	19,17,230
7. Salt ... ..	3,88,515
8. Tobacco and Products ... ..	78,97,355
9. Yarn and Textile fabrics ... ..	1,63,64,708
10. Kerosene oil ... ..	29,37,029
11. Petrol ... ..	20,62,114
12. Motor cars and accessories ... ..	11,10,464



We will deal with the trade in some of the more important of these.

119. There are two sources for paddy and rice. They are Burma and British India. Burma paddy and rice are imported through all the four ports during the importing season, *viz.*, January-April. The paddy or rice directly imported will ordinarily last for only six months. Further supplies of Burma paddy and rice are received from Cochin. The paddy and rice from British India are imported throughout the year. The Burma paddy is imported by wholesalers and distributed among the traders, while the paddy and rice from British India are imported directly by traders from time to time.

The direct import from Burma is financed chiefly by the Imperial Bank. At Alleppey, the State-Aided Bank, the Indian Bank, and some other banks are also financing the trade. The rate of interest charged by the Imperial Bank is the lowest, namely 7 or 8 per cent. The advance is made on the system of 'key loans'. Though the Imperial Bank's rate is low, we understand that merchants in Trivandrum used to prefer the Nedungadi Bank on account of certain additional conveniences which the latter offered. But the Nedungadi Bank is not now advancing on paddy or rice. The importers receive about 75 per cent of the value of the produce as advance for a period of 3 to 6 months. So far as the Imperial Bank is concerned, the importers are required, it is said, to sell a minimum number of bags every day. As they could not always sell on a cash basis, they have to resort to other banks and Hundi merchants for the necessary finance during the period in order that they may keep their agreement with the Imperial Bank.

The import from Cochin is on a credit basis, on short-dated bills, usually of 30 days' usance. In this trade, the Hundi merchants and the local joint stock banks furnish the required finance, but at higher rates of interest than the Imperial Bank. The rates usually range from 12 to 15 per cent.

The import from British India consists mainly of rice produced in the adjoining districts. The trade is carried on in the principal towns by individual merchants who have invariably some capital of their own in the business and their resources are supplemented by the Hundi merchants.

120. More than for paddy and rice, Travancore depends on outside supply for pulses and sugar. Pulses like black gram are imported both from the adjoining British Indian districts and from Karachi, through Cochin. This year, however, the imports are almost entirely from the adjoining British Indian districts. Middlemen play an important part in this trade as the import and distribution are done by individual merchants who are ordinarily supplied by middlemen outside. In some cases, they have their own agents

also. Most of the sugar is imported through Cochin, though the quantity imported through Trivandrum-Tinnevely Railway and by road is not inconsiderable.

121. There is not much of direct import of piece-goods or yarn from foreign countries. Out of a total of Rs. 1,63,64,708, the value of *Cotton yarn and goods* directly imported is only Rs. 1,33,709. The traders obtain their supplies from Cochin, Bombay, Madras and other places. The import business in cotton goods is largely in the hands of Mahomedan traders from Bombay and Bannias from Guzerat. There are also some Tamilian merchants having business connections in Cochin and Bombay. The small retail trader in the country-side buys of these bigger merchants, invariably on credit. Some of the latter are also money-lenders or are engaged in Hundi business. In dealing with the small-scale merchants, they often keep a running account. In their own case, they buy from the agents of the manufacturing or importing firms, usually on short-term credit, on 30 or 60 days' bills or Pro-notes. Hundi merchants have a large share in the financing of this trade.

We have no statistics as to the extent of cotton or silk goods manufactured in the State in the large number of handlooms spread throughout the country. In urban centres, the manufacturers themselves sometimes hawk their product and effect the sale to the consumers direct. But, more ordinarily, middlemen collect the goods from the weavers and sell them to the traders. These middlemen have running accounts with certain principal traders and are occasionally given an advance. If interest is charged, as is the usual case, it will be at a rate not below 12 per cent. If no interest is charged, there will be a cutting in the price of the goods supplied. In any case, the difficulties which the middlemen experience to raise credit ultimately tell upon the producers also.

122. Two companies, the Burmah-Shell Oil Storage and Distributing Company of India Ltd., and the Standard Oil Company of New *Kerosene oil and Petrol.* York are distributing kerosene oil and petrol in Travancore through their agents and sub-agents. The agents in both the cases are European firms, while the sub-agents are Travancoreans. There are sub-agents in almost all principal places in the country. They have to furnish cash security and in return are allowed to hold stock to the extent of the security offered by them. They are allowed a small commission of one anna or an anna and a half per tin (4 gallons) of kerosene oil and two annas on every gallon of petrol. The sub-agents have to distribute oil and petrol by retail sale to consumers direct and through their own agents or customers who are ordinarily small traders in the mofussil. They have perforce to extend credit to their customers with

whom they deal directly, so that, without sufficient financial backing, their business cannot be successfully carried on. But, ordinarily, these sub-agents are capitalists.

123. Some of the European 'Coastal Firms' import hardware, cement, rubber goods, etc., and distribute through the local *Hardware, Cement, Rubber goods, cars, etc.* traders. The Importing firms have their own finance, but the traders largely depend upon the banks and the Hundi merchants. Occasionally, the importing firms allow short-term credit to their customers. Some of the traders are also agents doing business on a commission basis.

124. The capital for internal trade is, to a large extent, private-owned. *Credit Facilities.* The resources of the businessmen are, as we have seen, supplemented by the Imperial and local joint stock banks and Hundi merchants. In the case of the small traders, the co-operative banks are also of some assistance, but not much. For the improvement of the existing facilities, we have received very few suggestions. All that we heard was a general complaint of inadequacy of the facilities afforded by the existing institutions to finance trade. However, much the Imperial Bank may be induced to finance the local trade, it cannot be expected to reach the small traders and the only means of assisting them is by strengthening the local joint stock banks. The State-Aided Bank, which had among its foremost aims the financing of the small trader who could not get accommodation in the Imperial Bank, came up for severe criticism at the hands of some witnesses. We were told that the institution backed by Government resources ought to prove more beneficial to the trading community. It is alleged that it has no definite policy behind it and that, with every change in managership, the policy also changed. During the short period of four years' existence, the management has passed three hands. This bank should, by its position, set an example to other joint stock banks in the country. Had the bank, during its early career, the benefit of expert advice to shape and build up the policy of the institution and place it on a secure foundation, it would not have probably laid itself open to the charges now levelled against it. In view of the concessions it receives from the Government and the peculiar position it holds in relation to the State, the Government ought to do all in their power to shape its policy and working to the greater satisfaction of the public.

125. The small mofussil traders buy the requirements of their customers from the urban traders. Ordinarily, these consist of *Rural Trade.* condiments, salt, oils, sugar, tobacco, imported piece-goods, hardware, etc. In a large number of cases, the capital owned by these village shop-keepers is small; but if they happen to do

good business, the urban traders naturally allow them credit. Though, ordinarily, no interest is charged by the urban trader, the interest will be covered up by higher prices. For raising finance, the rural trader has to seek the assistance of the local money-lender or prize a chitty ; in either case, he has to pay very heavily. Co-operative societies will be of invaluable assistance to the small trader. But, in the present stage of the movement, they have not come to a position to satisfy their demands to any appreciable extent. The ultimate consumer in the country-side is therefore, affected most. The position can be improved only by strengthening the joint stock and co-operative credit institutions. It would be useful to the small traders if the co-operative credit societies in the mofussil grant cash credit.

126. In urban centres, there are a large number of people following different pursuits. Such, for instance, are the small *Consumers' Credit*. P. W. D. contractors, carpenters, masons and other artisans as also those engaged in the manufacture of furniture, etc., ministerial officers in Government offices, schoolmasters and other service-holders, pensioners, etc. The credit that these classes of people require is for their regular business, ordinary domestic requirements or for occasional marriage or other ceremony, illness, etc. Unlike the rural population, they may have no land to offer as security for a loan of money. In some cases, however, there may be an ancestral house or some ornaments which they can pledge; while others may have no security whatever to offer. Necessarily, they have to pay heavily for a loan. The joint stock banks will not, in such cases, grant a loan except on gold. When, in rare cases, they advance on promissory note, at least a surety which the bank will accept, will be necessary. The more usual practice is to take a joint and several promissory note. The co-operative movement has not gained a firm hold in the minds of the people as the most satisfactory means for raising a short-term loan. This is mostly because a society will not be able to grant big loans in the beginning and is not therefore sufficiently attractive. There are also restrictions which they impose. The grant of a loan to a member necessarily occasions some publicity. And, in the case of an applicant who is not in Government service, the Central Co-operative Bank at Trivandrum demands the suretyship of two Government servants for unsecured loans on account of the ease with which instalments may be realized from the salary. Many people have, therefore, to resort to small money-lenders whose terms are most ruinous, 21 per cent interest being the prevailing rate when a loan is secured by gold and as high as 42 per cent on personal security. There are cases of money-lenders who take over pension receipts and pay receipts endorsed in their favour at the third or fourth week of the month in return for a loan of 80 or 90 per cent of the face value of the receipt. The money-lender takes the risk incidental to

the collection of the amount at the due date ; but demands far too high a price. To the people who resort to such money-lenders through a desire to conceal their liabilities, the co-operative movement can offer a satisfactory solution for their difficulties only if they would get over their false pride. But to those who resort to them out of sheer necessity, in the absence of any security to offer, the co-operative credit society is by far the best and the Co-operative Department should do its utmost to popularise the movement, particularly among the artisan classes. It is a good sign that Government servants have realized, to some extent, the advantages of the movement ; there are 36 Government servants' societies with a total membership of 5,268 and an aggregate working capital of Rs. 1,60,938. Such societies should function more as thrift institutions than as credit offices. This is as yet far from being realized. All these societies borrow up to their maximum capacity and issue loans to the members. This position, it has to be realized, is not at all satisfactory. The need for some provident fund scheme is felt keenly and two departments have organized the same on a co-operative basis. Some Governments grant loans to their officers for building houses and also allow capitalisation of pensions. Here, the only help given is in the shape of advances for purchase of motor cars in the case of touring officers. There is, however, a state life insurance scheme which is not largely availed of. There is some complaint that persons who take up Government contracts are not given all possible facilities. It is even said that delays are common in making payments and therefore the better class of contractors are withdrawing from the field, which may also be the result of unrestricted under-bidding. The Public Works and Maramat Departments may arrange to make prompt part and final payments and thus render substantial help to the contractors and through them to the artisans.

In regard to articles for daily consumption, such as rice, oilmanstores, etc., the consumer in a large number of cases buys his requirements on credit. It is obviously to his disadvantage as he will thereby have to pay an invisible interest in the shape of higher prices, inferior quality or short measurement and, in addition, he will be permanently indebted to particular merchants. The only remedy for this is the promotion of the habit of thrift and the popularisation of co-operative consumers' societies. There is only one outstanding instance of a co-operative distributive society which may be said to work satisfactorily, namely, the Trivandrum Co-operative Distributive Stores. There are other societies as well, but it is doubtful if they are developing as rapidly as they should. It cannot but be admitted that the difficulties of management impose very serious restrictions on the growth of such institutions in villages and small towns where their presence will be most beneficial. The best hope for affording facilities which the small

service-holders and others engaged in other occupations who form the bulk of the population in towns require, lies in the full development of co-operative organisations; and the employers owe it to themselves as to the employed to remove the causes of poverty, which seriously hampers efficiency.

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## CHAPTER VIII.

### INDUSTRIES.

127. We have emphasized the evils arising from the growing pressure of population on land and the smallness of the holdings.

*General consideration.* The population has tended to outgrow the means of subsistence. Statistics clearly show that the rate of increase between 1901 and 1921 in Travancore (33·5 per cent) is unique in India (8·25 per cent). We have seen that 54 per cent of the population depend on agriculture and that the rural population form 86 per cent of the total. The percentage of dependence for the State as a whole is 64 according to the Census of 1921, while, the percentage of dependants in the population supported by agriculture is 69 which showed an increase of 5 per cent since the Census of 1911. There are no big towns or large-scale industries to absorb the surplus rural population.

The Committee on Unemployment in Travancore has very clearly analysed the present position and made certain valuable suggestions to remedy the evils, chief among which is the all-round intensive development of the economic resources of the country on modern lines. They said:

“The most effective remedy not only for unemployment and poverty but for all our present discontents is the all-round intensive development of economic resources of the country agricultural, industrial and commercial on modern lines. But though we are firmly convinced of the truth of this general statement, we feel quite incompetent to deal with such a vast and complicated subject. It would perhaps be better if we did not go beyond saying that everything should be done that can be done, under existing conditions, for economic development not only by the Government but by society, and the well-to-do classes. But seeing that the subject bears so directly on the problem under investigation, we feel justified, even at the risk of going beyond our province, in making a few definite recommendations. In the first place, though economic development is one of the aims of our Government as of all modern progressive Governments, it ought to become, in the conditions in which we are placed, the foremost aim and not remain as it does now one of the various subsidiary aims of Governmental activity. Our social system is antediluvian; our economic structure is mediaeval; the only organization constructed on modern lines with which we can face the modern world and through which we can fight the evils of ignorance, poverty, communal distrust and general

helplessness is the State. In Travancore, the brains of the country, the store of ability available is also almost entirely drawn away into the service of the State. In America, almost-wholly and in England to an increasing extent men of ability and character are drawn away to industry and commerce and finance and the complaint is that the State is not able to command or retain the services of the best men. The reverse is the case with us and the need and the justification are all the greater for the initiation and carrying out by Government of a vigorous economic policy. The principles and methods of Governmental action are laid down in the report of the Indian Industrial Commission and should be followed by our Government in so far as they are applicable to our conditions."

128. The problem of industrial development has special significance to Travancore. The climatic conditions of the country and the nature of cultivation are such as to leave the cultivators nearly four to six months' forced leisure in the year. It becomes all the more necessary, therefore, to enable the cultivator and his family to utilise the leisure by organizing and developing the existing industries and starting suitable industries, wherever possible, thereby increasing the earnings of the family and also relieving the pressure on land. In this connection, the following observation of the Indian Famine Commission is worthy of note. "At the root of much of the poverty of the people of India, and of the risks to which they are exposed in seasons of scarcity, lies the unfortunate circumstance that agriculture forms almost the sole occupation of the mass of the population and that no remedy for present evils can be complete which does not include the introduction of a diversity of occupations, through which the surplus population may be drawn from agricultural pursuits and led to find the means of subsistence in manufactures or some such employment." It need not be feared that industrial development will cause an undesirable diversion of labour and capital from agriculture. The capital for industries comes mostly from the urban classes. What little capital is available in rural areas is devoted to the purchase of land and occasionally to its improvement. As for labour, the diversion is in every way desirable, for too many are crowding upon land. We had neither the time nor is it strictly within the purview of our enquiry to examine the problem in all its aspects, the question of finance being the most important so far as we are concerned. We have, however, directed our enquiries into other matters also in respect of certain industries the results of which will be briefly set forth in this chapter.



129. Let us now examine the position of the organized industries. In the sense of capitalist enterprise or large concentration of hired labour in particular localities, there are very few industries. According to the *Statistics of Travancore* for 1928-29, there are 116 factories worked by mechanical power. The following statement shows the class and the number of such establishments as also the number of hands employed in each industry:—

Class.	No. of factories.	No. of hands employed.
1. Mineral extraction	2	349
2. Oil mills	13	771
3. Rice mills	3	74
4. Weaving and knitting	1	3
5. Steel works	1	169
6. Saw mill and furniture factory	1	286
7. Paper mill	1	44
8. Match factory	3	269
9. Tile factory	10	111
10. Tea and rubber factory	67	2,702
11. Coir factory	14	5,985
Total	116	12,821

Besides these, there are factories or workshops run by manual labour only employing a total of 1,600 hands of which 8 coir factories account for 1,149 hands and 23 tile factories for 340 hands. There are also several other urban industries, more or less on a small scale, such as soap-making, printing, etc., which are now assuming importance.

A characteristic feature of the organized industries, chiefly manufacture of coir mats and matting, is that European 'Coastal Firms', in addition to their import and export business, own and manage factories. They were the pioneers whose enterprise gave the lead to the people of this country who have exhibited a remarkable willingness to follow their example but are unable successfully to compete with them being handicapped chiefly by lack of funds and experience and want of marketing facilities.

130. So far as the large scale industries are concerned, the facilities of finance required are of three kinds: (1) fixed or initial capital; (2) capital for extension of business, replacements, etc, and (3) capital for current needs. Most of the European undertakings are incorporated in Great Britain or other foreign countries and in certain cases in British India and possess sufficient capital raised outside this country. We had no occasion to hear of any lack of credit facilities from any of the managers of such firms and our observations on that subject are limited to the industries organized by Indian enterprise.

*Facilities of Finance.*

131. After the depression in 1921-22, there was a rise in the price of rubber and tea and the boom brought in plenty of money into the country. Credit became cheap. Joint stock banks and companies came to be promoted somewhat suddenly. There was also plenty of opportunity for speculation and enterprise. As a result of the facile credit extended by some of the banks, industries involving considerable capital outlay were started. While, on the one hand, the banks without looking into their future resources and ability to finance the undertakings, freely advanced money, the industrialists on the other hand, beguiled themselves in the hope of building up big business, invested a large portion of their capital in plant, buildings and accoutrements. The boom period, however, passed away and the present heavy fall in the prices, particularly of rubber is probably unparalleled. If the high prices by which both the banks and industries were setting store much hope had continued, it would have been well for both the businesses. But, as it is, money has become very scarce through the present trade depression and the banks are now unable even to supply the finance for the current requirements of the industries. The industrialists and their bankers are therefore faced with a crisis which, if not tided over successfully, spells ruin to both the businesses, the effects of which will be a serious set-back to the industrial and commercial progress of the country. It is true that this state of affairs has been brought about by the lack of foresight and experience and perhaps also excessive speculation. Nevertheless, the crisis demands very urgent and serious notice and

*Capital for initial outlay.*

we recommend that an immediate enquiry be made into the present state of the industries with a view to assist those that have been affected by the present stringency of the money market.

In such circumstances, it is unnecessary to expect any financing institution in the country to supply funds for starting new industries. Even in ordinary times, it is no part of the business of a joint stock bank, constituted as a commercial bank, to aid industries by furnishing any part of the initial capital required. When a new industry is started, as a joint stock company, either public or private, it takes a long time for the capital to be subscribed. Personal influence of the canvassing agents and the promoters counts for everything. When enough capital could not be raised within a reasonable time, the directors have to strain very hard to raise funds from wealthy individuals on securities they can jointly or individually furnish, over and above what can be raised on the security of the business itself.

132. The difficulties in the way of finding funds for starting new industries hold good with the provision of funds for expansion of business, since, strictly speaking, banks constituted as commercial banks cannot afford to finance renewals and replacements or expansion of business. The Imperial Bank is precluded from advancing on the security of plant or building. And as the local joint stock banks are not in a position to provide the necessary facilities, the industries have somehow to push forward.

*Capital for expansion of business.*

133. To keep his business going, the manufacturer's resources have to be replenished from time to time. He may raise money on the bill of lading or railway receipt when his goods are shipped or despatched by rail. But the amount so raised will be far too small for his current needs. In case he has to raise funds otherwise than on documentary bills, he has to do so on pro-notes and accommodation bills on the security of the stock in his possession, either by "open" or "key" loans or on the security of the buildings and plant.

*Finance for current needs.*

The more important of the factory industries are, as we have seen manufacture of cocoanut oil, coir mats and matting and tiles. The prosperity of the cocoanut grower depends to a very large extent on the prosperity of the first two industries which, with a few exceptions, have concentrated themselves in Alleppey, while tile manufacture finds itself established in Quilon. We are unable to estimate the amount of capital invested in these industries; but Travancore exported in 1928-29 coir mats and matting to the value of Rs. 83,89,800 and cocoanut oil to the value of

Rs. 65,08,511. The value of tiles and other terra-cotta wares exported amounted to Rs. 2,93,503. These indicate the volume of business as also the finance required for current expenses.

The institutions which are now available for this purpose are the Imperial Bank, the branch of the National Bank of India at Cochin, the joint stock banks of Travancore and British Indian incorporation, including the State-aided Bank, and the Hundi merchants. Individual money-lenders are also occasionally resorted to, when it becomes difficult to raise funds through any of these institutions. As we have had occasion to remark, the Imperial Bank is very conservative and is not easily accessible. So far as the manufacturer is concerned, the only means by which he can ordinarily get accommodation from the Imperial Bank is on the security of the goods placed under its lock and key. It is unnecessary to revert to the complaint of racial discrimination; but there were such complaints as well as evidence to the contrary which clearly indicated that the true situation was that the Bank was not prepared to advance except on the best security. Nevertheless, we have to point out that the Imperial Bank's reluctance to advance to Indian manufacturers was stated in Mr. R. Nilakanta Pillai's official report as one of the reasons in support of the organization of a State-Aided Bank. But the establishment of a State Aided Bank, if it has not laid itself open to this charge, has not given satisfaction. The complaints were directed more against the policy and management. In the case of the other joint stock banks and the hundi merchants, it was admitted that they followed a more liberal policy, but the high rates of interest and their limited resources militated against their usefulness to the community to the desired extent. The National Bank at Cochin—an Exchange Bank—which is of use, especially to the manufacturer of coir mats and matting, was said to be of considerable assistance. It grants open loans, on the strength of the letter of credit of the foreign buyers, and key loans. In the latter case, goods are released for shipping on a trust deed furnished by the manufacturer and accounts are adjusted in due course. The manufacturer of cocoanut oil and tile is in a somewhat better position, because the markets are almost entirely in British India and the amounts due to them are realised in a much shorter time. The difficulties of the industrialists are accentuated by the present depression.

134. To solve the problem of industrial finance, the suggestion we had was the organization of an Industrial Bank with State-aid and State-guarantee of capital. It was pointed out to us that plenty of private enterprise was available in the country and that its economic position urgently demanded
- Survey of Large-scale Industries.*

industrialisation. The State having extensive reserved forests, much unexplored natural resources and possibilities of hydro-electric power for working them up are anticipated. But, so far, no survey has been conducted which would put the Government and the public in possession of the necessary data leading to correct conclusions in regard to the resources of the country. A cotton spinning and weaving mill at Quilon was one of the earliest large-scale industries to be established in the country, but it has ceased to work. The paper mill at Punalur, bordering on the reserved forests and worked by water-power, offered prospects of success. But it had a very chequered career. The South Indian Match Factory, situated in the heart of the reserved forests and enjoying certain concessions as regards the exploitation of timber from the forests has not yet been able to establish itself firmly. The Malabar Match Manufacturing Company at Alwaye has also had some reverses. The Travancore Sugars, Ltd., which was registered in 1097 (1922) has not yet started work, though it has the support of the State. The industries which are working with some amount of success are the tile factories, coir mats and matting factories and cocoanut oil mills. Even all of these are not working with certain success though the products have fairly settled markets and enjoy varying degrees of monopolistic position. These circumstances point to the necessity for a careful enquiry by an expert or experts with adequate knowledge of the markets abroad and the economic forces operating on the success of any enterprise. Expert advice and specialised business opinion constitute the *sine qua non* of industrial banking. We recommend, therefore, that an expert enquiry into the condition of the existing large-scale industries and the possibilities of starting new ones be conducted as a step preliminary to the starting of an industrial bank. As observed by the Indian Industrial Commission "preliminary investigation and expert advice by Government will inspire confidence and render possible the starting of many industrial enterprises for which, in existing circumstances, private funds are not forthcoming."

135. The existing organized industries which, except a few, are not on any large-scale, stand in need of finance for expansion of business and current needs. The number of such undertakings not being large, it will be possible for the Government to render assistance directly or through banks. For expansion of business, long-term loans are required and, in the absence of proper financing agencies, only Government can render the assistance. In regard to current finance, the plan suggested by the Indian Industrial commission in paragraph 293, as an interim measure until industrial banking facilities are brought into existence, is worthy of acceptance.

“The scheme would, in the first place, be confined solely to industrial businesses with a paid up capital of from Rs. 5,000 to about Rs. 1 lakh. The Director of Industries, assisted by his technical staff and by the advice of a committee of business men, among whom a representative of the leading bank might well find a place, would examine the financial position and reputation of applicants and their methods of manufacture and would certify those persons whose position was found satisfactory, as suitable recipients for a loan. This would take the form of a cash credit for a definite period and amount with a bank. Government would, under this proposal, guarantee the principal sum lent with interest at a rate agreed on with the banks. Any bank of repute would be allowed to participate in the scheme and applicants would select the bank with which they would deal. Suitable limits, both maximum and minimum would have to be fixed for the cash credits.”

As the commission themselves have foreseen, the success of the scheme must rest on the Director of Industries and the committee above referred to in judging the eligibility of an applicant. A periodical audit of the borrowers' accounts by the Government Auditor in the office of the Registrar of Joint Stock Companies may be provided for as a safeguard. Though some risk is undoubtedly involved in adopting this scheme, we think that the difficulties experienced by middle-class industrialists largely demand its adoption. We find that provision for this arrangement has been made in the State-aid to Industries Bill now before the Legislative Council.

136. The demand for this cash credit would be minimised by the establishment of licensed warehouses we have recommended in the previous chapter and it is very necessary that Government take early steps towards accomplishing this.

137. In view of the fact that a large section of exporters are industrialists, another means which would advance the interests both of foreign trade and industries is to provide facilities for foreign exchange. This might be done either by inviting an Exchange Bank to establish a branch at Alleppey or by inducing the State-Aided Bank to be the local agent for an Exchange Bank. Witnesses expressed doubt whether it would be profitable for any Exchange Bank to open a branch here as the values of the import and export trade do not balance. Taking the foreign trade of Travancore for 1928-29, we find that the value of her exports to foreign countries amounted to Rs. 2.16 crores, while that of her direct imports amounted to only Rs. 30 lakhs, *i. e.*, about a seventh of the export trade. This is because the major portion of our

exports and imports are through Cochin and British India (Rs. 18.67 crores). However, the question demands consideration by the Government.

138. The manufacture of coir mats and matting, cocoanut oil and tiles and terra cotta and rubber and tea planting industries and, to a limited extent, motor transport business are of *Position of certain Industries.* such importance to the country that public opinion is seen reflected in the volume of evidence in favour of a thorough enquiry. Though the subject is not strictly germane to our enquiry, we feel justified in recording the most important difficulties of these industries to which our pointed attention was called. So far as the manufacture of coir mats and matting goes, it is perhaps more a question of finance and the difficulties in marketing than the local competition and want of close organization. We have already considered the questions of marketing and finance. A consideration of the other forces at work demand a study of the local conditions and should therefore be made along with the survey we have recommended *supra*.

139. All products of the cocoanut palm, except coir mats and matting, are subject to export duty *ad valorem* at varying rates, *Cocoanut oil Industry.* and the tariff values do not necessarily approximate to market prices and adjustments are therefore made in the tariff values as occasion demands. So far as cocoanut oil industry is concerned, the ratio between the duty on copra and oil is the most important question. The oil content of copra is very high, ranging from 60 to 70 per cent. The oil was in great demand for the manufacture of edible oils and fats as well as for soap-making. The export trade in oil before the war was practically confined to the Malabar coast. Under the trade name of Cochin oil, it commanded a premium of 15 to 20 per cent in foreign markets. With the progress of science and the application of deodorising processes to such oils as groundnut oil and the African palm oil, cocoanut oil has lost almost all its former position. It is now chiefly in demand only in British India.

In view of these circumstances, it is urged that every reasonable protection should be given to the milling industry in Travancore to the benefit not only of the miller but also of the cocoanut producer. The suggestion is to reduce the duty on oil to 2½ per cent. We have carefully gone through a memorandum put into our hands by Mr. P. G. Poonoose on behalf of the oil millers at Alleppey and are convinced of the necessity for some changes in the tariff values or the duty. We are not unmindful of the fact that a change in favour of the miller will adversely affect the exporter of copra. But it has been stated that, if the present tendencies prevail, the millers would find it advantageous to import Ceylon and other foreign copra into

Travancore to the prejudice of the local cocoanut grower and copra-maker. The efficient continuance of the oil mill industry in Travancore is therefore so clearly in the interests of national economic safety that greater consideration has to be given to it. With the strengthening of the industry, the mills will be able to expand their business and absorb more of the copra that is now being exported and it is claimed that this will benefit both the cocoanut producer and the copra-maker. This ability of the mills to absorb the raw produce depends upon the market for the oil; and a change in the tariff values must be based on a careful study of the markets for oil and copra.

140. At Quilon, the managers of some of the leading tile factories gave us an opportunity to understand the position of the tile and terra cotta industry. The tiles manufactured in these factories are sold in considerable numbers in the State itself and are exported both by rail and sea, by rail as far as Trichinopoly and, by sea, to Jaffna, Colombo, Rangoon and Singapore. The impression that we gathered of this industry was that it was on the whole thriving and offered possibilities for expansion. Some of the Indian manufacturers were handicapped by lack of finance for expansion and of sufficient organization. It was pointed out to us that the waggons in the South Indian Railway were undersized. We recommend that this question be looked into by the Government. As for shipping facilities, we were told that Quilon had certain natural advantages as a port and that all that was needed was the construction of a pier. Mr. L. A. Lampard, the Manager of Messrs. Harrisons and Crosfield, Ltd., estimated the cost of a satisfactory pier at Rs. 3 to 4 lakhs. Though, admittedly, the expenditure would not bring in a direct return to the Government, indirectly, with the expansion of trade and consequent increase in income tax, the Government revenue is expected to expand. But the industrial and commercial prosperity that would directly result from the shipping facilities and the growth in the importance of the town were pointed out as in themselves sufficient justification for the expenditure.

141. The pioneers of the planting industry were, no doubt, Europeans; but Indian enterprise followed. Though the fall in prices during the Great War gave a set-back, the boom that followed gave a large fillip. We have, as a result, 71,304 acres under tea and 56,564 acres under rubber. We have no reliable statistics as to the area owned by Europeans and Indians separately. As almost all the European-owned estates are joint stock concerns and the areas owned by most of such companies are available, we are in a position roughly to estimate the extent of Travancore enterprise at 16,600 acres under rubber and 4,000 acres under tea. The total capital invested by Travancoreans in this enterprise is estimated at about a



crore of rupees. In the previous chapter, we have dealt with the business side of this industry and pointed out how the Travancorean estate-owners were handicapped by their indebtedness to the 'Coastal Firms'. The present slump in rubber and tea has affected both Travancorean and European enterprise equally. The general opinion was that the tea grower is not so badly affected as the rubber grower and that there was still good market for both high grown and inferior tea, though, undoubtedly, the business is much affected. From the European standpoint, the chief defect with the Indian planter was the lack of business ability. It was pointed out to us that, with very few exceptions, the Indian planter was ignorant of modern business methods and was unwilling to benefit by the experience of the European even in case it was freely placed at his disposal. It was also said that, in his palmy days, he did not care to build up a reserve, but invested his surpluses on extensions and on unproductive buildings. He did not exercise any restraint in exploiting his credit. It cannot, however, be ignored that the indebtedness is to a large measure due also to the readiness on the part of the 'Coastal Firms' to make advances on crops.

Whatever may be the causes, it is admitted on all hands that the Indian rubber planter is faced with a crisis and there is a consensus of opinion that the State should come to his rescue. It was stated that, though the planters were indebted, most of the estates were unencumbered and available as security. The suggestion was that Government should arrange to help them with grants of loans on similar lines as agricultural loans. We recommend that the Government direct an enquiry by a competent officer and consider a scheme for the relief of the rubber planters. Besides the provision of long-term loans, the starting of a crepe sole and soling factory was considered a suitable plan to help the rubber industry. The rubber growers whom we examined informed us that, at present, they were financially weak to start a factory without adequate State support. We are therefore of opinion that the circumstances of the industry require early action and we recommend that an enquiry by an expert be conducted to ascertain the possibility of starting a crepe sole and soling factory.

The abolition of the export duty on tea was the remedy suggested to put the tea grower in a better position. We understand that the question of the incidence of the duty on tea is already before the Government.

142. Though not of such magnitude and importance, motor transport business as an industry has attracted the attention of *Motor Transport*. the public and the attendant circumstances have even caused some amount of alarm. The liberal policy of the Government in the matter of development of road communications has brought into existence a large number of public motor vehicles

on every route of some importance. Competent witnesses informed us that, on some routes, there were far too many buses without due reference to the volume of traffic. Statistics have not been collected as to the number of buses permitted to ply along each of the several routes; but on the whole 1,327 permits to run buses have been granted till the end of 1105 (1929-1930). During this period, the Burmah-Shell Oil Storage and Distributing Co., Ltd., have imported 15,60,395 gallons of petrol to the value of Rs. 24,20,144 and 34,305 gallons of motor oils to the value of Rs. 53,074. These figures are unmistakable indications of the extensive use of motor vehicles. It has been stated by some witnesses that the drain of money from the State on account of motor cars and their upkeep is disproportionately high as compared to the advantages. One witness calculates the annual cost at Rs. 72 lakhs; but we put the figure at Rs. 44 or Rs. 45 lakhs, including imports of new vehicles. Against this outgo, we have to take note that the business has created a demand for a large number of drivers, conductors and cleaners who live by it, besides finding employment for skilled smiths and mechanics. The public have learned the value of time and the advantages of quick transport. This is a sign of changing conditions and we do not consider that we need go further into this matter.

The industry is more or less on an individualistic basis and there is very little of organization among the bus-owners. Competition among the bus owners is so keen that there is reckless rate-cutting. The usual rate is 3 pies per head per mile which is perhaps the lowest obtaining in any part of India.

Ordinarily, the man who puts a bus on the road is not a man with sufficient capital. He gets the bus on hire-purchase system and finds the capital for the cash down payment either himself or by a loan from a bank. Until he has paid all the instalments, the vehicle is not his. Any default in the payment of instalments results in the attachment of the bus. It is said that attachments are becoming more frequent which seem to indicate that the business is not thriving. When payment for an instalment falls due, the bus-owner borrows of a bank at a high rate of interest and he is unable to repay the loan in time or for ever, with the result that the bus goes into the bank's custody. Certain banks having advanced on the security of the buses had had to take over and deal in second-hand buses. One witness, punning on the word 'instalment' said that it was an 'insolvent' system so far as the buyer was concerned. However, it is quite clear from the evidence before us that the industry is at its nadir.

Pioneers in the field, with prudence and business ability, have been able to make clear headway and establish themselves satisfactorily. But, in a large majority of cases, the tendency on the part of the bus-owners

appears to have been to squander their daily collections without any forethought which necessarily compelled them to borrow for renewals of tyre or replacement of parts. But the chief cause that is at the root of the present depression appears to be over-crowding on certain routes. There is also the complaint that the toll charges are heavy and that they tax the business overmuch. We think that this may not really count much ; for, when the uncontrolled undercutting of rates is remedied, the incidence of tolls collected by the State as a contribution towards the maintenance of roads may easily be shifted to the passenger.

143. We have received two main suggestions to remedy the situation.

*Suggestions.* One is to restrict the number of buses on a particular route consistently with the requirements of the traffic and the other the formation of a Board composed of bus-owners, the Government (represented by the Police and the Public Works Departments) and non-official representatives of the public. So far as restriction of the number of vehicles goes, the Commissioner of Police informed us that he was entirely in agreement with the view, but that he is unable to take the initiative in the matter, his powers being circumscribed to the prescription of timings. We recommend that the Commissioner of Police as the chief executive officer for the control of traffic be empowered to restrict the number of buses that may ply on any route.

The organization of a Board of Control is equally important. The representation of the motor bus-owners and the public would enable the authorities to understand the view-points both of the bus-owners and the public before any decision on general policy is arrived at. Such an organization will also be helpful in bringing about a healthy spirit of union among the bus-owners and better outlook on their own profession. It would be a source of strength to the Police Department itself to have a representative board to lay down the policy on which control should be based. We would therefore recommend that steps be taken to bring into existence a Board as suggested above.

144. The cottage industries in Travancore are so many and spread over the whole State that it was not possible for us to have

*Cottage and small-scale industries—survey a desideratum.* any detailed enquiry made into their present condition. Twelve years back, Dr. S. G. Barker, the Director of Industries then, conducted a survey and submitted a report to the Government. The report is not found to

be of any great value and the Economic Development Board has expressed the opinion that it is "inadequate and the information supplied unreliable and misleading." The Census of 1921 had included in its programme an industrial survey. More than a record of the persons

employed in the several industries falling under certain specified groups, the statistics collected do not give us an insight into the economic position of the industries without which the statistics can be of little use. Moreover, a decade has elapsed since the last Census and we are on the threshold of another and the economic changes during the last ten years have been so rapid that even the available statistics in the Census Report cannot lead to a correct understanding. Any suggestion to improve the condition of the existing industries or on the possibilities of starting new ones must necessarily be based upon a thorough study of the economic forces and satisfactory data both of which are wanting. The Economic Development Board is seriously handicapped in tackling problems of industrial development placed before it owing to the absence of satisfactory data and research which are essential for formulating schemes. We therefore recommend that a thorough examination of the condition of our small-scale and cottage industries be directed. Such a survey will put the Departments of Industries, Agriculture and Co-operation in possession of the knowledge they require and enable them to put forward practical schemes of State-aid, technical education, etc., for the consideration of Government.

At the instance of this committee, a survey of screwpine mat making was conducted by Mr. M. P. G. Nair, T.T., W.F.M. (Sax) Spin: Tech. (Bohemia), Textile Expert to the Department of Industries. A similar survey of cocoanut coir industry by Mr. S. Varadaraja Sarma, B.E., Industrial Engineer, was also conducted at the instance of the Department of Industries.

145. The industry is confined to certain villages in the two taluks of Karanagapalli and Mavelikara and is carried on on traditional lines. Besides information on the very low wages that an average worker is able to make (about 2 annas 9 pies a day), the report brings out certain very important facts. The large import of *jamkals* and foreign bed-spreads and the change in the taste of the people have considerably affected the industry. It can still be carried on profitably, if the worker's outlook suffers a change and adapts itself to the changing conditions. But he is too conservative, illiterate and completely ignorant of the economic changes. He makes the mats in the same old size and design and cannot trust himself or others when a change is advised. The report says that hand bags made of screwpine leaves would find a ready market in European countries if produced in large numbers. But the agency to organize the workers and effect the change is entirely absent. The suggestion so readily put forward is co-operative production and marketing. In the existing state of his education

and business ability, we cannot expect the workers to organize themselves ; and the formation of a society for the purpose without active workers to guide them at every turn will be futile. The report is of value to us in showing that, so far as this industry is concerned, it is not facilities for finance that are required, but organization. The same may be said of every other small-scale industries, such as cotton weaving, brass and other metal works, pottery, etc. which have been affected by foreign imports and by the change in the tastes of the consumer.

146. The coir industry is, in normal times, a flourishing industry and since the war, it has taken the premier position which, *The coir industry.* during the war, was taken by the cocoanut oil. The existence of European markets for the manufactured mats and matting as also yarn supports the industry. The spinning of coir yarn is an important small-scale industry carried on mainly by women all along the littoral.

Coir yarns are of different grades and go under different trade names, such as Alapat, Anjengo, Ashtamudi, Aratoray, Vaikam, Beach, etc. The quality varies with the conditions available for the retting of the husks and the process of manufacture of yarn out of fibre. Alapat and Vaikam yarns are completely hand-spun. The other varieties are spun with the aid of the spinning wheel. Anjengo yarn, among the wheel-spun yarns, commands the first place for quality.

In regard to yarns, there is a general complaint from the manufacturers of mats and matting that the quality suffers with increase in demand. This arises from want of adjustment of supply to demand. Better organization and propaganda among the spinners can bring about satisfactory results in all directions. The production of the best quality of yarn possible and the maintenance of standards will be to the advantage of the producer eventually. The marketing of yarn is also unsatisfactory. It is entirely in the hands of middlemen who appropriate a large share of the profits. The spread of the co-operative movement among the workers will be of distinct advantage and it is a field in which both the Industries and the Co-operative Departments will do well to concentrate attention.

147. Cotton weaving has spread throughout the State in spite of foreign imports ; but, in the absence of a proper survey, we can *Cotton Weaving.* have no account of the financial position of the weavers. South Travancore has been, from early times the weaving centre of the State and weaving in the finer counts of yarn is a special feature. The last Census had recorded 354 looms in work in factories and 6,329 in cottages. According to the Census Commissioner himself, " the

number is far below the actual." The Census figure for those engaged in the industry is 14,833. This also, we are afraid, is an under-estimate. The number now must be very much larger as the quantity of yarn imported year after year indicates. The condition of the hand-loom weavers demands special attention, for these workers are scattered throughout the State, unorganized and handicapped by foreign competition and lack of finance which hardly permit them to rise above the lowest economic level. The importance of this industry to the State will be evident from the fact that, during 1928-29, we have imported cotton yarn to the value of Rs. 15,88,621 and cotton goods, including piece-goods, to the value of Rs. 1.38 crores.

148. With the growth of towns and a growing local demand, such industries as soap-making by the cold process, dairy-farming, shoe-making, millinery, printing, ivory carving and other works of art, etc., have come into existence. These industries are generally handicapped both by lack of finance and expert advice, as also organization.

149. The Government have, undoubtedly, recognised the importance of fostering the cottage industries and have established technical institutes where training is given in hand-loom weaving, carpentry, smithery, drawing, carving, pottery, etc. There are also 60 Industrial Schools in the majority of which cotton weaving is taught, the other subjects taught being coir weaving, rattan works, screw-pine mat weaving, etc. The total expenditure on account of grants to aided schools was Rs. 16,246 in 1104 (1928-29).

The Government have also been following a policy of subvention and loans are being granted under rules specially framed for the purpose. The insufficiency of the rules was recognised and a bill has been introduced in the Legislative Council "with a view to encourage industries, particularly cottage industries and industries on a small scale, by giving State-aid in the shape of loans, guarantees, supply of machinery on hire purchase system, etc." The bill provides for the constitution of a Board of Industries to advise Government on applications for State-aid.

## CHAPTER IX.

### REMITTANCE FACILITIES AND INSTRUMENTS OF CREDIT.

150. The agencies available for remittance are Hundi merchants, joint stock banks, including the Imperial Bank and the State-  
*Agencies for Re-* Aided Bank, the British Post Office, the State Anchal  
*mittance.* Office and the Government treasuries. It is not possible to estimate the volume of remittance business done by the various agencies except in the case of the Post Office and the Anchal Office for which figures are available. In view of the fact that an element of credit sometimes enters into the remittances done by the non-official agencies, the rates charged vary and they will be referred to below. The official agencies charge uniform rates. It is quite common that currency, in bullion or notes, is transferred from place to place as such. The practice of making remittances by sending currency notes by registered or insured post is quite ordinarily resorted to.

The Royal Commission on Indian Currency and Finance rightly emphasized the need for cheap and rapid service for transmission of money. They said that "in any scheme of banking reform that may be planned, we trust that due emphasis will be laid on the provision and extension of cheap facilities to the public, including banks and bankers, for internal remittance." (Paragraph 215). In a well-balanced banking system, funds should flow freely from places where they are collected to points where they are needed to the maximum advantage of trade, industry and agriculture. With the development of internal and external trade, the use of negotiable instruments for arranging remittance should necessarily increase in popularity. The indigenous credit instruments largely used in exchange transactions is the Hundi. These were introduced by the Hundi merchants and were copied by the private bankers and local joint stock banks. The latter have, however, adopted modern methods.

151. The total value of trade with British India is Rs. 18,67,45,110; with foreign countries, it is Rs. 2,45,88,506. It can safely be  
*Use of Negoti-* assumed that not an inconsiderable portion of the goods  
*able Instruments.* exported to British India is exported again to foreign countries, but it is difficult to estimate the extent. The negotiable instruments in use are bills of exchange, cheques, promissory notes, *Hundis* and *Havalas*. It is not easy to ascertain the extent to which each of these instruments is used. We are told that genuine trade bills are comparatively far fewer than accommodation bills. In the trade with British India, which is 88.37 per cent of the total trade, the *Hundis* are the most popular.

152. Three forms of Hundis are commonly used in the transmission of funds. *The Darsana Hundi* is employed merely for the remittance of money from one place to another without being necessarily based on any previous credit transaction between the parties. This is a Bank Draft, pure and simple, made payable on demand. The second form, the *Vasul Hundi*, is used for the collection of funds due to a trader, as much as for raising funds immediately. Most commonly, they are genuine trade bills backed by actual goods, but not always followed by documents of title. The advance which a Hundi merchant makes to the drawer of a bill depends solely on his credit with the Hundi merchant. These Hundis are made either payable on demand or after date. The third class of instruments dealt with by the Hundi merchants is the *Melezhuthu* or letter of credit. Forms of these instruments are given in Appendix VI.

Invariably, printed forms are used for the *Darsana Hundi* and *Melezhuthu* and most traders do employ printed forms for drawing the *Vasul Hundi*. The script in all these is Tamil with occasional intermingling of English for headlines, number, etc. The wording is not strictly uniform, but, in spirit, it is so. It is desirable to bring about a uniformity in this respect, and the form to be prescribed should follow the form adopted in British India.

153. This is an introduction of the Guzerati traders and has come largely into vogue in the Alleppey market, but not so freely in other centres in Travancore. It is drawn as a bill of exchange made payable on demand. But, actually, the payment falls due only after 7 to 12 days, the date on which it is to be retired being noted at the top corner of the paper folded over. Usually, the date is written in pencil or effaceable ink. This practice is adopted to evade the stamp duty on bills of exchange not payable on demand. Though the legal validity of the instrument is questionable, commercial custom accepts it.

154. One of the well-recognised means of economising the too large a use of the metallic currency is by displacing it by paper currency. The note issue function of banks in certain countries is non-existent in India and it has been taken over by the Government of India. The growing use of cheques in countries where the habit is strong has diminished the importance of bank notes. The importance of the free use of the instrument lies in the national saving arising from a large number of people operating on their current accounts by means of cheques. This advantage is very much to be desired and the cheque habit has to be stimulated.

It is not possible to estimate the extent to which cheques are drawn and there is no Clearing House in Travancore, From the statistics furnished



by some of the banks, we are able to see a marked growth in the cheque habit. The abolition of stamp duty on cheques has certainly facilitated their growth. It has, however, to be observed that the practice is almost entirely limited to drawing cash against current accounts and to a small section of the English knowing population. The commercial community has not freely taken to it for more reasons than one. As we have seen, there is no organized banking system affording facilities for cashing cheques drawn on a particular bank in any part of the country. The banks, numerous as they are, are unable to take to the system owing to the inadequacy of funds and want of inter-connection. For cashing a cheque at a branch of the bank on which it is drawn, commission has to be paid. These defects will be cured when the banks are strengthened and properly organized. Even then, unless vernacular script is used in cheques, it is not likely that the commercial community will take advantage of it without which the use of cheques cannot have the economic advantages expected from the growth of the habit.

155. Though Travancore has only a small length of Railway line, she is connected with the rest of India by means of the *Use of Railway Receipts.* Trivandrum-Tinnevely and Cochin-Shorannur branches of the South Indian Railway and a busy trade, both export and import, is carried on along these routes. The value of the imports and the exports through these Railways amounts to very nearly Rs. 2 crores annually. It is not easy to ascertain the extent to which Railway receipts are employed to collect the price of the commodities transported through the Railway. The more usual method adopted here is to send the Railway Receipts by Value Payable Post to the consignee, the parcels being addressed either to self or to the consignee himself. The Railway Receipt is also employed as an instrument to support credit in the same way as Bill of Lading by sending it to some bank for delivery to the consignee on payment. We had no occasion to hear any complaint in the use of the Railway Receipt as a means of raising credit though it has not the status of a Bill of Lading as title to goods. In consideration of the risks that a banker who makes an advance on the security of a Railway Receipt is open to, it would be advisable to make some effective arrangement to invest the Railway Receipt with the status of the Bill of Lading.

156. Bills of Exchange payable on demand, as in the case of cheques, have not to pay any stamp duty. But when drawn singly and made payable otherwise than on demand, but *Stamp duty on bills.* not more than one year after date or sight, a stamp duty ranging from two annas, on amounts not exceeding Rs. 200, to Rs. 27 on amounts not exceeding Rs. 30,000 and Rs. 9 on every

additional Rs. 10,000 or part is levied. The same rates apply to pro-notes which are payable otherwise than on demand. Though these rates are comparatively lower than the rates in British India, we have received a large volume of complaint that the duty is heavy. This is said to give occasion to certain practices which from the standpoint of sound commercial practice cannot be considered clean. We have seen one such in the case of the *Havala*. It is admitted that like devices are adopted with *Hundis* too. Another is that when a trader wants to raise a loan for a definite period, say 30 days, he employs a demand pro-note instead of a pro-note of 30 days' usance on an understanding with the banker that the loan will be repaid only after 30 days. A third way in which the stamp duty is evaded, to some extent, is by taking advantage of the difference in the rates between different amounts. Thus, for instance, the duty on a bill for Rs. 600 is 6 annas. But the duty on a bill for Rs. 1,000 is 12 annas. A man who wants to draw a bill for Rs. 800 may draw a bill for Rs. 600 and another for Rs. 200 and save 4 annas. Similarly, if for Rs. 1,000, he may draw one for Rs. 600 and another for Rs. 400 and gain 2 annas.

Apart from stopping the covert practices, it was suggested that a reduction in the stamp duty will stimulate the use of these instruments of credit. The practice of breaking up instruments into two or three separate ones to effect a saving in the stamp charges may be easily stopped by revising the schedule. Abolition of the *pro rata* duty on bills and modification of the schedule so as to place them on a par with the demand pro-note will alone serve the object we have in view. The modification proposed need not extend to all time bills, for bills of longer currency than 6 months are not commonly used. Bills of more than 6 months and less than one year are very seldom drawn. We recommend, therefore, that bills payable within one year be classed separately and that the duty thereon be fixed at the flat rate of 1 anna irrespective of the amount and the period of usance.

(Mr. R. Nilakanta Pillai is of the opinion that the existing schedule of stamp duty under this head be modified only to the extent that, subject to a minimum duty of two annas, a uniform rate of one anna for every Rs. 100 or part thereof, up to Rs. 2,500, be made leviable).

The loss of revenue by the adoption of the proposal has not been estimated; but it cannot be considerable. In view of the advantages to the mercantile community, the probable loss may be overlooked.

157. *Money Orders*.—Small remittances within the State and to the Cochin State are invariably made by means of the *Facilities for internal remittance*. Anchal Money Order and to British India through the Imperial Post. The number and value of the Anchal Money Orders issued in 1928-29 were 3,66,955 and

Rs. 48,57,092, respectively. These include also remittances made for payment of land revenue. The figures in respect of Money Orders issued through the Imperial Post for the same period are not available, but for the year previous, they were 2,01,312 and Rs. 42,44,842 respectively. The rates of commission charged by the Anchal Department are lower than the Postal rates. The unit on which commission is charged is Rs. 5 up to Rs. 15 and the rate one and one-fourth chuckrams (9 pies nearly) on every five rupees. On amounts above Rs. 15 up to Rs. 25, the rate is 5 chuckrams (3 annas nearly) and on amounts above Rs. 25 up to a maximum of Rs. 500 the rate is 5 chuckrams on every complete sum of Rs. 25.

158. *Anchal Insurance.*—Money is also transmitted in the shape of currency notes, both through the Anchal and Post Offices. The number of Anchal Offices which are authorized to do insurance work is only 14 out of 287. The rates charged are one chuckram (6 pies approximately) where the value does not exceed Rs. 50 and one chuckram for every additional Rs. 50 or fraction thereof, in addition to postage and registration fees which are also lower than the British Postal rates. It may be presumed that transmission of money by insured Anchal is popular. But, unless the service is introduced in all offices which do Money Order work, its scope can only be limited. We recommend that all offices which do Money Order work are authorized to do insurance work also.

159. *Banker's Drafts.*—Banker's Drafts are also being made use of freely. The rate of commission usually charged is two annas per Rs. 100. The facilities given by the banks are limited to places where there are branches of those banks or other banks which will act as their agents. We have seen that the Imperial Bank has only two branches. In spite of the large number of joint stock banks, almost in every part of the State, they are not or are unable to render service in this direction to the extent desired.

160. *Supply Bills and Remittance Transfer Receipts.*—The Government treasuries, of which there are 31, also afford facilities, to some extent, for transfer of funds. There is provision for the issue of Supply Bills for purposes of resource. But the use of these by the public is in fact very little. Remittance Transfer Receipts possess certain attractive features to those who have to pay Land Revenue in another Revenue Division. But the amount to be remitted should not be below Rs. 150. The rates of premium range from Re. 1-14 chs. (Re. 1-8 as. nearly) to Rs. 3 for Rs. 2,000 and Re. 1 for every additional Rs. 1,000 or fractions thereof. When the sum is small, the rates are higher than the Anchal Money Order commission. There is considerable inconvenience when the transaction is effected through a sub-treasury at either end. Delay is very commonly caused. The public are not therefore taking advantage of the facility. Though there is provision for issuing R. T. R's at

par for remittances between co-operative societies, societies often prefer to remit sums through the Anchal or Post Office and save inconvenience and interest for the time taken in the delayed transmission. We recommend that the minimum may be reduced with corresponding lower rates for smaller sums and the system simplified removing the cause of delays and the public encouraged to make use of the treasuries.

161. We have not received any specific suggestion for the amendment of the Negotiable Instruments Regulation, II of 1075 (1900).

*Amendment of the Negotiable Instruments Regulation.* The Regulation was based on the British Indian Act, XXVI of 1881, as amended. Since 1900, the British Indian Act has undergone several important amendments, but no change has been effected here. In a matter like this, it is essential to secure uniformity with the British Indian law. We recommend that the changes made in British India since 1900 are adopted in the Travancore Regulation.

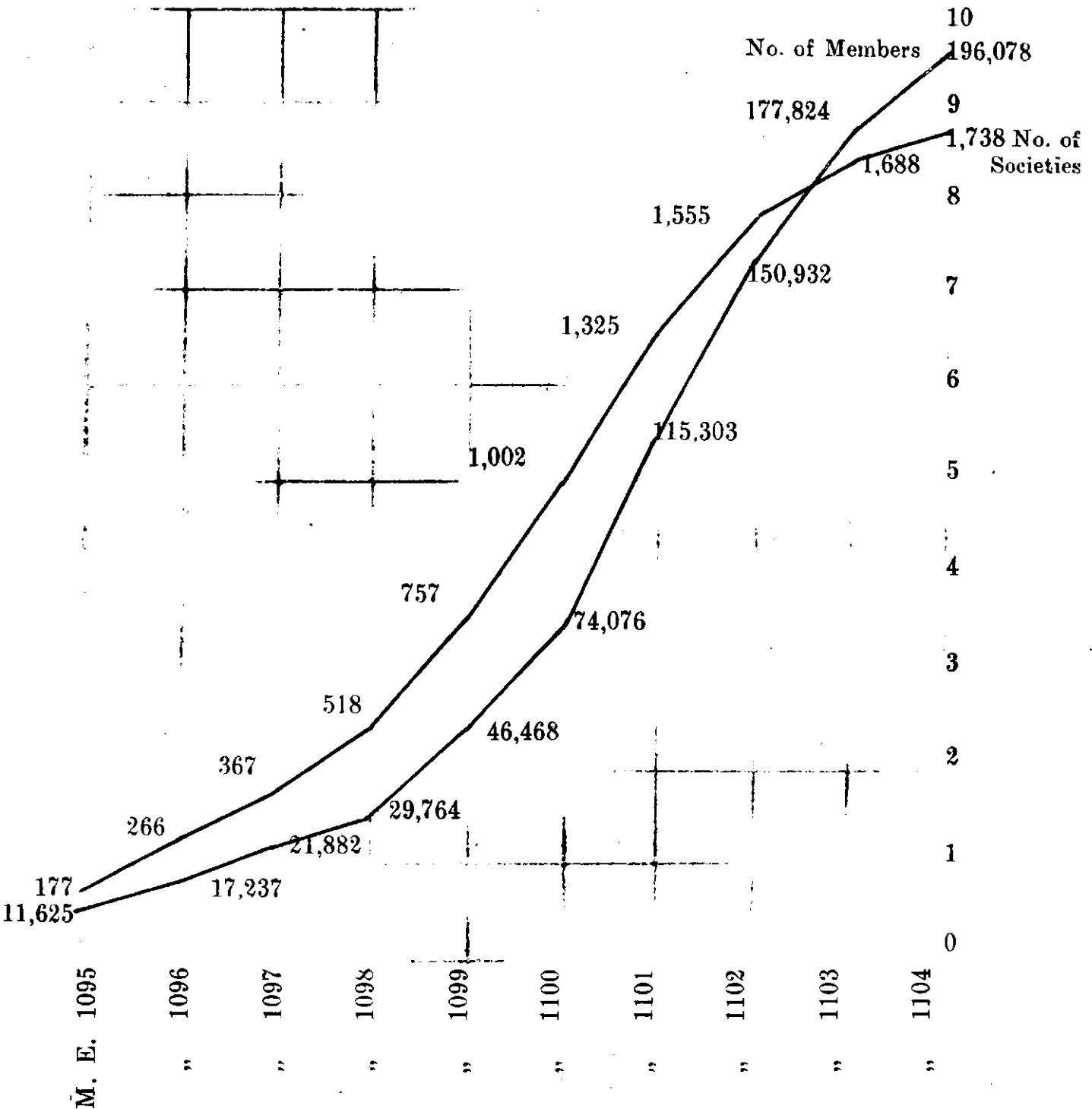
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**PROGRESS OF THE CO-OPERATIVE MOVEMENT IN NUMBER  
OF SOCIETIES AND MEMBERSHIP.**

Note:—

1. Each square with a blue straight line in figures denoting the number of members in co-operative societies represents 20,000.

2. Each square with a red straight line and figures denoting the number of societies represents 200.



## CHAPTER X.

### CO-OPERATION.

162. In Chapters IV, V and VI, we have dealt with the extent of agricultural indebtedness and the credit facilities for current needs of agriculture and for land improvement. It is clear that the system of joint stock banks is not at all suited to the requirements of the agricultural and artisan classes. They prefer to cater to the needs of bigger people, traders, industrialists, etc. The two principal agencies for the small men are the village money-lender and the co-operative society.

In a scheme to secure the sound economic progress of an agricultural community, co-operation is acknowledged to be of great use and necessity. The weak labourer and artisan, as also the indebted agriculturist, can hope through the principles and methods of co-operation to improve his life and conditions. Co-operative association and work would give him a sense of freedom instead of bondage. We will, in this chapter, trace the growth of the movement, with particular reference to some of the principal institutions and consider its position as a credit agency and make such proposals as we deem necessary to make it more useful.

163. The movement was introduced in Travancore in 1914 after it has been tried some years in British India. The Indian Co-operative Credit Societies Act of 1904 followed the report of the Indian Famine Commission of 1901. That Commission advocated the introduction of mutual credit associations on the model of the village banks in Germany and Italy. The Act was designed specially to deal with credit only. It was found later that provisions were necessary for central banks, supervising unions and non-credit activities. The revised Act, II of 1912, contains these. The Travancore Co-operative Societies Regulation, X of 1089 (1914), follows this Act. In August 1915, the department was organized and work was started. Thus the introduction of the movement in the State was 11 years after its inauguration in British India. It was not "an outcome of any popular demand, but essentially the result of the initiative taken by the Government." Its progress should therefore naturally depend for some time to come on the policy of the Government. It is not quite an organic growth or a self-conscious attempt on the part of the people concerned to improve their lot. The Government have made it possible for people of limited means and with common

economic needs to associate themselves in a society and by practice of qualities like thrift, self-help and mutual aid to better themselves. The collective guarantee of groups in voluntary association is the basic principle of the system.

164. The late Mr. C. Govinda Pillai, the Registrar who organized and started the work of the Co-operative Department in Travancore referred to the impediments which stood in the way of the development of co-operation. His statement that "In Travancore the majority of whose population follows a law of inheritance which does not command or afford facilities for individual credit, the movement cannot be expected to show signs of rapid growth," probably echoed the diffidence he felt in his arduous task. This again was probably the cause why it took all the time for the Government to inaugurate the movement in the State. He feared "that misconceptions as to the aims and benefits of the movement tend to accentuate the initial difficulties." He also said that, "with the exception of the press, no assistance has been received from the non-official public."

The above explains to some extent why material changes in the policy of the department are observable in the early years. Societies on the model of Raiffeisen type based on unlimited liability and with only nominal share capital were the first to be registered. Such societies proved neither successful nor popular. Though they were ready to take loans from the Central Bank, they made no attempt to build up their own working capital by attracting or collecting deposits. In view of the results, the policy was modified and share system was introduced and, along with it, limited liability societies were allowed even in rural areas. This continued for about six years when the provision in the law that rural credit societies in which agriculturists preponderated should be unlimited in liability was rigidly enforced. The village societies now working are of a modified Raiffeisen type with share capital, though payable in small instalments, and with provision for dividend on paid up capital. Another feature was that societies were registered for separate communities probably because the applicants preferred them. This start accounts for a strong predilection for exclusive societies in the State.

Practically throughout the habited country, people live in isolated houses. On account of this and other conditions peculiar to the West Coast, there is no wide gulf between urban and rural areas. There is, therefore, not any broad distinction between urban and rural societies.

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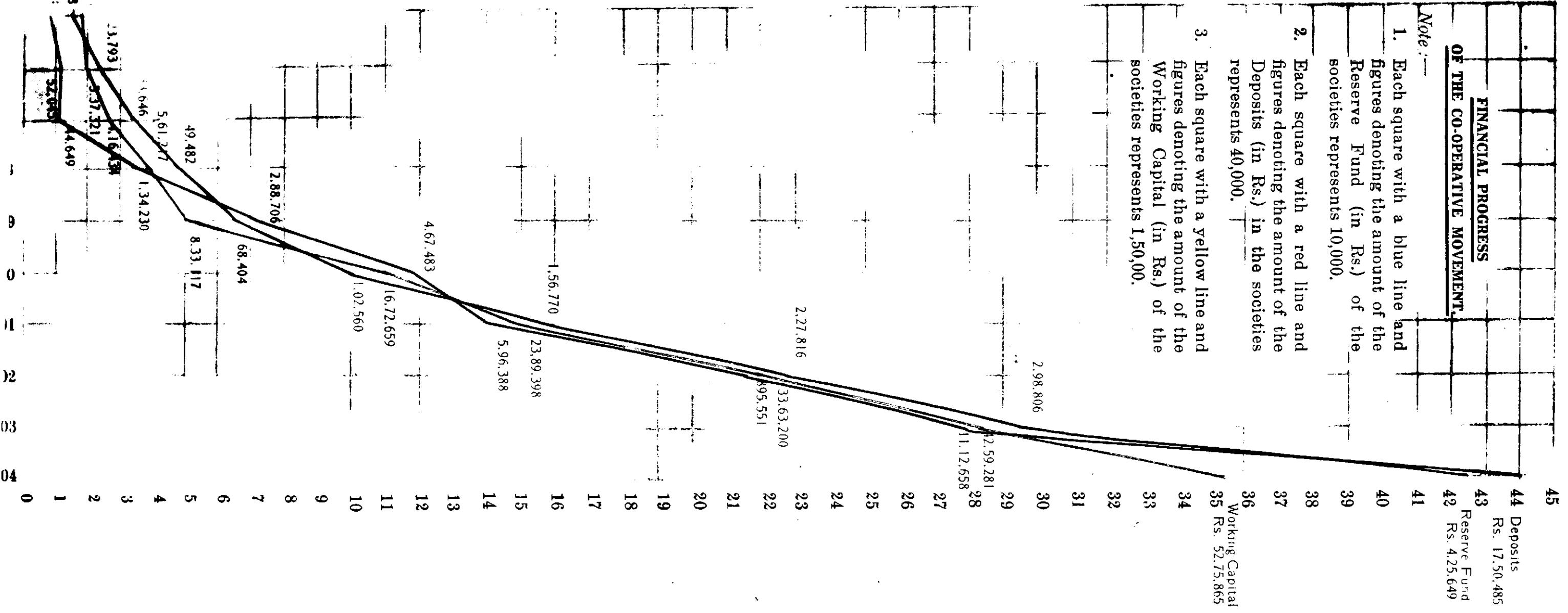
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**FINANCIAL PROGRESS  
OF THE CO-OPERATIVE MOVEMENT.**

Note:—

1. Each square with a blue line and figures denoting the amount of the Reserve Fund (in Rs.) of the societies represents 10,000.
2. Each square with a red line and figures denoting the amount of the Deposits (in Rs.) in the societies represents 40,000.
3. Each square with a yellow line and figures denoting the amount of the Working Capital (in Rs.) of the societies represents 1,50,000.



The following figures indicate the growth of the movement in Travancore:—

Year.	No. of Societies.	Members.	Working Capital. Rs.	Reserve Fund. Rs.
1093	45	2,829	1,50,527	4,933
1096	266	17,237	3,37,321	23,793
1099	757	46,468	8,33,117	64,404
1102	1,555	1,50,932	33,63,200	2,27,816
1104	1,738	1,96,078	52,75,860	4,25,649

There are nearly 24,000 women among the members. The Government observed that "the substantial increase in the number of women members and the progress of the movement among the depressed classes are encouraging features in the expansion of the movement." Owing to the fairly high level of literacy, it has been found that, when the advantages of the system were understood, the pace of development has been good. On account of this circumstance, the books and accounts of societies are maintained fairly well. The Registrar is of the opinion that, though enthusiasm is not lacking, steady application and business-like work is often absent, more especially in the case of communal societies.

165. In describing the organization as it stands to-day, we would refer to the two main branches into which it may be divided, *System Outlined.* *viz.*, the credit and the internal supervision branches. We would first give an outline of the whole system and then examine it in detail.

166. At the apex of the credit system is the Trivandrum Central Co-operative Bank Ltd., with its office at Trivandrum. *The Central Bank.* This was started to provide the funds which the primary societies would require. Strangely enough, and unlike in other places, this institution was the first to be registered. (It was registered on the 23rd November 1915 and work was started immediately). This course was adopted, according to the Registrar, "to prevent societies from looking up to Government for pecuniary assistance." The constitution, allowing individuals as members, is such as to connect the

co-operative societies with the money market. It assists the societies and Taluk Banks with loans. Its finance is made up of share capital, reserve funds of societies invested in it and deposits from the public. The goal aimed at is that it should deal only with Taluk Banks or local financing bodies; but as these are of quite recent introduction, it continues to grant loans direct to societies. When the local Taluk Banks assume satisfactory position and sufficient importance, the Central Bank would deal only through them and would then be an Apex Bank pure and simple. Its paid up share capital is Rs. 78,000. The management is vested in a Board of Management elected by the shareholders.

167. Next in order come the Taluk Banks which are affiliated to the Central Bank. There are now 16 of these having *The Taluk Banks.* a working capital of Rs. 5,83,500. They are mainly of the composite type admitting societies as well as individuals as members. There is no distinction in the shares held by individuals and societies. The latter have, however, a higher borrowing capacity from the point of shares. Quite recently, one of these banks was registered with the combined object of supervision and finance. This is really a banking Union. These banks are managed by Boards of Directors elected by shareholders, but a certain number of seats is reserved to the representatives from societies. The chief function of these banks is to supply the finance required by the affiliated societies. In 1104 (1928-29), they issued 74 loans to societies aggregating to only Rs. 54,450. To individual members, 2,495 loans amounting to Rs. 4,17,753 were granted. The working capital of these banks is made up of share capital, reserve funds of societies and loans from the Central Bank. They have not as yet attracted deposits to any considerable degree.

168. The primary societies form the units and the basis of the whole system. The banks above referred to are formed and *Primary Societies.* organized to finance these units. At the end of 1104 (1928-29), there were 1,693 primary societies with 1,94,968 members.

*Agricultural Societies.*—These form the more important of the primary societies. The major portion of members are agriculturists. There were 1,392 such societies with 1,52,535 members. They had an aggregate working capital of Rs. 27,09,000. In 1104, these societies issued 54,531 loans amounting to Rs. 20,47,983. As a rule, the membership of an agricultural society is confined to 2 or 3 adjacent villages. It is mostly on the unlimited liability basis. The management vests in a committee composed of 7 members elected in the annual general meeting. As every member is jointly and

severally liable for the debts of the society, it is required to maintain a property register of all the members.

*Non-Agricultural Societies.*—There were 301 non-agricultural societies with 42,433 members and a total working capital of Rs. 14,36,000. Though the majority of these are on the limited liability basis, some composed of certain separate communities are of the other type as well. As there is no marked division between towns and villages in Travancore, these cannot be said to be strictly urban institutions. The non-agricultural societies cater to a larger variety of members. These societies issued 15,921 loans for a sum of Rs. 11,40,322. There were 13 consumers' societies of which one alone in Trivandrum is of some importance. These and 14 credit societies conducted purchase business for a little over Rs. 3 lakhs and sale for about Rs. 4½ lakhs.

169. In the supervising branch of the system, there are the local supervising unions in different centres and the central body *Unions and the* or federation named the Travancore Co-operative Institute. *Institute.* There were 26 local unions with 1,468 societies affiliated to them. These bodies are the outcome of the principle that a co-operative society should look after the interests of its members and that, in the same way, societies should influence and improve each other. It is an economical and effective form of mutual supervision. The members of a local union are the societies, each society sending a delegate. They elect from among themselves a governing body of 7 or 9 members to manage the affairs of the union. The primary function of a union is to supervise the affiliated societies and help them in every way. Supervision is generally done by employing one or two supervisors and the governing body members take a share in respect of the more important societies. The funds of a union are obtained by collection of supervision funds from societies. This is about 5 per cent of the interest earned by a society. The collection is supplemented by a Government subsidy not exceeding 75 per cent of the pay of the supervisor. In 1104, the unions collected a sum of Rs. 10,200 as supervision fund and Rs. 2,540 under miscellaneous items. They obtained a grant of Rs. 3,762. They spent in all Rs. 16,520. The Travancore Co-operative Institute is a federation of the local unions above referred to. It is a very important body formed to gradually take over the important work of organization, supervision and even audit from the hands of the departmental agency. So far, it cannot be said to have made its influence felt even among the societies. 300 primary societies and 23 local unions have become members of this body. The chief activity of this institute has been the publication of "The Co-operative Monthly" in Malayalam. Its

finances have never been satisfactory and there are heavy arrears from societies even in respect of the subscriptions due. The Institute receives a grant of nearly Rs. 500 from the Government. It takes a part in convening periodical conferences, arranging celebrations like the International Co-operators' Day, etc.

170. Having given a general survey of the frame-work of the co-operative system, we would next proceed to examine in some detail the movement as a banking agency. We would first take up the Central Bank and the Taluk Banks as the financing bodies and then the primary societies.

171. The Trivandrum Central Co-operative Bank serves as a link between the borrowing peasant members of primary societies and the outside organized money market. It is therefore a joint stock bank in essence except that restrictions are imposed on the loans issued by it. It was started in the beginning of 1916. Its progress can be gleaned from the following figures :--

Year.	Members.		Paid up Capital.	Deposits held.	Working Capital.
	Societies.	Individuals.			
			Rs.	Rs.	Rs.
1093	33	68	13,300	1,327	65,397
1096	81	116	19,640	50,292	82,405
1099	182	171	23,630	1,29,632	1,87,772
1102	519	524	43,730	4,61,255	7,42,134
1104	626	1,110	77,960	10,15,953	11,30,994

Five years after its inception (1920), the Government had to view with concern that the working of the institution was not satisfactory. It was observed that "the Central Bank can justify its existence only by the amount of working capital it attracts from the public and the extent to which it is able to finance co-operative societies in the mofussil by supply of non-governmental funds." From the next year onwards, thanks to the interest taken by the directors, the bank has been making steady headway as will be apparent from the above statement,

At the end of 1104, it had a paid up capital of Rs. 78,000 against the subscribed capital of Rs. 3,57,400. Of the 1,736 members, 1,100 are individuals taking 2,059 shares. The working capital was Rs. 11,30,994, mainly composed of deposits from the public. About Rs. 83,000 accounts for the Reserve Funds of societies. There are no other deposits from societies. The Government advanced Rs. 2 lakhs on special terms to the bank for distribution among societies and their members as a relief measure after the heavy floods of 1099 (1924). Of this, a balance of Rs. 1,05,683 is outstanding. The working capital is composed of the following items :—

<i>Particulars.</i>	<i>Amount.</i>	<i>Percentage to total.</i>
	Rs.	
Share capital	77,960	7
Reserve Fund of the Bank	18,000	2
Reserve Fund of Societies	85,007	8
Other funds of Societies	19,081	2
Government advance	1,05,683	9
Deposits	8,27,263	72
<b>Total</b>	<b>11,30,994</b>	

172. *Borrowings and Investments.*—The Bank pays 5 to 6½ per cent interest on fixed deposits according to the period for which they are taken and 3 per cent on current account balances. A dividend of 9 per cent is distributed on paid up share capital.

Its investments of surpluses are mostly with the Government in treasury deposits on which an interest of 4 per cent is earned. The Bank's own Reserve Fund is invested in the Trivandrum branch of the Imperial Bank of India. Smaller sums are also invested in the State Aided Bank of Travancore, Alleppey, and one other joint stock bank. These accounts are opened to facilitate operations. The Government have allowed the bank a cash credit not exceeding Rs. 1 lakh to be drawn on the security of its deposits in the treasury.

173. *Loans.*—As far as possible, the Bank aims to place its funds with the Taluk Banks and societies for whose assistance it is meant. In 1104, the bank issued 133 loans for Rs. 2,17,700 to societies (including 41 loans for Rs. 92,900 to Taluk Banks) and 281 loans for Rs. 2,90,000 to individuals. The outstandings at the end of the year were Rs. 6,33,940 with societies and Rs. 2,35,891 with individuals. The Bank realises 8 per cent interest on loans to Taluk Banks, 8 1/2 per cent from societies and 8 3/4 per cent from individuals. The Bank had a surplus of Rs. 2,87,000 at the end of 1104.

As all the loanable funds are not being absorbed by the members, the Bank effected some reduction in the rate of interest on deposits. The rate now paid is lower than what is offered by joint stock banks. Further curtailment may be possible, but it should be done with great caution lest depositors transfer their business elsewhere and the movement starved.

Loans issued to societies and Taluk Banks as also to individuals on the security of land are for 6 years and other loans for 3 years. Extensions can be granted for periods not exceeding 2 years at a time.

174. *Purposes of loans.*—It would be profitable to classify the purposes for which loans are granted by the movement as a whole and examine how far the system is sound. This may more properly be dealt with while dealing with primary societies and we would refer to this analysis again so far as it relates to those societies. As the funds are obtained from the Central Bank, it is more convenient to take up the matter here and consider how it affects the financing institution. The purposes are grouped with reference to their fitness for short, medium or long term loans.

*Nature and purpose of loans granted by Co-operative Societies.*

Loans.	Purpose.	Amount.	Percentage.
		Rs.	
I. Short term	Cultivation	4,82,623	46
	Rent	25,406	
	Trade and Industry	{ 1,01,970 7,54,432	
	Maintenance	97,713	
	Total	14,62,144	
II. Medium term	Purchase of cattle	1,30,245	7
	Social needs	23,660	
	Education	47,322	
	Carts, etc.	37,609	
	Total	2,38,834	

*Nature and purpose of loans granted by Co-operative Societies.—(contd.)*

Loans.	Purpose.	Amount.	Percentage.
III. Long term	Prior debts	Rs. 10,21,161	
	Purchase of land	1,51,706	
	Land improvements	64,571	
	Litigation and other purposes	88,412	
	Building	1,61,457	
	Total	14,87,327	47

The above analysis indicates the general tendency to apply a considerable part of the capital to long-term needs. Loans for such purposes as clearing of prior debts, redemption of land, improvement and purchase of lands are, no doubt, necessary. Failure to adjust the nature of business according to the funds available is a danger to be guarded against with due vigilance. It is obvious that loans granted for objects which do not permit speedy repayment would not be repaid in time, whatever the stipulations be.

In an earlier paragraph, we detailed how the working capital of the Central Co-operative Bank is composed of. Share capital, reserve funds of societies and other funds which may be taken to be long-term capital amount to only 28 per cent. The remaining 72 per cent is made up of deposits for periods of 3 years and over amounting to about 25 or 30 per cent of the working capital and of short-term deposits. The risk is the greater when it is borne in mind that the Bank does not possess an overdraft account with any outside institution. The cash credit granted by the Government is against the deposits in the treasury, mostly of surplus deposits. Experience so far may probably justify the argument that fixed deposits for 3 years or less are generally renewed. We cannot entirely agree with the argument. We think it necessary that the Directors examine the position in this light once every year and that the auditor also does so. We recommend that arrangements be made to classify the loanable capital into three divisions



corresponding to the purposes described above and loans adjusted accordingly. The Bank should extend additional facilities and encourage societies to take short-term loans for cultivation purposes. The evidence before us goes to show that a great part of the annual borrowings from the village money-lender is actually repaid at the next harvest. The attempt should be to get back the really short-term loans on the year's harvest and extensions to a second year granted only when the crop is below the normal. Societies should be induced to make the advance of short-term loans for cultivation purposes their main business. This would be to the advantage of the members, societies and the Bank. If this work is specially attended to, the local societies would be better able to attract deposits than they do now. The Bank advances loans to individuals even on the security of landed property. In accepting this business, the Bank is performing the function of a land mortgage bank. But loans for redemption of property, clearing of prior debts, etc., to be really beneficial, should be for such periods as would admit repayments being made from profits accruing on the transaction. It can safely be assumed that actuals would not stand this test.

175. *Collection of dues.*—How far the bank is able to realise the current demand from the societies will be evident from the following statement:—

Particulars.	Principal.		Interest.	
	1103. Rs.	1104. Rs.	1103. Rs.	1104. Rs.
Demand ...	2,41,606	3,40,330	48,002	76,701
Collection ...	1,94,519	3,02,411	40,929	69,392
Balance ...	47,087	37,919	7,073	7,309
Outstanding ...	7,54,514	8,69,831	25,107	25,550
Percentage of balance to demand.	19·5	11·1	14·7	9·5

There is gradual reduction in arrears. Unfortunately, this is not brought about by due adjustment of *kists* with regard to the harvest in the rural areas. The *kists* are fixed under a rule of thumb and do not always coincide with the season when the members of societies are able to repay.

176. These institutions are of very recent development and their transactions are, as shown in earlier paragraphs, not of sufficient importance. It may be stated, however, that the observations made about the Central Bank apply to these institutions as well.

177. The number of primary societies, their membership and the volume of their working capital have been given already. The nature of loans given to their members, classified according to purpose, has been dealt with. It has been said that, in nature and constitution, agricultural and non-agricultural societies are more or less uniform. We would confine our observations to some points alone which call for notice.

At the end of 1104 (1928-29), there were 1,693 societies with 1,94,968 members. The working capital and its composition for 1101 and 1104 are given in the following statement:—

	1101. Rs.	Percentage to total.	1104. Rs.	Percentage to total.
Paid up share ...	10,97,634	60	25,94,870	62
Deposits ...	1,48,422	8	4,92,965	12
Loans from Central Bank and Taluk Banks ...	4,63,373	26	7,33,390	18
Reserve and other Funds ...	1,01,754	6	3,23,646	8
Total ...	18,11,183		41,44,871	

The figures show that the growth in paid up or owned capital and in deposits are very satisfactory and that the primary societies rely only to a small extent on borrowed capital.

In regard to loans, we have seen their relative proportions when their purposes were taken into consideration. Of the loans, 46 per cent were for short-term, 7 per cent for medium-term and 47 per cent for long-term purposes. The actuals, when analysed, show that 45 per cent were one-year loans, 39 per cent two-year loans, and loans from 2 to 4 years formed 16 per cent. This shows very strikingly how terms for repayment are fixed without

any relation to the purpose or the repaying capacity of members. This disregard of an essentially important matter probably accounts for the arrears in societies being higher than in the Central Bank. The collections by societies may be gleaned from the following statement :—

Particulars.	1103.		1104.	
	Principal.	Interest.	Principal.	Interest.
Demand	Rs. 23,76,694	2,95,196	34,25,762	7,56,560
Collection	„ 16,62,174	1,85,285	24,74,484	3,13,067
Balance	„ 7,14,520	1,09,911	9,51,278	1,43,493
Percentage	...	30	27	31

The figures show that the arrears are higher in societies than in the Central Bank. Unfavourable seasonal and market conditions are said to be the causes. The remarks already made about inattention in fixing proper *kists* for repayment on the part of the Central Bank must apply to a greater degree to the primary societies too. In some rural societies, probably through ignorance of the principles, the rule is that a loan, taken for whatever purpose, should be repaid in equal monthly instalments. The rule that loans taken for a certain purpose should be used for that object only is very rarely enforced by societies. When conditions justify granting of extensions, the provisions allowing this course are not availed of. The only remedy for these unsatisfactory conditions is “the patient and persistent education in the principles and meaning of co-operation of the members of primary societies.”

178. We have also heard complaints that delays in the execution of awards obtained under Rule 17 of the Rules under the Co-operative Regulation are very often caused by the Revenue Department. The special procedure is conceded by the legislature to help the movement carry on its work efficiently. It is disappointing indeed if the provisions of the law are not carried out in practice. We recommend that the Government direct the Land Revenue Commissioner to enquire into this complaint and remedy the same with the least delay.

179. On loans to members, societies charge a uniform interest of  $10\frac{1}{2}$  per cent per annum and on sums defaulted a penalty of  $5\frac{1}{4}$  per cent is also levied. There is a cry that this interest is rather high and, in conferences,

resolutions have been passed in successive sessions that the rate of interest should be reduced. While the peasant in the country asks for more money to relieve his indebtedness and help him carry on his cultivation operations, the Central Bank has surplus funds on its hands which it is forced to invest on loans to individuals direct. We saw that the working capital of societies was to a large share made up of their paid up capital. The borrowed capital has been declining from 26 per cent to 18 per cent in the last three years. It cannot be that societies do not stand in need of outside help. When we bear in mind the high rate of interest agriculturists pay to the local money-lender, the complaint cannot entirely be ascribed to the rate of interest. The fact seems to be that the individual applicant can seldom obtain the help he wants in time. With the high proportion of paid up capital, societies are able to meet a certain portion of the demand from members. But if any satisfactory service should be done, the societies have to borrow and, when they apply for loans, it is very important that the loans are granted with promptness. The evidence before us indicates that it is otherwise. The routine observed seems to be for a society to send the application to the local union. After this body satisfies itself, the application goes to the Registrar whose approval seems to be necessary on account of a restriction in the by-laws about the grant of loans at above a certain percentage of interest. It is seldom a society obtains a loan through this procedure in less than a month. It is rightly urged that the system defeats its purpose and stunts the sense of responsibility of the societies themselves. It is time that the system is modified. A satisfactory remedy would be the introduction of a system of cash credits for each society to be applied for in advance for a year and sanctioned by the Bank. This involves a careful attention to details and proper estimating on the part of societies, the unions and the Bank. If this were put into operation, an individual member applying for a loan in his society can have his needs satisfied with the minimum delay. When members obtain loans as they want and with promptness, they would not have the temptation to hold back payments for fear of not obtaining help in time of need. Prompt issue of loans ought to engender regular repayment. We recommend that the system now in force be revised in view of altered conditions and a system of cash credits gradually introduced. Along with this, we also recommend that the Central Bank consider the feasibility of reducing the interest on loans to societies. If, as proposed above, short-term loans are encouraged and given preference, the Central Bank will obtain a quicker turn over and would be able to work on a smaller margin than now. It should also be able to attract and absorb more short-term capital. On the other hand, the educative influence of the arrangement on the societies would be invaluable.

180. It does not appear that the movement has yet felt a serious need for closer contact with the other credit agencies. In British Indian Provinces, the Provincial Co-operative Banks (also District Central Banks) enjoy the privilege of overdrafts with the Imperial Bank through the help of the Government. Even this has not been found necessary here. But when the surpluses in the Central Bank are all employed, as they should be, the situation would be a serious one. If the bank should not have any nervousness in taking in deposits and issuing loans to societies, it should have the help of an overdraft accommodation. We recommend that the Government devote their early attention to this point.

As the movement extends in scope, it will be necessary for it to obtain more help and even capital from other banks. When the Central Bank or the movement as a whole separates its short-term business from the rest, it may be possible for the bank to obtain at favourable terms short-term funds at seasons when they are not required for urban and commercial purposes.

The movement stands for affording credit facilities to the rural population mainly and it cannot therefore be said to have, to any appreciable extent, competed with other credit agencies. It is claimed that the co-operative societies have to some extent influenced to bring about a reduction in the rate of interest in rural parts. This may be true in the case of places where societies are working successfully.

As regards deposits, the movement has succeeded in attracting the better informed class of investors through the better security offered. This is particularly so in the case of the Central Bank and one or two Taluk Banks.

181. It has been seen that the movement comprises only 5 per cent of the total population. In Chapter IV, the statistical analysis of indebtedness has given a total of between Rs. 25 and Rs. 27 crores for the rural population. This amount of Rs. 25 to Rs. 27 crores is the amount which the actual cultivators and small landholders owe. The primary credit societies aim at supplying fully their need. If we assume the total annual requirements of agriculturists to be about a fifth of the total indebtedness, the annual requirement would be Rs. 5 crores. The societies, including the Central Bank, supply at present about Rs. 39 1/2 lakhs. (The outstanding loans at the end of 1104 have been taken into account). This represents 8 1/2 per cent of the total need. As the movement is still young, it will not be safe to estimate its rate of progress with any degree of accuracy. Before this can be done, it is necessary that the defects and deficiencies are removed and sound progress assured. It may, at any rate, be safely assumed that, in the course of the next 25 years, the

membership and working capital would have sufficiently increased and the movement be able to cater to the needs of at least 75 per cent of the population.

In this enquiry, the question whether the credit supplied is sufficient is a pertinent one. It is difficult to say whether the legitimate demands of members for credit are satisfied in full by societies. But the general impression seems to be that it is not. It is said that members do continue to make borrowings from other agencies. Cultivators have been used to money-lenders who are not very strict and they freely borrow from whomsoever they could. Although the terms of societies are less onerous and more advantageous, old habits die hard. The members are not particular to borrow only from their societies. Though care has to be taken against reckless financing and the evils of facile credit, it must be admitted that it is not satisfactory that members should continue to borrow from others. A true test of the success of a society is its ability to supply all the proper requirements of its members. That it is not done is not due to excess of caution on the part of societies is well known. An enquiry by societies themselves as to the debts which their members owe to other agencies would be interesting and instructive. This would enable them to find out if the indebtedness of members is increasing or diminishing and how they compare with those who are not members.

182. One of the primary objectives of Co-operation is the inculcation of the habit of thrift among the members. This aspect is *Development of Thrift.* entirely absent in the commercial banking system which has no concern with the economic progress of the people.

The rate at which primary societies are augmenting share capital and reserve and receive deposits from members is a test of the success attained in this direction. If the growth of a society is natural, it ought to work on its own deposits and consist of a proportion of depositor members. Such members would exert a wholesome influence on the society. The following statement illustrates this:—

Year.	No. of members.	Paid up Share Capital. Rs.	Deposits from members. Rs.	Reserve. Rs.	Total. Rs.	Saving. Average per member. Rs.
1096	17 237	1,69,829	18,793	14,266	2,02,888	12
1099	46,468	4,32,264	61,247	50,640	5,44,160	12
1102	1,50,932	16,66,047	3,73,436	1,60,302	21,99,785	15
1104	1,96,078	26,72,830	6,78,766	3,14,695	36,66,291	19

The figures indicate that, for the first ten years, there was no serious attempt on the part of members to effect savings and they naturally regarded the societies as a means to make borrowings. They show that, in the succeeding years, the tendency to save is growing steadily. The total savings is not much and the average per head is only Rs. 19. Increase of the Reserve Funds means economy in the working expenses of societies. We cannot sufficiently emphasize this aspect of co-operation and we are sorry to note that advantages of the provisions in the by-laws of societies for various kinds of deposits are only scantily availed of. They are carefully drafted to meet the conditions of all classes of people. An one-sided development of the credit business without corresponding attention to build up habits of thrift among members will lay the movement open to the often heard criticism that it helps to increase the indebtedness of the impoverished peasant. We are glad to note, however, that some societies do make very sincere efforts in even forcing members to make deposits. The *Kettuthengu Nikshepam* or taking over of cocoanut trees from members, cropping the yield and crediting the proceeds as Provident Fund deposits is an adaptation of an indigenous system. The conduct of chitties by societies on purely co-operative principles with the profits of the transaction made distributable among the subscribers is good as an inducement to save. This arrangement at least keeps the members from other chitties about which we deal at length in Chapter XIII. The Central Bank, we notice, works a scheme of Provident Deposit Accounts giving an interest of  $6\frac{1}{2}$  per cent compound on monthly deposits. It is well-adapted for making provision for marriages and education of children and old age.

183. We have mentioned the several parts of the system. We dealt, in detail, with the banking branch of it. We may see what part each component member plays in the direction of the organization—first in the management of the banks themselves and next in the matter of supervision. Except for the official element, the organization is in theory democratic. The primary societies elect their managing committees once a year and also the delegates to the Taluk or Central Bank and to the Union. The delegates select their quota to the board of management of the Taluk Bank or the Central Bank. In like manner, the delegates who constitute the general body of the Union elect a governing body to manage its affairs. The Unions in turn choose the managing board of the Institute. In actual working, it has to be said that the democratic ideal is not very apparent. There are, of course, societies which are efficiently worked by their managing committees. But it is rarely that the generality of members take interest or part in the management; and the real control rests in one or two men. In like manner, in Taluk Banks or Unions, the control is

monopolised by a few persons who appear in different capacities. It is found that these persons are inclined to gain control as well as to retain it with the result that the real power in directing the organization tends to be centering in a few. One consequence of this concentration is that the voice of the ordinary member, be he trader or agriculturist, is often not heard. Far from deprecating the devoted and zealous work done by those who have been foremost in the field, we have to note that, very often, they are carried away by the fetish of efficiency. It often leads to excessive interference where freedom should be allowed and the growth of responsibility is retarded. This predominance at times becomes a source of obstruction in carrying out even the obviously beneficial changes in the constitution and methods of working which the department recommends in the light of experience here and elsewhere. Another criticism which the system is open to is that, often, the value or prestige of an Union or body is minimised through the circumstance that the delegates controlling them belong to defaulting societies. This has been brought to light in some of the Provincial enquiries. In the case of financing bodies, the objection heard was that delegates representing borrowers should not have all the power in shaping the policy. The interests of depositors have also to be safeguarded. For the ardent workers in the movement, there is plenty of work to do in remedying the defects of organization in societies and training their committee members. The defects of the system we have adverted to can only be remedied by the greater dissemination of co-operative knowledge among the members and greater association on their part in the management of their societies. Another remedy we would recommend is that the constitution of local unions and the Institute be re-examined with a view to provide for a provincialized staff of supervisors with sufficient guarantee for efficient management. This should be followed by a substantial contribution from the Government.

In this connection, we may refer to another matter. There is no lack of scope for starting new societies and we are sorry to see that the Registrar observes in his report that "greater facilities for guiding existing societies have to be provided before fresh societies can be registered and a scheme of extension followed up." There are areas in the State which are yet to be explored and it would indeed be unfortunate if they are left in the lurch for the reason that the department is not sufficiently manned.

184. This enquiry is properly devoted to the aspect of co-operation as a rural credit agency. The complaint is often heard that *Non-Credit Activities*, co-operative production, sale and marketing and other non-credit activities have not been tried or fostered. In 1926, the Government observed, while reviewing the Registrar's report for 1100, that "the development of forms of co-operation



other than credit, both agricultural and non-agricultural, makes slow progress. The Registrar is requested to see how the expansion of non-credit co-operation can be promoted." In his next report, the Registrar stated that "the development of other forms of societies is in an early stage. Progress in this line will depend largely on specialization and on the development of business education as distinguished from literary, among people as also on the increased time which the department can devote to this side of the work." Though societies for special non-credit work are rare, except the distributive or consumers' societies, we note that the ordinary credit societies make endeavour in these directions. The Registrar refers to them in his departmental report. We wish, however, to emphasize the importance of good and proper marketing to the agriculturists in general. It is at least as much important to him as facilities for credit. We have taken occasion in another chapter to observe that the economic development of the country has failed to "preserve a healthy equipoise" in so far as the industries are ill-developed. There can be no real antagonism between industries and agriculture. On the other hand, growth of industry helps the agriculturists by providing markets for the raw produce. We are glad to note that there is some attempt to organize the weavers and the weaving industry in a co-operative way. Should the attempt bear fruit in a reasonable time, it is necessary that close attention and guidance are given in the beginning. We recommend that the Government sanction the necessary staff and afford facilities for the co-operative organization of industries and marketing. The opening of licensed warehouses is a matter in which co-operative work is possible.

185. We have confined our examination to the working of co-operative societies in their credit aspect alone. Its moral and *Future Develop-* educative influence, though very important in themselves, need not be considered in this enquiry. We *ment.* have seen that, out of an estimated annual credit requirement of Rs. 5½ crores, the movement's share approximates only to Rs. 40 lakhs. Though this is a small share, from the rate of its progress during the fifteen years, we envisage a future at a not distant date when it will be an important element in the banking system of the country.

Before this goal can be attained, two essential conditions have to be fulfilled, *viz.*, provision for the supply of long-term credit and removal of existing defects. The attention of the movement, official and non-official as also of the Government has been directed towards the former. We have referred to the danger and risk involved in the use of short-term assets for long-term loans. In his report, the Registrar states: "the pressure of prior debts takes the foremost place. The system of loans arranged in co-operative societies contemplates mainly financial help for cultivation

purposes. Loans are to be repaid in short terms. The rate of interest fixed for such short-term loans is necessarily high. But the urgency of prior debts seems to compel the members to utilize a substantial portion of the loans for this purpose." On this, the Government have observed : "So far, the co-operative movement has but touched the fringe of the problem of agricultural indebtedness. The question of the establishment of a Land Mortgage Bank is engaging the attention of the Registrar and the Central Co-operative Bank." The uniform evidence before us on the matter of agricultural indebtedness has been that the starting of a Land Mortgage Bank alone will solve the problem. Our remarks on the question follow. If the scheme for a Land Mortgage Bank matures, the co-operative credit movement, as at present organized, can specialize and develop the provision of short-term capital to an adequate and desirable degree.

186. The progress of the movement in India received periodical attention and derived the corrective influence of examination by expert bodies. The Maclagan Committee on Co-operation of 1914 enquired into the working of the co-operative societies in India. Almost about a decade later, local committees were appointed in some Provinces to enquire into and report upon conditions there. In 1926, the Royal Commission on Agriculture made a general survey of co-operative societies and made very valuable proposals for the improvement and more efficient development of the movement. There are complaints that the departmental staff is not adequate—this is made both by the Registrar and the non-official co-operators—that audit is not adequate ; that the federation which ought to come in for important part in the organization is not functioning ; that more concessions should be extended to the societies ; that the financial assistance to the non-official side of supervision is not sufficient ; that education of members on co-operative principles and practice is not attended to. These and other matters affecting the movement as a whole furnish material scope for a full investigation by a committee devoting its whole time to the subject. In view of the valuable materials and information brought to light by the local enquiries held in the Central Provinces, the United Provinces, and Madras, the Royal Commission has made a definite recommendation that an enquiry into the working of the co-operative movement be undertaken in other provinces. The Royal Commission states: "We have great hopes that many millions of peasant proprietors may be led to a better life through a sound co-operative movement ; if this is secured, much else is brought within the bounds of attainment. If co-operation fails, there will fail the best hope of rural India." It is, therefore, of supreme importance that the position of the movement be enquired

into, defects found out and remedial measures adopted in time. In his address to the twenty-fifth session of the Sri Mulam Popular Assembly, the then Dewan said that "the time has come for a thorough examination of the working of the co-operative societies in the State so as to guide them on sound and healthy lines calculated to help the economic rehabilitation of the masses." We recommend that the enquiry be held without any delay.

187. We have referred to the non-official agencies at work in the movement. The survey will not be complete if we leave out a very important part, *viz.*, the Governmental agency. At the start, we observed that the movement was not "an outcome of any popular demand but essentially the result of the initiative taken by the Government." We also said that "its progress should, therefore, depend for some time to come on the policy of Government." We have no intention to enter into details which do not directly concern us. The following passage in the Report of the Royal Commission on Agriculture is to the point and serves the purpose: "If, as we hold, an efficient department must be retained to perform the essential duties of education, supervision and inspection, if the time has not yet come when the department can be weakened, either in number or quality, the personality of the Registrar is a matter of the greatest importance." We have heard from witnesses who have had something to do with societies that the department is under-manned and that it is not adequate to meet the present needs. It is our impression that the department has not grown in proportion to the development of the movement. If, as we recommend, a committee of enquiry is appointed, we feel sure that this important question will engage its careful attention. We wish, however, to record our opinion that the Registrar should have the assistance of trained officers on marketing and banking.

188. If there should be any delay in appointing the committee, we wish to invite the attention of the Government to the statutory obligation laid on it for the satisfactory audit of societies. The Regulation requires the Registrar "to audit or cause to be audited the accounts of every society at least once a year and it further lays down that such audit shall include an examination of overdue debts, if any, and a valuation of the assets and liabilities of the society." In 1104, the Registrar states that, of the 1,717 societies audited, only 738 were audited by Inspectors, 707 by Supervisors and 272 by honorary co-operators. Valuation of assets does not mean the examination of the face value of the securities. Probably, this is all what is done. The securities will not be worth the face value unless the guarantors are good for the guarantees and properties are worth the value of the mortgages. That

the unlimited liability of members may be of value, it is necessary that their worth is verified from time to time. Audit, efficient and thorough audit, is the life of the movement. If this important work is neglected, the soundness of the whole fabric will be in danger. The Royal Commission on Agriculture considers that the audit of a healthy society is not a proper charge on public funds. The Co-operative Societies Regulation here has deviated deliberately from the British Act. The Government may take powers by amending the law to levy a certain contribution from societies towards the expenses of audit, but they have a primary responsibility to arrange for the proper audit of all societies. We recommend, therefore, that pending the enquiry, Government at least sanction an adequate staff for the audit of all societies.

189. The co-operative organization, as we have seen, is fitted to play a great part in the financing of the rural population.

*Land Mortgage Bank.* Its importance will continue to grow. The movement is not, however, in a position to invest funds on the mortgage of lands and allow its finances to be locked up for long periods because its own borrowings are generally on a short-term basis. We have seen that even the long-term business now being carried on is fraught with danger which should be avoided. The framers of the co-operative societies law have themselves carefully considered whether the village societies should be allowed to undertake land mortgage business. They did not, however, prohibit it, probably for the reason that members of societies would be driven to the money-lender. But powers are reserved to the Government to regulate mortgage business for any society or class of societies.

In dealing with agricultural indebtedness, we have indicated that the solution of the problem lies in the starting of a land mortgage bank. It may be taken as established that there is considerable demand for long-term loans. It is desirable and necessary to give to the agriculturists who possess sufficient credit the hope of redeeming their property through a suitable form of credit organization. Else, the burden of debts on the land would grow heavier and the incidence of heavy interest charges will be in effect a tax on production. To satisfy this important demand, the organization which seems most suitable is the land mortgage bank. The question was carefully examined by the Conference of Registrars held in Bombay in January 1926 and the resolution, as finally adopted, is given below:—

“(1) Mortgage banks based on co-operative principles are desirable in many parts of India. No transaction should be undertaken which is not economically profitable to the borrower.

(2) *Objects.*—The principal objects should be :

(a) the redemption of the land and houses of agriculturists,

(b) the improvement of land and of methods of cultivation and the building of houses of agriculturists,

(c) the liquidation of old debts, and

(d) the purchase of land, in special cases, to be prescribed by the by-laws.

(3) *Area and management.*—The area of operation should be the smallest unit consistent with competent management. The imposition of liability on village credit societies or the confinement of mortgage loans to members of such societies is not recommended, but the bank should consult the village society in the case of all loans to members of such society. Where there is no legal obstacle, preferably a mortgage with possession should be taken and the mortgagor should be retained as a tenant of the bank. Punctuality in repayment should be rigidly enforced by mortgage banks.

(4) *Finance.*—A reasonable total of share money should be raised by each bank in order to reassure the investing public.

In provinces in which the property can be sold on foreclosure, no loan should exceed half the value of the mortgage property. No excess liability is required beyond the amount actually borrowed by a member plus his share money.

If no excess liability is imposed, the share money of a borrower should not be less than one-twentieth of his loan. The minimum loan should be such as to repay the costs of the transaction to the bank and such as a primary credit society cannot conveniently give.

Each bank should prescribe in its by-laws a maximum loan from time to time according to its financial position.

Debentures should be issued by a central financing body in each province rather than by the separate mortgage banks.

*Loans.*—In the earlier stages, a certain measure of assistance from Government is required. A guarantee of interest by Government for a certain period is of the highest importance and a sinking fund should be so arranged as to secure the redemption of the debentures on the expiry of that period. Subscription by Government to the debentures is also desirable.

The Imperial Bank should be asked to assist in the flotation of debentures and, as the repository of State funds, should be invited to make advances, under Section 20 of the Trust Act, against mortgages taken by a mortgage bank and endorsed in favour of the Imperial Bank.

(5) In provinces in which a full valuation of the mortgaged property is needed, expert valuers should be employed who should not be Government

servants. Government should, however, in the initial stages, make a contribution towards the cost of valuation. In return for its assistance, Government should be entitled to representation on the board either of directors or of trustees.

All existing concessions in the form of exemption from stamp duties, registration fees, etc., should be continued in favour of mortgage banks."

The Royal Commission on Agriculture gives its full support to the above resolution and adds that the experience of the practical working of mortgage banks since the date of the resolution has not shown the need for any alteration.

190. Land mortgage credit for the redemption of encumbered property and the development of agriculture is now established in most of the advanced countries. The earlier *Landschaften* of Germany and the recent Federal Farm Loan system of America are examples. In England, agricultural credit corporations have been set up in recent years. The main feature of this is the large State-aid extended to enable them to popularise the mortgage debentures. The Government have provided the corporation with a guarantee fund of £650,000 free of interest for 60 years and also contribute annually £10,000 towards expenses. In Ireland, the Government undertake to subscribe to the capital and guarantee the principal and interest.

191. The Royal Commission on Agriculture considered the question whether special legislation is necessary for starting and working land mortgage banks. Their opinion is that it is not. They state: "We have pointed out that the existing Co-operative Acts provide for land mortgage credit and, in the absence of any evidence to the contrary, we are of the opinion that land mortgage banks should be organized under these Acts and that any modifications, which further experience may indicate to be necessary, should be made as they are called for."

The other recommendations of the Commission on this subject are:—

(1) The guarantee of interest on the debentures of land mortgage banks is the most suitable form in which assistance to these banks can be given by the Government.

(2) Government assistance to land mortgage banks in the form of subscription to their debentures is not recommended.

(3) Land mortgage banks should provide a suitable agency for the distribution of loans under the Land Improvement Loans Act.

(4) The debentures of land mortgage banks, the interest on which is guaranteed by Government, should be added to the list of trustee securities under the Trustee's Act.

(5) The issue of the debentures of land mortgage banks should be controlled by a central organization.

(6) Land mortgage banks should only be organized after the most careful preliminary enquiry and their constitution and working should be as simple as possible.

(7) For some years to come, there should be an official member on the Committee of Management of each bank.

We feel hardly competent to add anything to the considered opinion of such an expert body. We may, however, make one or two observations on the points touched. In view of the duty which the Government owe to the agricultural population, the Government should take up some portion of the capital in the beginning and the Government as well as the outside shareholders withdraw gradually as the shareholding increases. This, as well as the guarantee on debentures, recommended by the Royal Commission will inspire confidence in this new system of land mortgage credit. The Government may also purchase debentures as that will be the best means of introducing them to the market, promoting their negotiability and giving a lead to the public who may otherwise be conservative.

192. The considered scheme for a land mortgage bank recommended by the Travancore Unemployment Enquiry Committee engaged our careful consideration and we are of the opinion that it contains very valuable points worthy of being adopted though we do not see our way to differ from the opinion of the Royal Commission and recommend a special legal enactment for the purpose. The provision for a Land Loans Commissioner, a Government officer, as the President of the Board of Management and the Chief Executive of the Bank and the provision that the Government having a voice to nominate and approve the members of the board specially commend themselves to us. We do not consider that we are called upon to frame a detailed scheme which could be taken up after the Government have come to a decision on the outstanding points.

193. Though land mortgage banking is in an experimental stage in India, it has over 50 years' history behind it in Germany and other countries. It has been found that, worked under proper control and with due safeguards, it is a safe method of improving the economic condition of the peasant proprietors. In India, it has been tried and is working in the provinces of the Punjab, Madras and Bombay. In all these places, the present tendency is to consolidate the existing institutions and expand the system. The Jhang Co-operative Land Mortgage Bank, Ltd., in the Punjab was the first institution in India. Now there are a dozen banks of the type in that province. In Madras, there are 13 local societies. The Madras Government have agreed to purchase debentures equal to the value of those sold by each bank

subject to a maximum of Rs. 50,000. A central institution has since been organized for the presidency and the issue of debentures is to be done by that body. In Bombay, three banks are working, while the Provincial Co-operative Bank agreed to float debentures. The local Government agreed to purchase debentures to the extent of Rs. 5 lakhs. Each bank has also attached to it a valuer, an officer of the Revenue Department lent free. The Bombay Provincial Bank has expressed its unwillingness to undertake further responsibility in mortgage business and the formation of a central institution for the issue of debentures is in contemplation. In view of the experience elsewhere, we are of the opinion that the Trivandrum Central Co-operative Bank should not undertake land mortgage banking in any shape. A separate institution should be in view.

194. In regard to the question whether we should have only one bank for the whole State or local mortgage banks with a central institution to guide and control them as also to issue debentures, our opinion is that without committing to a particular policy, one bank may be started at Trivandrum with its area of operation limited to two or three taluks for the first few years. In the light of the experience gained, it may be decided later on whether local independent banks should be organized in out-lying parts or the central bank should start branches in those areas.

195. With the above observations, we recommend that the Government should take early steps to inaugurate a land mortgage bank in Travancore.

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## CHAPTER XI.

### LEGISLATION AND LEGAL PROCEDURE.

196. There is no legislative enactment in the State to prevent or restrict alienations of land by agriculturists. The Marumakkathayam law of inheritance in the case of the Nair, the Ezhava and the Nanjinad Vellala communities has been acting as a check on alienation of lands by sale. *Restrictions on land Alienation.* Though the demand for legislation for amending the law arose from a social standpoint, there were two evils which must have contributed to the volume of public opinion. Properties of such families were not available to raise credit and the law encouraged litigation of an interminable kind. With the passing of the social legislations affecting these communities, family properties have become partible. So far, the credit of members of these families can be taken to have been improved. But it has to be noted that properties are being parcelled into small bits in a large number of cases. This has brought in its train the natural consequence of expropriation of holders of lands which were too small for profitable cultivation. The following statement gives the number of partitions effected in the three communities during the year 1928—29.

Community.	No. of deeds.	Value. Rs.
Nair           ...           ...           ...	7,194	98,08,863
Ezhava       ...           ...           ...	3,097	23,09,802
Nanjinad Vellala       ...           ...	198	7,67,721

The statistics we have are not sufficient to gauge the seriousness of the evil of fragmentation and, without a searching enquiry, the necessity for any legislative measure for restricting alienations by these communities cannot be determined. However, we may state that none of the witnesses whom the Committee examined thought any such measure necessary.

197. We have pointed out that lands are being transferred in Kuttanad to money-lending landholders and in Nanjinad to non-cultivating investors. There must be transfers of lands in other parts as well. The extent to which lands are so transferred could be ascertained only by the collection of special statistics for which the Committee had not the time. We recommend

therefore that enquiries into the economic effects of the social legislation as also the alienations of lands by cultivating landholders be conducted along with the forthcoming Census.

198. When questioned as to the desirability of making legislative provision for the automatic redemption of mortgages, recommended by the Royal Commission on Agriculture, some witnesses expressed themselves against any such measure partly on the ground that it could be evaded by the collusive action of the parties and partly on the ground that it would depreciate the value of land. There was also another and more serious objection. The agricultural lands, with the exception of paddy lands and cocoanut gardens in certain regions, cannot be considered to be well-developed. Such being the case, the mortgagee will have no incentive to develop the lands and the consequence will be bad cultivation and deterioration of the soil. However beneficial such a measure may be in the long run, we cannot think that its necessity is felt.

199. We may mention, in this connection, that in May 1929, Government, by a modification of Rule 28 of the Rules passed under Section 7 of the Land Assignment Regulation, III of 1097, restricted the alienation of lands granted on concessional terms to members of "depressed classes".

200. It has been urged upon us that the law of the State as to interest is not satisfactory and, from the point of view of bankers and traders, it restricts the freedom of contract thereby affecting credit. On the other hand, the view was pressed that even the existing rates allowed by courts work greatly to the prejudice of the poor agriculturist who, in the nature of his occupation, has to resort to borrowing. A few remarks are therefore rendered necessary on the question of interest charged by money-lenders and the protection afforded by the courts to improvident borrowers.

*Law relating to Interest.*

It is a truism that trade cannot be carried on unless money can be borrowed and that, if no premium were allowed, few persons would care to lend. But the borrowing may be for various purposes. Money may be borrowed for employment in a beneficial trade or for extricating the borrower from difficulties in which his own incompetence, extravagance or misfortune has involved him. In the former case, the borrower may be expected to make a reasonable bargain with the money-lender mutually satisfactory to both and no protection of a paternal legislature will be necessary. In the latter case, however, the terms of borrowing will necessarily be so high that the difficulties removed by the receipt of the loan will be recreated and intensified when the time for repayment arrives. Public advantage therefore requires certain interference on the part of the law to protect this class which cannot protect itself.

This circumstance resulted in the need for such Acts as the Money-lenders Act of 1910 in England and the Usurious Loans Act of 1918 in British India. The aim was to give additional powers to courts to deal in certain cases with usurious loans of money or of grain. The courts may re-open any transaction where excessive, harsh or unconscionable rates of interest have been levied or contracted for and afford proper relief to the injured party. This paternal jurisdiction has been found particularly useful in dealing with the unfair treatment of minors and others not *sui juris*.

201. In this State, so long ago as 1010 M. E. (1835 A. D.), two Regulations (Regulations I and IV of 1010) were passed restricting the rate and the amount of interest which could be decreed by or realised through courts of law. Regulation I of 1010 prescribed the maximum rate of interest at 12 per cent per annum in the case of money loans and further prohibited the courts from decreeing, on account of interest, any amount more than the principal in the case of grain and half the principal in the case of money. Regulation IV of 1010, which related to the period after the decree, likewise prohibited the courts from allowing anything more than half the aggregate amount thus decreed in the case of money or more than the aggregate amount in the case of grain. If the interest allowable under Regulation I of 1010 had already amounted to half the principal at the date of the suit itself, the High Court held that no interest from date of suit to date of decree can be further decreed. (35 T. L. R., 146).

These provisions have been subject to adverse criticism at the hands of merchants, lawyers and agriculturists alike ; and, in pursuance of representations made in the Sri Mulam Popular Assembly, the Government invited the views of the High Court. The High Court was wholly in favour of repealing the portions of the Regulations relating to interest in order that the public may have entire freedom of contract, the courts being given the power to give relief when the terms of any contract were found to be unconscionable or inequitable. An Interest Bill was thereupon introduced in the Legislative Council in October 1912 to remove these statutory restrictions. But, owing to the non-official opposition, the Bill was withdrawn.

A proposal was again made in the Civil Procedure Code Bill in 1922 to abolish the difference between the loans of money and grain and to raise the maximum rate of interest to the uniform rate of 18 per cent, the interest before the date of suit being allowed to accumulate up to the amount of the principal. It was also proposed that, in the case of money owing to or from bankers, the courts may allow compound interest at 18 per cent as well as future interest from the date of suit at such rate as they deemed reasonable.

The Select Committee in reporting on the Bill did not deem it desirable to enhance the maximum rate of interest beyond 12 per cent or to allow the court to decree as interest before the suit more than one-half of the amount of the principal. According to them, the court may award any amount that may accrue as interest from date of suit till date of decree. The matter was the subject of animated discussion in the Legislative Council and eventually the present section 31 of the Civil Procedure Code was passed.

202. The existing law relating to interest is, therefore, governed by what remains of section 17 (5) of Regulation I of 1010 and of section 21 of Regulation IV of 1010 and section 31 of the Civil Procedure Code Regulation VIII of 1100 (1925). These sections are reproduced below.

*The existing Law.*

*Section 17 (5) of Regulation I of 1010 :*

“ In decrees on suits, the Munsiff shall allow in the decree the interest that may be due from the period the suit may have been instituted to the day on which the decree shall be passed ; but he is prohibited from decreeing on account of interest a sum exceeding the principal, if the claim be for paddy or grain, and only one half exceeding the principal, if for money.”

*Section 21 of Regulation IV of 1010 :*

“ In decrees on civil suits, the interest must be charged on the principal from the date of the decree to the day of its execution, *provided the interest in money does not exceed half the amount of the principal*, and if in grain, the interest demanded must not exceed the value of the principal.” (Italics ours.)

*Section 31 of the Civil Procedure Code Regulation, VIII of 1100 :*

- (1) “ In suits for money, no Court shall, in respect of the period antecedent to the institution of the suit, allow in its decree, a higher rate of interest than twelve per cent per annum and the amount adjudged as interest for such period shall not exceed one half of the principal amount sued for.
- (2) Notwithstanding anything contained in Regulation I of 1010, where the decree is for the payment of money, the court may, in addition to the interest awarded under sub-section (1), decree payment of interest on the principal sum adjudged of such amount as may accrue at a rate not exceeding twelve per cent from the date of suit to the date of decree.

- (3) Notwithstanding anything contained in Regulation IV of 1010, where the decree is for the payment of money, the court may, in addition to the interest decreed under sub-sections (1) and (2) decree future interest at a rate not higher than nine per cent on the aggregate sum adjudged from the date of decree to the date of payment or to such earlier date as the court thinks fit, provided, however, that the amount of interest accruing from the date of the decree shall not exceed the aggregate sum adjudged.
- (4) Where such a decree is silent with respect to the payment of future interest on such aggregate sum as aforesaid from the date of the decree to the date of payment or other earlier date, the court shall be deemed to have refused such interest, and a separate suit therefor shall not lie."

It will be seen that the unrepealed sections of the Regulations of 1010 relate virtually to interest on paddy loans only and section 31 of Regulation VIII of 1100 deals with money loans.

The bankers demand that courts should recognise the freedom of contract between the parties. Their main contentions are :—

(1) The existing provisions of law are at any rate insufficient to control the rate of interest as there are many ways of circumventing the law to which all are freely resorting and this practice has a demoralising effect.

(2) Courts should award compound interest.

(3) Courts should award interest up to 18 per cent.

(4) Interest should be allowed till it accumulates to an amount equal to the principal.

As the law stands, the creditor can charge interest at 12 per cent on every year's arrears of interest if there is an agreement to that effect. A Full Bench of the High Court has held that, in a case where there is such an agreement, the interest that is charged is not interest charged on interest *as such*, but on an amount which both the parties have agreed to treat as principal. (36 T. L. R. 245). According to the rulings of the High Court, an agreement for a higher rate of interest than 12 per cent is *not* illegal, but only unenforceable through court; and the court will not interfere and ask the creditor to refund the excess to the debtor if there has been a voluntary payment of interest at an enhanced rate by the debtor and appropriation by the creditor. If interest at 18 per cent is added on to the principal and an acknowledgment obtained from the debtor, the courts would not interfere since entry in the books acceded to by the debtor amounted to payment. The restrictions as to the rate and amount of interest apply only to recovery through court and payment made out of court is not taken into account in

the computation of the maximum amount which may be awarded by the decree or realised in execution. It has also been held that agreement between the parties in the course of execution proceedings as to the enhanced rate of interest and as to the amount that has to be recognised as principal can be enforced by the execution court. (4 T. L. R. 484 F. B.).

203. The above statement of the existing law shows that the enactments in force have not succeeded in achieving the object intended to be secured. The restrictions on the rate and the total amount of interest which a creditor is permitted to recover from a debtor apply only when the former seeks the assistance of the law for the recovery of the amount. The creditor is at liberty to make, and does, in fact, make suitable arrangements to secure a higher rate of interest and circumvent the law ; so that, in spite of the wholesome provisions in the law, the creditor can realise through the court itself the amount bargained for. The existing law therefore tends to demoralise the transactions between the creditor and the debtor though the object of the framers was just the other way about. While the creditor seeks by every means in his power to protect his interests and take sufficient precautions against an entire loss of interest when seeking to recover it through the court, the dishonest debtor explores all available means to protract the suit and tries to take shelter under the beneficent provisions of the law. The law with regard to interest cannot also be regarded as definite. For these reasons, we think a change in the law is necessary. At the same time, we do not think it expedient, in the absence of suitable and organized financing institutions to afford credit to different trades and occupations on reasonable terms, to recommend complete freedom of contract in the matter of interest. We feel that, in the existing state of the country, some statutory provision is still necessary to protect an unfortunate borrower against an unscrupulous money-lender. We recommend, therefore, that a maximum rate of interest may be fixed at a little over the customary or prevailing rate which is acknowledged as 12 per cent per annum. But all restrictions as to the maximum amount of interest recoverable through courts should be removed as these are, in fact, at the root of the trouble much more than the rate of interest. We are fully alive to the fact that no amount of legislation can bring down the rate of interest or prohibit a money-lender in realising interest at unconscionable rates from a needy borrower. But when we fix a maximum rate, it will have a wholesome influence as affording a norm which may be deemed as conscionable and equitable. However, when our banking institutions happen to be properly organized and are in a position to attract the available surpluses, the borrowers will be in a position to secure advances on more reasonable terms and there will then be no need for any legal protection.

204. As regards the difference in the treatment of money and grain loans, we have not been able to gather any rational support for its continuance and we recommend that the distinction be done away with.

205. Several witnesses complained to us that the delay in civil courts has become 'scandalous' and has very badly affected trade and banking. As a commission has been appointed to enquire into the delays, we do not wish to go into the details of the question of laws' delays but a few suggestions strictly relevant to our enquiry seem necessary.

*Delay in Civil Courts.*

That speedy disposal of commercial suits, especially suits by bankers, is absolutely necessary cannot be questioned. A bank is the custodian of public money. If its suits are delayed and its money locked up, the result would be that the public suffer, especially the business men; and if there are several such suits in respect of a particular bank and if large amounts are locked up without any immediate chance of recovery, the bank will surely collapse.

Two suggestions have been made to us for the speedy disposal of such suits. One is the establishment of special tribunals for the disposal of commercial and bankers' suits and the other is the extension of the summary procedure in the Civil Procedure Code with regard to summary suits and negotiable instruments to commercial and bankers' suits. In England, the Queens' Bench Division select Judges to preside over commercial suits. Special list of causes is prepared and the technicalities of evidence and pleading are dispensed with. The results, we are told, are very wholesome and complicated cases are disposed of in three months or less. The suggestions made are worthy of acceptance and, in view of the complaints, the matter has to be looked into very early.

206. Another serious difficulty of the bankers arises from the absence of law on the lines of the Bankers' Books Evidence Act in British India. We find that a Bill was introduced in the Legislative Council a few years back, but was thrown out. In view of the considerable difficulties experienced by the bankers and the unanimous demand made by them, we would recommend that legislation in this matter should be taken up without delay.

*Bankers' Books Evidence Regulation necessary.*

207. Our attention has been drawn during the course of our enquiry into the system of insolvency law prevalent in the State and its extremely unsatisfactory nature from the point of view of bankers and traders. We offer therefore the following remarks on the subject:—

The object of the law of insolvency is two-fold. Firstly, to secure the equitable division of the debtor's assets among his creditors ; in other words, to protect the creditors from one another. Secondly, to enable the unfortunate debtor to start life anew freed from all antecedent liability. The history of the legislation on this subject here as well as elsewhere illustrates the extreme difficulty of checking the fraudulent debtor from resorting to this relief to the prejudice of honest creditors.

The insolvency law in force in the State is contained in Regulation VIII of 1090 (1915) and has been modelled on the Provincial Insolvency Act of 1907 which was the corresponding law in British India. The Act of 1907 itself was admittedly of an experimental nature and, during the years in which it was in force, it was found to be altogether unsuccessful. It has now been replaced by the Act of 1920.

The chief defect of the existing law in this State is that it lends itself peculiarly to the devices of dishonest debtors. It is competent for the debtor to present an insolvency petition, whether he is possessed of any property or not. It is enough for him to show that he has been arrested and imprisoned in execution of a decree for money or that there is an attachment in force against his property. The courts have no discretion to take into consideration any misconduct or abuse of process of court on his part before adjudicating him an insolvent. The effect of such an adjudication is to release the debtor, if in prison for debt, and thereafter to suspend all remedies through court against his person or property. The stage at which to visit, with its due consequences, any misconduct of the debtor is when his application for discharge comes before the court. But there is no provision in the Regulation requiring an adjudicated insolvent to apply for his discharge ; nor is any time prescribed within which he should move the court for the same. In practice, applications for discharge are very rare. The adjudicated insolvent is under the impression that nothing further is required of him after adjudication. He is freed from the fear of arrest, the loans carry only less future interest and it would appear he has no fear of loss of social position. The creditor on his part gets tired of the constant attendance on courts and Official Receivers and he would rather write off his



debt than worry over a promblematical relief. It was to remove these glaring defects and to afford protection to the creditors from dishonest debtors that the amendment of the Provincial Insolvency Act of 1907 was taken in hand in British India and accomplished in 1920. But our law remains still as of old.

The administration of the insolvent's assets pending final distribution of the dividend is unsatisfactory. The District Courts of the land which are the original courts possessed of insolvency jurisdiction have their hands too full of other civil and criminal work that they are unable to devote sufficient attention to the prompt disposal of insolvency matters. It has been even complained to us that, since the passing of the Regulation, the cases in which dividends have actually been declared and paid are either few or could be counted on fingers' ends. We are not sure if this statement correctly sums up the situation, but if it is so, it is a matter which requires to be remedied.

We note here an extreme suggestion which was advanced before us that it would be better to abrogate the insolvency law altogether and revert to the old state of law when diligent creditors at least had a chance of recovering their dues. We take this merely as a counsel of despair, as a result of the unsatisfactory nature of the present law, rather than a repudiation of the intrinsic utility of the system itself. Circulation of capital would be much hampered if effective means cannot be had for relief against breach of faith on the part of the debtor. A good system of insolvency law is therefore a desideratum in the interests of trade and banking and we would press on the attention of the Government the need to bring in an amending bill for remedying the defects in the existing law. We are supported in our view as to the extreme urgency for amending the Regulation by the observations of the learned Chief Justice on the defects of the present law. (19 T. L. J. 181 at 193 *et seq.*) An amended statute on the lines of the British Provincial Insolvency Act, 1920, and the English Bankruptcy Amendment Act of 1926 would go far to allay the situation. Steps should also be taken to simplify the proceedings so as to assure expeditious disposal of claims and the quick collection of assets as also distribution to creditors. Provisions should be available to prosecute fraudulent insolvents. The feeling of insecurity on the part of financing agencies should be removed in the interests of the public. The occasion may be availed of to examine the feasibility of enacting a simple rural insolvency law as proposed by the Royal Commission on Agriculture in India. (Paragraph 367.)

208. We have alluded in Chapter II that our Settlement Register constitutes the basis for our record-of-rights. We have also pointed out that the last was the only systematic settlement following a scientific survey; so much so that the Settlement Register is in many ways a document which remains to be perfected upon. In fact, applications are being made to the revenue authorities for the rectification of *pattas* and in most of such cases the *ozhugus* of the previous settlements are relied upon to prove title. The Settlement Register with its imperfections would have provided a satisfactory basis if it were maintained up-to-date. The complaint is that transfers of ownership are never attended to in time. In connection with the general elections to the Legislative Council it has become necessary to appoint a special officer with a view to bring the Registers up-to-date. The general feeling is, however, that much work remains to be done. Some of the Tahsildars who appeared before the Committee have themselves admitted the delay in mutation of *pattas*, but explained it as due to insufficiency of hands, the absence of the intimate local knowledge on the part of the Proverthikars which the hereditary Karnams in British India have and the multifarious duties the village staffs have to attend to. Whatever be the causes, the consequences are too serious to be overlooked. The copy of the Settlement Register which is maintained in the Sub-Registrars' offices cannot be up-to-date and the dangers arising from this can easily be imagined. Even if the Sub-Registrar is authorised to enquire into the title of an intending transferor of land, he has not the means whereby to ascertain with accuracy in whose name the land in question is. In regard to *patta* itself, it confers on the holder no title to the land although it may raise a presumption of ownership in favour of the holder.

209. Following the British system, the deed is taken as affording the best title to land. Under the Registration Regulation, II of 1087 (1911), as amended by Regulation II of 1098, certain instruments require compulsory registration. But the system permits of fraudulent transactions in several ways. In the foregoing paragraphs, we have pointed out the practical difficulties of the registering officer to ascertain from the Settlement and other registers the title of any of the executants to a deed of transfer of land. Section 28 of the Regulation empowers the Sub-Registrar to refuse the registration of a document on certain conditions. But he is not empowered to question the title of the executant to the land. The Select Committee which reported on the Registration Regulation Amending Bill which became law observed as follows:—

“ The amendments made in the section require the registering officer to refuse the registration of a document the executant of which being summoned, does not appear. It is not possible in many cases to say that any one of the numerous representatives so fully represents the deceased executant as to warrant the Sub-Registrar acting on his sole admission. Moreover, the registering officer could seldom be expected to decide intricate questions of law regarding succession and inheritance, especially in this country where by far the greater portion of the substantive law has yet to be reduced to writing.”

Rule 40 of the Rules passed under the Registration Regulation specifically says that it forms no part of the registering officer's duty to enquire into the validity of a document brought to him for registration. All these point to the imperfections of titles to land.

210. We have heard many complaints from our witnesses about the difficulties of finding out the encumbrances on any piece of land. Rule 135 of the Rules under the Regulation makes it obligatory on the part of the registering officer to grant an encumbrance certificate and Rule 137 says “ that a certificate of encumbrance shall contain a complete list of all acts and encumbrances affecting the property or properties in question.” But the wording of the declaration to be made by the registering officer in granting the certificate of encumbrance is such that the officer will not be responsible for the completeness or accuracy of the certificate. Moreover, the parties themselves are allowed to search the books and find out the encumbrances, in which case, the officer, it is clearly stated, is not “ in any way responsible ” for any omissions or inaccuracies.

*Encumbrances on land.*

The difficulty has arisen mainly from the lack of a proper system of index. The Registration offices maintain four indices and a subsidiary index. The main index is a nominal index arranged in alphabetical order and is of no use whatever to find out the encumbrance on a specified piece of land. The subsidiary index, a recent introduction, is subsidiary to Index No. II which is kept according to the Pakuthies and purports to contain the encumbrances on every survey number and its subdivisions in order to show at a glance all transactions affecting such survey number or subdivision. Even if it is maintained properly, it can show at best only the number and year of documents registered. Search will then have to be made in several other registers before all encumbrances could be noted.

It was also pointed out to us that there is no provision in the Registration Regulation requiring of the Tahsildars to send up memoranda of the sales of land in auction for arrears of land revenue, etc., as section 15 of the Regulation enjoins upon the civil courts to send a memorandum to the Sub-Registrar concerned of "decrees or orders creating, declaring, transferring, limiting or extinguishing any rights, title or interest of any person to or in immovable property." Further, under the existing arrangement, it is easy for a hypothecator to bring the land to sale for default of payment of land revenue and to the detriment of the hypothecatee to get some near relation of his to bid at the auction. The hypothecatee who may be away from the place has no means of knowing anything about the auction. To avoid this, it has been suggested that the Tahsildar who orders the sale of any land for the recovery of arrears of land revenue should notify the holder of the charge as well regarding the sale, provided the hypothecatee had intimated him about the transaction. We think the suggestion may be accepted with advantage.

The evidence put before the Committee clearly shows that there is very great suffering on account of these and other defects in the law and its working, with the result that the credit of the agriculturist which his land affords is low. A thorough index which will give the particulars of every survey number and subdivision is at once the remedy suggested. It is also admitted on all hands that a thorough overhauling will not be possible until a resettlement takes place and that the best that we may now do is only to perfect the existing system on the lines obtaining in the Madras Presidency. We do not feel competent to make any specific recommendations on the reform to be effected. But we have to emphasize the importance and the necessity of it for raising credit on land mortgage.

211. Our pointed attention was drawn by some witnesses to the inconvenience felt in Travancore in effecting transfer of shares  
*Share Transfer* for want of adhesive share transfer stamps. It was said  
*Stamps.* that transfer of shares in a joint stock company has to be effected by means of a separate instrument in pursuance of the Articles of Association and that, under the practice obtaining here, the deed has to be drawn on an impressed paper. In British India, "Common" forms of share transfer deed are printed and stocked and "Share Transfer Stamps" are adhered to these forms and the deeds are executed. Apart from the convenience the practice will afford to the buyers of Travancore stocks which will also enhance the marketable value of the shares of some of our companies, it is of some importance to us as affording a facility for raising credit on the security of shares. Almost all banks accept shares

in approved companies at least as collateral security. But as the procedure requires that a signed transfer should accompany the share certificate, the parties are put to considerable inconvenience which could be avoided by the use of "Common" forms and adhesive "Share Transfer Stamps." We recommend that the practice in this respect is brought into line with that obtaining in British India.

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## CHAPTER XII.

### INDIGENOUS BANKERS AND MONEY-LENDERS.

212. In the questionnaire issued by the Committee, we had defined the term "Indigenous Banks" to mean "all banks and bankers other than the Imperial Bank of India, the Exchange Banks, joint stock banks and co-operative banks." The term was also taken to "include any individual or private firm, whether receiving deposits or not, and dealing in Hundies or lending money." This was slightly a deviation from the definition given in the draft questionnaire issued by the Central Indian Committee. But we had good reasons to modify the definition and our position has been fully justified by the decision arrived at at the Conference held at Calcutta.

*Scope of the Chapter.*

The indigenous bankers whom the people are accustomed to deal with are of two classes. One class confine their activities to money-lending only and do not ordinarily take in deposits; while the other, commonly known as Hundi merchants, besides lending money, take in deposits and do a lot of business in money changing. In recent years, people who do no more than lending money have taken to style themselves as Bankers; so also some Hundi merchants. We are told that the adoption of this western business title is supposed to give more weight and respectability to the business. In this chapter, we deal with Hundi merchants and money-lenders.

213. From very early times, there was close business relation between Travancore and the neighbouring Tinnevely District.

*Hundi Merchants — their history.* The political solidarity and stable Government which came to be established by the beginning of the nineteenth century promoted the trade of the country. But we may say, generally, that Travancore emerged out of the mediaeval and static condition only by the middle of the nineteenth century. The Royal Proclamation of 1040 M. E. (1865 A. D.) granted the landholder permanent right to the land; the state monopoly over pepper was abolished in 1036 M. E. (1861 A. D.); inducements for the cultivation of pepper were offered; means of communication were developed; and a settled Government brought with it safety of life and property. These gave a strong impetus to trade. Without making any assertions as to the origin of the Hundi business in Travancore, we may ascribe it to this period of Travancore history. In this surmise, we are supported by the fact that the Hundi business has concentrated in the hands of the Tamil Brahmins and Vellalas of the villages in

and in the neighbourhood of the Shencotta taluk or the adjoining Tinnevely District, who were also the early carriers of trade between Travancore and British India. Some of these who came over early have also permanently settled in the country and are still carrying on money-lending business. Such, for instance, are the colony of Brahmins in Monkompuzha, Kottayam, Parur, etc.

214. All important trading centres in the State have Hundi merchants.

*Extent and Numbers.* From the statements we have received, we see that they are no fewer than 22. But there is no possibility of ascertaining the amount of capital invested in their business as the Hundi merchants, except two, were disinclined to respond to the Committee's requests either to meet the Committee or to send in any reply to a special questionnaire issued to them. On the basis of the Urban Trade Surveys and the opinion expressed by persons who have intimate knowledge of the business, it is estimated at Rs. 15 lakhs and the volume of business at one crore of rupees.

215. Most of the Hundi businesses in the State are run as family concerns, the eldest male member of the family being the Karta or manager of the business under the Mitakshara law. There are also instances of businesses formed on a partnership basis, but the terms are generally a secret among the partners. We also find that certain Hundi firms have other than banking business. One, for instance, deals in cotton goods, another runs a tile factory and a third a soap factory. Their principal business, however, is banking.

The Hundi merchants finance, to some extent, the internal trade of the country including that with British India. Small industrial concerns and the consumers too receive occasional accommodation. They receive deposits on a system called *pattu varavu* which may be described as current accounts. The interest allowed is on the daily balance. They do not, ordinarily, make a distinction between current accounts and fixed deposits. They issue letters of credit or *Melezhuthu*, as they are called, and deal in *Hundi* which may differently be described as an inland Bill of Exchange or Sight Draft.

Depositors are given a pass book in which receipts and withdrawals are noted. They do not generally have the cheque system. Some have introduced it in recent years. The *Chit* as the indigenous cheque is called, is somewhat different from the regular cheque and it is doubtful if it will have the legal status of a cheque. The distinguishing feature is that the unconditional order it contains is to pay money, issue a hundi for a sum

specified or both. A form of the *Chit* is given in Appendix VI. For payments directly made into their House, no receipts are usually granted, the system obtaining being for the remitter to attest the entry of the amount in their books. For payments made outside the station through their branch offices or other Hundi merchants or banks, formal receipts are granted and printed forms are being kept.

The Hundi merchants also advance loans on pro-notes, on single or joint signatures. Though they arrange for the transfer of funds from place to place and the collection of funds due to traders, they do not generally give accommodation to traders solely on the bills drawn by them even if they are genuine trade bills. Pro-notes are required to support credit.

216. The rates of interest vary considerably. Usually, however, 12 to 24 per cent is charged on pro-notes. They do not vary from month to month as in some places outside Travancore.

*Rate of interest.*

217. The accounts are maintained in Tamil. Besides the Ledger and the Day Book, other subsidiary books are also maintained to facilitate reference. The system of account keeping is simple. The British currency system is adopted in accounting though Travancore has a separate system of her own. Their system of book-keeping is most inexpensive.

*System of keeping accounts.*

218. We have pointed out that the Hundi merchants seldom make a distinction between current and fixed deposits. The nature of their business will not admit of it either. They employ all their money without keeping it idle. They take in deposits when money is required and refuse to do so when they have plenty on hand. The rate of interest allowed on deposits varies from 6 to 9 per cent.

*Deposits.*

219. The Imperial Bank and the foreign joint stock banks, while they have facilities for the remittance of funds between important trading centres in and outside the State, do not accommodate the traders to the extent they require. The personal and intimate knowledge of the traders which the Hundi merchants possess and the elastic methods of work which they follow enable them to undertake business which joint stock banks will not. Naturally, therefore, for remittance, they resort to the Hundi merchants though their charges may be slightly higher. The difficulty with the local joint stock banks is that, out of 264 of them, a large majority have limited resources and only 4 have branches in important centres in the State and very few have any kind of inter-relation.

*Remittance Facilities.*



220. The nature of the business of Hundi merchants has peculiarly laid them open to occasional runs on their funds. The *Failure of Hundi Merchants.* depositors are vigilant in regard to the transaction of Hundi firms and the slightest suspicion would be sufficient to create a panic. As Hundi merchants do not generally have a cash reserve to meet a large demand from their depositors they are not in a position to withstand an unexpected demand. Apart from this inherent defect of the system, we are told that the past failures of Hundi firms in this country have been due to two or three important causes, *viz.*, mismanagement and fraud, and laws' delays and the locking up of their funds in landed property as the last resource for recovering their dues.

There is no authentic record of the failures ; but from the evidence we had, we are in a position to say that there were at least ten cases of failure in recent years. No investigation which will locate the causes of the failure of those firms can now be profitably conducted. Whatever they are, such crashes badly shatter the credit even of the best conducted institutions and give a rude shock to the faith of the investing public in banking institutions, as a whole, which means a set-back to the free growth of the banking habit. These failures have, to some extent, contributed to the growth of numerous joint stock banks in recent years.

221. Before the advent of the Bank of Madras in the field of commercial finance, the Hundi merchants were holding complete sway. Not only as credit agencies but *Hundi Merchants and The Imperial Bank.* also as institutions for investment, the Hundi merchants enjoyed a great popularity. The Imperial Bank has affected their business in two ways. In the first place, large investors naturally found in the Imperial Bank immeasurably greater safety and the Hundi merchants gradually lost the best class of investors. At the other end, the Imperial Bank's low rates of interest on advances attracted the section of the Hundi merchants' customers who could offer first class security for advances. The Hundi merchants had, therefore, to accept deposits which were both small and unsteady and to advance on securities which the Imperial Bank would not accept. These causes circumscribed the scope of the Hundi merchants' business which was also rendered more risky. It was complained to us that the Imperial Bank would not accommodate the Hundi merchants in times of stress, except under very severe restrictions, and the security demanded in most cases was Government of India paper. We are told that even the Travancore Government Pro-notes are not accepted except as collateral. It is true that this is the result of the constitutional disability on the part of the management. But in view of the position which the Bank holds among the financing agencies

in the country and the concessions which it receives at the hands of the Travancore Government, it should render itself more useful and give the largest measure of support to the indigenous financing institutions. It can best do so by rediscounting Hundies. This will be of great benefit to the Hundi merchants and the commercial interests as a whole.

222. The Hundi merchants and the local joint stock banks are more in the position of competitors having practically the same class of clientele. There is very little of inter-connection between the two sets of institutions.

*Hundi Merchants and Joint Stock Banks.*

223. The difficulties which the Hundi merchants told us they were labouring under related mostly to the delay and inconvenience in recovering their dues, the hardships caused by the working of the present Insolvency Regulation and the Regulations relating to interest. These questions have been dealt with in Chapter XI and we do not think it necessary to advert to them here.

*Difficulties of the Hundi Merchants.*

Another difficulty of the Hundi merchants is the inadequacy of their finance. We have already seen how the Imperial Bank has limited the sphere of their activities. The necessity for a suitable institution which will bring them closer and render them accommodation in times of need is very keenly felt. This is possible only by the knitting of the financing agencies into a proper system in which the Hundi merchants should occupy the place to which they are rightly entitled.

224. We have indicated in Chapter III that the money-lenders exercise by far the greatest influence in financing agriculture and have also given the available statistics relating to their number and distribution. We have also pointed out that the more respectable among them charge interest only up to 12 per cent on money loans and up to 20 per cent on grain loans. In urban areas, when advancing to business men like contractors, the money-lenders charge some commission besides realising the usual interest which is often deducted from the principal. The smaller money-lenders charge very much higher rates. The following rates furnished by the Tahsildars and witnesses show the prevailing rates in the different taluks of the State :—

<i>Name of Taluk.</i>	<i>Prevailing rates of interest.</i>	
	<i>Percentage per annum.</i>	
1. Tovala	...	9 to 18 (Paddy 30-50)
2. Agastiswaram	...	9 to 18 Do.
3. Kalkulam	...	12 to 25

<i>Name of Taluk.</i>		<i>Prevailing rates of interest.</i>
		<i>Percentage per annum.</i>
4.	Vilavankod	... 18 to 21
5.	Neyyattinkara	... 12 to 15 (Paddy 24)
6.	Trivandrum	... 12 to 15
7.	Neduvangad	... 12 to 15
8.	Chirayinkil	... 12 to 18
9.	Quilon	... 12 to 18
10.	Kunnathur	... 12 to 18 (Paddy 20)
11.	Karunagapalli	... 12 to 42
12.	Kartikapalli	... 12 to 18
13.	Mavelikara	... 12 to 18
14.	Pathanamthitta	... 12 to 18
15.	Tiruvalla	... 12 to 18
16.	Ambalapuzha	... 12 to 18
17.	Kottarakara	... 12 to 18
18.	Pathanapuram	... 12 to 15
19.	Shencotta	... 9 to 12
20.	Shertallai	... 12 to 18
21.	Vaikam	... 12 to 18
22.	Kottayam	... 12 to 18 (Paddy 20)
23.	Changanachery	... 9 to 18 Do.
24.	Minachil	... 18 to 24
25.	Muvattupuzha	... 9 to 24
26.	Todupuzha	... 9 to 24
27.	Kunnathunad	... 12 to 24
28.	Parur	... 12 to 42
29.	Devicolam	... 12 to 46
30.	Peermade	... 12 to 24

The variations are explained by the amount, the period and the conditions of the loan, the fluctuations in the price of the crops and the availability of money generally. It will be seen that 12 to 18 per cent is almost the prevailing rate for loans of money. Loans of paddy are more often based on traditional rates and 20 per cent has almost everywhere become a well-recognised custom. Higher rates than 15 per cent are almost wholly for small sums of money on pro-notes or gold and other ornaments.

225. We do not find any sharp distinction between the urban and rural money-lender in the State. The money-lenders who are resident in towns do not usually finance trade or industry, but find borrowers among agriculturists and small business men who have landed properties to secure their debt. There are, indeed, some who lend only on the security of gold or on

*Characteristics  
of Money-lenders.*

personal security and their whole sphere of activity is limited to the town and the people following different pursuits. Most of such money-lenders have only limited capital and charge very high rates of interest. They are, however, of no great importance in an organized system of finance.

The rural money-lenders are the more important. One remarkable feature is that there is no special class of traditional money-lenders like the Nattukottai Chetties, Marvaris or Mahajans. The village money-lender is invariably an agriculturist himself. There are, however, some Brahmin families of standing who pursue the business as family concerns in agricultural centres like Kuttanad, Parur, Nanjinad, Shencotta, etc. They are, no doubt, of considerable importance, but we are told that, with the growth of joint stock banks, the number of money-lenders operating individually is dwindling. These people have a very intimate acquaintance with the ryots of the locality and possess the requisite knowledge regarding their status and stability for safely dealing with them. In recent years, through the improvement in the means of communication and the phenomenal development in motor traffic, the sphere of the money-lender has much enlarged and interest rates have tended towards uniformity. Ordinarily, the surpluses of a money-lender are in grain stored up in his granaries which can carry no interest whatever. In case of a surplus in money, it is seldom kept idle. The smaller money-lender always finds employment for his funds; but in case there is a glut at any time, the money is readily invested in the nearest Anchal Savings Bank or a joint stock bank in case he has confidence in it. The desire for formation of joint stock banks is truly a result of the realisation of the profitable use of surplus funds and, in every part of Travancore, even agriculturists who have surpluses have with a certain degree of avidity started banks on a joint stock basis either as public or private concerns. The large number of banks, however small and feeble they may be, are, to a very large extent, the media for a free flow of the surplus funds between the rural and urban centres and we are able to discern a tendency towards a quick annihilation of the exclusiveness of the countryside from urban centres.

226. We have seen that the Hundi merchants, like other credit agencies, stand apart having no points of contact with others. The popularity they enjoy with traders should be taken proper advantage of and every facility for the expansion of their business should be provided. If, as we observe in Chapter XIV, we are to have a Central Bank in Travancore which will serve as a branch or an agent of the proposed Reserve Bank of India, it is essential that the credit agencies in the State are suitably organized into a system. They should be efficiently linked together so as to enable them to serve the

urban and the rural, and the commercial, industrial and agricultural interests in the best manner possible. Any such organization necessarily implies a certain degree of control. The Hundi merchants must be able to recognise the advantages which an organized money market will bestow on them in the shape of easier credit, rediscounting of hundies, etc., as, in fact, two of them did. They were also prepared to subject themselves to some control if they could secure the facilities they require. In view of the confidence that would be inspired in the investing public, they also approved the suggestion for the audit and publication of their accounts. It may be that, in the beginning, some of the Hundi merchants will stand aside. But we feel no doubt that they will soon realise the advantages of being members of a healthy and growing system. We would, on these considerations, recommend that such Hundi merchants as are willing should be registered and their accounts should be subject to audit by approved auditors, at least once a year, and their balance sheets published in the same way as the balance sheets of joint stock banks.

227. So far as the money-lenders are concerned, we are unable to see either the necessity or the possibility of bringing them within the scope of the banking system. We have seen *Control of Money-lenders.* that the more important among them have already begun to organize themselves into joint stock banks and establish connections with urban centres. An adequate proof of this may be found in the tendency of mofussil banks opening branches in the capital and other important towns. The strengthening of the banking institutions in the country will accelerate this tendency and the evils arising from a large number of small rural money-lenders will disappear with the growth of suitable financing agencies like co-operative societies. The usurious Mahajan, so far as Travancore is concerned, is more an apparition called into being by the enthusiastic co-operator than a reality when we acquaint ourselves with the conditions abroad. That the ryots have not adequate facilities for finance and have to pay high rates of interest is indisputable. But the problem of usury which is so keen in some parts of British India is, in Travancore, not of any magnitude which demands any restriction on the activities of the rural money-lenders. Further, any restriction which will easily be evaded can only cause more harm to the agriculturists whom it is meant to help and protect. The needy cannot but seek help from the nearest available source. That will be the occasion for the money-lender to express his resentment of any additional restrictions and to further fleece his victims.

There is, however, an important question for consideration where individual money-lenders style themselves as bankers and receive deposits in

addition to money-lending. There are, in fact, some such concerns. It is possible that many of these are chitty foremen and run the business more for the profit arising out of the chitty transactions and the capital that will naturally be attracted through them. Whether as foremen of chitties or not, it was urged upon us that a certain degree of State control is necessary in respect of such money-lenders in view of their holding deposits from the public. The necessity for it in an organized banking system cannot be questioned and any banking law that may be brought into force should bring within its scope this class of money-lenders, whether they style themselves as banks or bankers or differently as loan offices, Nidhis, etc. The advantages of an organized system will, in due course, be appreciated by them. All the same, the law should provide for the registration and audit and publication of their accounts in the manner provided for Hundi firms.

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## CHAPTER XIII.

### CHITTIES.

228. The chitty is perhaps the most popular institution in the country for the investment of savings and for obtaining loans. *Number and Extent.* The following figures of chitties registered during the last 11 years, *i. e.*, from the promulgation of the Chitties Regulation, will demonstrate the popularity of the institution :—

Year.	Total No.	Total Capital. Rs.
1094 to 1097 (1918-22)	2,982	75,00,000
1098 (1922-23)	913	11,00,000
1099 (1923-24)	1,037	14,00,000
1100 (1924-25)	1,048	15,00,000
1101 (1925-26)	1,291	24,00,000
1102 (1926-27)	1,445	37,00,000
1103 (1927-28)	1,656	45,00,000
1104 (1928-29)	1,625	...

At the end of 1104 (1928-29), there were 9,931 live chitties involving a total capital of Rs. 236 lakhs. Besides the above registered chitties, there are innumerable small chitties, with capitals below Rs. 100 which do not require registration. The value of these may be estimated at Rs. 14 lakhs. There are also chitties which distribute, silver vessels, ornaments, furniture, etc., as the prize in lieu of money. In fact, the institution as a means of saving, in many cases under compulsion, is so popular that joint stock banks in this country resort to this as an easy means of mobilising the fluid capital in the country. As many as 166 joint stock banks conduct chitties. The same number of co-operative societies also have taken up the business and the aggregate capital of such chitties is Rs. 2,15,611. How far the chitty is beneficial

to the investor and the borrower as also its advantages and disadvantages as a banking transaction will be discussed later. The chitties conducted by co-operative societies are controlled by their by-laws. The societies act as the foremen and the profits of the transaction are by rules made divisible among the subscribing members. The general observations on chitties do not, therefore, apply to chitties conducted by co-operative societies.

229. The Chitty or Kuri as it is known in the northern taluks is a very ancient institution in this country. The antiquity of the *Early History.* institution is spoken to by Mr. Logan in his *Manual of Malabar District* and by Mr. Sim Cox in his *Primitive Civilizations*.

230. The two main forms of chitty transaction in *Forms of Chitties.* vogue are (1) the Narukku Chitty and (2) the Lela Chitty.

(i) *Narukku Chitty.*—The essential feature of this form of chitty is that the amount that a subscriber gets at any time is determined by lot. A certain sum of money or percentage of the capital is set apart as foreman's *nottakuli* or commission. It is also usually provided that a certain portion, generally 12 per cent, is deducted from the prize amount by way of interest and ratably distributed among the remaining subscribers. The foreman is also a subscriber and he reserves to himself the right to collect the amount at the first or the second instalment without casting lots or any interest being deducted. As the subscribers get their chitty amount by lot, such chitties are generally looked upon with disfavour by those who join a chitty transaction for the purpose of securing an advance. This form of chitty, as has been said in Chapter III, is waning in popularity.

(ii) *Lela (auction) Chitty.*—(a) *Discount distributed among non-prized subscribers only.*—This is far and away the most popular form of chitty. The essential feature is that the chitty amount or total collection at each instalment is put to open auction. The subscriber who offers to pay the highest discount for the advance gets the prize. After deducting a commission, varying from 1 to 5 per cent of the capital, the discount so offered by the prize winner at each instalment is distributed among the non-prized subscribers. The actual sum to be paid by a non-prized subscriber will vary according to the discount distributed. But the prized subscribers will have to pay the full amount of the subscription without any deduction on account of discount. The borrower or prize winner in this system is deterred by the loss



of his share of discount of *veethapalisa* and he regulates his auction accordingly. Those who join this chitty as a means of saving therefore try to defer taking the prize until they get the best opportunity. This was the most common form until very recently.

(b) *Discount distributed among all subscribers.*—The form of chitty which, of late, is coming to popularity in some of the important towns is the one in which the *veethapalisa* or ratable discount is paid equally to all subscribers, prized as well as unprized. The foreman stands to gain the most in this system. The right to get *veethapalisa* at all instalments tends to induce the subscribers to bid recklessly. The foreman secures the *veethapalisa* as also his commission at all instalments.

231. We may now turn to consider the position of Lela Chitty as a banking concern—how far it is useful as an institution for saving and for borrowing. We give below the accounts of a chitty in which the discount is distributed among all subscribers:—

Capital	...	Rs. 3,000.
Term of chitty	...	20 months.
Number of instalments	...	20.
Number of full tickets	...	20.

It may be noted from the following statement ( Statement A ) that the foreman has charged a commission of 4 per cent on the chitty amount at each instalment. He has also collected the full amount of the chitty at the second instalment, thereby securing an advance of Rs. 2,880 *plus* his commission of Rs. 120. At this instalment, every subscriber holding a full ticket has to pay Rs. 150, the full value of the ticket. The variations in the amount reduced will show the part played by competition among the subscribers for securing an advance. The amount reduced at each instalment, in other words, the discount which the successful bidder offered to get a loan, should be noted.

A.—Scheme of chitty in which discount is distributed among all subscribers.

Instalments.	Prize amount.			Amount reduced.			Foreman's Commission.			Total Dividend.			Dividend per ticket.			Amount to be paid at the instalment by each subscriber.		
	Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.
I	1,877	0	0	1,123	0	0	120	0	0	1,003	0	0	50	2	3	99	13	9
II	Foreman's Chitty, not auctioned.																	
III	2,393	0	0	607	0	0	120	0	0	487	0	0	24	5	7	125	10	5
IV	2,215	0	0	785	0	0	120	0	0	665	0	0	33	4	0	116	12	0
V	2,200	0	0	800	0	0	120	0	0	680	0	0	34	0	0	116	0	0
VI	2,191	8	0	808	8	0	120	0	0	688	8	0	34	5	7	115	10	5
VII	2,320	0	0	680	0	0	120	0	0	560	0	0	28	0	0	122	0	0
VIII	2,606	0	0	394	0	0	120	0	0	274	0	0	13	11	3	136	4	9
IX	2,514	0	0	486	0	0	120	0	0	366	0	0	18	4	10	131	11	2
X	2,642	0	0	358	0	0	120	0	0	238	0	0	11	14	5	138	1	7
XI	2,674	0	0	326	0	0	120	0	0	206	0	0	10	4	10	139	11	2
XII	2,635	0	0	365	0	0	120	0	0	245	0	0	12	4	0	137	12	0
XIII	2,694	0	0	306	0	0	120	0	0	186	0	0	9	4	10	140	11	2
XIV	2,791	0	0	209	0	0	120	0	0	89	0	0	4	7	3	145	8	9
XV	2,830	0	0	170	0	0	120	0	0	50	0	0	2	8	0	147	8	0
XVI	2,843	0	0	157	0	0	120	0	0	37	0	0	1	13	7	148	2	5
XVII	2,858	8	0	141	8	0	120	0	0	21	8	0	1	1	2	148	14	10
XVIII	2,863	0	0	137	0	0	120	0	0	17	0	0	0	13	7	149	2	5
XIX	2,878	0	0	122	0	0	120	0	0	2	0	0	0	1	7	149	14	5
XX	2,880	0	0	0	0	0	120	0	0	0	0	0	0	0	0	150	0	0

B.—Statement of profit and loss to the foreman and subscribers.

1 Sl. No of prize winners.	2 Prize amount.		3 Subscrip- tion paid less <i>veetha- palisa.</i>			4 Difference between cols. 2 & 3 + or —			5 Interest on prize amounts till close of chitty at 12 per cent per annum.			6 Totals of cols. 2 & 5.		7 Interest on subscriptions at 12 per cent per annum.			8 Totals of cols. 3 & 7		9 Profit or loss. + or —				
	Rs.	A. P.	Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.	Rs.	A. P.	Rs.	A. P.	Rs.	A. P.	Rs.	A. P.				
1	1,877	0 0	2,709	5	3	—832	5	3	356	10	9	2,233	10	9	244	9	7	2,953	14	10	—720	4	1
*2	3,000	0 0	2,709	5	3	+290	10	9	540	0	0	3,540	0	0	244	9	7	2,953	14	10	+583	0	0
3	2,393	0 0	2,709	5	3	—316	5	3	406	12	11	2,799	12	11	244	9	7	2,953	14	10	—154	1	11
4	2,215	0 0	2,709	5	3	—494	5	3	354	6	5	2,569	6	5	244	9	7	2,953	14	10	—384	8	5
5	2,200	0 0	2,709	5	3	—509	5	3	330	0	0	2,530	0	0	244	9	7	2,953	14	10	—423	14	10
6	2,191	0 0	2,709	5	3	—517	13	3	306	11	10	2,497	11	10	244	9	7	2,953	14	10	—456	3	0
7	2,320	0 0	2,709	5	3	—389	5	3	301	9	7	2,621	9	7	244	9	7	2,953	14	10	—332	5	3
8	2,606	0 0	2,709	5	3	—103	5	3	312	11	6	2,918	11	6	244	9	7	2,953	14	10	—35	3	4
9	2,514	0 0	2,709	5	3	—195	5	3	276	8	8	2,790	8	8	244	9	7	2,953	14	10	—163	6	2
10	2,642	0 0	2,709	5	3	—67	5	3	264	3	2	2,906	3	2	244	9	7	2,953	14	10	—47	11	8
11	2,674	0 0	2,709	5	3	—35	5	3	240	10	6	2,910	10	6	244	9	7	2,953	14	10	—43	4	4
12	2,635	0 0	2,709	5	3	—74	5	3	210	12	9	2,845	12	9	244	9	7	2,953	14	10	—108	2	1
13	2,694	0 0	2,709	5	3	—15	5	3	188	9	3	2,882	9	3	244	9	7	2,953	14	10	—71	5	7
14	2,791	0 0	2,709	5	3	+81	10	9	167	7	4	2,958	7	4	244	9	7	2,953	14	10	+4	8	6
15	2,830	0 0	2,709	5	3	+120	10	9	141	8	0	2,971	8	0	244	9	7	2,953	14	10	+17	9	2
16	2,843	0 0	2,709	5	3	+133	10	9	113	9	10	2,957	9	10	244	9	7	2,953	14	10	+3	11	10
17	2,858	0 0	2,709	5	3	+149	10	9	75	11	10	2,933	11	10	244	2	7	2,953	14	10	—20	3	10
18	2,863	0 0	2,709	5	3	+153	10	9	57	4	2	2,920	4	2	244	9	7	2,953	14	10	—33	10	8
19	2,878	0 0	2,709	5	3	+168	10	9	28	12	6	2,906	12	6	244	9	7	2,953	14	10	—47	2	4
20	2,880	0 0	2,709	5	3	+170	10	9	0	0	0	2,880	0	0	244	9	7	2,953	14	10	—73	14	10

\* Foreman.

232. In the above statement (Statement B), the profit and loss of the foreman and the subscribers have been worked out. The prize amount may be considered as an advance taken by the prize winner which he intends to pay off by his periodical contributions. The statement shows how the transaction really works out. Interest is calculated at 12 per cent both ways, *i. e.*, on the prize amount received by him and the subscriptions paid in by him. The first prize winner suffers a loss of Rs. 720 for obtaining an advance of Rs. 1,877, *i. e.*, the interest which works out on this is as much as 36 per cent. The subscribers who take prizes from the 10th instalment onwards get some yield on their investments working to a little less than 12 per cent. It has helped some by affording a means to secure advances of lump sums and others to accumulate some money. The foreman is able to make a substantial profit. Besides getting the chitty amount full in the second month without reduction by way of discount, he is entitled to a commission of Rs. 120 per mensem. Against a receipt of Rs. 5,280, his contribution comes to only Rs. 2,709. Items of expenditure such as the payment of fees for registration of the *variola* and the filing of the minutes of each instalment have, of course, to be set off. In the case under consideration, these may come to Rs. 25. He may have also to incur some expenditure towards establishment.

233. We now turn to a Lela Chitty in which *veethapalisa* or ratable discount is not distributed among prized subscribers.

Capital	...	Rs. 3,000.
Term of chitty	...	7 years.
Number of instalments	...	15, twice a year.
Number of full tickets	...	15.

A.—Scheme of chitty in which discount is distributed among non-prized subscribers only.

Instalments.	Prize amount.			Amount Reduced.			Foreman's Commission.			Total Dividend.			Dividend per ticket.			Amount to be subscribed at each instalment by the unprized subscribers.*		
	Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.
I	2,057	0	0	943	0	0	30	0	0	913	0	0	65	3	5	134	12	7
II	Foreman's Chitty-			not			auctioned.									200	0	0
III	2,015	12	0	984	4	0	30	0	0	954	4	0	79	8	4	120	7	8
IV	2,090	8	0	909	8	0	30	0	0	879	8	0	79	15	2	120	0	10
V	2,127	0	0	873	0	0	30	0	0	843	0	0	84	4	9	115	11	3
VI	2,161	4	0	838	12	0	30	0	0	808	12	0	89	13	9	110	2	3
VII	2,296	0	0	704	10	0	30	0	0	674	0	0	84	4	0	115	12	0
VIII	2,384	0	0	617	0	0	30	0	0	587	0	0	83	13	8	116	2	4
IX	2,402	0	0	598	0	0	30	0	0	568	0	0	94	10	8	105	5	4
X	2,396	0	0	604	0	0	30	0	0	574	0	0	114	12	9	85	3	3
XI	2,585	0	0	415	0	0	30	0	0	385	0	0	96	4	0	103	12	0
XII	2,616	0	0	383	4	0	30	0	0	353	4	0	60	8	8	139	7	4
XIII	2,747	12	0	252	0	0	30	0	0	222	8	0	111	4	0	88	12	0
XIV	2,790	8	0	210	0	0	30	0	0	180	0	0	180	0	0	20	0	0
XV	2,970	0	0	0	0	0	30	0	0	0	0	0	0	0	0	200	0	0

\* Prized subscribers have to pay the full subscription, viz., Rs. 200.

*B.—Statement of profit and loss to the foreman and subscribers.*

1	2			3			4			5			6			7			8			9		
Serial No. of prize winners.	Prize Amount.			Subscriptions paid less <i>veethapalisa</i> .			Difference between cols. 2 & 3. + or -			Interest on prize amounts till the close of the chitty at 12 per cent. per annum.			Totals of cols. 2 & 5.			Interest on subscriptions at 12 per cent. per annum.			Totals of cols. 3 & 7			Profit or loss. + or -		
	Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.
1	2,057	0	0	3,000	0	0	-943	0	0	1,727	14	6	3,784	14	6	1,260	0	0	4,260	0	0	-475	1	6
*2	3,000	0	0	2,934	12	7	+65	3	5	2,340	0	0	5,340	0	0	1,205	4	2	4,140	0	9	+1,199	15	3
3	2,015	12	0	2,934	12	7	-919	0	7	1,415	12	9	3,466	8	9	1,205	4	2	4,140	0	9	-673	8	0
4	2,090	8	0	2,855	4	3	-764	12	3	1,379	6	5	3,469	14	5	1,148	0	1	4,003	4	4	-533	5	11
5	2,127	0	0	2,775	5	1	-648	5	1	1,276	3	2	3,403	3	2	1,095	4	3	3,870	9	4	-467	6	2
6	2,161	4	0	2,691	0	4	-529	12	4	1,146	15	1	3,308	3	1	1,044	11	0	3,735	11	4	-427	8	3
7	2,296	0	0	2,601	2	7	-305	2	7	1,102	1	3	3,398	1	3	996	2	7	3,597	5	2	-199	3	11
8	2,384	0	0	2,516	14	7	-132	14	7	1,001	4	6	3,385	4	6	956	2	7	3,473	1	2	-87	12	8
9	2,402	0	0	2,433	0	11	-31	0	11	864	11	6	3,266	11	6	920	15	1	3,354	0	0	-87	4	6
10	2,396	0	0	2,338	6	3	+57	9	9	718	12	9	3,114	12	9	886	13	10	3,225	4	1	-110	7	4
11	2,585	0	0	2,223	9	6	+361	6	6	620	6	4	3,205	6	4	852	7	10	3,076	1	4	+129	5	0
12	2,616	12	0	2,127	5	6	+489	6	6	471	0	3	3,087	12	3	828	7	10	2,955	13	4	+131	14	11
13	2,747	8	0	2,066	12	10	+680	11	2	329	12	2	3,077	4	2	817	9	6	2,884	6	4	+192	13	10
14	2,790	0	0	1,955	8	10	+834	7	2	167	6	5	2,957	6	5	804	3	11	2,759	12	5	+197	10	0
15	2,970	0	0	1,775	8	10	+1194	7	2	0	0	0	2,970	0	0	793	7	1	2,568	15	11	+401	0	1

\*Foreman.

In this case, the foreman has taken only a commission of 1 per cent as against 4 per cent in the previous chitty. Statement B above makes it very clear that the subscribers pay less interest on the advances they prize. There is more restraint in raising the discount and the institution is more attractive to those who desire to accumulate savings. In point of instalment period, the large majority of chitties are of this class. On an analysis of the chitties registered up to 1104 (July 1929), it is found that 78.4 per cent of the total number of money chitties for 85.2 per cent of the total capital are conducted once in six months. Chitties held at shorter intervals account for 13.7 per cent of the number and 6.2 per cent of the capital. The rest are annual chitties. Statistics are not available to show the proportion of chitties in which *veethapalisa* is allowed to prized subscribers.

234. If the foreman is a gainer, he takes a very heavy responsibility also. To use a metaphor which will truly describe his position, he is the boss of the chitty wheel. He organises the chitty, is responsible for the collection of subscriptions, and has to pay the prize amounts even though a subscriber may have defaulted. The *variola* which contains the terms of the contract between each subscriber and the foreman may be definite as to the duties of the subscriber and may even have prescribed penalties for the non-payment of subscriptions at the due dates. Nevertheless, the foreman is responsible to the prized subscriber for the payment of the prize; and if he fails to pay before the next instalment, the chitty must be deemed to have terminated and the transaction, if continued, would be void. He may, therefore, have to pay from his pocket the amount which a subscriber may have defaulted. Again, a subscriber, prized or unprized, may discontinue. It is the foreman's duty to find a substitute or substitute himself and continue the business. The risks of the business make the position of the foreman none too enviable.

235. There was an enormous volume of litigation anterior to the passing of the Chitties Regulation and a large variety of contentions used to be raised. The foreman often contended that particular individuals were not subscribers to their chitties. Forgery of *variolas* was not uncommon. Plea of ignorance of the terms of the chitty on the part of the subscribers was equally common. The chitty foremen often failed to keep regular accounts. They even denied the fact of conducting the chitty if the courts had no records to go by. They avoided payment of prize amounts to the winners on flimsy grounds. The unpaid money of prize winners was seldom invested in banks. Foreman's withdrawal from

the chitty often brought about the collapse of the scheme. These were some of the more important evils which had to be remedied. With a view to regulate the working of chitties and provide safeguards to subscribers, the Chitties Regulation, III of 1094 (1918), was enacted. The Regulation underwent amendments in 1097 (1922) and 1100 (1925).

236. The Regulation has introduced some very wholesome provisions.

These are :—

*Main Provisions  
of the Regulation.*

- (1) No one should start a chitty without giving security for twice the chitty amount, unless otherwise provided in the *variola*.
- (2) Every *variola* should be registered, if the chitty should be a legal transaction.
- (3) It is made obligatory on every foreman to supply every subscriber with a copy of the *variola* as originally framed or subsequently amended.
- (4) A minute of the proceedings of every instalment of the chitty has to be prepared and filed with the Registrar.
- (5) The foreman is bound to maintain regular specified books.
- (6) The unpaid prize amount is required to be invested in a bank approved by the Government or other securities before the next instalment of the chitty and the fact to be recorded and intimated to the subscribers and the prize-winner.
- (7) The circumstances under which a chitty may be deemed to have terminated are specified.
- (8) Provision is made in the Regulation for the inspection of books.
- (9) The documents relating to a chitty are open to public inspection and provision is made for the grant of copies to any person.
- (10) While prescribing fines for offences such as non-keeping of registers, non-production of accounts before the authorities, etc., the Regulation allows them to be compounded by an officer authorized in that behalf.
- (11) A foreman who makes a false statement can be punished with imprisonment.

The *variola* should contain "the full name and residence of every subscriber, the number of tickets or the fraction thereof held by each subscriber, the number of instalments and the amount payable for each ticket at every instalment, the date on which the chitty is to begin and the



date on which it is to terminate, the mode of ascertaining the prize-winner at the successive instalments, the amount of discount which a prize winner at any instalment has to forego; the mode and proportion in which the discount is distributed by way of *veethapalisa*, foreman's commission and other allowance, if any, the time and place at which the chitty is to be conducted, the instalment at which the foreman is to get the prize, the bank or banks or other securities in which the prize amount is to be invested, and the consequences which a prized or non-prized subscriber or the foreman will be liable to in case of any violation of the provisions of the *variola*.

237. We have received a large volume of evidence as to how far the Regulation has been effective in controlling chitties and also several suggestions for improving the institution and ensuring greater safety to subscribers and foremen. *Working of the Regulation.* In the following paragraphs we deal with the evidence and suggestions:—

238. *The Registration of chitty.*—It was pointed out that the Regulation provides no penalty on the foreman who fails to register a chitty. Section 5 of the Chitties Regulation prohibits the conducting of a chitty of the value of Rs. 500 or more, unless it is registered in accordance with the provisions of the Regulation. The effect of this section is that, if a chitty is not registered, the transaction becomes void. Though, in certain cases which came up before the High Court for decision, the view was held that non-registration would not make a chitty transaction invalid, the question was considered by a Full Bench and the earlier decision was overruled. (17 T. L. J. 541). It was held that “in view of the prohibition contained in Section 5 of the Regulation, the non-registration of a chitty, the chitty amount or the value thereof is one hundred rupees or more, makes it void. Such chitties do not create or give rise to obligations or rights enforceable in a court of law.” In view of this decision, an unregistered chitty can give rise to no rights or liabilities and a foreman may neglect to register a chitty and refuse to make payments to the subscribers. There is no provision in the Regulation to punish such a foreman for default. Such a provision appears to us essential and a clause imposing some penalty on the foreman who neglects to register the chitty should be added to Section 8 of the Regulation.

239. *Security by Foreman.*—As Section 15 stands, every foreman is bound to furnish security sufficient for the realisation of twice the chitty amount. But the *variola* which contains the articles of the chitty may provide otherwise and such provision has to be specifically assented to in writing by or on behalf of all the subscribers. Any foreman contravening

the provisions of this section is made liable to a penalty of Rs. 50. Further, the foreman is bound to provide every subscriber with a copy of the *variola* any alterations in the terms of which has to be made by a "Special resolution." The complaint is that through clauses introduced in the *variola*, foreman evade this wholesome provision. It is said that the subscribers seldom care to understand the terms of the contract which they are entering into, through indifference or ignorance or implicit faith in the foreman. A rational view of the present law would not warrant us to recommend any interference. To any person who can exercise reasonable vigilance, the provision of law is sufficient. The law can be expected to help only those who are prepared to protect themselves. But it was urged on us that many of the subscribers are ignorant of the provision and that, ordinarily, the foreman is able to exercise a certain amount of personal influence in winning over the subscribers to agree to waive their right. The witnesses were unanimous in suggesting that the legislature should interfere to protect the subscribers.

On an average, every year sees the starting of nearly 1,200 chitties with a total average capital of Rs. 20 lakhs. The volume of transaction and the attendant dangers prompt us to recommend that it should be made obligatory on the part of the foreman to furnish security before registering the *variola*. We would suggest, for the purpose, the deletion of the words "unless otherwise provided for in the *variola* and the provision is specifically assented to in writing by or on behalf of all subscribers" in Section 15. (Mr. C. P. Matthen thinks that the present law affords sufficient protection and that any interference with the freedom of contract is neither desirable nor expedient).

240. *Valuation of Security.*—The question then arises: who is to value the security? We have received two alternative suggestions on this matter. Some were for leaving it to suitable Government agency. The other suggestion was that the valuation should be done by a committee of the subscribers. Each has its own advantages and disadvantages. When on an average, 1,200 chitties, scattered throughout the State, are started every year, it will be impossible for any single officer to do the work; and leaving it to be done by Inspectors or Auditors, if they are not of high status, may give room for all manner of complaints. Further, by appointing such Auditors, Government would be actively assisting the subscribers to indulge in the feeling of security into which, as the Director of Registration remarks, they are "lulled" by the passing of the Regulation. The subscribers who invest their small savings ought to awaken themselves to a sense of their responsibility. We would, therefore, recommend that the responsibility for the valuation of the security should vest in a committee of the subscribers

themselves. It should be provided that, before the foreman is allowed to draw his prize, he should have secured the certificate of the committee as to the sufficiency of the security offered by him and that such certificate should be filed with the Registrar, with penalty for default.

241. *Additional security.*—Section 15 provides only for furnishing security to the value of twice the chitty amount. Where a foreman substitutes himself in the place of a defaulting non-prized subscriber and prizes that chitty, or realises in a lump the prize amount from a defaulting prized subscriber and future subscriptions from defaulting non-prized subscribers and thereby enhances his liability, there is no provision in the Regulation to compel him to furnish additional security. We recommend that adequate provision should be made in the Regulation to enable the committee of subscribers to demand additional security whenever found necessary.

242. *Furnishing of security by prized subscriber.*—As the law stands, the foreman may, in such cases as he deems fit, dispense with the prized subscriber furnishing security. The complaint is that the interest of non-prized subscribers is not sufficiently protected by Sections 17 and 25. The prize winner may happen to be a near relation of the foreman, in which case, he might not demand any security; while the option given to the foreman might be used by him to harass one towards whom he is not well-disposed. On the contrary, it was pointed out that, since the foreman furnishes security, he would, to safeguard his own interests, demand security of the prize winners also and that no provision making it obligatory on the part of the prized subscriber to furnish security, whether the foreman demands or not, was necessary. But the foreman furnishes security only to the extent of the money he may actually be in possession of at a time; and it cannot be that that amount will be found or is intended to be sufficient to indemnify any loss caused to the non-prized subscribers through the default of prized subscribers. It will be a mis-statement of the jural position of the foreman if it were so. The foreman is liable under Section 19 to the non-prized subscribers for the amounts collected from them whether or not he has realised the subscriptions due from the subscribers. The real object underlying the suggestion is to prevent a foreman committing fraud on the non-prized subscribers in collusion with the prized subscribers. When it is thought necessary that the foreman should, in every case, be compelled to furnish security, even though the subscribers may be satisfied as to the solvency of the foreman and be prepared to waive their right to demand security, it follows as a consequence that it should not be left to the foreman's discretion to demand security from the prized subscribers. We are therefore of opinion that the prized subscriber should furnish security in every case and that the words "if he deems necessary" in Section 17 (1) may be deleted.

243. *Acknowledgment of payment of prized amount.*—Under Section 17 (1), the foreman is entitled to an acknowledgment from the prized subscriber evidencing payment of prized amount. A witness instanced a case in which the foreman alleged having paid the prize amount when the prized subscriber, a poor woman, complained of non-payment. It was suggested that every acknowledgment of payment should be registered. In the light of the recommendation contained in the foregoing paragraph, further safeguard is not necessary. When security is insisted on, there will be the bond to evidence payment.

244. *Investment of unpaid prize amount.*—The law as laid down in Section 17 (2) is that, if owing to the default of the prize winner, the prize amount remains unpaid before the next instalment, the foreman should invest it in a bank approved by the Government. The complaint is that some foremen usually evade payment till the last day to the detriment of the prize winner. We consider it necessary that, for proper working, the foreman should give registered notice to the prize winner within 7 days of the drawing and, if the prize winner fails to respond within 7 days of receipt of such notice, the amounts collected should be invested in the bank or in securities approved by the Government and agreed to by the subscribers. The failure on the part of the foreman to act accordingly should be visited with some punishment.

A complaint has been made that, against the provisions of the law, a clause is generally introduced in the *variola* whereby the subscribers agree, or as our witnesses put it, 'are made to agree' to the foreman retaining the amount in his own hands. We consider that, if any such clause is inserted in the *variola*, it is contrary to the provisions of the Regulation and that the Registrar should not register such a *variola*.

In this connection, reference may be made to a suggestion that the Government should approve other than the Imperial, the State-aided and the Anchal and Postal Savings Banks which the Government have now recognised for the investment of unpaid prize amounts. We think that, when it comes to a question of Government approving or recognising any other bank for the purpose, it may happen to be an unfair discrimination. Perhaps, the Trivandrum Central Co-operative Bank may be added to the list.

245. *Consequence of non-payment or non-investment of prize amount.* Under Section 33 (5), consequence of non-payment or non-investment of the prize amount before the next instalment of the chitty is its termination. The continuance of the chitty after the event taints it with illegality. The provision, it is alleged, works very hard, particularly so with

paddy chitties. But if the amendment we have suggested in paragraph 244 is adopted, no foreman will have to keep in his possession any money on or after the date of the next instalment. If a foreman retains possession of the prize amount in spite of the provision we have suggested and makes himself liable to a penalty, the chitty should not terminate on that account. The better thing would be to impose additional penalty on the defaulting foreman. As has been suggested by the High Court, the foreman may also be required specifically to intimate the facts of investment and withdrawal to the Registrar in addition to what Section 17 (3) provides, namely, that the proper disposal of the prize amount should be intimated to the subscribers and recorded in the minutes of the proceedings.

It is complained from the standpoint of the foreman that a defaulting non-prized subscriber is entitled to recover his contributions from him though such default may have caused the collapse of the chitty. The suggestion was that it should be ruled that the defaulting subscriber should be given back his contributions only on such date as and when the chitty would have naturally terminated. As the section stands, it is open to the foreman to put in such a clause in the *variola*.

246. *Agency for supervising chitties.*—Provision is made in the Regulation for the appointment of officers by the Government for the supervision or inspection of the chitty books. The Government have appointed the Director of Registration and the District Registrars for the purpose. District Registrars are three in number. Considering the large number of chitties started every year and the large amount pooled by and distributed among the subscribers, it need hardly be said that the agency for supervision is utterly inadequate, especially when we see that the District Registrars have other normal departmental duties also to discharge. The Registration Director has said that several chitties have terminated without any officer inspecting their accounts even once during their course. It will, therefore, be none too soon if the administration of the chitties is placed under a separate officer with a suitable staff of auditors. We would propose that the officer should be the full-time Registrar of Joint Stock Companies we recommend in Chapter XIV. The fees realised from the registration of chitty *variolas* and the filing of other documents as required by the Regulation amounted to Rs. 56,759 in 1928-29 against Rs. 50,827 in the previous year. It cannot be, therefore, that funds are not available for making adequate arrangements for proper supervision. Considering the urgency and importance of effective supervision and the existence of the requisite provision in the Regulation empowering the Government to make such arrangements as are necessary in this respect, it is unnecessary to wait for the amendment of the law.

247. *Rate of Foreman's Commission.*—The Regulation leaves to the parties to fix the rate of commission and it is laid down in Section 7 that the *variola* should state the rate. In chitties conducted some twenty or twenty-five years back, only a nominal amount used to be paid by way of remuneration to the foreman. All that he gained was the loan of a lump sum, usually at the second instalment, without any discount. The question is whether it is right for the legislature to interpose on behalf of the subscribers and tell the foreman “You shall not charge any commission or you shall charge only 1 per cent.” The volume of evidence that we have received would enable us to recommend such a course. But we entertain very serious doubts if the adoption of such a course will not take away the incentive to the formation of sound chitties which play a very important part in the present state of finance. We consider that a scale of rates may be prescribed under which the rate must be in inverse proportion to the capital of the chitty and in no case should it exceed three per cent.

248. One other point in regard to the chitties recognised by the Regulation relates to chitties with capital below Rs. 100. The question is whether these should also be made registerable under the Regulation. There was no dissentient opinion among the witnesses against registration. The reasons pressed in favour of the view were (1) that it was the poor who joined such chitties and the effect of loss arising from the misconduct of the foreman was correspondingly much heavier, and (2) that many foremen who wanted to register chitties with Rs. 100 or above as capital conducted three or four chitties with Rs. 99 or less as capital on the same day with the same subscribers. There is no doubt that recourse is had to this method of evading the law with the connivance of the subscribers themselves. We are of opinion, therefore, that such chitties should be registered under the Regulation. But the question arises whether the present registration fees would not sit too heavily on such chitties. The lowest fee for registration of a chitty *variola* is Rs. 2; and for filing of copies of documents under Sections 10 (2) 14 (1), 22 (2), 31 (2) and 34, a uniform fee of Re. 1 is charged. We would recommend that in the case of chitties with capital below Rs. 100, the fee for registration may be fixed at 8 As. and the fees for the filing of copies of documents may be dispensed with. As many of these small chitties are conducted at intervals of a week, sometimes daily, many of the provisions of the Regulation will not be possible of application. Some relaxation of the rules will have to be made in their case. The ultimate effect of our proposals in regard to such chitties will be that they will continue subject only to the penal clauses of the Chitties Regulation. The effect of the registration will be the same as granting of licenses. In the course of a few years, the

authorities will be in a position to know exactly the extent of such chitties and to make more definite proposals in regard to them.

249. The period prescribed in the Regulation under Sections 10 (2), 14 (1), 22 (2) and 34 for the foreman to file certain documents with the Registrar is 21 days. This is considered very much longer than necessary. The High Court consider that 10 days would be quite sufficient. We are entirely in agreement with the suggestion.

250. Besides the books which the foreman has to keep at present under the Regulation, it would be advisable to insist upon his keeping a day book also.

251. Besides the regular chitties, there are transactions which partake more of the characteristics of lotteries than of chitties. The scheme of one such transaction which came to our notice is given below :—

There are five hundred subscribers. Each subscriber is to pay every month Rs. 2 until such time as he wins a prize or till the termination of the transaction, *i. e.*, 61 months. The determination of the prize is by drawing lots. The prize winner is released from all liabilities to pay further subscription. The following are the prizes guaranteed at every monthly drawing :—

<i>No. of lots.</i>			<i>Prize guaranteed.</i>	
			Rs.	
1	to 6	...	100	each.
7	— 10	...	40	„
11	— 20	...	50	„
	21	...	100	„
22	— 30	...	75	„
31	— 40	...	90	„
	41	...	150	„
42	— 50	...	115	„
51	— 60	...	130	„
	61	...	150	„

Those who do not win any of the 61 prizes are to get Rs. 125 each within three months from the close of the transaction. The foreman charges no commission.

The following statement sets forth the financial aspects of the transaction :—

Sl. No. of prize winners.	Amount sub- scribed by each prize winner.	Prize Amount.	Amount paid to each prize winner in excess of his subscriptions.	Balance left with the foreman at the end of each month.
	Rs.	Rs.	Rs.	Rs.
1	2	100	98	900
2	4	100	96	1,798
3	6	100	94	2,694
4	8	100	92	3,588
5	10	100	90	4,480
6	12	100	88	5,370
7	14	40	26	6,318
8	16	40	24	7,264
9	18	40	22	8,208
10	20	40	20	9,150
11	22	50	28	10,080
12	24	50	26	11,008
13	26	50	24	11,934
14	28	50	22	12,858
15	30	50	20	13,780
16	32	50	18	14,700
17	34	50	16	15,618
18	36	50	14	16,534
19	38	50	12	17,448
20	40	50	10	18,360
21	42	100	58	19,220



Sl. No. of prize winners.	Amount sub- scribed by each prize winner.	Prize Amount.	Amount paid to each prize winner in excess of his subscriptions.	Balance left with the foreman at the end of each month.
	Rs.	Rs.	Rs.	Rs.
22	44	75	31	20,103
23	46	75	29	20,984
24	48	75	27	21,863
25	50	75	25	22,740
26	52	75	23	23,615
27	54	75	21	24,488
28	56	75	19	25,359
29	58	75	17	26,228
30	60	75	15	27,095
31	62	90	28	27,945
32	64	90	26	28,793
33	66	90	24	29,639
34	68	90	22	30,483
35	70	90	20	31,325
36	72	90	18	32,165
37	74	90	16	33,003
38	76	90	14	33,839
39	78	90	12	34,673
40	80	90	10	35,505
41	82	150	68	36,275
42	84	115	31	37,078

Sl. No. of prize winners.	Amount subscribed by each prize winner.	Prize Amount.	Amount paid to each prize winner in excess of his subscriptions.	Balance left with the foreman at the end of each month.
	Rs.	Rs.	Rs.	Rs.
43	86	115	29	37,879
44	88	115	27	38,678
45	90	115	25	39,475
46	92	115	23	40,270
47	94	115	21	41,063
48	96	115	19	41,854
49	98	115	17	42,643
50	100	115	15	43,430
51	102	130	28	44,200
52	104	130	26	44,968
53	106	130	24	45,734
54	108	130	22	46,498
55	110	130	20	47,260
56	112	130	18	48,020
57	114	130	16	48,778
58	116	130	14	49,534
59	118	130	12	50,288
60	120	130	10	51,040
61	122	150	28	51,770

The total net gain to the foreman at the end of the period is calculated at Rs. 5,305, interest being reckoned at 6 per cent per annum.

This kind of transaction has come in for an all round and wholesale condemnation from the witnesses. The main objections are that such transactions are largely conducted by sharpers, that the majority of subscribers are poor and ignorant people, that the foreman is enriched by an enormous sum realized as interest on the subscribers' moneys received by him and that the earlier prizemen get prizes out of all proportion to their contributions. It was also pointed out that many such transactions have collapsed after a few instalments causing heavy loss to most of the subscribers. Till the Full Bench decision reported in II, Travancore Law Times, page 408, such transactions were considered unlawful and falling within the purview of Section 293 of the Travancore Penal Code, *i. e.*, keeping of lottery office. If we were to follow the current of evidence put before us, we should unhesitatingly recommend the penalising of such transactions. But considerations of the service such a transaction can render to the public, inducing people to save where the will to save is lacking or utterly absent, we are prone to take a different view. From the accounts of the transaction given above, it will be clear that 61 out of 500 subscribers gain varying amounts entirely out of proportion to the subscriptions paid by them and the rest get Rs. 125 each. If these people had been saner, they would have invested Rs. 2 every month in a Provident Fund Deposit, *e. g.*, the Trivandrum Central Co-operative Bank Provident Deposit, and got at the end of five years Rs. 138. The lure of extra gain makes them blind not only to the loss of Rs. 13, but also to the risk of an entire loss of their investment in case the organizer is not a person with sufficient means or becomes insolvent. The accounts of the transaction given above show that the organizer will have in his possession Rs. 51,770 and the accumulated interest at the end of 61 months to be distributed among the non-prized subscribers. The large profit he makes for his enterprise is not what we object to. The danger that a crash of such transactions might occasion to a large body of people is obvious and is sufficient argument for effectively controlling them. We recommend that such transactions should be first brought under the purview of the Chitties Regulation, that they should be conducted only after due registration and that, ordinarily, only corporations of standing and reputation should be permitted to conduct them. In case any individuals or body of individuals are to be granted a license, they should have furnished security at least to the extent of the amount which will remain in their hands when all the prizes are drawn.

252. In considering how far the Chitties Regulation has been successful in controlling or regulating chitty transactions, we have  
*Effect of the Chitties Regulation.* to look at the question from the standpoint of what it was intended to achieve.

The Government have furnished us a copy of a valuable memorandum containing the views of the High Court of Travancore on the subject. They have declared in unequivocal terms that the Regulation has been successful in controlling chitties and that its influence, on the whole, has been beneficial. They say as follows :—

“ It (the Regulation) has operated as an effective check in the starting of chitties by men without sufficient means. It has prevented the vagaries of unscrupulous foremen and has safeguarded the interests of the subscribers. The chances of collapse of the chitty have become reduced. The contentions in chitty suits have been minimised owing to the insistence of supply of *variola* to the subscribers, keeping of proper accounts, the filing of minutes of the proceedings of each drawing with the Registrars and the provision for the investment of the prize money in a bank if the same is not paid to prize winners.”

The High Court have found on an examination of statistics that there is an increase in the number of chitty suits, but they explain it as the result partly of the general rise in the volume of litigation in recent years and partly of the great confidence which the presence of the Regulation has instilled in the public mind. The majority of the suits are reported to have been instituted by the foremen for the prompt recovery of future subscriptions in a lump. A good number of suits filed after the passing of the Regulation are in respect of chitties started before the Regulation came into force.

The witnesses were, however, generally disappointed as to the effectiveness of the Regulation to control chitties, while one of them went to the extent of suggesting that no chitties should be allowed to be started at all in future. We have already considered the criticisms in detail and recorded our opinions and recommendations.

The great popularity of chitties is probably due to the deep-rooted ‘chitty habit’ of the people which here takes the place of the banking habit of the Westerners and to the absence of suitable financing agencies. From the investor’s standpoint, a modern chitty offers the great advantage that it compels him to put by. When the instalment for the chitty approaches, the foreman is there to remind him and importune him to pay up. To those who have not the will to save, this is a great advantage. To the borrower, however high the interest may be, the institution offers the attraction of a loan repayable in easy instalments covered over a fairly long period. In a country where land is the only available security which may be offered for obtaining a loan, the chitty is the only institution which may be looked up to for assistance, with the possible exception of the Central Co-operative Bank, co-operative societies and the Trivandrum Permanent Fund. With

their slender resources and the difficulties in granting long-term loans, the co-operative societies are not of any appreciable help; and the sphere of activity of the two other institutions is practically limited to the Trivandrum town. The real reason for the growth of the chitty is, therefore, as much the cherished habit of the people as the absence of suitable financing agencies. To these must be added the enterprise of foremen who make this their business. However, it cannot but be admitted that the chitty is the crudest form of banking and occasions ample opportunity to the unscrupulous foreman to exploit the indifference, ignorance or gullibility of the subscribers a large number of whom could or would not weigh the advantages against the disadvantages of the transaction. The continuance of the institution, if it is the result of the absence of proper banking facilities, is an impediment, as they are, to their growth. We cannot recommend the abolition of the institution which some of the witnesses who appeared before us advocated. We do, however, strongly recommend that the conduct of chitties is more properly controlled.

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## CHAPTER XIV.

### BANKING LAW AND REGULATION OF JOINT STOCK BANKS.

253. In defining the scope and functions of the Provincial Committees (under which category this Committee comes), it was proposed that regulation of banking, banking education, etc., should be excluded from their purview. These subjects were to engage the direct attention of the Central Committee. As was observed in paragraph 2, we considered that, so far as this State was concerned, a closer study of some of the departments originally reserved for the Central Committee may be made inasmuch as the banks here would not come under the scrutiny of that Committee. This was more than justified by the interest taken by the banks and their managements in the work of the Committee. With very few exceptions, most of the important joint stock banks were ready to help us. They were not sparing in their criticisms of the present conditions and some of the proposals put forward were extreme to a degree. This clearly indicates the real and strong feeling that exists in the country for a thorough and substantial reform. In the standard framework, however, which the Central Committee prescribed for the Provincial Committees' reports later on, these committees were expected to deal with the question of banking law and its amendment and other matters of special interest. We propose, therefore, to deal fairly in detail with the working of the joint stock banks in the State, particularly to bring out the defects and weaknesses in the system and propose such remedial measures as we think would conduce to their improvement.

As recounted in Chapter III, paragraph 41, the growth of joint stock banks in Travancore has been phenomenal since 1919. There were 195 such banks working at the end of 1104 (1928-29) and 63 new banks were started in 1105 (1929-30) and 6 during the first two months of the current Malabar year bringing the total number to 264, *i. e.*, above a fifth of the number in the whole of British India. The average paid up capital of a bank at the end of 1104 was Rs. 21,800 which is about one-eighth of the average paid up capital of a bank in British India. The highest paid up capital of a bank, next to the Travancore State-aided Bank, is Rs. 3,29,000 and the minimum Rs. 700. Only five have a paid up capital of above one lakh of rupees. Another curious circumstance already noted is that, of the 195 banks working at the end of 1104, the number in the taluk of Tiruvalla was 70 and in the adjoining Changanachery taluk 29. As many as 166 banks were conducting chitties. During the last twenty years twenty banks have failed.

In normal and natural conditions, the development of banking in any community would depend on its progress in education, its ability to save and invest, the expansion and contraction of credit in response to the requirements of trade, industry and agriculture, facilities available for investment of savings and, above all, on the degree of confidence inspired by the credit institutions. That these necessary conditions are not fulfilled is evident from the complaints of several bankers themselves and pointed attention would be drawn to them in the examination made in the succeeding paragraphs. There is a wide complaint that the growth in the number of these banks has been abnormal, that there is unwholesome competition for deposits, that, in the anxiety to secure clients, credit is often too readily extended but not steadily maintained, with the result that the business men are often placed in eprilous situations, that the important business of banking is degenerating. There is a crying demand even on the part of the better conducted institutions that the details of the business should be supervised by official agencies. Complaints against banks are heard from money-lenders too on whose preserves they have necessarily encroached. The agriculturists have also their complaint. The rural money-lenders are fast disappearing and the old arrangements under which at least the steady and honest cultivator could raise credit on fairly reasonable rates no longer exist in those areas where these banks have come into existence. The banks themselves by adopting commercial banking methods do not lend for long periods. Repayments within periods not exceeding 3 months are generally insisted on even with agriculturists. Through necessity the borrowers agree, but do not necessarily mean repaying in time, and at the end of the period renew the loans with interest and commission added to the principal. That the system does not give full satisfaction to the public is an unfortunate circumstance which forcibly compels the adoption of remedial measures.

254. There is no separate law in Travancore relating to banks. Regulation I of 1092 (1917) applies to joint stock companies and contains a few special provisions in regard to companies formed for the purpose of carrying on the business of banking. The Regulation is in every respect the same as the British Indian Companies Act, VII of 1913, the essential feature of the policy underlying which is the minimum of State control.

*Law relating to Banks.*

Though applicable to banking companies, and the term itself is employed in many places, the law does not define what 'banking' is. The

Negotiable Instruments Regulation defines the term to include persons or a corporation or a company acting as bankers; and the Stamp Regulation defines 'banker' to include a bank and any person acting as a banker. So that, we have no legal definition which lays down precisely what a bank or banker should perform to be treated as such. The definitions given in English Statutes are also open to the same logical defect of *petitio principii*. Sir John Paget, the well-known authority on banking law says that "no one or nobody, corporate or otherwise, can be a banker, who does not (1) take deposit accounts, (2) take current accounts, (3) issue and pay cheques drawn on himself, (4) collect cheques, crossed or uncrossed, for his customers." This definition is not wholly acceptable in the existing conditions of our country as it includes certain functions which are either totally absent in some or are only developing. A more comprehensive and widely accepted definition is that given in Act of Congress (14, Statutes at Large, 115) which means by 'banking' "the business of dealing in credits," and by 'a bank' "every person, firm or company having a place of business where credits are opened by the deposit or collection of money or currency, subject to be paid or remitted upon draft, cheque, or order, or where money is advanced or loaned on stocks, bonds, bullion, bills of exchange, or promissory notes are received for discount or sale." Some of these functions are performed alike by the Hundi merchants and banks incorporated under the Companies Regulation; and, as we have seen in an earlier chapter, certain individuals or families, who do only money-lending business, whether or not they take in deposits, style themselves as 'bankers.' We have suggested the inclusion of the Hundi merchants and the money-lenders who receive deposits in a general banking system under certain conditions. It follows that only those who satisfy the conditions should style themselves as 'banks' or 'bankers' and the law should prevent others who employ the title unauthorisedly by penal provisions. Banks which are formed under the Co-operative Societies Regulation will, of course, be excluded as the word 'Co-operative' will always appear in their registered names.

255. Chapter III contains a brief account of the present position of the joint stock banks in the State, and Appendix V furnishes

*The present condition of Joint Stock Banks in Travancore.* particulars regarding the capital, reserve and rate of dividend of each of them as they stood at the end of 1104 (1928-1929). The rate at which banks have tended to grow during the last decade will also be clear from the statement given in that chapter. The following statement shows the distribution of banks with reference to the area and population of each taluk,



*Statement of distribution of Joint Stock Banks according to area and population of taluks of origin.*

Serial No.	Name of Taluk.	Area in sq. miles.	Population.	No. of Joint Stock Banks.	No. of branches of Joint Stock Banks.	No. of Banks of foreign incorporation	Total number of Joint Stock Banks.
1	Tovala	144.96	36,496	...	...	...	...
2	Agastisvaram	106.92	1,38,257	...	1	...	1
3	Kalkulam	229.39	1,72,263	1	1	...	2
4	Vilavankod	165.16	1,47,109	...	...	...	...
5	Neyyattinkara	233.35	2,17,529	...	..	...	...
6	Trivandrum	97.26	1,75,466	3	4	2	9
7	Neduvangad	366.02	1,12,111	..	...	...	...
8	Chirayinkil	146.50	1,57,142	2	1	...	3
9	Quilon	147.41	1,96,511	4	1	2	7
10	Kunnattur	150.46	93,463	3	...	...	3
11	Karunagapalli	88.99	1,58,058	3	1	...	4
12	Kartikapalli	74.24	1,17,920	6	6	...	12
13	Mavelikara	111.43	1,44,789	10	2	...	12
14	Pathanamtitta	898.16	1,04,002	12	...	...	12
15	Tiruvalla	220.15	2,73,872	70	...	...	70
16	Ambalapuzha (Alleppey)	147.46	1,71,590	16	5	3	24
17	Kottarakara	202.03	1,08,753	...	1	...	1
18	Pattanapuram	425.67	73,570	1	...	...	1
19	Shencotta	129.14	44,650	...	...	...	...
20	Shertallai	117.14	1,61,481	2	...	...	2

*Statement of distribution of Joint Stock Banks according to area and population of taluks of origin.—(concl.)*

Serial No.	Name of Taluk.	Area in sq. miles.	Population.	No. of Joint Stock Banks.	No. of branches of Joint Stock Banks.	No. of Banks of foreign in-corporation	Total number of Joint Stock Banks.
21	Vaikam	144.09	1,19,678	1	2	...	3
22	Kottayam	214.04	1,73,934	14	3	1	18
23	Changanachery	263.78	1,56,640	29	...	...	29
24	Minachil	283.41	1,60,193	7	...	...	7
25	Muvattupuzha	437.46	1,37,489	2	...	2	4
26	Todupuzha	486.94	57,285	2	...	...	2
27	Kunnatnad	361.66	1,84,432	2	...	2	4
28	Parur	113.43	1,54,458	5	...	...	5
29	Devicoolam	667.03	82,895	...	...	...	...
30	Peermade	450.90	24,026	...	...	...	...
Total		7,624.58	40,06,062	195	28	12	235

The rate at which the banks have grown in number is neither normal nor healthy. The banks working in the immediate post-war boom period experienced good prosperity with surpluses of deposits and large profits. Large dividends were distributed and business was enlarged. The alluring profits netted by some of these banks should have had a large influence on the promotion of new ones. This may also be a phase of unemployment or the result of rivalry and separatist tendencies among the directors of existing banks. Whatever tended to it, in the scramble for quick returns and large profits, there are banks of different shades of respectability and with resources too meagre to be able to discharge any of the functions ordinarily expected of banks.

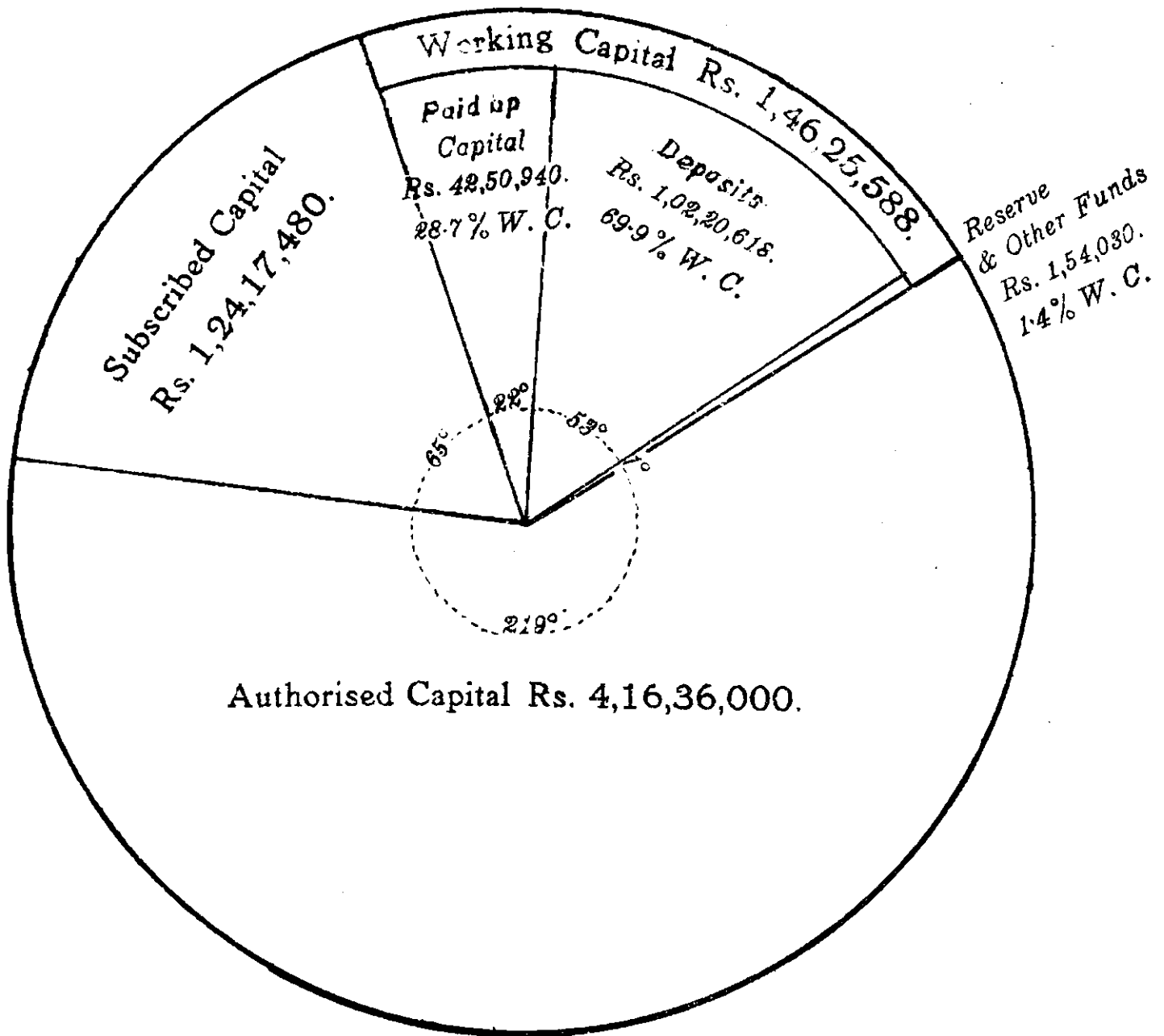
The diagram at the opposite page will show at a glance their financial position as a whole. The very slender reserves and the comparatively small proportion of deposits are most striking. The great glut in number has only intensified the difficulties. For it will be granted by all that the local bankers have an uphill task in a practically new field to create congenial conditions for the satisfactory growth of banks. The task is made the harder by the rush we have referred to. The larger the number, the more difficult it is for the banks to act and work in an organized manner and bring about an *esprit de corps* among themselves. The banks individually cannot cater to all the varied needs of the country or even to an appreciable extent.

256. The following statement prepared from the balance sheets for 1104 (1928-29) of some of the banks presents a closer view. The names of the banks are withheld for obvious reasons.

## I.

<i>Liabilities.—</i>	Rs.	Rs
Capital	... 4,55,900	
Reserve and other Funds	... 22,000	
Total	...	4,77,900
Current, Fixed and other deposits	... 14,11,832	
<i>Assets.—</i>		
Cash	... 98,373	
Cash with other banks in current accounts	... 48,641	
Government of India and Travancore Government Pro-notes, etc.	... 46,567	
Total	...	1,93,581
Loans, Cash credits and overdrafts	... 10,80,046	

**Working Capital & Reserve Fund of**  
**Joint Stock Banks in Travancore.**



*Statistics.*—

	Rs.	Rs.
Percentage of reserve to capital ...		4·8
Percentage of capital and reserve to total deposits ...		33·8
Profits ...	Rs. 39,000	
Carried to reserve fund ...	Rs. 13,000	
Rate of dividend per cent ...		5

## II.

*Liabilities.*—

Capital ...	₹ 29,260	
Reserve Funds ...	1,50,000	
Total ...		4,79,260
Current, Fixed and other deposits ...	14,40,510	
Chitty contributions by non-prized subscribers ...	2,77,000	
Chitty prize money payable ...	45,000	
Borrowed capital ...	81,445	

*Assets.*—

Cash in hand and with bankers at call ...	1,98,072	
Government of India Pro-notes, Tra- vancore Pro-notes, etc. ...	47,720	
Total ...		2,45,792
Loans and advances—		
(a) Fully secured ...	2,64,734	
(b) Debts considered good and in respect of which the bank holds joint and several pro-notes, bills, etc. ...	12,35,654	
(This includes advances to Directors and office bearers, etc., amount- ing to Rs. 2,71,846.)		
Deposit with other banks ...	54,583	
Prize amount contributable by winners (Chitty) ...	4,97,000	

*Statistics.*—

Percentage of reserve to capital ...	45·5
--------------------------------------	------

	Rs.	Rs.
Percentage of capital and reserve to total deposits ...		25·9
Net profits ...	Rs. 49,204	
Carried to General Reserve Fund ...	Rs. 10,000	
Carried to Bad Debt Reserve Fund ...	Rs. 37,550	
Rate of dividend per cent ...		12

## III.

*Liabilities.*—

Capital ...	2,31,053	
Reserve and other Funds ...	55,000	
Total ...		2,86,053
Current, Fixed and other deposits ...	12,40,819	
Due to Bankers ...	77,022	

*Assets.*—

Cash in hand and with bankers at call ...	1,76,311	
Government of India Pro-notes ...	58,156	
Total ...		2,34,467

## Loans and advances —

i. On hypothecation ...	59,594	
ii. On gold ...	2,57,708	
iii. On Bills and Pro-notes... ..	7,49,860	
iv. Goods and other securities ...	1,40,000	

(To Directors and other office bearers included in the above items  
Rs. 47,462.)

Fixed Deposit with other banks ...	60,000	
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*Statistics.*—

Percentage of reserve to capital ...		23·8
Percentage of capital and reserve to total deposits ...		21·7
Profits ..	Rs. 14,691	
Carried to Reserve Fund ...	Rs. 2,515	
Rate of dividend per cent ...		12

## IV.

<i>Liabilities. —</i>	Rs.	Rs.
Capital	... 1,00,000	
Reserve Funds	... 30,000	
Total	...	1,30,000
Current, Fixed and other deposits	... 6,80,470	
Due to Bankers	... 1,11,287	
 <i>Assets. —</i>		
Cash in hand and with bankers at call	... 68,882	
Travancore Government Pro-notes	... 390	
Total	...	69,272
Loans and advances—		
i. Fully secured	... 1,61,439	
ii. Bills and Pro-notes	... 4,73,463	
iii. Overdrafts	... 1,99,850	
 <i>Statistics. —</i>		
Percentage of reserve to capital	...	30
Percentage of capital and reserve to total deposits	...	16·4
Profits	... Rs. 15,103	
Carried to Reserve Fund	... Rs. 6,000	
Rate of dividend per cent	...	12

## V.

<i>Liabilities. —</i>	Rs.	Rs.
Capital	... 99,390	
Reserve Fund	... 16,000	
Total	...	1,15,390
Current, Fixed and other deposits	... 5,24,380	
Due to Bankers	... 40,202	
 <i>Assets —</i>		
Cash	... 13,905	
Government of India Pro-notes, etc.	... Nil	
Total	...	13,905

Loans and advances —	Rs.	Rs.
i. On hypothecation	... 82,521	
ii. On non-prized chitty	... 30,223	
iii. To directors and other office bearers	... 41,544	
iv. On gold	... 83,458	
v. On Bills and Pro-notes	... 3,25,858	
Deposit with other Banks	... 15,000	

*Statistics.*—

Percentage of reserve to capital	... 16.1
Percentage of capital and reserve to total deposits	... 20.4
Profits	... Rs. 66,059
Carried to Reserve Fund	... Rs. 1,000
Rate of dividend per cent	... 20

## VI.

*Liabilities.*—

Capital	... 62,545	
Reserve Fund	... 500	
Total	... 63,045	
Current, Fixed and other deposits	... 40,520	
Due to Bankers	... 7,774	

*Assets.*—

Cash	... 5,000	
Government of India Pro-notes, etc.	... Nil.	
Total	... 5,000	
Loans and advances—		
i. On hypothecation	... 3,510	
ii. To directors	... 8,496	
iii. On gold	... 17,339	
iv. On Bills and Pro-notes	... 59,593	
Deposit with other Banks	... 10,376	

*Statistics.*—

Percentage of reserve to capital	... 0.8
Percentage of capital and reserve to total deposit	... 130.5
Profits	... Rs. 8,045
Carried to Reserve Fund	... Rs. 100
Rate of dividend per cent.	... 14



## VII.

<i>Liabilities.</i> —	Rs.	Rs.
Capital	...	66,810
Reserve Fund	...	9,004
Total	...	75,814
Current, Fixed and other deposits	...	2,33,844
Due to Bankers	...	17,037
 <i>Assets.</i> —		
Cash	...	13,129
Government of India Pro-notes, etc.	...	1,035
Total	...	14,164
Loans and advances—		
i. On hypothecation	...	4,612
ii. To directors and office bearers	...	5,258
iii. On Gold	...	12,978
iv. On Bills and Pro-notes	...	2,30,780
v. Overdrafts	...	29,100
vi. Chitties	...	19,203
Deposit with other Banks	...	10,918
 <i>Statistics.</i> —		
Percentage of reserve to capital	...	13·4
Percentage of capital and reserve to total deposits	...	30·2
Profits	...	Rs. 18,752
Carried to Reserve Fund	...	Rs. 5,150
Rate of dividend per cent	...	15

## VIII.

<i>Liabilities.</i> —		
Capital	...	65,050
Reserve Fund	...	7,000
Total	...	72,050
Current, Fixed and other deposits	...	1,58,912
Due to Bankers	...	4,642
 <i>Assets.</i> —		
Cash	...	41,070
Government of India Bonds	...	4,825
Travancore Government Pro-notes	...	4,377
Total	...	50,272

	Rs.	Rs.
Loans and advances—		
i. On hypothecation ...	Nil.	
ii. On Chitty (non-prized subscribers)	2,002	
iii. To Directors and office bearers ...	4,414	
iv. On Gold, Bills and Pro-notes ...	84,770	
Deposits with other banks ...	15,000	

*Statistics.*—

Percentage of reserve to capital ...	10·7
Percentage of capital and reserve to total deposits ...	41·5
Profits ...	Rs. 14,101
Carried to Reserve Fund ...	Rs. 5,485
Rate of dividend per cent ...	15

## IX.

*Liabilities.*—

Capital ...	47,346	
Reserve Fund ...	6,152	
Total ...		53,498
Current, Fixed and other deposits ...	25,562	
Deposits under chitty accounts ...	21,684	

*Assets.*—

Cash ...	518	
Government of India and other securities ...	Nil.	
Total ...		518
Loans and advances—		
i. On hypothecation ...	4,459	
ii. On Chitty ...	10,583	
iii. To Directors, etc. ...	9,315	
iv. On Gold ...	42	
Chitty prize winners ...	47,436	

*Statistics.*—

Percentage of reserve to capital ...	12·9
Percentage of capital and reserve to total deposits ...	113·2
Profits ...	Rs. 8,500
Carried to Reserve Fund ...	Rs. 850
Rate of dividend per cent ...	18

## X.

<i>Liabilities.</i> —	Rs.	Rs.
Capital	...	33,015
Reserve Fund	...	12,000
Total	...	45,015
Current, Fixed and other deposits	...	2,64,076
 <i>Assets.</i> —		
Cash in hand and with bankers at call.	20,912	
Government of India Pro-notes	...	19,050
Travancore Government Pro-notes	...	375
Total	...	40,337
Loans and advances—		
i. On Gold	...	49,258
ii. On Bills and Pro-notes	...	1,15,014
iii. Overdrafts	...	62,580
iv. Motor vehicles	...	30,036
Deposits with other banks	...	12,000
 <i>Statistics.</i> —		
Percentage of reserve to capital	...	36·3
Percentage of capital and reserve to total deposits	...	17·4
Profits	...	Rs. 12,448
Carried to Reserve Fund	...	Rs. 4,100
Rate of dividend per cent	...	12

257. It is clear from the statements that very few banks have built up satisfactory reserve funds or are putting by a proper proportion of their profits towards their reserve funds.

*Reserve Fund.* The question of building up a strong reserve fund is undoubtedly a matter of time and banks which are of recent origin may not be expected to show a high proportion. But the absence of a clear policy on the part of the banks in this direction is suggested by the small proportion of the total profits set apart towards the reserve fund. The tendency is to distribute most of the profits among the shareholders. There is immediate gain to the shareholders and promoters, but the policy is both short-sighted and suicidal. The failure of the banks to provide the necessary reserve fund thereby subordinating the depositors' interests to those of the shareholders has the natural consequence of banks being unable to inspire public confidence and attract deposits. The reserve fund of a bank is to all intents and purposes part of its capital. It represents an accumulation of profits earned but not distributed. Though a bank could draw upon the reserve in case of need, a bank of position would not lightly do so for fear of falling in

the public estimation. The published reserve is jealously maintained and hidden reserves as provision for bad and doubtful debts, depreciation of investments, etc., are accumulated and shown under "other accounts" in the published balance sheets. In the interests of the shareholders too, it is necessary that a bank should have as large a reserve fund as possible. The larger the reserve fund the less the need to call on the reserve liability of shareholders in case of a crisis. Besides increasing confidence, the proportion of reserve fund also induces an appreciation of the share value.

As regards the building up of the reserve fund, there is no suggestion in the present law. In the British banking system, a strong reserve is built up by all sound banking concerns as a matter of principle and we find in a large number of cases the reserve exceeding the paid up capital. A definite policy in this respect has been the result of experience and not of legislation. But in a country which is still in its infancy, so far as banking goes, it would not be conducive to public safety to leave the question to be determined by the Directors. The Canadian banking law limits the rate of dividend at 8 per cent per annum until the surplus equals 30 per cent of the paid up capital, after providing for all ascertained and estimated losses. The banking law of Japan requires that one-tenth of the profits should be set aside as reserve until it equals the capital. The statements given under paragraph 256 show that some of the banks have begun to recognise the importance of building up a reserve fund. But these are only the exceptions. We think, therefore, that it should be laid down as a rule either that the rate of dividend should not exceed 12 per cent per annum until the reserve equals the paid up capital or that a certain fixed proportion, say 20 per cent, of the profits should be set aside for the reserve fund every year until it equals the paid up capital.

258. Other suggestions to improve the position of banks so that greater confidence in them may be induced were that the liability of Directors be made unlimited and that the reserve liability (uncalled share instalments) be held at a level equal to the paid up share capital. The law as it stands allows that the liability of Directors may be not limited by the shares held by them, if so provided for in the memorandum. To lay down a hard and fast rule that the liability should be unlimited would be to place a severe check upon the promotion of banking concerns and therefore of sound ones too. In regard to the reserve liability of a limited company, the law provides that, by a special resolution, the uncalled capital can be rendered incapable of being called up except in the event and for the purposes of the company being wound up. To maintain a high level of reserve

liability on the shareholders is a means of increasing a bank's creditworthiness ; but it is not to the good of shareholders themselves. It is to the interests of the shareholders to reduce the reserve liability on their shares and accumulate a high proportion of reserve fund. Until then, in the interests of the investors, the law should lay down that a reserve liability equal to the paid up capital be maintained.

259. Another important and somewhat intricate question brought before the Committee related to the proportion of cash and *Cash Reserves*, other liquid assets to be maintained against time and demand liabilities. This cash reserve a bank should hold to meet the demands of its customers. It ought to bear a more or less steady percentage of the bank's liabilities to the public. Though by keeping idle a large cash reserve a bank would sacrifice its profit, the modern banks do so for its own safety on which depends its position and prestige. It is commonly said that the cash reserve represents the bank's first line of defence in case of a crisis. Most of the banks here have neglected to maintain adequate assets in liquid form. The following statement compares the position of some of the important banks in Travancore with some of the well-recognised banks in India in regard to the percentage of liquid assets to time and demand liabilities. The ten Travancore banks have been taken as typical of the better class of banks. As in the case of the Travancore banks, the names of the other Indian joint stock banks are not mentioned.

*Travancore Banks.*

	Percentage of liquid assets to total deposits.	Percentage of liquid assets to demand liabilities.
I	13·7	275·2
II	13·3	39
III	17·7	67·9
IV	8·7	26·1
V	2·5	5·5
VI	10·4	16·4
VII	5·6	12·6
VIII	28·9	64·6
IX	1·1	5·1
X	15·2	53·5

*Outside Banks.*

	Percentage of liquid assets to total deposits.	Percentage of liquid assets to demand liabilities.
I	75·2	143
II	43·1	124
III	42·5	219
IV	42·1	166
V	63·2	58
VI	44·4	174·4
VII	26·6	Not available.
VIII	42·1	Not available.
IX	45·3	266·6
X	41·6	204·5

260. Maintaining a cash reserve is, no doubt, a non-profitable use of the banker's funds. As we saw in a previous chapter, the indigenous bankers who care only for the maximum turnover do not care to maintain a cash balance and are ever open to risk. But joint stock banks conducted on sound lines have always recognised the supreme importance of it. Prevalence of a suspicion that banks do not keep adequate cash is a serious impediment to the growth of the banking habit and fixing of a ratio between liquid assets and deposits, if it could be fixed by law at all, should be very desirable. The maintenance of a ratio is ordinarily affected by various considerations such as the use of cheque, the business conditions of the community which the bank serves, the nature of the deposits and depositors, etc. The banker himself should be able to feel what ratio he should maintain for his business during the various parts of the year. It is a matter to be acquired by experience on the part of the banker. We are told that, in Travancore, the banks are not so sensitive; nor are the public so vigilant. When a bank is unable to meet the demand made by a customer and cash his cheque, nothing happens to the bank. But such a position has told upon the growth of the banking habit. Until such time, therefore, as the banks gain the entire confidence of the investing public, the growth of the habit cannot be appreciable. The maintenance of adequate cash reserve or assets in liquid form being one of the means by which public confidence may be inspired, it is desirable that banks maintain certain ratios between time and demand liabilities and liquid assets.

261. Many of the witnesses who are or have been one way or other connected with banks in Travancore have appraised us of the existence of various irregularities in the method of promotion and the working of banks. We deal with the more important among them as they require radical remedy.

*Some irregularities.*

First among these is that, in the case of a large number of small banks that are being started, their paid up capital consists not entirely of cash but of pro-notes. In other words, pro-notes instead of cash are accepted against shares. Consequent upon this, there are quite a number of banks of recent origin which have not provided themselves with the capital required for operation. The Directors exert their personal influence in attracting deposits which form the principal basis of the bank's transactions. High rates of interest are levied and high dividends are also declared having no regard whatever to the safety of the depositors. Provision is often made in the articles of association for additional profits to promoters. The share of the profits falling due to the promoters are set off against the amounts due from them and, in a course of years, their dues to the banks are expected to be extinguished.

Another practice which vitiates the published share capital of some banks is their conducting chitties to secure shareholders. A bank anxious to get shareholders also starts a chitty. The would-be shareholder is allowed to prize the chitty and utilise the prize amount towards the share capital. That he may discharge the liability of paying the chitty amount, the bank is tempted to declare high dividends. Nevertheless, the published paid up capital is far too insignificant for the institution to serve any public purpose. The statement given as Appendix V will demonstrate this. There are a number of banks whose paid up capital is less than a thousand rupees. Under the existing Companies Regulation, they are also registered as banks. One is amazed to think what part such banks can play in any scheme of finance. Further, when such banks are started, it is impossible to expect any kind of banking knowledge on the part of the officers who run the institutions. The consequence is demoralisation of the banking system itself.

262. To avoid these evils, it was suggested that joint stock banks, to be called by that name, should have a fixed minimum paid up capital in cash. Witnesses differed as to the amount required. Some suggested Rs. 1,00,000, some Rs. 50,000 and others Rs. 25,000. Some of them also pointed out that the minimum should be fixed with reference to the area, population, business conditions, etc., of the place where a particular bank is proposed to

be located. There was also the extreme suggestion for the absolute prohibition of any more registration of banks.

That the conditions are abnormal or that the situation requires prompt and drastic remedy, no one can deny. The last suggestion, however, is an extreme measure which we do not think we can accept. There are also various difficulties in the way of accepting the view that the minimum paid up capital should vary with the place where a bank is to be located. Indeed, such a provision will become unnecessary when we fix a minimum paid up capital sufficiently high to preclude mere speculators and men without sufficient knowledge or competence entering the field. All that appears to us necessary is to fix the minimum paid up capital for a bank at Rs. 50,000 which should have been collected to the satisfaction of the Registrar before the bank can have his warrant to open for business. The National Banking Act of America and the General Bank Act of Canada contain restrictions on somewhat similar lines and should provide useful precedents in undertaking legislation here.

When we fix the minimum paid up capital at Rs. 50,000, the question will naturally arise as to what should be the position of the large majority of the existing banks having much smaller capital. We suggest that these banks also should comply with the provisions of the new legislative enactment, but should be given the opportunity to raise their capital to the minimum requirement within a period of not more than two years, failing which, they will either have to wind up their business or secure the statutory minimum by a process of amalgamation, facilities for which should be provided.

263. The complaints next made relate one way or other to the improper valuation of securities and reflect on the present method of auditing. It is said that dividends are paid before profits are earned, thereby actually paying them out of the capital ; that losses are spread over a number of years in order to declare dividends ; that no principle is followed in estimating earnings and the value of the assets ; that no provision is ordinarily made for bad debt reserves, etc. ; that very often loans granted to Directors or others on their personal security are disproportionately large ; that auditors having to depend upon the bank for their emoluments are not able to maintain their integrity and independence ; and that the balance sheets often do not represent the true financial condition of the banks. While legislative provision can be, and in fact has been, made in certain countries to avoid some of these evils, others can be remedied only by proper audit and the vigilance of the shareholders and the public and their ability to examine a balance sheet. In so far as a change in the law could improve the position,



certain restrictions can be imposed. It is possible, for instance, to provide that loans to Directors and bank officials must be made subject to the approval by a majority of the Board of Directors or that the loan should not exceed a specified maximum. Similarly, in estimating earnings for profits, it may be required that provision is made for unsecured or partially secured loans which are not repaid within one year.

264. On the question of audit, some witnesses were for making suitable provision for Government audit over and above the statutory audit, while others were against it. Under the existing law, the auditors are licensed by the Government who have the power to cancel or withhold the license granted to any auditor if he is found not to have discharged his duty properly. In case of mismanagement, the Registrar can also move the Government to order an inspection of a bank by Government agency. In view of these provisions and the possible harm which may result from an audit by Government officers, it does not appear necessary to have any provision for a separate audit by the Government. But it would be desirable to empower the Registrar of Joint Stock Companies to inspect the books. Higher qualifications for the auditors may also be prescribed so as to secure a better class of auditors.

265. Equally important with the audit is the administration of the Department. As it is, the administration is vested in the Registrar of Joint Stock Companies, a part-time office held at present by the Director of Registration. For some time, the office was held by the Head Sirkar Vakil or his Assistant. In the absence of proper organization, institutions have grown haphazardly and this state of affairs will continue so long as the department is administered as it is. We therefore recommend that the department be separated and placed under an officer with a high degree of proficiency in law, banking and commerce.

266. We would also recommend that the annual balance sheets of the banks should be fuller and that they should be given the widest publicity possible by publication in the Government Gazette and the important local newspapers so that the public may gain the necessary experience in estimating the position of banks. In addition, we would recommend the publication, annually, of a report on banking on the lines of the British Indian Statistics on Banking.

267. Another irregularity charged against the banks was that the Directors and important bank officials happening to be also Directors and promoters of certain industrial undertakings, some of the banks have their

fluid capital locked up in such concerns. Such, for instance, are the loans granted by certain banks to planters. We cannot characterise such advances as irregular, though a sound and conservative policy would undoubtedly discountenance the overweighting of loans on real estate. Though it would not be expedient on this ground to prohibit all Directors from engaging in the business of any other company, including bank, we think it desirable to prohibit such of the Directors and important bank officials who are actively in charge of the daily business of a bank from engaging in any commercial, industrial or other banking business.

268. We have seen that many of our banks are conducting chitties and a large number of the witnesses who appeared before *Banks and Chitties.* the Committee pointed out to this as a fruitful source of grave irregularities and confusion of bank accounts. Soon after registration, almost every bank starts a chitty with the object of attracting deposits. The bank's business is offered as security. Loans are advanced to non-prized subscribers of the chitty on the security of the subscriptions paid by them. Against prize amount paid to the winner, land is accepted as collateral security as in the case of most of the subscribers land is the only form of security that they can offer. Ultimately, the funds of the bank get locked up in land. Not infrequently, to keep a previous chitty going, a second or third chitty is started. The statements of assets and liabilities of certain banks given under paragraph 256 will fully bear this out. The account of the chitty given in the previous chapter shows that it is fraught with serious risks. Since the institution is an impediment to the growth of true banking and the starting of chitties by banks results in serious irregularities, we would recommend either that banks should be prohibited absolutely from starting any more chitties or that permission be granted only when a bank has a general reserve fund equal to twice the chitty capital.

269. The complaint made in every part of Travancore was that, in spite of the existence of so many banks, the rate of interest *Rate of interest.* continues to be high, the banks charging up to 18 per cent per annum and some times even more. The existence of the Imperial, the Indian, and the State-aided Banks which advance money at lower rates of interest has not in any way affected the rate of interest demanded by the local joint stock banks. The real reason for this is that the majority of the local joint stock banks with their present methods of business cannot attract sufficient capital to meet the requirements of the public. The banks having to pay high dividends must either have large deposits and business turnover or the only alternative is to demand

excessive rates of interest. A comparison of the ratios between deposits and the capital and reserve of some of our banks with those of some of the Indian joint stock banks will make the point clear.

*Percentage of Capital and Reserve to Total Deposits.*

Travancore banks :— 33·8 ; 25·9 ; 21·7 ; 16·4 ; 20·4 ; 130·5 ; 30·2 ; 41·5 ;  
113·2 ; 17·4.

Other Indian banks:—18·6 ; 16·4 ; 7·1 ; 6·3 ; 9·5 ; 13·1 ; 17·6.

Now we will look at the percentage of the total profits of these banks to their working capital.

*Percentage of profits to working Capital.*

Travancore banks :—2 ; 2·1 ; 1·1 ; 1·6 ; 9·7 ; 7·2 ; 5·7 ; 5·7 ; 8·4.

Other Indian banks :—0·7 ; 1·3 ; 0·5 ; 0·6 ; 0·7 ; 1·9 ; 2·1 ; 2·3 ; 2·4.

The rate of interest charged by the British Indian banks varies from 7 to 10½ per cent. Unless, therefore, the Travancore banks are put in a position to attract more deposit, there is little chance of reducing the rate of interest.

270. In Chapter III, we have sketched the position of the State-aided Bank of Taravancore and have noted, in appropriate places, the part it plays in financing agriculture, industry and trade. It occupies a peculiar and more or less prominent place in the State as it was started under State auspices, enjoying a number of privileges. *The State-aided Bank and other Joint Stock Banks.* It has, probably on this account, come in for the largest measure of public criticism. Every local bank complains about its privileged position and feels that the competition it offers is unfair and unequal. Beyond granting accommodation on sound securities and, to a limited extent, rediscounting Hundies, Havalas, etc. and probably also giving occasional cash credit, the help this bank extends to others is said to be not substantial. It is purely a commercial bank performing the same functions as other joint stock banks and appealing to the same class of clientele. It is necessary that this complaint of unequal competition should be carefully gone into and remedies found out.

271. There is no question whatever that all are agreed as to the need for strengthening and improving the banks in the State. If, through neglect and inattention, these banks come to grief, the result would be calamitous not only to the institutions directly concerned, but also to the development of banking business in the country for a long time.

For a true appraisal of the complaint and its significance, a résumé of the circumstances which existed at the time when the starting of a bank with State-aid was contemplated would be helpful. In 1918 and 1919, representations were made in the Sri Mulam Popular Assembly that trade was suffering for want of adequate banking facilities and that the branch of the Bank of Madras at Alleppey was not very useful to the generality of traders. The suggestion was that a State Bank or one with State aid would improve the situation. In 1920, Mr. G. Parameswaran Pillai suggested by means of an interpellation in the Legislative Council that an enquiry should be held into the necessity for establishing a State Bank in Travancore with a view to expand the existing indigenous banking facilities, to consolidate and make secure the transactions of the various banks in the State and to provide adequate capital for the agricultural and industrial development of the State. In 1921, in his address to the Sri Mulam Popular Assembly, the Dewan made the following announcement:—

“The question of increasing banking facilities which are so essential for the promotion of industries and trade is engaging the serious attention of Government. They are aware that private enterprise has not been inactive in the matter of creating such facilities. But it is the duty of the State to stabilise the enterprise by the exercise of close and effective supervision. It is with this view that the hands of the Registrar of Joint Stock Companies have been recently strengthened by the appointment of an auditor. There is a vague expectation that the State should help every private banking concern with funds. It will afford Government no small pleasure to encourage a really good banking concern with a deposit; but it is idle to expect the State to risk public money in investments with banks of doubtful solvency. It is also open to doubt whether the limited encouragement the Government could afford in the direction would adequately meet the growing needs of commerce for money. A far better way of accomplishing this object would be to help the creation, if possible, of a State-aided Bank of sufficient magnitude under satisfactory guarantees and it is with a view to come to a decision in this matter that orders have been recently issued deputing one of the Assistant Account Officers of the State to Baroda and Mysore to acquaint himself with the working of similar banks in those States and submit his recommendations.”

Let us now examine the strength of the joint stock banks in the State at this period. Prior to 1917, the year in which the present Companies

Regulation was passed, there were only 4 joint stock banks. From 1919, the progress in their number and capital is striking.

Year.	No. of banks.	Subscribed capital. Rs.	Paid up capit. Rs.
1917	6	1,74,865	1,44,418
1918	5	1,75,628	1,55,396
1919	8	6,43,197	2,83,848
1920	35	31,75,230	11,70,097
1921	43	39,49,593	14,77,629
1922	41	41,85,199	17,41,783
1923	38	40,85,309	16,84,024
1924	36	40,51,519	17,37,561
1925	36	41,36,822	17,92,245
1926	44	44,62,166	19,34,025

The above figures bear ample testimony to the existence of remarkable private enterprise in Travancore at the time (1926) when the organization of a State-aided Bank after the model obtaining in Baroda and Mysore was decided on.

272. As to the conditions which led to the organization of State-aided Banks in those two States. Baroda, situated close to Ahmedabad and not very far from Bombay and with its large cotton crop, was early drawn into the vortex of the commerce of Western India. There an indigenous banking system suited to the conditions of the country had been firmly established for many decades while, in Travancore, the earliest indigenous Hundi firms—even these were run by foreigners—cannot count a longer existence than two or three generations. There was nothing in Travancore corresponding to the Potedari system and the Dukans nor any class of professional money-lenders like the village Sahukar or the urban Shroff. The indigenous banking system in Baroda was, however, swept away and superseded by State treasuries and for long, private enterprise to organize banking on modern lines was notably wanting and the subsisting arrangements were found insufficient for the needs of modern trade and commerce. This led to the organization of a State-aided Bank in 1908 in Baroda, and more or less similar circumstances to the starting of a State-aided Bank, five years later, in the Mysore State.

In Travancore, as the statistics given above show, there were unmistakable signs of remarkable private enterprise in banking on modern lines. As was observed by the Dewan in his address to the Assembly, quoted previously, the Government rightly recognised “the duty of the State to stabilise this

enterprise by the exercise of close and effective supervision." The appointment of an auditor to help the Registrar of Joint Stock Companies was sanctioned. But, without adequate legal powers, the Registrar was not able either to stabilise or effectively supervise the existing banks. It is not known why the significance of the existing banks as a possible nucleus for improving and remodelling the banking business in the country was lost sight of by the Government. Anyhow, the Travancore State-aided Bank has come into being and is working as any other commercial bank. Its activities so far do not disclose any substantial facilities of finance having been afforded to the country in the manner and to the extent expected of it. The evidence before us does not indicate that its presence has tended to reduce the rate of interest or produce the wholesome influence on banking by stabilising other banks or raising their standard of efficiency. The promise of the State-aided Bank using the available balances of Treasuries for productive purposes or its acting "as the bankers' bank and clearing house for the several joint stock banks" or again its ability to lend money to well-established co-operative organizations, to mention only a few among the advantages indicated in the report of the special officer, remains unfulfilled. It is an entity by itself and the ideals and relations which it was expected to stand for have yet to take shape. And if it is to fulfil the objects with which it was formed, chiefly as a bankers' bank, it must be remodelled on a different basis.

273. It has been suggested to us that the co-ordination of banks under some practical scheme would largely help to bring about a healthy development of the existing institutions. This is undoubtedly true, because the several joint stock banks in the State are now working without any mutual understanding whatever and are doing business, each for itself, with the result that, in spite of the large number of banks, the public are not properly served. It should be possible to make them more useful if a Central Bank is established and the individual banks become members of the Central Bank. The Central Bank should function mainly as a bankers' bank. It should be able to assist the member banks in times of stress and sympathetically supervise their policy.

The Central Bank may be a joint-stock concern and its funds derived from public and Government subscriptions. It is doubted whether sufficient capital for a central institution of the kind contemplated could be raised by public subscription. Perhaps not, without active Government support both in the shape of funds and guarantee of capital. As the existence of such an institution will, beyond strengthening the banks, ensure safety to the public who invest their moneys with the banks, the member banks should be compelled to invest a fixed percentage of their cash reserves with the Central

Bank. Fixed, security, and other deposits – at least a portion of these – now held by the Government can well be held by the Central Bank. It should also be in a position to hold Treasury balances. There is, again, the possibility of the Central Bank serving as the agency to audit the accounts of its member banks which will be a source of income to the institution. This will also solve the question of proper audit of the banks' accounts. Towards its working expenses, the member banks may be required to make proportionate contributions.

274. To the question whether the proposed Central Bank should be a new organization, the answer we received was almost unanimous that, in view of the Government's position in relation to the State-aided Bank, it should be advisable to reconstitute that institution as the Central Bank. We have already pointed out that the possibility of the bank serving as a bankers' bank was held out as an advantage to be expected from its establishment. We have also seen how, as at present constituted, it cannot really serve that purpose. The adoption of the course suggested would, therefore, necessitate a certain amount of "decommercialisation" of the institution. But the extent to which it can be shorn of its commercial business, consistently with the interests of the shareholders, can be ascertained only by a much closer study of its position than we were able to give and with expert advice. We are therefore in a position only to endorse the public demand for a Central Bank in Travancore and recommend the desirability of converting the State-aided Bank into the proposed Central Bank.

275. The suggestions that we have made for the organization and control of the local joint stock banks will require either the amendment of the existing Companies Regulation in so far as it relates to companies formed for banking business or the promulgation of a separate Banking Regulation. We would recommend the adoption of the latter course.

276. Another question of importance is the position of Travancore banks in relation to the general banking organization in India. As an integral part of the Indian Empire, both politically and economically, it will be necessary for the country to establish and maintain close contact with the rest of India. If, as is found suggested, a Central Reserve Bank is to be organized for India, the Central Bank in Travancore, which we hope to see established, may be a member or branch of the Central Reserve Bank. It is not possible now to determine what exactly its relation to the Reserve Bank should be and hence also its constitution. We are, however, of the view that a federal system would be best suited as that will enable each country to develop along its own lines and at the same time facilitate the successful knitting of the banks in the Provinces and the States.

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275. The suggestions that we have made for the organization and control of the local joint stock banks will require either the amendment of the existing Companies Regulation in so far as it relates to companies formed for banking business or the promulgation of a separate Banking Regulation. We would recommend the adoption of the latter course.

276. Another question of importance is the position of Travancore banks in relation to the general banking organization in India. As an integral part of the Indian Empire, both politically and economically, it will be necessary for the country to establish and maintain close contact with the rest of India. If, as is found suggested, a Central Reserve Bank is to be organized for India, the Central Bank in Travancore, which we hope to see established, may be a member or branch of the Central Reserve Bank. It is not possible now to determine what exactly its relation to the Reserve Bank should be and hence also its constitution. We are, however, of the view that a federal system would be best suited as that will enable each country to develop along its own lines and at the same time facilitate the successful knitting of the banks in the Provinces and the States.

277. In the course of the chapter, we took occasion to mention the lack of banking knowledge on the part of a large number of bank managers as well as of the Directors. Perhaps the business of many of them does not require anything more than an elementary knowledge in accountancy. But the continuance of the position is a serious obstacle to the development of sound banking. The State-aided Bank is providing some facilities for the training of young men in banking work. The existence of a large number of banks in the country demands, and they are capable of absorbing, a very much larger number of trained hands than the State-aided Bank can train. But it was pointed out to us that trained hands are not always preferred because of the desire on the part of the Directors to provide employment to some one of their relations who may possess no qualification whatever. It was therefore suggested that the law should also provide for the minimum qualification of at least managers of banks. As Mr. G. F. Shirras in his *Indian Finance and Banking* points out, trained officers to Indian banking are as important as trained teachers to Indian education and we should think that it is necessary to make suitable arrangements for the banks employing men having adequate knowledge in theory and practice of banking. It may not be that, in the existing state of the country, there is any large scope for the employment of men who have had training in European countries ; but with the growth of banking, there will arise a demand for such trained hands. With the development of the banking system and the establishment of a Central Bank, certain standards will be expected of banks seeking membership and the question of banking education and the training of bank employees will be looked into by the Central Bank. In the meantime, we recommend to the Government that adequate facilities be provided in the Commercial School at Alleppey for a more advanced course of studies in banking. We would also suggest that the authorities consider the advantages of removing the institution to Trivandrum as also the feasibility of starting the Government Diploma in Accountancy as a part-time course of instruction in Trivandrum.

278. From the account we have given of the banks in Travancore, it will be clear that they have no common platform for the discussion of problems in which they are vitally interested. Their mutual relations are often marked by jealousy and disunion. The Lahore Committee which went into the question of the failures of 1913-15 points out that "there has been no association of bankers to look after the general policy of banking development as a whole nor to instruct the banks in the proper path." Every advanced country has such associations which have been found to be of immense

advantage in bringing about a healthy spirit of union and high standard of efficiency among the members of the community. This is a matter in which the bankers themselves should take the initiative ; but the Registrar could informally organize the banks for such purposes and also assist them for the starting of a banking journal which will be an effective medium for the education of the bankers and the public. We think it highly necessary to call into existence a Bankers' Association with a magazine of its own, assisted, if necessary, by the Government.

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## CHAPTER XV.

### INVESTMENT HABIT AND ATTRACTION OF CAPITAL.

279. Any well-balanced system of banking can be complete only with adequate development of investments, for these supply the sources for credit. The relation between the two is a natural and necessary one.

*Scope of the Chapter.*

This chapter will, therefore, be given to a consideration of the savings of the people, the existing facilities for investments and an examination of any improvements needed in the present conditions.

280. If investments should be made, there should necessarily be savings or, in other words, surplus of income over expenditure.

*Margin of Savings necessary for Investments.*

Even if there be surplus, unless there is a general habit or will on the part of the community to save, the surpluses would not be invested. The habit would be normally encouraged and developed if there are safe,

sound and convenient institutions commanding a sense of security. In the limited time at our disposal, it was not found possible to collect statistics for a trustworthy or accurate estimate of the average income and expenditure for the different classes of the population. The figures obtained from a limited number of family budgets in the course of the intensive survey of certain villages may enable us to make some broad surmises. As to the capacity of the average villager to save, the invariable answer from the witnesses was that not only he does not have a clear margin of income over expenditure but that he has only a growing volume of debt from year to year. Though somewhat exaggerated, this is the general feeling and the estimate of indebtedness made in an earlier chapter seems to lend support to this feeling. Besides the failure of crops through adverse weather conditions, his unprofitable borrowings at high rates of interest, unbusinesslike methods of marketing and his occasional indulgence in unproductive expenditure on social events tend to reduce his margin of savings next to nothing. If these can be mended and the peasant be induced to improve his output, he may anticipate a growing margin of savings which he may learn to invest to his advantage.

The income tax revenue will serve, to some extent, to gauge the extent of savings of the population with higher and steadier incomes, especially of the urban population engaged in trade, industry and miscellaneous occupations and salaried employees. In 1104 (1928-29), the revenue was Rs. 7.31 lakhs of which Rs. 4.02 lakhs was contributed by 2,598 individuals and Rs. 3.28 lakhs by 105 companies and 2 firms. Classified differently, Rs. 56,635 came from salaries paid by Government, Rs. 97,689 from

salaries paid by companies and other public bodies and associations, and Rs. 1,565 from salaries paid by local authorities. The tax on income derived from business accounted for Rs. 4·6 lakhs and from professional earnings for Rs. 17,411. The income derived from the assessment of house property was Rs. 8,022 and from interest on securities Rs. 2,564. Income from other sources amounted to Rs. 59,354. Salaries and professional earnings are very low and the income from business, if the bigger manufacturing and trading concerns are excluded, will be inconsiderable.

As for the general saving habit and the will to save, the Marumakkathayam law of inheritance had a very deleterious influence on the members of the communities governed by the law. The junior members of the *tarwad* had no control over the management but a right to be maintained from the income and had consequently little incentive to earn independently. With the change in the law enabling the division of family property among its members and the economic independence of the members resulting from it, the economics of the communities are undergoing a change, but it is too early to note the effects. It may be said, generally, that all the communities are thrifty and have shown a desire to save. The growth of chitties is, to some extent, a proof of this desire and how it found satisfaction in an indigenous arrangement in the absence of a better. As we have mentioned elsewhere, the social conditions and habits of the people of Travancore do not encourage the hoarding of wealth in the shape of ornaments or in lavish expenditure on marriages or other ceremonies ; but in the case of Syrian Christians and Tamilians, statistics indicate a tendency towards indulgence in both the directions.

281. Land is looked upon as the safest investment even though it does not always give the best return in reasonable proportion

*Nature of Investments.* to the safety. The statistics collected at the intensive survey give the following averages in respect of the wealth of the villagers :—

<i>Nature of Investment.</i>	<i>Value—Percentage to total.</i>
Land	... 67·3
Houses	... 8·0
Livestock	... 1·0
Utensils	... 1·1
Gold ornaments, etc.	... 3·1
Chitties	... 13·0
In Banks	... 1·2
Money-lending	... 5·3

These figures sufficiently indicate the preponderance of rural investments on land and in chitties and money-lending and the negligibly small proportion in banks. It is not perhaps reasonable to expect agriculturists to invest their surpluses except on land. But, as a matter of fact, it is not only the rural population that seeks such investment, but also officers, vakils and other professional men; and it is somewhat strange that even the surpluses in trade are, after a time, often found tied up in real estates.

*Institutions for Investment.* 282. The following are the institutions which afford facilities to the public for investment :—

1. The Anchal Savings Banks.
2. The Postal Savings Banks.
3. The Postal Cash Certificates.
4. Treasury Savings Banks.
5. Co-operative Banks.
6. Joint Stock Banks.
7. Chitties.
8. Government Pro-notes, etc.
9. Life Insurance.

283. The Anchal is the State Post. There are in the State 287 Anchal Offices of which 101 do Savings Bank work. The following statement gives the number of offices, live accounts, deposits, withdrawals, etc., during the last five years :—

*The Anchal Savings Banks.*

*Statement showing the transactions in Anchal Savings Banks.*

Year.	No. of Offices.	No. of Accounts.	Opening Balance Rs. (in lakhs)	Deposits Rs. (in lakhs)	Interest Rs. (in lakhs)	Withdrawals Rs. (in lakhs)	Dead Accounts Rs. (in lakhs)
1100	79	25,906	12·98	25·66	·44	24·74	..
1101	82	29,282	14·34	32·56	·61	29·63	..
1102	85	35,829	17·89	31·62	·64	32·12	·17
1103	96	38,682	18·21	35·82	·72	33·21	·25
1104	101	44,271	21·53	35·51	·64	35·56	·24

The figures given include only the ordinary accounts. There are besides 'security' and 'public' deposits which, however, form only a small bulk of the total transaction. The interest which the Government allow on these deposits is 3 cash per mensem on every two rupees which works out at 4·02 per cent per annum.

The Anchal Savings Bank is resorted to by all classes of people,

The following statement gives the class of investors with the number and amount of the accounts opened last year (1928-29):—

Class of Investors.	No. of Accounts.	Amount. Rs.
Agricultural classes (Landholders) ...	1,380	2,05,583
Small industrialists ...	273	25,452
Artisans ...	588	58,150
Traders ...	867	1,15,323
Government servants ...	2,110	1,89,566
Other service holders ...	1,205	93,705
Day labourers ...	207	9,015
Others ...	860	97,172

284. In regard to the Postal Savings Banks, the *Postal Savings Banks.* following figures have been furnished to us:—

No. of effective accounts on the 1st April 1930	...	6,073
Total deposits during 1929	...	Rs. 4,50,927
Total withdrawals	...	Rs. 4,77,062
Total balance at credit	...	Rs. 4,65,224

The proportion of the different classes of investors has been estimated as follows:—

Government servants and other service holders	...	80 per cent.
Traders, contractors and business men	...	5 per cent.
Agriculturists	... ..	15 per cent.

The rate of interest which the Postal Department allows on deposits is 3 per cent per annum.

285. It cannot be said that the Postal Cash Certificates have become popular. The number sold in the *Postal Cash Certificates.* State during 1929 was 385 to a total value of Rs. 51,400.

286. The Travancore State Treasuries, 31 in number, do Savings Bank work, mostly for the purpose of 'security' and 'public' *Government Treasuries.* accounts. They do also the ordinary Savings Bank business and hold fixed deposits. The accounts of the transactions for the last five years (1100-1104) are given in the following statement:—

*Statement showing the transactions in Treasury Savings Banks.*

Year.	No. of offices.	Ordinary deposits at the end of the year.		Fixed deposits at the end of the year.		Public deposits at the end of the year.		Security deposits at the end of the year.		Total deposits at the end of the year.	
		No.	Rs.	No.	Rs.	No.	Rs.	No.	Rs.	No.	Rs.
1100	31	1,008	1,64,295	50	10,63,495	45	96,958	9,635	15,58,546	10,738	28,83,294
1101	31	1,088	1,99,437	60	14,04,620	56	94,905	10,669	16,15,478	11,873	33,14,439
1102	31	1,194	1,79,000	68	18,07,000	54	1,66,000	9,781	16,58,000	11,097	38,10,000
1103	31	1,642	2,04,000	77	22,82,000	57	1,19,000	10,478	18,38,000	12,254	44,43,000
1104	31	1,734	1,62,000	84	26,76,000	59	82,000	9,502	19,55,000	11,379	48,75,000



287. We have described in sufficient detail the part played by the co-operative societies in promoting habits of thrift and the extent to which they have been able to secure deposits. It does not appear necessary to add anything more here. We may, however, state that some societies conduct chitties also to attract capital and stimulate investment ; and the rule regarding registration of chitties under the Chitties Regulation do not bind them. There is also provision in the by-laws of all societies to open savings bank account. This advantage has not been availed of by the members to any appreciable extent.

*Co-operative Banks.*

288. Most of the joint stock banks and the Imperial Bank do savings bank business. We are told that the Savings Bank work they do is comparatively very small. The local joint stock banks have been trying to attract deposits by the local influence exerted by their directors, the high rates of interest and the chitties which they conduct. If better organized, they could attract more deposits. The amount of the deposits with the local banks and the Imperial Bank together as their accounts stood when their accounts were closed last year in some cases or when they furnished the information to the Committee was Rs. 1.47 crores including Government accounts.

*Joint Stock Banks.*

289. The chitties perhaps play a more important role in the matter of investment of the people's savings. We have seen that there are chitties with money capital and chitties with paddy capital, besides small chitties which offer cloth, silver vessels and gold ornaments as prize. We have also seen that the number of chitties conducted at the close of 1104 was 9,931 and the total capital thereon was Rs. 2.36 crores. Including chitties with capital below Rs. 100, which have not to be registered and of which we have no information, the total annual investment in chitties may be roughly estimated at about Rs. 2.5 crores. If this represents the actual savings, it would indeed be a matter for congratulation. But it is a well-known fact that cases of subscribers borrowing to pay up their instalments are very common.

*Chitties.*

290. The Travancore Government floated a debenture loan in 1091 (1916) in connection with the Quilon-Trivandrum Railway. These bonds now go by the name of 'Travancore Government Promissory Notes of the 5 per cent Loan of 1091.' They are now very popular ; but the notes are not available to any considerable extent.

*Travancore Government Pro-notes.*

291. We have not been able to ascertain the extent to which the people in Travancore have availed themselves of the Government of India war bonds, promissory notes, etc.

292. Quite a good number of insurance companies, all of foreign incorporation, are working in Travancore. It is believed that they are doing good business in life insurance with the urban middle class population. We sought the assistance of these companies to give us an approximate idea of the volume of their business; but only very few gave us the required information, the others declining to give it for one reason or another. The State also runs an Insurance Department for the benefit of the Government servants alone. There is a strong demand from the discerning public for its extension to the public at large. In view of the fact that a large part of the savings of the middle class is being exploited by foreign companies, it is urged that the Government should take powers to control the working of foreign concerns in the State. In the interests of the public, it is necessary that safeguards should be provided for their savings being made available for the benefit of the people. We would recommend that the State Insurance branch is suitably organized and the benefit the institution affords extended to the public. The retention in the State itself of the large amount of money believed to be drained from the country is an inestimable advantage which the State as a whole stands to gain by making adequate provision for their investment.

293. The survey of the existing institutions for investment may lead one to infer that the facilities which they afford are ample if there exist the capacity and the will which are the essential pre-requisites for saving. No doubt, it is true to a very large extent. But even where people are able to save, they look for investment in real estate instead of in banks. This is truly the result of defective organization which has also engendered a feeling of general disbelief in banking institutions and a corresponding faith in the superior virtues of property in land. This has necessarily kept back a large portion of the people's savings from the banks and has also resulted in the dearth of capital for industrial development. We have suggested the means for the strengthening and development of co-operative and joint stock banking and it is unnecessary to recapitulate them here.

294. The Anchal Savings Banks, through Government management, have been able to inspire very high confidence and attract deposits. But people do not seem to be satisfied with the rate of interest allowed and it was suggested to us that the rate should be enhanced in view of the prevailing higher rates.

This is the result of a desire to have the best security in combination with high profits which cannot reasonably be expected. Further, any enhancement in the rate of interest will be an undue competition with private enterprise about which there is already a complaint. To those who care for the best security and normal profits, the Anchal Savings Bank offers the most satisfactory agency for investment. The increasing balances prove this. It is necessary, therefore, to extend the usefulness of the institution by introducing savings bank accounts in all Anchal offices which do money order business. As it is, we have 287 offices which transact money order business, but in only 101 has savings bank accounts been introduced. The Anchal Superintendent told us that, wherever there is a demand, his Department has been ready to introduce it. In consideration of the backwardness of the people in the matter of banking, the Department ought to take the initiative, and we recommend that savings accounts be introduced in the remaining Anchal offices also.

295. The deposits in the Anchal and the Treasury Savings Banks have grown as an independent system without any correlation with the general scheme of banking. Investments in banks become available to the people in the shape of credit by the free flow of funds to the points where they are in demand. As the Government do not take any direct part in the banking in the country, the balances in the Anchal offices and treasury savings accounts are in effect so much capital withdrawn from use by the public. In certain foreign countries, *e.g.*, France, such deposits are placed at the disposal of the Ministry of Agriculture or other department to be issued as loans to agricultural and co-operative organizations. The statement given *supra* shows that the closing balance has been increasing from Rs. 13 to Rs. 22 lakhs under Anchal and from Rs. 28·8 to Rs. 48·8 lakhs under Treasury Savings Accounts. These surpluses represent the savings of the public to the use of which they are entitled. The loans issued by the Government under the Land Improvement and Agricultural Loans Regulation in 1104 barely reach Rs. 1·5 lakhs and those issued under the Industrial Loans Rules amount to a little over Rs. 7,000. These savings being suited for long-term loans, we recommend that a sympathetic consideration be given to the question of the possibility of utilizing the funds directly to the benefit of agriculture and industries.

296. The Anchal and Treasury Savings Banks having won the confidence of the public, we would also recommend that the Government consider the feasibility of enlarging the means of attracting savings by introducing Cash Certificates on the model of the Postal Cash Certificates.

297. The security deposits now in the Treasury Savings Banks may be allowed to be lodged in the Central Co-operative Bank *Security Deposits.* as is done in the Madras Presidency and the States of Mysore and Cochin. This arrangement would be beneficial to the depositor and the Bank, to the former by yielding him a higher return and to the latter by affording fairly long-term resource.

298. There is a volume of public opinion that the wealth and receipts of the religious institutions in the land may be put to productive use. It is for the authorities concerned to consider whether the funds at their disposal may not be profitably utilized for productive purposes in the country. *Utilization of the surpluses of Religious Institutions.*

299. In the previous paragraphs we referred to the balances of Savings Bank deposits and the receipts of religious institutions. *Investment of Government Surpluses.* The surplus investments of the Government exceed Rs. 2 crores and it is expected that a good portion of it will be utilized for the railway and other capital works. Nevertheless, it should be possible to liberate a reasonable portion of the surpluses for employment in the country for reproductive purposes. The Chamberlain Finance and Currency Commission in 1913-14 went into the question of treasury balances of the Government of India and found that they were too high. Since the institution of the Imperial Bank of India, the treasury balances have been transferred to them and they have thus become available for the development of the resources of the country. Some of the witnesses who advocated the establishment of Land Mortgage and Industrial Banks pleaded that the surpluses of the Government should be utilized to finance them. We would recommend that the Government arrange to invest a portion of the surpluses in the State itself.

300. This leads us to a consideration of the facilities for the investment of large funds. As it is there is none. It has been suggested to us that the Travancore Government should, *Facilities for large Investments.* whenever there is an undertaking like the extension of the railway, raise money from the public by means of debentures or promissory notes. There is good deal of force in the view. Apart from affording facilities for the safe investment of large amounts, the floatation of debentures will be of great advantage in developing the banking and commercial business of the country. Such instruments will form the basis for supporting credit in the dearth of which land is the only available security which no commercial bank can accept except as a collateral. The availability of Government paper will, therefore, be of immense advantage to the commercial interests. This will also react on the price of land which

will be a boon to the cultivating ryots. We are, therefore, of the view that the Government should float debentures or issue promissory notes for meeting the expenditure on public works involving large outlay and encourage municipalities to do likewise instead of allowing them to hang on the Government's apron strings.

The creation of Government paper will also enable the foreign companies operating in Travancore to invest at least a portion of their profits in the country itself if the conditions are satisfactory. In the presence of such facilities, the Government would also be justified in compelling, by means of legislative enactment, foreign insurance companies and banks so to invest to the advantage of the agricultural and industrial interests of the State. It is a well-recognised fact that Insurance Companies are, to a pre-eminent degree, in a position to supply funds for long-term credit; and when a scheme for the organization of Land Mortgage Bank or Industrial Bank is worked out, we may reasonably expect the Insurance Companies to furnish a portion of the necessary capital. As the conservation of the financial resources of the country for the benefit of its people is of the utmost importance, Government should give special consideration to the problem and stop the drain which is believed to exist by bringing into play economic forces which will naturally have the desired effect or by taking power under legislative enactment as has been done by certain Governments.

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## CHAPTER XVI.

### CONCLUSION.

301. The main object of our enquiry is the regulation of banking with a view to ensure the protection of the public interests and the development of banking by the expansion of the indigenous, co-operative and joint stock banking with special reference to the needs of agriculture, commerce and industry. Our enquiry into the economic condition and the credit facilities of the agriculturists was rendered specially complicated by the peculiarities presented by the social conditions prevailing in the State. Among these may be mentioned the laws of inheritance under which three important agricultural communities have been living till very recently, the fundamental changes effected of late by more than one piece of social legislation, and their far-reaching consequences on the economic condition of the communities affected thereby. The condition of our joint stock banks and the chitty, an institution peculiar to Malabar, and more especially to Travancore, similarly engaged our special attention. These matters have been enquired into in such detail as was possible within our sphere and the limited period at our disposal. Credit facilities for small industries and the growth of the investment habit also necessarily engaged our attention.

Measures for raising the economic condition, the productive strength and the standard of living of the mass of the population must perforce be taken if improvements in the credit system should prove effective. The problems must be treated as a whole and the relative dependance of one on another must be adequately appreciated. In organizing and developing the banking system of a country, which concerns various sections of the population, the success of any measure would to a very large extent be possible only with the sympathetic support and intelligent interest on the part of the enlightened-public.

302. We give below a summary of our main conclusions and recommendations :—

#### CHAPTER I.

1. The need for a permanent Bureau of Statistics working on up-to-date lines is insistent and it has to be organized early. (Paragraph 6.)

#### CHAPTER II.

Mainly descriptive.

2. A well considered plan of rural reconstruction is necessary with due co-ordination of the activities of the development departments. (Paragraph 27.)

*CHAPTER III.*

Descriptive.

*CHAPTER IV.*

3. The total volume of rural debt is estimated at about Rs. 25 crores. (Paragraph 57.)
4. Any suggestion to improve the position of the agriculturists should be based on providing adequate facilities for both long and short term credit and an all round improvement in the methods of cultivation so as to enable the land-holder to obtain the maximum yield from his land. (Paragraph 69.)

Other suggestions are :—

- i. Suitable adoption of the recommendations of the Royal Commission on Agriculture in India. (Paragraph 69.)
- ii. We should have fuller statistics of the condition of the agriculturists and the Intensive Survey conducted by this Committee should be continued by a special staff of investigators. (Paragraph 69.)
- iii. Intensive propaganda followed by free demonstrations on the ryot's land. (Paragraph 69.)
- iv. The suggestion of the Unemployment Enquiry Committee in Travancore for the gradual conversion of the English and Vernacular Middle Schools in predominantly rural areas into 'Agricultural Bias' schools on the Punjab model is fully endorsed. (Paragraph 69.)
- v. About 12 of the Vernacular Schools in agricultural centres may be converted into agricultural schools. (Paragraph 69.)

*CHAPTER V.*

5. The facilities for short-term credit afforded by the Land Improvement and Agricultural Loans Regulation are not availed of. It is recommended that wide publicity should be given to them and measures adopted to make the Regulation popular. Sufficient funds should also be provided. (Paragraph 73.)
6. The officers responsible for the granting of agricultural loans should administer the rules sympathetically and discreetly. (Paragraph 73.)
7. A portion of the grant for agricultural loans may be placed at the disposal of the co-operative societies at such rate of interest as would enable them to lend at the same rate at which Government advance to individuals. (Paragraph 73.)

8. The starting of agricultural banks for providing short-term credit is not recommended. (Paragraph 74.)
9. The issue on credit to agriculturists of seeds, improved implements and manures, etc., is recommended. The work should be placed under a special Assistant to the Director of Agriculture. (Paragraph 75.)
10. The expansion of the co-operative credit movement is recommended. (Paragraph 76.)
11. The rural societies should be stimulated into better activity and furnished with funds to the extent required and, for this purpose, the Central Co-operative Bank should receive substantial State aid. (Paragraph 76.)

#### *CHAPTER VI.*

12. An early enquiry into the recurring damages caused by floods or inflow of brackish water in certain areas has to be made. (Paragraph 78.)
13. The provisions in the Irrigation Regulation, III of 1072 (1897), so far as they relate to cultivation in Kuttanad, are not satisfactorily worked. The appointment of a special officer for settling disputes then and there is recommended. (Paragraph 80.)
14. The complaint that the rates of commutation into money, of Kandukrishi Pattom, work great hardship at the present low price of grain is a fit case for enquiry. (Paragraph 81.)
15. Works like terracing of the hill-slopes and the construction of bunds to prevent erosion of soil require long-term credit. (Paragraph 82.)
16. The working of the Land Improvement and Agricultural Loans Regulation with regard to loans for land improvements is also defective. The appointment of local non-official committees to assist the Land Revenue authorities in disposing of applications for loans may be tried experimentally in certain taluks. (Paragraph 88.)
17. Though the rules under the Regulation provide a maximum period of twenty years for loans and 2 1/2 years for starting recoveries, there is a complaint that the periods allowed are too short and that recoveries are effected from the next year after the grant of the loan. The provisions should be given effect to in practice. (Paragraph 89.)
18. The State help to the agriculturists under the Regulation can possibly be only limited. Real effort might, however, well be made to make greater use of the Regulation by local officers taking the initiative. (Paragraph 89.)



19. Chitties play some part in affording long-term credit for land improvement purposes but are more largely availed of to clear prior debts. (Paragraph 90.)
20. There are no suitable agencies for affording long-term credit. A well-organized system of land mortgage bank alone can satisfy the need for long-term credit. (Paragraph 91.)

#### CHAPTER VII.

21. A regular survey of markets and marketing should be undertaken at the earliest opportunity. (Paragraph 94.)
22. A Commercial Department under an officer with sufficient knowledge and experience should be started for organizing the trade of the country and agents appointed in important foreign markets with which Travancore has dealings. (Paragraph 104.)
23. The Commercial Department can also be charged with the collection of accurate statistical information regarding trade. (Paragraph 104.)
24. Development of road communication should be based on a co-ordinated plan of railway extension. (Paragraph 106.)
25. In spite of the existence of four ports, the exports from Travancore are largely through Cochin. The causes have to be investigated. (Paragraph 108.)
26. The question of connecting the mainland with Alleppey by a road should be settled early. (Paragraph 108.)
27. A thorough enquiry with a view to standardize the weights and measures has to be instituted. (Paragraph 110.)
28. A satisfactory solution to the problem of loss caused to the cultivator through middlemen can come through improvement of markets and communications. (Paragraph 112.)
29. Co-operative societies should undertake marketing wherever facilities exist. Active and liberal State aid is necessary. (Paragraph 113.)
30. The control of local markets may be assigned to the Commercial Department recommended *supra*. (Paragraph 114.)
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. (Paragraph 116.)
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. (Paragraph 124.)

33. The complaint against the State-aided Bank of Travancore that it is not beneficial to the trading community to the desired extent should be remedied. (Paragraph 124.)
34. It would be useful to tie small traders if the co-operative credit societies in the mofussil grant cash credit. (Paragraph 125.)
35. The Public Works and the Maramath Departments may arrange to make prompt part and final payments to contractors and thus help them and through them the artisans. (Paragraph 126.)
36. Full development of co-operative organization is the best hope for affording credit facilities to service holders and miscellaneous occupations in urban centres. (Paragraph 126.)

### *CHAPTER VIII.*

37. Local industrial enterprise is handicapped chiefly by lack of funds and experience and want of marketing convenience. (Paragraph 129.)
38. An immediate enquiry has to be made into the present state of industries with a view to assist those that have been affected by the present depression (Paragraph 131.)
39. As a step preliminary to the starting of Industrial Banks, it is necessary to have an expert enquiry. (Paragraph 134.)
40. State-aid is recommended for the expansion of business of some organized industries. (Paragraph 135.)
41. For current needs of industries, the plan suggested by the Indian Industrial Commission may be adopted by the Government. (Paragraph 135.)
42. The establishment of licensed warehouses would minimise the demand for cash credit and be of great use to industries as well. (Paragraph 136.)
43. Provision of facilities for foreign exchange at Alleppey should be made. (Paragraph 137.)
44. In the interests of cocoanut oil industry, a revision of the tariff value or the export duty on cocoanut oil is recommended. (Paragraph 139.)
45. The complaints regarding the size of the waggons in the South Indian Railway should be looked into. (Paragraph 140.)
46. The construction of a pier at Quilon port is suggested. (Paragraph 140.)
47. An enquiry into the possibility of providing long-term loans to rubber planters is recommended. (Paragraph 141.)

48. An expert enquiry should be conducted to ascertain the possibility of starting a rubber crepe-sole and soling factory. (Paragraph 141.)
49. The motor transport business as an industry requires organization.
  - i. The number of buses on particular routes may be restricted.
  - ii. A Board of Control should be organized. (Paragraphs 142 and 143.)
50. The condition of our small-scale and cottage industries should be enquired into. (Paragraph 144.)

#### *CHAPTER IX.*

51. It is desirable to bring about a uniformity in Hundi forms on the lines adopted in British India. (Paragraph 152.)
52. That the commercial community may take advantage of cheques, vernacular script should be used. (Paragraph 154.)
53. It is desirable to invest the Railway Receipt with the status of a Bill of Lading. (Paragraph 155.)
54. Bills payable within one year should be classed separately from bills of more than one year's usance and the duty on the former fixed at a flat rate of one anna irrespective of the amount and the period of usance. (Paragraph 156.)
55. Insurance system should be introduced in all Anchal offices which do money order work. (Paragraph 158.)
56. The system of remittance through treasuries should be simplified and popularised. (Paragraph 160.)
57. The Travancore Negotiable Instruments Regulation requires amendment. (Paragraph 161.)

#### *CHAPTER X.*

58. Further reduction in the rate of interest on deposits offered by the Central Co-operative Bank should be made with caution. (Paragraph 173.)
59. Loanable capital in the Central Co-operative Bank should be classified into short, medium, and long-term, corresponding to the purposes for which loans are required and the issue of loans adjusted accordingly. (Paragraph 174.)
60. The Central Co-operative Bank should extend additional facilities and encourage societies to take short-term loans for cultivation purposes. (Paragraph 174.)
61. Agricultural societies should be induced to make the advance of short-term loans for cultivation purposes their main business. (Paragraph 174.)

62. Patient and persistent education of the members of primary societies in the principles and meaning of co-operation is necessary to remove defects. (Paragraph 177.)
63. The Land Revenue Commissioner may be directed to enquire into the delays in the execution of awards obtained under Rule 17 of the rules under the Co-operative Regulation. (Paragraph 178.)
64. To avoid delays in members of primary societies obtaining loans, the system now in force should be revised and a system of cash credits to societies gradually introduced. (Paragraph 179.)
65. The Central Co-operative Bank should consider the feasibility of reducing the rate of interest on loans to societies. (Paragraph 179.)
66. The Central Co-operative Bank should have the help of an overdraft accommodation and the Government should devote their early attention to this point. (Paragraph 180.)
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. (Paragraph 183.)
68. The constitution of the local Unions and the Institute should be re-examined with a view to provide for a provincialized staff of supervisors. This should be followed by substantial contribution from the Government. (Paragraph 183.)
69. Government should sanction the necessary staff and afford facilities for the co-operative organization of industries and marketing. (Paragraph 184.)
70. A comprehensive enquiry by a committee into the position of the co-operative movement in Travancore should be conducted without delay. (Paragraph 186.)
71. The Registrar of Co-operative Societies should have the assistance of trained officers on marketing and banking. (Paragraph 187.)
72. Pending the enquiry by a committee, Government should at least sanction an adequate staff for the audit of all societies. (Paragraph 188.)
73. The organization most suited to satisfy the demand of agriculturists for long-term credit is the Land Mortgage Bank. (Paragraph 189.)
74. The recommendations of the Royal Commission on Agriculture in India on the question of special legislation for Land Mortgage

Banks and other recommendations regarding capital and government assistance should be adopted. However, the Government should take up some portion of the share capital in the beginning and the Government as well as the outside shareholders should withdraw gradually. (Paragraph 191.)

75. The scheme for a Land Mortgage Bank recommended by the Unemployment Enquiry Committee in Travancore contains points which may be adopted. (Paragraph 192.)
76. The Central Co-operative Bank should not undertake land mortgage banking. A separate institution is recommended. (Paragraph 193.)
77. The starting of one Land Mortgage Bank at Trivandrum is recommended. Its operations should be limited to two or three taluks in the beginning. The opening of branches or starting of independent local banks may be decided later on. (Paragraph 194.)
78. Government should decide the outstanding points involved in the scheme and take early steps for inaugurating a Land Mortgage Bank. (Paragraph 195.)

#### *CHAPTER XI.*

79. An enquiry into the effects of social laws on fragmentation of holdings is desirable to decide the necessity for any legislative measure for restricting alienations. This may be done along with the forthcoming Census. (Paragraph 197.)
80. The extent of alienations by cultivating landholders to non-cultivating investors cannot be ascertained without further enquiry. (Paragraph 197.)
81. The necessity for legislative provision for the automatic redemption of mortgages recommended by the Royal Commission on Agriculture in India is not felt. (Paragraph 198.)
82. The existing law meant to regulate interest is evaded. A maximum rate of interest may be fixed and the restrictions as to the maximum amount of interest recoverable through courts removed. (Paragraph 203.)
83. The distinction between money and grain loans in the matter of rate of interest has no rational support for its continuance and should be done away with. (Paragraph 204.)
84. The establishment of special tribunals for the disposal of commercial suits and bankers' suits and the extension of the summary procedure in the Civil Procedure Code to such suits, in order to avoid delays, are suggested. (Paragraph 205.)

85. It is desirable to undertake legislation on the lines of the Bankers' Books Evidence Act in British India. (Paragraph 206.)
86. Steps should be taken to amend the existing Insolvency Regulation. (Paragraph 207.)
87. The occasion may be availed of to examine the feasibility of enacting a simple rural insolvency law as proposed by the Royal Commission on Agriculture. (Paragraph 207.)
88. The present system of Record-of-Rights is not satisfactory. (Paragraph 208.)
89. The Land Revenue Department should attend to the mutation of *pattas* more promptly. (Paragraph 208.)
90. Certificates of encumbrances issued by the Sub-Registrars are not conclusive. (Paragraph 210.)
91. The Tahsildars are not required to inform Sub-Registrars about sales of land for arrears of land revenue. (Paragraph 210.)
92. An examination should be made as to what changes could be effected in the existing system of registration that the Record-of-Rights may be perfected. (Paragraph 210.)
93. If the holder of a charge on land notifies the Tahsildar, the latter should intimate the holder before the land is brought to sale for arrears of land revenue. (Paragraph 210.)
94. "Common" forms and adhesive "share transfer" stamps as obtaining in British India should be introduced so that the transfer of shares in companies may be facilitated. (Paragraph 211.)

## CHAPTER XII.

95. In view of its position and the concessions it receives at the hands of Travancore Government, the Imperial Bank of India should give the largest measure of support to the indigenous financing institutions. (Paragraph 221.)
96. The difficulties of the Hundi merchants in regard to finance can be solved by the knitting of the financing agencies into a proper system. (Paragraph 223.)
97. Provision should be made for registration of such Hundi merchants as are willing to register themselves. Their accounts should be subject to audit by approved auditors and their balance sheets published. (Paragraph 226.)
98. There is no necessity or possibility of bringing the rural money-lenders within the scope of the banking system. (Paragraph 227.)

99. In regard to money-lenders who take in deposits, it is necessary to control their business and bring them within the banking system whether they style themselves as "banks" or "bankers" or differently. The law should provide for their registration and the audit and publication of their accounts. (Paragraph 227.)

### CHAPTER XIII.

100. Failure on the part of a foreman to register a chitty should be made penal. (Paragraph 238.)
101. It should be made obligatory on the part of a foreman to furnish security in all cases. (Paragraph 239.)
102. A committee of subscribers should value the security furnished by the foreman. The foreman should file the certificate of the committee with the Registrar before he draws his prize. (Paragraph 240.)
103. Provision should be made in the Chitties Regulation enabling the committee of subscribers to demand additional security whenever found necessary. (Paragraph 241.)
104. It should not be optional for the foreman to take security from a prized subscriber. (Paragraph 242.)
105. The foreman should be bound to deposit collections within a prescribed time if prized subscribers delay taking payment. (Paragraph 244.)
106. It should not be possible for clauses being introduced in the *variosa* which are against the provisions of the Regulation regarding the disposal of collections. (Paragraph 244.)
107. The Trivandrum Central Co-operative Bank may be added to the list of approved banks. (Paragraph 244.)
108. Non-payment or non-investment of prize amounts should not taint the chitty transaction with illegality. (Paragraph 245.)
109. The administration of the chitties should be placed under a separate officer with a suitable staff of auditors. This officer should be the full-time Registrar of Joint Stock Companies recommended in Chapter XIV. (Paragraph 246.)
110. A scale of rates for the foreman's commission may be prescribed in inverse proportion to the capital of the chitty. (Paragraph 247.)
111. Registration of chitties with capital below Rs. 100 is recommended with certain reservations. (Paragraph 248.)

112. The period prescribed in the Regulation for the filing of certain documents with the Registrar may be reduced. (Paragraph 249.)
113. The foreman should keep a Day Book also. (Paragraph 250.)
114. Transactions which partake of the nature of lotteries and chitties should be brought under control. (Paragraph 251.)

#### *CHAPTER XIV.*

115. Only those who satisfy prescribed conditions should style themselves as Bankers. Law should penalise unauthorised use of the title. (Paragraph 254.)
116. Legal provision is necessary for the building up of Reserve Funds in joint stock banks. (Paragraph 257.)
117. Provision for unlimited liability of Directors is not recommended. (Paragraph 258.)
118. In the absence of a sufficient reserve, it is necessary to provide that the reserve liability of shareholders should be equal to the paid up capital. (Paragraph 258.)
119. It is desirable that joint stock banks maintain adequate cash reserve or assets in liquid form. (Paragraph 260.)
120. A minimum paid up capital of Rs. 50,000 should be insisted on before a bank can have the Registrar's warrant to open for business. (Paragraph 262.)
121. Existing banks should comply with the provision regarding minimum paid up capital in two years' time. (Paragraph 262.)
122. Loans to Directors and bank officials may be made subject to the approval by a majority of the Board of Directors, or a maximum fixed for such loans. (Paragraph 263.)
123. Provision should be made for unsecured and partially secured loans when earnings are estimated for profits. (Paragraph 263.)
124. Independent audit by Governmental agency, over and above the statutory audit, is not recommended. (Paragraph 264.)
125. The Registrar of Joint Stock Companies should, however, be empowered to inspect books. (Paragraph 264.)
126. The administration of joint stock companies, including banks, should be placed under a full-time officer with proficiency in law, banking and commerce. (Paragraph 265.)
127. An annual report on banking on the lines of the British Indian Statistics on banking should be published. (Paragraph 266.)



128. The annual balance sheets of banks should be fuller and they should be given the widest publicity possible. (Paragraph 266.)
129. It is desirable that Directors and important bank officials who are actively in charge of the daily business of the bank do not engage themselves in any commercial, industrial or other banking business. (Paragraph 267.)
130. The conduct of chitties by joint stock banks should be restricted. (Paragraph 268.)
131. The complaint of unequal competition between the Travancore State-aided Bank and other joint stock banks should be carefully enquired into. (Paragraph 270.)
132. The State-aided Bank, to fulfil the objects with which it was organized, chiefly as a bankers' bank, should be remodelled on a different basis. (Paragraph 272.)
133. The co-ordination of joint stock banks is necessary to bring about a healthy development of the existing institutions. (Paragraph 273.)
134. A Central Bank with individual banks as members and functioning as a bankers' bank should be organized. (Paragraph 273.)
135. The State-aided Bank may, if possible, be converted into the proposed Central Bank. (Paragraph 274.)
136. Suitable legal provision to give effect to the proposals concerning the banks should be made either by the promulgation of a separate banking law or by the inclusion of the necessary provisions in the existing companies law. (Paragraph 275.)
137. Travancore being an integral part of the Indian Empire, it will be necessary for the country to establish and maintain close contact with the rest of India. (Paragraph 276.)
138. A federal system of banking would be the best suited. (Paragraph 276.)
139. With the development of the banking system and the establishment of a Central Bank, certain standards will be expected of banks seeking membership. The question of banking education and the training of bank employees can be attended to by the Central Bank. (Paragraph 277.)

140. Adequate facilities should be provided in the Commercial School at Alleppey for a more advanced course of studies in banking. (Paragraph 277.)
141. The shifting of the Commercial School from Alleppey to Trivandrum deserves consideration. (Paragraph 277.)
142. A course of part-time instruction in G. D. A. may be provided in Trivandrum. (Paragraph 277.)
143. A Bankers' Association with a magazine of its own is necessary. (Paragraph 278.)

#### *CHAPTER XV.*

144. Adequate facilities for the investment of savings in the country itself should be provided. (Paragraph 292.)
145. The State Life Insurance branch should be suitably organized and the benefit of the institution extended to the public. (Paragraph 292.)
146. Government should take power to control foreign life insurance concerns working in the State. (Paragraph 292.)
147. The usefulness of the Anchal Savings Bank should be extended by introducing savings bank accounts in all Anchal offices which do money order business. (Paragraph 294.)
148. The possibility of utilising the surpluses of the Anchal and Treasury Savings Bank deposits directly to the benefit of agriculture and industries should receive the sympathetic consideration of Government. (Paragraph 295.)
149. Cash Certificate system on the model of the British Postal Cash Certificate should be introduced. (Paragraph 296.)
150. The "security deposits" now in the Treasury Savings Banks may be allowed to be lodged in the Central Co-operative Bank. (Paragraph 297.)
151. Authorities concerned may consider the feasibility of utilizing surplus funds of religious institutions for productive purposes. (Paragraph 298.)
152. Government should arrange to invest a portion of the Government surpluses in the State itself. (Paragraph 299.)
153. The flotation of debentures to meet the expenditure on large public works is recommended. (Paragraph 300.)

303. We acknowledge with thanks the large number of replies to our questionnaire which we have been favoured with. These *Acknowledgments*. together with the volume of recorded oral evidence testify to the keen interest which the public took in the subject matter of our enquiry. The various departments of Government furnished us important statistics and information which have appreciably assisted us in our work. The managers and directors of joint stock banks as also of some leading business firms have not only helped us with valuable materials, but some of them also afforded us opportunities for personal discussion on some of the most vital points of our enquiry. Our acknowledgments are due to them for their courtesy and willing co-operation.

The Investigators who were engaged in the collection of statistical information on rural, industrial and trade conditions performed their task intelligently and expeditiously. We wish to record our cordial appreciation of the services of the Secretary and the staff who always discharged their work promptly and satisfactorily. The consolidation and classification of the large and diverse mass of material collected during the enquiry involved heavy strain on the Secretary and the staff. The difficulties and inconveniences incidental to a touring Committee made their task more arduous. We express our thanks to them. Our special acknowledgments are due to Mr. R. Krishna Aiyar, B. A., B. L., Secretary, for the very substantial and valuable assistance he gave us and for the ability and zeal which he brought to bear upon the work which devolved on him.

R. VAIDYALINGOM PILLAI.

I. C. CHACKO.

R. NILACANTA PILLAI.

C. P. MATTHEN.

H. SMITH.

K. C. KARUNAKARAN.

S. KRISHNA AIYAR.

S. GANAPATHI PILLAI.

S. PIRAVIPERUMAL PILLAI.

APPENDICES.

## APPENDIX I.

### PROCEEDINGS OF THE GOVERNMENT OF HER HIGHNESS THE MAHA RANI REGENT, TRAVANCORE.

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Read:—

1. Letter No. A 594/29, dated 29th May 1929, from the Agent to the Governor-General, Madras States.
2. Letter No. Fl. 662, dated 10th June 1929, to the President, Economic Development Board.
3. Letter No. 201/19/04, dated 17th July 1929, from the President, Economic Development Board.
4. Letter No. 594/29, dated 20th July 1929, from the Agent to the Governor-General, Madras States.
5. Letter No. Fl. 903, dated 22nd July 1929, to the Registrar of Joint Stock Companies in Travancore.
6. Letter No. Fl. 944, dated 29th July 1929, to the Registrar of Joint Stock Companies in Travancore.
7. Letter No. 924/29, dated 7th August 1929, from the Agent to the Governor-General, Madras States.
8. Letter No. 594/29, dated 13th August 1929, from the Agent to the Governor-General, Madras States.
9. Letter No. Fl. 1104, dated 19th August 1929, to the Registrar of Joint Stock Companies in Travancore.
10. Letter No. 924/24, dated 21st August 1929, from the Agent to the Governor-General, Madras States.
11. Docket No. Fl. 1122, dated 22nd August 1929, to the Registrar of Joint Stock Companies in Travancore.
12. Docket No. Fl. 1179/183 of 29, dated 22nd August 1929, to the Registrar of Joint Stock Companies in Travancore.
13. Letter No. 1512, dated 2nd September 1929, from the Registrar of Joint Stock Companies in Travancore.
14. Letter No. Fl. 1253/183 of 29, dated 6th September 1929, to the Registrar of Co-operative Societies in Travancore.
15. Letter No. 1182, dated 28th September 1929, from the Registrar of Co-operative Societies in Travancore.
16. Letter No. 924/29, dated 5th October 1929, from the Agent to the Governor-General, Madras States.
17. Letter No. 924/29, dated 5th November 1929, from the Agent to the Governor-General, Madras States.

The correspondence read above deals with the question of enquiry into the existing conditions of banking in India. In British India, a Central Committee and Provincial Committees have been appointed to conduct the enquiry and make recommendations to the Government in regard to the expansion of both indigenous and joint stock banking with special reference to the needs of agriculture, commerce and industry. It was suggested to the Government of India that a committee representing such Indian States as may wish to be associated with the banking enquiry might be appointed to confer with the Central Committee. The Government of India however consider it preferable that such States should first take steps to prepare an accurate account of the banking conditions in their territories and of the defects, if any, which require to be remedied and that this could best be arranged for by the States themselves appointing committees of their own on the lines of the Provincial Committees in British India.

2. The Economic Development Board and the Registrars of Joint Stock Companies and Co-operative Societies who were consulted in the matter have recommended the constitution of a Banking Enquiry Committee for Travancore also.

ORDER THEREON No. Fl. 1735, DATED TRIVANDRUM  
THE 9TH DECEMBER 1929.

Government consider it desirable to conduct an enquiry into the conditions of banking in the State and to appoint a committee for the purpose.

2. A Banking Enquiry Committee for Travancore will accordingly be constituted with the following personnel:—

- President.*— Mr. R. Vaidyalingom Pillai, B. A. & B. L.,  
Registrar of Co-operative Societies in Travancore.
- Members.*— Mr. I. C. Chacko, B. A., Director of Industries in Travancore.  
Mr. R. Nilacanta Pillai, B. A. & B. L., (Acting Chief Account Officer and Financial Secretary to Government) Manager, State-aided Bank of Travancore Ltd., Alleppey.  
Mr. C. P. Matthen, B. A. & B. L., Managing Director, the Quilon Bank Ltd., Quilon.  
Mr. S. Ganapathi Pillai, Hundi Merchant, Trivandrum.  
Mr. K. C. Karunakaran B. A., B. Com., (Member, Legislative Council) Alleppey.  
Mr. S. Piraviperumal Pillai, (Member, Legislative Council) Trivandrum.  
Mr. S. Krishna Aiyar, B. A. & B. L., High Court Vakil, Kottayam.  
Mr. H. Smith of Messrs. Aspinwall & Co., Ltd., Alleppey, (Nominated by the Travancore Chamber of Commerce).

3. There will be a Secretary on a salary not exceeding Rs. 125 per mensem who will not be a member of the Committee.
4. The main subjects of enquiry will be as indicated in the Memorandum accompanying Government of India Finance Department letter to all Provincial Governments, No. F. 2 (XII) F/29 dated, 3rd April 1929.
5. The Committee will commence work immediately and submit its report to Government on or before the 15th March 1930.
6. The President is requested to specify the staff that would be necessary and also the funds required. He will also propose a suitable person for appointment as Secretary to the Committee.

(By order)

(Sd.) S. VENKATARAMANA IYER,  
*Ag. Financial Secretary to Government*

## APPENDIX II.

## QUESTIONNAIRE.

I. *Agricultural credit and credit facilities for small industries.*

1. (i) Describe the present system by which the agriculturist in your taluk or division (Revenue) obtains finance—

- (a) towards expenses for cultivation,
- (b) for capital and permanent improvements, and
- (c) for other special needs, *e. g.*, failure of monsoon, for land revenue, *pattam*, *Jenmi michavaram*, *etc.*

(ii) What are the rates of interest charged in your locality in respect of advances, the period for which loans are taken, the nature of the security given and accepted (*e. g.*, standing crops, *etc.*) and other conditions attaching to the grant of such loans?

(iii) What in your estimate are the percentages of secured and unsecured loans for (a) agriculture and (b) other purposes, in your part of the country?

(iv) Describe the part played in agricultural finance by Government, the Imperial Bank of India, the joint stock banks, the co-operative banks and co-operative societies, the indigenous banks and bankers, professional money-lenders, merchants and dealers, and other persons or organisations giving credit (*e. g.*, companies trading in fertilizers, *etc.*).

(N. B. 'Money' includes grain, seed and other articles necessary for agricultural purposes.)

(v) Can you give an estimate of the total amount of capital required for the various purposes stated above for your taluk or division?

(vi) State defects, if any, in the present system and the reasons for the existence of such defects? Do you suggest any remedies?

(vii) Is there co-ordination among the various credit agencies including Government and is there scope for improvement in that direction?

2. (i) Describe the present methods of marketing principal crops in your locality, taluk or division, by the cultivator.

(ii) Is he unable to hold up his crop for a better price? If so, for what reasons?

(iii) What in your opinion are the possibilities of forming pools and of co-operative effort generally in marketing produce?

(iv) Are there any co-operative sale societies in your locality? How are they constituted? Are they linked to any central organisation? How are they financed at present? Do they experience any difficulty in obtaining sufficient funds. If so, what remedies do you suggest?

(v) Describe the credit facilities required for the financing of products during marketing, and the facilities actually existing?

(vi) In regard to such facilities, is there any special difference as between internal trade and foreign trade?

(vii) What is the part played by the different classes of banks and bankers and merchants and dealers in the financing of—



(a) the export trade from the village to the ports, and

(b) the import trade from these ports to the distributing centres and ultimately to the consumer?

*Explanation.*—‘Port’ includes the main centres of export or import either by land or water.

(viii) What are the terms on which the financing of trade during the above stages is done? Are any difficulties experienced in connection with the above financing and have you any suggestions to make for removing those difficulties and for improving in any way the existing financial facilities available for the movement of exportable and imported articles?

(ix) It has been suggested that the grower of produce does not get the full value for his produce on account of the speculative buying and selling activities of firms and companies who deal in the export trade and on account of the control of prices by these and other bodies. What are your views on this suggestion? Please supplement your views by any facts and figures within your knowledge. Have you any observations to make with a view to ensure a better return to the growers of produce?

(x) Have you any reason to think that the lack of banking facilities to persons engaged in the movement of the principal crops of your locality, such as cocoanut, copra, pepper, ginger, etc., is due to causes other than the borrowers’ lack of credit, *e. g.*, any position of monopoly which the buyers might enjoy, or to any other cause or causes?

(xi) What are the existing facilities available to the public, including banks and bankers, for internal remittance?

(xii) State any defects in the existing system and any suggestions for improvement.

(xiii) Describe the part played by negotiable instruments in the internal trade of the State.

(xiv) Have you any suggestions to make for the more extensive use of bills, *e. g.*, by reduction of stamp duty on bills?

(xv) What are the different classes of hundis current in this State? What are the peculiarities of each?

(xvi) Will the introduction of standardised forms on stamp paper facilitate the use of hundis?

(xvii) Have you any suggestions for the amendment of the Negotiable Instruments Regulation, II of 1075, by which the public and the bankers handling hundis might be better protected or benefited? Have you any further suggestions to make in the matter of amending the Regulation?

(xviii) Are hundis emanating from your locality discounted in your local centre or are they sent to any other centre and discounted there, or are they held by middlemen, merchants, commission agents or banks?

(xix) Are there any facilities for re-discounting hundis in your locality? If not, can you suggest means for the introduction of such facilities?

(xx) What different kinds of instruments of ownership of goods and produce (*e. g.*, railway receipts) and documents are employed for raising money during the process of marketing?

(xxi) Are any difficulties experienced in the use of these instruments and have you any suggestions to make with a view to removing those difficulties ?

(xxii) What in your opinion are the possibilities of operating licensed warehouses either on the lines of the system which exists in the United States of America or otherwise ?

(xxiii) Do you think there is any need for Government assistance in the matter ?

3. (i) In your locality what is the value of land per acre for different kinds of crops ?

(ii) What are the factors affecting such value? In your reply please distinguish between—

(a) value of land in Government auction for non-payment of revenue,

(b) value of land in the event of sale by court decree, and

(c) value of land in purchase by private negotiation.

4. (1) To what extent do the smallness and fragmentation of the agricultural holdings stand in the way of establishing long-term credit institutions ?

(2) (i) Are there any land mortgage banks or agricultural banks in the State or any other banks for the provision of long-term credit ?

(ii) State what you know of their method of work and of raising capital.

(iii) If no such institution exists in the State, suggest the lines on which such institutions could be established and worked to the advantage of the landholders and tenants of your locality.

(iv) Do you suggest any measures for—

(a) improvement in the record of rights and title of ownership so as to simplify reference, and to avoid possibility of disputes and counter-claims by parties other than those who are the clients of the bank ;

(b) foreclosure or the simplification of the process of sale by the mortgagee banks in the event of non-payment ;

(c) introduction of the system of Equitable Mortgages in the important towns and centres of trade on the lines of mortgages obtaining in Presidency towns in British India ;

(d) reduction of cost of reference to the record of rights and of registration of records and of the process at law so as to reduce the burden on the good constituents of the bank in respect of charges incurred on account of defaulters ; and

(e) registration of attachments before and after decree, and for enabling the holder of a charge or mortgage on property to notify the Tahsildar of the taluk thereby making it obligatory on the Tahsildar to issue a demand notice to such holder for payment of any dues recoverable under the Revenue Recovery Regulation on account of non-payment by the *pattadar* ?

(v) Should the working capital of the proposed land mortgage bank be derived largely from—

(a) deposits,

(b) funds from central institutions, or

(c) debenture bonds ?

(vi) Should debenture bonds carry any Government guarantee either for principal or interest or for both?

(vii) If so, what measure would you suggest to secure Government against loss?

(viii) On what terms should agricultural mortgage banks raise moneys under each of the above-mentioned heads, with or without Government guarantee, and on what terms should they lend out money so as to cover their expenses?

(ix) Do you consider that the debentures to be issued by the proposed land mortgage bank should be included in the list of trustee securities?

(x) Have you any suggestion for the co-ordination of the administration of loans under the Land Improvement and Agricultural Loans Regulation, IX of 1924, with the land mortgage bank under consideration?

(xi) Please state any other suggestion for the adequate provision of long-term credit against sound security.

5. In order to devise measures for the increase of credit facilities to the agricultural classes, it is necessary to reach an estimate as accurate as possible of the existing indebtedness of these classes.

(i) Can you give any such estimate for a village, taluk, division or the whole State?

(ii) In what manner can such an estimate be obtained with reasonable accuracy?

(iii) In such an estimate please distinguish between—

(a) the amount of debt with land as security which is in the form of a registered mortgage, and

(b) the amount of debt which is incurred against any other assets such as house-property, ornaments, crops and produce, or debt which is given on the general security of all the assets without a specific pledge.

(iv) Please state, wherever possible, the purposes for which the debt was incurred, such as

(a) the repayment of earlier debts,

(b) marriage and other social occasions,

(c) famine and other kinds of distress,

(d) payment of land revenue, *pattam*, *jenmi nichavaram*, etc.,

(e) growth of the debt by compound interest, interest not having been paid,

(f) seeds and manure,

(g) improved agricultural implements,

(h) other agricultural purposes,

(i) education of children, and

(j) litigation.

(v) Please indicate also to whom this debt is largely due and whether the creditors are Government, banks, co-operative societies, or indigenous bankers and money-lenders, professional or otherwise.

(vi) Is agricultural indebtedness in your locality increasing or decreasing? What do you consider are the effects of chitties on agricultural indebtedness? If you consider that chitties increase agricultural indebtedness, what remedial measures would you suggest?

(vii) How far are the needs of the agriculturists of your part of the country met at present by the Land Improvement and Agricultural Loans Regulation?

(viii) Can you suggest any measures for rendering the operation of this Regulation more useful?

(ix) Do you think that the agricultural loans advanced by the State are used for *bona fide* agricultural purposes? If not, have you any suggestions for restricting the operation of such loans to strictly agricultural or land improvement purposes?

(x) Can you give some concrete instances of usurious rates of interest, heavy accumulation of debts and prolonged duration of a loan, in cash or in kind?

(xi) How do the provisions about maximum interest, compound interest, enforcement of payment of interest up to half the principal and other provisions about interest in Regulations I and IV of 1010, and VIII of 1100 work in respect of getting easy loans and repayment or realisation of such loans?

(xii) Do the provisions serve the purpose for which they are intended? Do you suggest any improvements or amendments to the provisions embodied in the Regulations?

(xiii) Is there any standard rate of interest followed by courts for (a) unsecured and (b) secured loans in applying the Regulations?

(xiv) Are the provisions being evaded by the taking of a bond for a larger amount than that is actually advanced to the debtor or in any other way?

(xv) What practical proposals would you make so that the ryots can get loans of seeds and paddy for their needs in normal times and can easily pay off such loans?

(xvi) What is the prevalent rate of interest of paddy loan in your locality?

(xvii) State what you know of the rates of interest charged, the methods used for calculating it and for enforcing the payment of the debt.

(xviii) Do you think a large number of people who are efficient farmers are being turned into tenants for a period or tenants-at-will through the process of the enforcement of the old debts and landed property passing on into the hands of creditors?

(xix) If this process is going on, does it take away from the actual cultivator the incentive to produce more and in an efficient and better manner?

6. (i) Give some idea of the number of small subsidiary industries, allied or supplemental to agriculture, existing in your locality, such as rice milling, dairy farming, molasses and jaggery making, garden produce, sugar refineries, hand-spinning and hand-weaving, coir, soap-making, basket-making, pottery, lace-making, wicker-works, screw-pine mats and matting and poultry.

(ii) Can you suggest methods by which any such industries could be encouraged and by which the producer might be enabled to get a better return for his produce?

(iii) Can you suggest any enterprises which may give employment to the farmer during seasons when he cannot make full use of his time on his farm and thus enable him to supplement his income and to raise his standard of living?

(iv) What would be the best method of securing working capital for such enterprises?

(v) What financial machinery do you suggest for this purpose?

6. A. (i) How are small industries which are neither supplemental to nor connected with agriculture, financed at present in respect of their (a) fixed and (b) circulating capital ?

(ii) Can you suggest any measures for providing better financial facilities for such industries ?

6. B. (i) What are the facilities existing in your locality for obtaining loans by people who are not agriculturists, *e. g.*, day-labourers, fishermen, small traders, service holders and middle-class gentlemen generally.

(ii) What are the purposes for which they generally borrow and at what rate of interest ? State the difference in the rate of interest in the case of secured and unsecured loans.

(iii) In what way are the Government, the co-operative banks, the joint stock banks and the indigenous bankers helping them now, and what steps do you suggest to give them better financial facilities ?

(iv) Is the indebtedness among these classes generally on the increase or decrease ?

7. (i) State what you know of the relations that exist between the co-operative banks and the other banks in the country, namely, the Imperial Bank of India, the joint stock banks and the indigenous banks.

(ii) Describe any existing difficulties in the matter of finance in the case of co-operative societies both in regard to short and long-term capital.

(iii) Can you give an estimate of the amount of extra capital required for financing co-operative movement in your locality ?

(iv) Is there any competition in your locality between the co-operative banks and joint stock banks ?

(v) If so, to what extent and in what direction ?

(vi) Have you any views regarding the possibility and desirability of granting financial concessions in order to stimulate the growth of the co-operative movement (*e. g.* by extension of special exemption from income tax and profession tax to genuine co-operative societies, inclusion of debentures issued by the co-operative bank in the list of trustee securities, reduction of fees on money remitted through Anchal offices) ?

7. A. (i) Is it desirable that the Co-operative Central Bank should be permitted to grant loans to individual members and depositors ?

(ii) Is it desirable to enlarge the scope for the investment of funds of co-operative societies and to relax the restrictions contained in Section 31 of the Co-operative Societies Regulation, X of 1089 ?

(iii) Would you advocate free interlending of funds between co-operative societies and joint stock banks, including loan concerns ?

(iv) What are the relations between them and what assistance do they render to each other ?

(v) How far is the Co-operative Central Bank in a position to undertake such banking business as remittances of money from one place to another, without infringing in any way the provisions of the Co-operative Societies Regulation ?

7. B. (i) What has been the effect of the establishment of co-operative societies in rural areas on the prevailing rates of interest on secured and unsecured loans to agriculturists in your locality ?

(ii) To what extent are co-operative credit societies replacing professional money-lenders of your locality ? If possible, give some concrete instances.

(iii) What are the factors that operate against the rapid spread of co-operative banks in rural areas ?

*I A.—Loan Concerns and Joint Stock Banks in the mofussil.*

1. What are the loan concerns or banks (other than co-operative credit societies) in your locality and the State ?

2. What are the relative proportions of the different items of the working funds of such institutions, *e. g.*—

(a) paid-up capital,

(b) reserve fund,

(c) short term deposits (*i. e.* money at call or at short notice not exceeding one month),

(d) intermediate deposits (repayable within two years), and

(e) long term deposits (not repayable till after two years) ?

3. (i) What are the rates of interest allowed on different classes of deposits ?

(ii) What is the longest period for which deposits are accepted ?

4. What are the proportions of the total funds invested —

(a) Government and other marketable securities,

(b) loans against immovable properties (such as land and buildings),

(c) advances to industrial concerns,

(d) loans on personal security (such as simple promissory notes),

(e) jewellery, and

(f) goods (either directly, or indirectly in the form of documents of title such as railway receipt or bill of lading) ?

5. (i) What are the different periods for which loans are granted, their purposes and the respective rates of interest ?

(ii) Is compound interest charged and, if so, what is the practice with regard to the levy of such interest ?

(iii) Is any interest deducted in advance at the time of granting loans ?

(iv) Are the loans given for a fixed period ? If so, are any steps taken when they become overdue ?

6. (i) Do these institutions lend money to agriculturists ? If so, under what circumstances ?

(ii) Do you think that they can serve the interests of agriculturists better than any other agency ?

7. (i) Is any business other than banking undertaken by these institutions ? If so, what proportion of their total resources is so employed, *e. g.* chitty ?

(ii) What are the difficulties which stand in the way of their doing ordinary commercial banking ?

8. (i) What portion of the profits is utilised in building up a reserve fund, and how is such fund invested ?

(ii) What are the rates of dividend paid during the last five years ?

9. (i) Describe the present method of their keeping accounts.

(ii) Do you think that uniform system of accounting and balance sheets should be prescribed for all ?

10. What is your opinion regarding such banks being federated into a central banking institution ?

11. Can you suggest means by which loan concerns can take a bigger share in financing trade and agriculture ?

12. How many small joint stock banks are there in your locality? (By 'small' banks are meant banks with a paid-up capital of less than Rs. 25,000). What are the rates of interest, discount and commission charged by these banks? How do these banks secure capital for operation ?

13. (i) Do deposits get scattered on account of the existence of a large number of these banks ?

(ii) How do such banks affect the general indebtedness ?

(iii) Do such banks take promissory notes or bills in place of cash against shares ?

(iv) Do such banks finance agriculture, trade or any particular profession or occupation ?

(v) Are such banks beneficial to the public or the locality in which they operate?

(vi) What are the classes of people served by such banks ?

14. (a) What are the general defects in the working of the joint stock banks, both big and small? Does the starting of chitties by banks, immediately after their formation, affect the working of the banks in the long run ?

(b) Are the following provisions generally found in the Articles of Association of various banks conducive to their well-being, *viz.*, (i) Provision of special dividends to promoters of banks, so long as the banks continue to exist, although the necessity for the same, if any, is long past ; (ii) Irremovability of the important office-holders of the banks except under practically impossible conditions such as votes of three-fourths or two-thirds majority, etc. ?

(c) If the defects are to be removed, what measures do you suggest for the same in respect of existing and future banks ?

## II. Indigenous Banking.

(NOTE.—By 'indigenous banks' are meant all banks and bankers other than the Imperial Bank of India, the Exchange Bank, joint stock banks and co-operative banks. It includes any individual or private firm, whether receiving deposits or not, and dealing in hundis or lending money.)

1. State what you know of the functions of the indigenous bank or banker in your locality or in the State enumerating all kinds of business the bank or banker transacts.

2. How and to what extent does an indigenous bank or banker in your locality or the State assist in financing agriculture trade and industry ?

3. State what you know of the organisation of the indigenous banking system in your locality or in the State with regard to—

(a) the amount of capital invested,

(b) the volume of their business,

(c) their expenses, and

(d) the relations between one indigenous bank and another, between indigenous banks and other banks in the country, *viz.*, the Imperial Bank of India, the joint stock banks and the co-operative banks.

4. State what you know of the various forms of hundis and other credit instruments used by the indigenous banks and bankers and the extent of their use. Give sample copies of any of the hundis, promissory notes, deposit receipts, etc., used in your locality.

5. (i) State what you know of the indigenous bankers methods of granting loans and allowing cash credits and the terms and nature of these loans and cash credits.

(ii) What are the means by which the indigenous banks and bankers provide themselves with funds to meet their demands ?

(iii) What are the rates of interest allowed on various kinds of deposits received by them ?

(iv) Do the indigenous bankers get sufficient facilities for re-discounting hundis with the Imperial Bank or with joint stock banks, if any ?

(v) Can you suggest measures for increasing such facilities ?

6. (i) What are the rates of interest, either in money or in kind, which the agricultural community has to pay at present to the indigenous banker ?

(ii) In what manner do you suggest these rates could be brought down by better organisation ?

(iii) Would the reduction of such rates confer great benefit on the agricultural community and increase its resources thereby leading either to an improvement in the standard of living or enabling them to spend more on agricultural improvements, better agricultural implements, etc. ?

7. (i) Is there a prejudice in your locality against the indigenous bankers ?

(ii) Are these bankers sufficiently protected in law ?

(iii) Is there any legal or other facility which can be extended to them ?

(iv) Are the dealings of such class of bankers with their clientele conducted on sound lines ?

(v) If not, indicate the existing defects, making suggestions for remedying them.

8. (i) Would you suggest any means of making this class of bankers more serviceable to the community ?

(ii) Could you suggest any means by which the indigenous banking system could be improved and consolidated ?

(iii) Do you recommend any special facilities to be given to this class for this purpose ?

(iv) What do you think would be the attitude of the indigenous banking community towards the introduction of any measures for regulating their operations and for publicity to the same ?

9. After making allowance for the legal expenses, management charges, losses through default, etc., can you give an idea of the net return to the indigenous banks and bankers on their capital ?

10. Please state whether the indigenous banks and bankers are able to meet all demands for accommodation or whether they are obliged to refuse any, either on account of the unacceptable nature of the security offered or owing to insufficiency of their working capital ?

11. (i) How in your opinion should the indigenous banking system be linked with the general money-market and provincial capitals in India ?



(ii) Would you suggest the establishment of a branch of a joint stock bank or a branch of a Central Reserve Bank, or a local bank with local directorate, in each centre with which the indigenous banking system may be connected?

(iii) In what manner could such a bank inspire the confidence of the indigenous bankers and be able to utilise the local knowledge and experience of the latter?

(iv) How is the competition of such a bank with the indigenous bankers to be avoided?

12. (i) Do you think there is a large amount of money in the centres in the hands of indigenous bankers which does not find employment throughout the year?

(ii) Do you think that owing to this cause any large amount of money is flowing from the rural to urban centres either for long or for short periods?

(iii) Do you think any kind of improvement in the organisation of lending or borrowing can be made by which these funds, instead of flowing from the rural to urban centres, would find remunerative employment in the rural areas and thereby benefit the rural areas?

### *III. Investment habit and attraction of capital.*

1. (i) What are the means or institutions in existence for encouraging savings and investment habit?

(ii) Are the public provided with full facilities for the investment of their savings?

(iii) Can the existing facilities be improved in any way or extended in the smaller interior places?

(iv) Can you give any useful information in regard to the habits of the people of Travancore to invest in silver and gold?

2. (i) Are Postal Cash Certificates popular in your locality and can any steps be taken to increase their popularity?

(ii) Do present interest rates of Cash Certificates require revision and do existing terms of issue in any way need change?

(iii) Do savings banks, Postal and Anchal, afford all possible facilities to the public?

(iv) What classes of population resort to such forms of investment?

(v) Can anything be done to attract other classes?

(vi) Have you anything to say regarding the alleged competition of Government with banking institutions and bankers in regard to deposits by their attractive rates, etc.?

3. (i) State the existing facilities for purchase and sale of Travancore and British Indian Government securities afforded by Government, the Imperial Bank of India and other banks. Are you in favour of granting any special facilities to the small agriculturists and the small investors of the country to take up some form of British Indian securities? If so, state what special facilities you recommend?

(ii) Do you consider that we have a sufficient number of Travancore Government Promissory Notes available for sale? If not, what measures do you suggest for increasing their number and making them readily available even though the Travancore Government might not be raising another loan in the near future?

(iii) State the existing facilities for purchase and sale of securities other than Government securities afforded by the various financial agencies. What measures do you suggest for improvement?

(iv) Can you indicate clearly the habits of various groups of people in your locality with reference to moneys which come into their hands by sale of produce or through any other cause. Where do they keep this money and for what purposes and in what manner do they use it?

(v) Do the farmers lend to fellow agriculturists and on what terms? How do they invest surplus money in a prosperous year? Give any information you can regarding the amount, growth and distribution of capital among the indigenous population.

4. (i) State what you know about the growth of cheque-habit.

(ii) What has been the effect of the abolition of stamp duty on cheques?

(iii) What classes of population use cheques? Have you any suggestions to make for further promoting the cheque-habit (*e.g.* payment of Government servants and bank employees above Rs. 100 by cheques)?

(iv) Have you any suggestions to make regarding the use of vernacular scripts in banking?

5. (i) Do you consider that the banking and investment habit in Travancore is of very slow growth?

(ii) If so, to what causes do you attribute it?

(iii) Have you any suggestions to make regarding the various possible means of educating the people of the country to invest their savings in productive undertakings?

(iv) As far as you know, what has been the result of the opening of new branches in recent years by the Imperial Bank of India?

#### *IV. Industrial Banks and credit facilities for main Industries in Travancore.*

1. (1) State with reference to the following industries, the credit facilities required with special reference to (a) fixed capital expenditure or block, and (b) the current requirements or floating capital :—

(i) manufacture of coir fibre and yarn ; (ii) manufacture of coir mats and mattings ; (iii) conversion of cocoanut into copra ; (iv) cocoanut and lemongrass oil industries ; (v) manufacture of tiles and terra cotta wares ; (vi) palmyra fibre industry ; (vii) preparation and manufacture of jaggery, molasses and sugar ; (viii) manufacture of paper ; (ix) manufacture of matches ; (x) rubber crepe soles and soling ; and (xi) any other industry.

(2) State also how far in your opinion these requirements are met by various types of banks and bankers and how far the present facilities of financing fall short of the actual requirements.

(3) Have you any concrete proposals for improving the existing conditions? Do you consider that any amendment to the existing tariff value or duty will improve the position of any of the existing industries of the State?

2. Different methods of financing and different classes of paper or documents are used in industries in connection with production, import and export. In some cases, it is the buyer who finds the money himself or through his banker ; in other cases, it is the seller who finds the money for himself or through his banker ; and in others it is the middleman, merchant,

or commission agent who does this. Describe any prevailing trade or business practices relative to these which have come under your observation and suggest any improvements in the present organisation which, in your opinion, will benefit the different classes of producers and merchants or the community at large.

3. (i) Give particulars of the rates of interest which are charged at present on loans and advances and also of the different classes of securities which are approved by banks, financial houses and commission agents.

(ii) Indicate any difficulties experienced on account of lack of credit facilities or on account of high interest or discount rates or on any other account and suggest remedies therefor.

4. (i) If in your opinion banks in Travancore have not financed industries, large or small, freely, to what causes do you attribute their reluctance? Do you think financing of industries is possible by banks as they exist at present and by their present methods?

(ii) If not, do you suggest the establishment of any other machinery?

(iii) Do you think the purpose could be served by suitable amendment to the constitution and scope of the State-aided Bank of Travancore Ltd.? If so, state your suggestions.

(iv) Are you in favour of trade banks, *i. e.*, banks which specialise in dealing with special trades?

(v) Do you favour the establishment of an industrial bank in the State?

(vi) If so, what constitution would you suggest for such a bank?

(vii) What are the facilities which in your opinion should be given to such a bank, either by Government or any other agency?

(viii) Would you suggest any restrictions on the grant of loans by such a bank in order to secure reasonable safety for the bank while providing finance for industries?

#### V. *Financing of Foreign Trade.*

1. (i) Would you state, with reference to any trade that you have had an opportunity to observe, the credit facilities which are required and to what extent banks supplying these facilities fulfil the present requirements?

(ii) In your opinion, is there any class of merchants who are unable to secure all the assistance they need either in Travancore or outside, and if so, could you give any reasons for the state of affairs.

(iii) What remedies do you suggest?

2. (i) What are the credit instruments in use with regard to foreign trade?

(ii) In what conditions is credit available against these documents and in what conditions is clean credit available? What are the rates charged by the banks?

(iii) Are there any seasonal fluctuations in these rates?

(iv) What are the facilities existing at present in the export trade for discounting export bills?

(v) Are there any restrictions that you have to complain of?

(vi) Have you any remarks to make with regard to the exchange rates which are charged for the conversion of rupee into sterling or other foreign currencies and *vice versa* or for the remittance of funds to and fro?

3. (i) Have you any suggestions to make with regard to—

(a) the establishment of bonded warehouses,

(b) the existing practice of warehousing goods in principal trade centres,

(c) the practice of banks releasing goods on trust receipts, or

(d) any other methods in vogue for the convenience and facility of merchants engaged in the import and export trade?

(ii) Do the interest of the traders and the public suffer in any way through any defects in the present organisation, and have you any suggestions for its improvement?

(iii) Have you any concrete suggestions to make in improving foreign trade?

(iv) Do you think that the absence of an exchange bank in Travancore is in any way prejudicial to the export and import trade of the country? If so, do you think it necessary to invite a well-established exchange bank to open a branch at Alleppey?

### VI. Regulation of Banking.

1. (i) Are you in favour of audit and examination of bank accounts by examiners, over and above statutory audit and examination?

(ii) If so, how should these examiners be appointed and by whom?

(iii) What should be the duties of such examiners? What should be their qualifications and how should their cost be met?

2. Are you in favour of any kind of restrictions being imposed on the business of all banks?

3. (i) In your opinion, is it desirable that the use of the word 'Bank' should be restricted, and, if so, what restrictions do you suggest?

(ii) Also state whether you suggest any additional provisions for special application to (a) a private firm in Travancore doing banking business, (b) a branch of a firm, whose head office is located outside Travancore doing banking business in Travancore, and (c) a branch of a company whose head office is located outside Travancore doing banking business in Travancore.

(iii) Through what agency and in what manner would you have these provisions enforced?

4. Are you in favour of defining, by legislation or otherwise, the sphere of operations of any class of banks, e. g., co-operative banks, joint stock banks, etc.?

5. Do you think that foreign banks should not be allowed to do banking business in Travancore unless they received a license? What authority, in your opinion, should have the power to issue, renew and cancel such licenses? What regulations should, in your opinion, be prescribed for governing the operations of such a foreign bank?

6. A bank which is a limited liability company registered in Travancore is at present governed by the Companies Regulation, I of 1092, in Travancore.

(i) Do you consider that position satisfactory?

(ii) If not, what additional provisions for special applications to such banks would you suggest, particularly with reference to (a) authorised and subscribed capital, (b) capital that should be paid up before business is started, (c) provision of reserves, (d) proportion of cash balance to time and demand liabilities, (e) publication of balance sheets, their form and frequency, etc.?

7. Have you any suggestions to make for the regulation of expeditious liquidation and advance payment to depositors in case of failure of banks?

8. (i) Are you aware of any failures of banks or hundi businesses in Travancore or outside?

(ii) What remedies would you suggest to prevent a recurrence of such failures or to secure timely assistance in such cases?

9. It has been suggested that, in some actual cases in the past, where banks have been in difficulties some plan for amalgamation or reconstruction instead of liquidation would have been in the public interest. Would you state your views on this suggestion and would you recommend any provision for securing that, before liquidation proceedings are enforced, adequate opportunities are given for exploring the possibility of arranging a scheme for amalgamation or reconstruction? If your answer is in the affirmative, please make suggestions as to the sort of provision which you have in mind.

10. It is complained that the cost of liquidation is high at present. Have you any suggestion to make regarding this point and for the reduction of such cost?

11. (i) Are you in favour of making any distinction between current accounts and other deposits in the matter of protection of depositors and do you suggest any legislative measures for the purpose?

(ii) Do you recommend the creation of a special class of deposits as distinguished from current and fixed deposits under the existing system and the passing of any special legislative measures for the protection of such deposits with a view to encouraging the investment of savings?

12. (i) Have you any suggestions to make in regard to the proposal that is sometimes made that banks which are really stable should be legally protected against unjust attacks on their stability?

(ii) If so, please give your views as to who is to determine the cases in which such protection should be extended and in what circumstances, and also the nature of the protection to be granted.

13. (i) What are the various taxes paid by banking companies? Do any of these taxes interfere with the development or amalgamation of banks?

(ii) Have you any suggestions for modifying, removing or readjusting these taxes?

(iii) Do you recommend any special concessions etc. in respect of particular classes of banks, *e. g.*, co-operative banks? State your reasons?

### VII Insurance.

(i) Are there any life insurance or other assurance companies registered in Travancore and doing business within Travancore?

(ii) How many non-Travancorean insurance or assurance companies are operating in Travancore?

(iii) What will be the extent of money flowing out of Travancore into the hands of such companies?

(iv) Do you think it necessary in any way to take power to secure statistics and data from such companies as regards the investment of their funds?

(v) Do you think it necessary that such companies should have an office in Travancore amenable to the law of Travancore.

(vi) Do you think it necessary to have any means of protecting Travancoreans for the due payment of moneys falling due ?

(vii) Do you think there is scope for starting and running insurance business in Travancore, *e. g.*, with special reference to the risks of *Punja* cultivation, insurance of crops against seasonal failures, etc. ?

(viii) Can you suggest a practical scheme for working such businesses ?

### VIII. *Banking Education.*

1. (i) What are the existing facilities for banking education in schools, colleges and universities in India ?

(ii) Is there any co-ordination of effort between such institutions and the banks ?

2. (i) Do banks provide any facilities for the training of boys in banking business ?

(ii) What is the present method of recruitment of staff by the Imperial Bank of India, the Travancore joint stock banks and the co-operative banks ?

3. How far is instruction in banking, theoretical and practical, combined at present ?

4. (i) Can you give any information regarding facilities afforded in other countries in the matter of banking education ? Have you any suggestions to make regarding the facilities that should be made available in Travancore ?

(ii) Have you any suggestions to make in regard to the grant of facilities for higher training outside India to bank probationers and bank assistants in India ?

5. Have you any suggestions regarding the constitution of Indian Institute of Bankers ?

6. What is the present position and what, in your opinion, should be the future position of the Indian Institute of Bankers in regard to Banking Education ?

7. (i) What is the training of indigenous bankers at present ?

(ii) Have you any proposals of a practical nature for the provisions of special training for this class ?

8. (i) What are the prospects, present and future, of boys trained in banking in Travancore ?

(ii) Do you attribute the slow development of banking, and specially branch banking, to absence of trained men in Travancore ?

### IX. *General Banking Organisation and Money-market.*

1. Do you find in the present organisation of banks and the money market in different parts of India any defects which are likely to be remedied by

(a) administrative measures of Government,

(b) legislation, and

(c) co-operation amongst bankers themselves ?

2. Have you any suggestions to make regarding greater co-operation between indigenous banks and other banks ?
3. Have you any suggestions to make regarding the desirability, the organisation and the location of a clearing-house in Travancore ?
4. Have you any suggestions to make with regard to the regulation of the bank rate ?
5. (i) Can you describe, from personal observation, any financial panic which arose in any centre in Travancore or outside ?  
(ii) Explain its cause and state if you have any suggestions to make with a view to preventing any unjustified panic ?
6. (i) Can you indicate the nature of frauds and malpractices which have been experienced by banks and which have from time to time led to stricter regulation and restriction of credit by these banks thus making *bona fide* constituents suffer ?  
(ii) To what extent have such frauds and malpractices to be attributed to the inadequacy of existing legal provisions and defective nature of business practices ? Can you suggest any change which will afford protection to the banks against such malpractices without entailing any hardship on *bona fide* customers ?
7. Have you any suggestions to make with regard to banking organisation in Travancore by which
  - (a) the cost of management may be reduced,
  - (b) the rate of interest on advances can be brought down,
  - (c) greater stability of banks can be assured, and
  - (d) the cash resources of the various banks can be mobilised to meet any emergency or unexpected situation that may arise ?
8. Considering that the dividends of established banks are fairly high, what, in your opinion, prevents more capital being invested in the expansion of existing banks or the establishment of new banks ?
9. Do you support the suggestion that banks in Travancore do not find a sufficiently large number of bills against which they could make advances and that this particular instrument of credit of which the banking systems in other countries make large use is not available in sufficient quantities in Travancore ? If so, what are the causes of this and what remedies do you suggest ?
10. Have you any suggestions to make regarding the organisation of the Indian money-market with reference to settlements on stock and produce exchanges ?
11. Can you describe the relationship that now exists between the banks and the various classes of brokers, if any, such as finance brokers, hundi brokers and exchange brokers ?
12. Have you any information regarding the general agency business done by banks for their constituents ?
13. How far have banks in Travancore found the maintenance of their own godowns successful in meeting the trade requirements of their constituents ?

14. (i) Have you any suggestions to make for augmenting the resources of banks so as to enable them to afford further facilities to commerce, industry and agriculture?

(ii) Would you recommend any one or more of the following methods for securing the increase in capital or would you suggest any other method:—

(a) by way of foreign capital, *i. e.*, by direct flotations in other countries or through foreign banks, or

(b) by attracting the savings of the community, or

(c) by funds made available by Government, *e. g.*, a proportion of the receipts from Savings Bank deposits?

15. To what extent has the Imperial Bank of India been servicable in the past---

(a) to the main industries of Travancore;

(b) to the movement of crops; and

(c) to ordinary banks--Indigenous and Joint Stock?

16. To what extent has the Imperial Bank of India been useful in regard to the liquidation of other banks and hundi businesses in Travancore?

17. Have you any views regarding the present position of the Imperial Bank of India and the position it should occupy in the future?

18. What facilities and concessions has the Imperial Bank of India been enjoying from the Travancore Government? Should all these be continued or restricted? State if in your opinion the State-aided Bank of Travancore should also be conceded similar facilities and concessions. If so, on what conditions and restrictions?

#### X. *Miscellaneous.*

1. Do you think the want of uniformity between the currency of Travancore and the currency of British India tends to loss and inconvenience and affects business prejudicially? If so, what remedial measures would you suggest?

2. (i) Do you know how the Government invests its balance and sinking funds?

(ii) Do you think it would further the interests of commerce, agriculture and industries if such funds are invested within the State?

(iii) If so, what safeguards would you suggest for due repayment at stated intervals?

3. (i) Do you think external capital is necessary for developing agriculture, industry and commerce?

(ii) If so, have you got any suggestion for attracting such capital?

(iii) Do you think the need for external capital can be met by the investment of funds in the control of Government within the State?

4. (i) What has been the effect of the Chitties Regulation, III of 1094, as amended by Regulation VII of 1097, on the chitties now run in the State?

(ii) Do the provisions of the Chitties Regulation give sufficient safeguards to subscribers and foremen?

(iii) If not, have you any suggestions to make?

(iv) Do the starting of, and the investment in, chitties affect the position of banking in any way? If so, how?



(v) Do you think it necessary that the security offered by the foremen should be valued by an independent authority? If so, how should that authority be constituted? How would you meet the expenses in connection therewith?

(vi) What is the extent of loss by interest or otherwise suffered by investors in chitty for the purpose of securing finance in a lump?

(vii) Are you in favour of any law making it compulsory for the foremen of chitties to invest unpaid money in their hands in approved securities or approved banks? What are the securities which you approve?

(viii) What agency do you suggest for the more effective control of chitties?

(ix) Are you for the abolition of chitties with a capital of Rs. 100 or less? If so, state your reason.

(x) Are there other concerns passing as chitties on the borderland of lotteries and raffles? Are you for abolishing them? If so, state your reasons.

5. (i) What is the extent of Travancore capital invested in rubber and tea plantations?

(ii) What is the present position of the planting industries in the State?

(iii) Have you any suggestions to make for protecting the above planting industries?

6. (i) What in your opinion is the condition of motor transport business in the State at present?

(ii) Do you think that there is keen and unhealthy competition in the business?

(iii) Do you think that those engaged in the business are encountering any other difficulties? If so, what remedial measures would you suggest?

(iv) How is the motor traffic business financed?

(v) It is alleged that this business is draining the resources of the country to an alarming extent. If so, do you suggest any remedial measures?

(vi) Do you think it desirable to impose any restrictions on the number of motor services, minimum fares, etc.?

7. Do you think it desirable to have a regulation in Travancore on the lines of the Bankers' Books Evidence Act of British India?

8. Do you think it necessary that any further facilities than those now existing or changes in the Civil Procedure Code would be desirable or necessary towards the speedier realisation of debts due to banks? If so, what are your suggestions?

9. Can you say what amount is spent towards freight on exports from Travancore?

10. Do you think Travancore can find the capital needed for a foreign or an India and Ceylon coastal shipping service?

## APPENDIX III.

## LIST OF VILLAGES CHOSEN FOR INTENSIVE SURVEY.

Sl. No.	Name of Kara (Village).	Name of Pakuthi.	Name of Taluk.
1	Thazhakudi	Thazhakudi	Thovala.
2	Methukummel	Methukummel	Vilavankod.
3	Vayakalam	Attipra	Trivandrum.
4	Kundara	Kottamkara	Quilon.
5	Punalur	Punalur	Pathanapuram.
6	*Aykudi	Aykudi	Shencotta.
7	*Ayyankoikkal	Adur	Kunnathur.
8	Muttam	Valiakuzhi	Kartikapalli.
9	Eraviperur	Eraviperur	Tiruvalla.
10	Kodanthuruthu	Thuravur Vatakku	Shertallai.
11	Kuravilangad	Kanakari	Minachil.
12	Kaladi	Manikkamangalam	Kunnathunad.
13	Neendur	Vadakkekara	Parur.

\* The surveys of these two villages were made by the local co-operative societies.

## LIST OF VILLAGES CHOSEN FOR GENERAL SURVEY.

Sl. No.	Name of Kara (Village).	Name of Pakuthi.	Name of Taluk.
1	Bhuthapandi	Bhuthapandi	Tovala.
2	Azhakiyapandipuram	Azhakiyapandipuram	Do.
3	Aramboly	Aramboly	Do.
4	Krishnankoil	Vadaseri	Agastisvaram.
5	Ozhukinasery	Nagercoil	Do.
6	Kottar	Vadivissaram	Do.
7	Thuckalai	Thuckalai	Kalkulam.
8	Kolachel	Kolachel	Do.
9	Thiruvattar	Thiruvattar	Do.
10	Thurappuram	Arudesapattu	Vilavankod.
11	Kurumathur	Vilavankod	Do.
12	Arumana	Arumana	Do.
13	Valiyaveettumuri	Pallipuram	Trivandrum.
14	Vadakumbhagam	Kazhakutam	Do.
15	Champazhanjimuri	Uliyazhathura	Do.
16	Thekkumkara	Neduvangad	Neduvangad.
17	Vettumpalli	Aryanad	Do.
18	Pazhayatheru	Aryanad	Do.
19	Karuvilakom	Chirayinkil	Chirayinkil.
20	Edava	Edava	Do.
21	Kuraykanni	Varkala	Do.
22	Kottapurathucheri	Parur	Quilon.
23	Mayyanadcheri	Eravipuram	Do.

## LIST OF VILLAGES CHOSEN FOR GENERAL SURVEY.—(contd).

Sl. No.	Name of Kara (Village).	Name of Pakuthi.	Name of Taluk.
24	Murunthalcheri	Thrikadavur	Quilon.
25	Karuvatta	Pallikal	Kunnathur.
26	Thuvayoor Thekku	Kunnathur	Do.
27	Naduvilekara	Padinjarekallada	Do.
28	Padanayarkulangara	Karunagapalli	Karunagapalli.
29	Thekkan Mainagapalli	Mainagapalli	Do.
30	Krishnapuram	Krishnapuram	Do.
31	Karichal	Veeyapuram	Karthikapalli.
32	Thekkekara Kizhaku	Pallipad	Do.
33	Cheruthana Thekku	Cheruthana	Do.
34	Cherukol	Chennithala	Mavelikara.
35	Vanjikulam	Thekkekara	Do.
36	Kudassanad	Palamel	Do.
37	Vettipram	Pathanamthitta	Pathanamthitta
38	Angadi	Ranni	Do.
39	Aithala	Do.	Do.
40	Mulakkazha	Puthenkavu	Tiruvalla.
41	Thottapuzhachery	Thottapuzhachery	Do.
42	Vengal	Kavumbhagam	Do.
43	Patcheymuri	Kozhimukku	Ambalapuzha.
44	Thakazhi	Thakazhi	Do.
45	Pulinkunnu	Pulinkunnu	Do.
46	Neduvathur	Kottarakara	Kottarakara.

## LIST OF VILLAGES CHOSEN FOR GENERAL SURVEY.—(contd).

Sl. No.	Name of Kara (Village).	Name of Pakuthi.	Name of Taluk.
47	Karikamittam	Vettikavala	Kottarakara.
48	Puthur	Kulakkada	Do.
49	Panayancheri	Anchal	Pathanapuram.
50	Nadutheri	Thalavur	Do.
51	Nadukunnu	Pathanapuram	Do.
52	Puthur	Puthur	Shencotta.
53	Thirumalayapuram	Do.	Do.
54	Kesavapuram	Do.	Do.
55	Thaikkattuseri	Thaikkattuseri	Shertallai.
56	Maruthorvattam	Thanneermukkam Vadakku	Do.
57	Shertalai Bhagom Taluk Kara	Shertallai Vadakku	Do.
58	Kizhakkumcherimel Thekkemuri	Naduvila Pakuthi	Vaikom.
59	Kizhakkekara	Vadayar	Do.
60	Kaduthuruthi	Kaduthuruthi	Do.
61	Panachikad	Panachikad	Kottayam.
62	Valadi	Neelamperur	Changanachery.
63	Muttar	Muttar	Do.
64	Thuruthi	Vazhapalli West	Do.
65	Lalam	Lalam	Minachil.
66	Ramapuram	Ramapuram	Do.
67	Erattupetta	Kontur	Do.
68	Kuthattukulam	Kuthattukulam	Moovattupuzha.

## LIST OF VILLAGES CHOSEN FOR GENERAL SURVEY.—(concl'd.)

Sl. No.	Name of Kara (Village).	Name of Pakuthi.	Name of Taluk.
69	Kavumkara	Mulavur	Muvattupuzha.
70	Piravam	Piravam	Do.
71	Kumaramangalam	Kumaramangalam	Thodupuzha.
72	Manakkad	Manakkad	Do.
73	Morkkala	Kunnathunad	Kunnathunad.
74	Methala	Asamannur	Do.
75	Kizhakkepram	Kottuvalli	Parur.
76	Veliyatbu Nadu	Airur	Do.
77	Panaikulangara	Alangad	Do.
78	Marayur	Marayur	Devicolam.
79	Kovilur	Vattavata	Do.
80	Peermade	Peermade	Peermade.

APPENDIX IV.  
STATEMENT SHOWING AREA, POPULATION, RAINFALL, CROPS ETC.

Serial No.	Taluk.	Rainfall in inches.	Area in Sq. Miles.	Popula- tion.	Density of Popu- lation per Sq. mile.	Area under Principal Crops. (In acres.)					
						Paddy.	Cocoa- nut.	Tapioca.	Sugar- cane.	Rubber.	Tea.
	I. SEA-BOARD DIVISION.										
1	Parur	116.95	113.43	1,54,458	1,366	32,389	18,071	1,145	275	...	...
2	Shertallai	104.93	117.14	1,51,481	1,380	22,407	34,677	208	...	...	...
3	Ambalapuzha	104.87	147.46	1,71,590	1,167	53,930	20,659	50	...	...	...
4	Kartikapalli	99.44	74.24	1,17,920	1,593	24,426	14,108	...	...	...	...
5	Karunagapalli	87.90	83.99	1,58,058	1,775	21,215	22,938	3,762	3	...	...
6	Quilon	86.53	147.41	1,96,511	1,333	14,492	27,169	30,918	...	...	...
7	Chirayinkil	71.63	146.50	1,57,142	1,068	13,504	28,551	19,398	...	2	...
8	Trivandrum	66.36	97.26	1,75,466	1,808	10,978	22,279	20,574	...	...	...
9	Neyyattinkara	61.90	233.35	2,17,529	933	14,782	32,474	50,074	...	...	...
10	Vilavankod	47.49	165.16	1,47,109	870	8,506	16,973	27,340	...	580	...
11	Kalkulam	55.77	229.39	1,72,263	762	20,890	11,347	13,496	...	820	810
12	Vaikam	107.28	144.09	1,19,678	831	28,267	18,819	14,143	5	215	...

APPENDIX IV.—(contd.)

Serial No.	Taluk.	Rainfall in inches.	Area in Sq. Miles.	Popula- tion.	Density of Popu- lation per Sq. mile.	Area under Principal Crops. (In acres.)					
						Paddy.	Cocoa. nut.	Tapioca.	Sugar- cane.	Rubber.	Tea.
	II. LOWER UP- LAND DIVISION.										
13	Kottayam	120·23	214·04	1,73,934	812	41,024	25,641	19,690	1,632	3,169	...
14	Changanachery	115·78	263·78	1,56,640	593	31,985	22,350	20,340	1,020	17,990	...
15	Tiruvalla	106·31	220·15	2,73,872	1,244	32,014	49,256	17,712	2,316	138	...
16	Mavelikara	110·87	111·43	1,44,789	1,304	21,960	19,145	25,441	124	56	...
17	Kunnathur	105·05	150·46	93,463	623	13,058	9,530	18,154	2	1,500	...
18	Kottarakara	101·70	202·03	1,08,753	538	22,173	15,958	41,276	66	641	...
19	Pathanamthitta	128·58	898·16	1,04,002	116	10,000	12,000	62,041	1,200	5,910	1,873
	III. MONTANE AND SUB-MON- TANE DIVISION.										
20	Kunnathunad	109·51	361·66	1,84,432	509	63,506	810	1,097	85	472	...
21	Muvattupuzha	128·72	437·49	1,37,489	314	41,082	7,480	14,324	310	4,969	...
22	Todupuzha	148·43	486·64	57,285	117	30,225	7,190	9,282	65	5,932	300



APPENDIX IV.—(concl'd.)

Serial No.	Taluk.	Rainfall in inches.	Area in Sq. miles.	Popula- tion.	Density of Popu- lation per Sq. mile.	Area under Principal Crops. (In acres.)					
						Paddy.	Cocoa- nut.	Tapioca.	Sugar- cane.	Rubber.	Tea.
	III. MONTANE AND SUB-MON- TANE DIVISION.-- (cont'd.)										
23	Meenachil	151.57	283.41	1,60,193	566	18,780	71,893	15,861	132	1,488	...
24	Devicolam	110.13	667.03	32,895	49	3,466	5	5	11	794	27,091
25	Peermade	183.96	450.90	24,026	53	363	...	40	8	17	35,894
26	Neduvangad	86.33	366.02	1,12,111	306	14,921	6,230	43,253	4	837	2,590
27	Pathanapuram	114.34	425.67	73,570	172	10,953	2,387	14,275	118	9,100	1,548
	IV. NANJINAD.										
28	Agastisvaram	36.69	106.92	1,38,257	1,268	25,942	7,720	122	2	...	...
29	Tovala	47.55	144.96	36,496	255	13,992	295	400	...	...	334
30	V. Shencotta	48.63	129.14	44,650	346	8,497	995	16	2	1,926	865
	Total ...	...	7,624.58	40,06,062	...	6,69,727	5,26,950	4,85,237	7,380	56,564	71,305

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APPENDIX V.  
JOINT STOCK BANKS (1928-29.)  
Classified according to paid up Capital.  
I. Rs. 1 Lakh and above.

Year of Registration.	Name of Bank.	Situation of the Registered office.	Capital. (Rs.)			Reserve and other funds. Rs.	Dividend per cent for 1104.
			Authorised.	Subscribed.	Paid up.		
1088	The Travancore National Bank Ltd.	Tiruvalla	10,00,000	7,65,800	3,29,260	1,50,000	12
1094	The Travancore Commercial Bank Ltd.	Kottayam	5,00,000	2,91,850	2,91,850	45,000	15
1095	The Travancore People's Bank Ltd.	Talavadi	2,00,000	2,00,000	1,00,000	30,000	12
1095	The Quilon Bank Ltd.	Quilon	10,00,000	4,89,000	1,92,100	45,300	12
1101	The State-aided Bank of Travancore Ltd.	Alleppey	30,00,000	14,91,400	4,55,900	15,000	5
			57,00,000	32,38,050	13,69,110	2,85,300	
	The Trivandrum Permanent Fund Ltd. (Nidhi)		12,00,000	7,05,870	2,51,550	26,400	6½

APPENDIX V.—(contd).

II. Rs. 50,000 and below Rs. one Lakh.

Year of Registration.	Name of Bank.	Situation of the Registered office.	Capital. (Rs.)			Reserve and other funds. Rs.	Dividend per cent for 1104.
			Authorised.	Subscribed.	Paid up.		
1088	The Changanachery Banking Company Ltd.	Changanachery	3,00,000	63,000	56,840	6,500	18
1094	The Travancore Union Bank Ltd.	Tiruvalla	3,00,000	2,20,000	98,530	15,000	20
1095	The Central Travancore Bank Ltd.	Tumpaman, Mavelikara	2,00,000	1,22,540	59,810	5,680	12
1095	The Mercantile Bank Ltd.	Kozhenchery	2,00,000	1,36,840	56,380	8,500	15
1095	The Kerala Bank Ltd.	Mavelikara	15,00,000	2,15,500	91,060	7,700	10
1095	The South Malabar Industrial Bank Ltd.	Kaviyur, Tiruvalla	5,00,000	1,69,040	62,700	3,720	16 $\frac{3}{4}$
1100	The Travancore Eastern Bank Ltd.	Karunagapalli	5,00,000	1,10,840	55,420	400	14
1101	The Tiruvalla Bank Ltd.	Tiruvalla	10,00,000	1,99,880	62,810	10,000	15
1101	The Central Bank Ltd.	Palai	4,00,000	1,16,030	65,050	7,000	15
			49,00,000	13,53,670	6,08,600	64,500	

APPENDIX V.—(contd).

III. Rs. 40,000 and below Rs. 50,000.

Year of Registration.	Name of Bank.	Situation of the Registered office.	Capital. (Rs.)			Reserve and other funds. Rs.	Dividend per cent for 1104.
			Authorised.	Subscribed.	Paid up.		
1094	The Travancore Bank Ltd.	Punalur	10,00,000	1,31,860	46,620	1,420	...
1095	The Central Travancore Bank Ltd.	Kalloopara, Tiruvalla	2,00,000	1,86,620	46,800	4,600	18
1095	The Travancore Standard Bank Ltd.	Chengannur	1,00,000	81,760	40,020	5,060	15
1101	The Travancore Sri Vallaba Vilasam Bank Ltd.	Tiruvalla	2,00,000	98,280	41,340	2,260	15
1104	The Planters' Bank Ltd.	Palai	3,00,000	67,950	45,630	700	...
1104	The Indian Citizens Bank Ltd.	Alwaye	10,00,000	75,000	40,860	...	...
			28,00,000	6,41,470	2,61,270	14,040	

APPENDIX V.—(contd).

IV. Rs. 30,000 and below Rs. 40,000.

Year of Registration.	Name of Bank.	Situation of the Registered office.	Capital. (Rs.)			Reserve and other funds. Rs.	Dividend per cent for 1104.
			Authorised.	Subscribed.	Paid up.		
1095	The Travancore Oriental Bank Ltd.	Mallapalli, Tiruvalla	2,00,000	80,000	30,540	1,200	12
1095	The Malayala National Union Bank Ltd.	Changanachery	5,00,000	1,47,640	37,970	2,410	9
1095	The Catholic Christian Vani- jya Bank Ltd.	Do.	50,000	45,700	36,560	2,220	26
1095	The Travancore Native Bank Ltd.	Tiruvalla	1,00,000	78,500	39,209	2,520	15
1096	The Vennikulam Bank Ltd.	Vennikulam	3,00,000	92,640	38,450	4,500	15
1101	The Kottayam Bank Ltd.	Kottayam	2,00,000	60,020	36,010	4,000	15
1102	The Malankara Bank Ltd.	Tiruvalla	3,00,000	65,820	33,470	4,000	12
1103	The St. Mary's Model Co., Ltd.	Vazhapalli, Changanachery	1,00,000	53,530	33,640	700	...
1103	The Catholic Union Bank Ltd.	Do.	1,00,000	1,00,000	34,000	...	...
1104	The Nayar Service Society Bank Ltd.	Changanachery	10,00,000	1,19,510	35,450	...	...
			27,50,000	8,43,360	3,55,340	21,550	

APPENDIX V.—(contd).

V. Rs. 20,000 and below Rs. 30,000.

Year of Registration.	Name of Bank.	Situation of the Registered office.	Capital. (Rs.)			Reserve and other funds. Rs.	Dividend per cent for 1104.
			Authorised.	Subscribed.	Paid up.		
1095	The Industrial Bank Ltd.	Ranni, Pattanamtitta	2,00,000	89,250	27,290	200	
1095	The Alleppey Bank Ltd.	Alleppey	10,00,000	95,220	24,260	1,930	...
1095	The Keraliya Banking Co. Ltd.	Tiruvalla	3,00,000	45,020	27,050	1,020	17
1096	The Citizens' Bank Ltd.	Kozhenchery	2,00,000	81,120	24,700	1,730	12
1096	The Young Men's Industrial Bank Ltd.	Changanachery	60,000	39,180	23,520	1,930	12
1102	The Sri Krishna Vilasom Bank Ltd.	Changanachery	3,00,000	92,740	22,170	150	15
1102	The Malabar Bank Ltd.	Kottayam	3,00,000	1,00,130	20,030	...	...
1102	The City Bank Ltd.	Trivandrum	5,00,000	63,080	24,310	7,000	12
1102	The Ezhumattur Bank Ltd.	Ezhumattur	3,00,000	1,15,800	22,380	100	...
1102	The Swadesi Bank Ltd.	Pattanamtitta	3,00,000	61,620	24,530	190	15

APPENDIX V.—(contd).  
V. Rs. 20,000 and below Rs. 30,000.

Year of Registration.	Name of Bank.	Situation of the Registered office.	Capital. (Rs.)			Reserve and other funds. Rs.	Dividend per cent for 1104.
			Authorised.	Subscribed.	Paid up.		
1103	The Kaduthuruthi Bank Ltd.	Kaduthuruthi	1,00,000	31,110	25,660	750	18
1103	The West Coast Banking Corporation Ltd.	Talavadi	2,00,000	1,00,000	21,660	300	15
1103	The Travancore Model Bank Ltd.	Kumbanad, Tiruvalla	2,00,000	1,60,000	26,750	500	15
1103	The Pullad Bank Ltd.	Pullad	1,00,000	66,920	22,000	100	13½
1103	The Kerala Vilasam Bank Ltd.	Tiruvalla	2,00,000	75,570	22,740	700	12
1104	The Kayankulam Bank Ltd.	Kayankulam	3,30,000	1,45,000	26,390	...	...
			45,90,000	13,61,760	3,85,440	16,600	

APPENDIX V.—(contd).

VI. Rs. 10,000 and below Rs. 20,000.

Year of Registration.	Name of Bank.	Situation of the Registered office.	Capital. (Rs.)			Reserve and other funds. Rs.	Dividend per cent for 1104.
			Authorised.	Subscribed.	Paid up.		
1095	The Poothicote Industrial Bank Ltd.	Mepral, Tiruvalla	3,00,000	89,980	16,390	...	12
1095	The Travancore Association Bank Ltd.	Parur	5,00,000	64,520	13,220	2,110	9
1095	The Banking and Industries Ltd.	Kollakadavu, Mavelikara	1,00,000	15,830	11,420	...	...
1101	The Aiswariya Nidhi Commercial Bank Ltd.	Payipad, Changanchery	50,000	26,720	10,100	650	15
1101	The Bharatheeya Banking Co., Ltd.	Tiruvalla	1,00,000	39,180	14,370	110	10
1101	The Central Travancore Union Bank Ltd.	Mavelikara	3,00,000	63,030	13,710	110	13½
1101	The Brahmodayam Bank Ltd.	Tiruvalla	1,00,000	28,120	10,990	10	15
1102	The Kangazha Bank Ltd.	Pampadikara	2,00,000	51,360	14,200	70	12
1103	The Travancore Pioneer Bank Ltd.	Vennikulam	2,00,000	69,100	19,840	200	15
1103	The Travancore Popular Bank Ltd.	Do.	3,00,000	30,140	16,990	330	13½
1103	The Hamlet Bank Ltd.	Todupuzha	2,00,000	38,520	18,530	1,000	15



APPENDIX V.--(contd.)

VI. Rs. 10,000 and below Rs. 20,000.

Year of Registration.	Name of Bank.	Situation of the Registered office.	Capital (Rs.)			Reserve and other funds. Rs.	Dividend per cent for 1104.
			Authorised.	Subscribed.	Paid up.		
1103	The Tiruvalla Industrial Bank Ltd.	Tiruvalla	30,000	11,330	10,010	...	15
1103	The Agricultural and Industrial Bank Ltd.	Kuravilangad	2,00,000	40,000	11,580	...	...
1103	The Karapuzha Bank Ltd.	Kottayam	1,00,000	38,740	10,190	1,000	15
1103	The Mannar Bank Ltd.	Mannar	1,00,000	20,000	10,000	...	12
1103	The Kalloppara Bank Ltd.	Kalloppara	2,00,000	1,25,880	18,920	300	15
1103	The South Indian Bank Ltd.	Chengannur	3,00,000	23,670	11,840	...	12
1103	The Kuttanad Agricultural Co., Ltd.	Talavadi	75,000	75,000	11,030	...	...
1103	The Haripad Bank Ltd.	Haripad	2,00,000	43,460	11,730	830	5
1103	The Atirampuzha Bank Ltd.	Atirampuzha	1,00,000	24,710	16,470	230	2

## APPENDIX V.—(contd.)

## VI. Rs. 10,000 and below Rs. 20,000.

Year of Registration.	Name of Bank.	Situation of the Registered office.	Capital (Rs.)			Reserve and other funds. Rs.	Dividend per cent for 1104.
			Authorised.	Subscribed.	Paid up.		
1103	The Malayali Bank Ltd.	Tiruvalla	1,50,000	48,450	11,870	240	15
1103	The Pattanamtitta Bank Ltd.	Pattanam-titta	1,50,000	40,890	12,370	...	12
1103	The Vijayodayam Bank Ltd.	Vaipur, Tiruvalla	2,00,000	1,07,420	17,250	250	15
1103	The Kallor Desiya Bank Ltd.	Kallorpara	2,00,000	89,040	15,710	480	15
1103	The Piravam Industrial Co., Ltd.	Piravam	2,00,000	25,340	10,120	100	...
1103	The Swarajya Bank Ltd.	Chengannur	3,00,000	68,800	10,740	130	12
1103	The Travancore Ezhava Bank Ltd.	Kottayam	2,00,000	23,580	12,670	250	12
1103	The Mallapalli Bank Ltd.	Mallapalli	2,00,000	67,000	10,160	...	...
1103	The Viswa Bharathi Bank Ltd.	Changanachery	3,00,000	1,21,780	18,270	...	...
1103	The Mallapalli Union Bank Ltd.	Mallapalli	2,00,000	83,080	12,310	...	...

APPENDIX V.—(contd.)

VI. Rs. 10,000 and below Rs. 20,000.

Year of Registration.	Name of Bank.	Situation of the Registered office.	Capital (Rs.)			Reserve and other funds. Rs.	Dividend per cent for 1104.
			Authorised.	Subscribed.	Paid up.		
1104	The Changanachery Bank Ltd.	Changanachery	3,00,000	70,520	18,350	...	...
1104	The West End Bank Ltd.	Palai	1,50,000	70,160	12,540	...	...
1104	The Sri Nilakanta Vilasam Banking and Industrial Union Ltd.	Ettumanur	20,000	14,000	14,000	...	...
1104	The Koyipuram Bank Ltd.	Koyipuram	1,00,000	62,000	18,600	...	...
1104	The Koyipuram Union Bank Ltd.	Kumbanad	2,00,000	46,000	11,500	...	...
1104	The Travancore Forward Bank Ltd.	Kottayam	3,00,000	31,500	15,750	...	...
1104	The Travancore Sowcar Bank Ltd.	Changanachery	2,00,000	21,000	10,500	...	...
1104	The Champakulam Catholic Banking and Industrial Syndicate Ltd.	Champakulam	20,000	16,000	16,000	...	...
			70,45,000	19,29,450	5,24,240	8,400	...

APPENDIX V.—(contd.)  
VII. Rs. 5,000 and below Rs. 10,000.

Year of Registration.	Name of Bank.	Situation of the Registered office.	Capital (Rs.)			Reserve and other funds. Rs.	Dividend per cent for 1104.
			Authorised.	Subscribed.	Paid up.		
1085	The Aumbalapuzha Christian Bank Ltd.	Talavadi	19,000	10,000	9,100	540	...
1095	The Vazhayil Brothers Ltd.	Veliyanad, Changanachery	1,00,000	42,300	6,790	500	...
1095	The Karuvatta Bank Ltd.	Karuvatta	3,00,000	22,980	6,940	130	6
1102	The Travancore Hindu Bank Ltd.	Chengannur.	2,00,000	25,120	6,310	...	...
1102	The Kangazha Union Bank Ltd.	Kangazha	1,00,000	23,960	6,320	...	...
1103	The Puramattam Bank Ltd.	Puramattam	2,00,000	1,00,000	9,460	100	15
1103	The Kerala Mithram Bank Ltd.	Kuthattukulam	3,00,000	18,770	7,620	...	9
1103	The Travancore Yogakshe-mam Bank Ltd.	Kottayam	1,00,000	27,180	7,800	...	...
1103	The Indo-European Banking and Trading Corporation Ltd.	Changanachery	3,00,000	80,050	8,010	...	12
1103	The Attingal Bank Ltd.	Attingal	3,00,000	42,040	6,310	60	...
1103	The Pulikizh Bank Ltd.	Pulikizh, Tiruvalla.	1,00,000	9,630	7,120	...	15
1103	The Kangazha Model Com-pany, Ltd.	Kangazha	20,000	15,980	7,600	20	18

APPENDIX V.—(contd.)  
VII. Rs. 5,000 and below Rs. 10,000.

Year of Registration.	Name of Bank.	Situation of the Registered office.	Capital (Rs.)			Reserve and other funds. Rs.	Dividend per cent for 1104.
			Authorised.	Subscribed.	Paid up.		
1103	The Travancore Alliance Bank Ltd.	Ettumanur	2,00,000	20,740	6,220	...	...
1103	The Airur Bank Ltd.	Airur	50,000	33,940	9,630	150	...
1103	The Travancore A. P. Bank Ltd.	Anikad	2,00,000	40,400	6,770	20	...
1103	The Grand Eastern Bank Ltd.	Payipad, Changanachery	1,00,000	35,060	7,680	...	15
1103	The Pampadi Bank Ltd.	Pampadi	1,00,000	20,830	6,940	...	...
1103	The Kuttanad Bank Ltd.	Edatuva	2,00,000	55,560	9,400	200	15
1103	The Chengannur Bank Ltd.	Chengannur	1,00,000	15,520	5,200	...	12
1103	The Madapalli Srivilasam Bank Ltd.	Madapalli	1,00,000	37,000	8,820	...	15
1103	The K. and C. Bank Ltd.	Cherukole Pattanamtitta	2,00,000	30,000	7,470	...	15
1103	The Modern Bank Ltd.	Tiruvalla	2,00,000	59,980	9,630	120	12
1103	The Capital Bank Ltd.	Pattanamtitta	1,00,000	48,680	6,180	...	...
1103	The Sri Rama Chandra Vilasam Bank Ltd.	Vellankulam	1,00,000	45,220	8,740	80	15
1103	The Sri Narayana Vilasam Bank Ltd.	Pattanamtitta	1,00,000	27,850	8,330	...	12

APPENDIX V.—(contd.)  
VII. Rs. 5,000 and below Rs 10,000.

Year of Registration.	Name of Bank.	Situation of the Registered office.	Capital (Rs.)			Reserve and other funds. Rs.	Dividend per cent for 1104.
			Authorised.	Subscribed.	Paid up.		
1103	The Universal Bank Ltd.	Ranni	1,00,000	25,900	6,400	170	15
1103	The Rural Bank Ltd.	Pullad	2,00,000	40,000	6,000	50	12
1103	The Travancore K. M. Bank, Ltd.	Kizhvaipur	1,00,000	45,220	7,590	50	15
1104	The Malankara Sri Vilasam Bank Ltd.	Airur	2,00,000	28,530	5,140	...	...
1104	The Airur Standard Bank Ltd.	Kottathur Airur	2,00,000	32,600	5,160	...	...
1104	The Changanachery Central Bank.	Changanachery	2,00,000	56,700	8,500	...	...
1104	The Amichakari Union Bank Ltd.	Amichakari	50,000	12,500	5,380	...	...
1104	The Vidyarthi Sandayani Co., Ltd.	Mannar	1,00,000	15,240	5,490	...	...
1104	The Anantapuram Palace Bank Ltd.	Haripad	2,00,000	10,350	5,130	...	...
1104	The Bharatha Vilasam Bank Ltd.	Kaviyur	1,50,000	49,120	7,510	50	15
1104	The Mangalodayam Bank Ltd.	Tiruvalla	1,00,000	12,100	6,500	...	...
1104	The Keraliya Sri Ramakrishna Vilasam Bank Ltd.	Mavelikara	1,00,000	6,030	6,030	...	...
1104	The Travancore Ideal Bank Ltd.	Kurathiyad, Mavelikara	1,00,000	28,600	7,150	...	...
1104	The Chirayinkil Bank Ltd.	Vakkom	3,00,000	15,990	6,400	...	...

APPENDIX V.—(contd.)  
VII. Rs. 5,000 and below Rs. 10,000.

Year of Registration	Name of Bank.	Situation of the Registered office.	Capital (Rs.)			Reserve and other funds. Rs.	Dividend per cent for 1104.
			Authorised.	Subscribed.	Paid up.		
1104	The Parur Bank Ltd.	Parur	20,000	20,000	5,000	...	...
1104	The Pullad Sri Vijayam Bank Ltd.	Pullad	1,00,000	19,890	6,580	...	...
1104	The Muthoor Bank Ltd.	Muthoor	1,00,000	40,950	8,210	...	...
1104	The Malabar Commercial Bank Ltd.	Kollakadavu	1,00,000	31,990	9,650	...	...
1104	The Venmani Bank Ltd.	Venmani	1,00,000	20,200	5,050	...	...
1104	The Kamalodayam Bank Ltd.	Ponkunnam	5,00,000	54,800	5,480	...	...
1104	The Little Flower's Bank Ltd.	Karimkunnam	20,000	7,000	7,000	...	...
1104	The Travancore Provincial Service Bank Ltd.	Niranam, Tiruvalla	1,00,000	19,100	5,730	...	...
1104	The South Travancore Bank Ltd.	Neyyur	3,00,000	40,140	8,030	...	...
1104	The Ranni Bank Ltd.	Ranni	1,00,000	25,750	5,150	...	...
			73,29,000	15,57,490	3,44,650	1,940	

APPENDIX V.—(concl'd.)  
VIII A. Rs. 3,000 and below Rs. 5,000.

Year of Registration.	Name of Bank.	Situation of the Registered office.	Capital (Rs.)			Reserve and other funds. Rs.	Dividend per cent for 1104.
			Authorised.	Subscribed.	Paid up.		
1101	The Eraviperur Banking and Industrial Co., Ltd.	Eraviperur	2,00,000	20,260	3,060	...	15
1102	The Pravithanam Yuvajana Dhana Pariposhini Co., Ltd.	Pravithanam	20,000	4,000	3,110	10	20
1103	The St. George Union Bank Ltd.	Puthenpalli	20,000	9,250	4,790	50	...
1103	The Manipuzha Bank Ltd.	Tiruvalla	30,000	5,960	4,630	...	15
1103	The Malankara Bank Ltd.	Kadapra, Tiruvalla	1,00,000	10,800	4,650	20	18
1103	The West Coast Bank Ltd.	Kartikapalli	1,50,000	14,820	4,160	...	...
1103	The Powrakshema Bank Ltd.	Adur	1,50,000	27,610	4,210	...	...
1103	The Muttar Bank Ltd.	Muttar	1,00,000	35,600	3,560	...	12
1103	The Malankara Union Bank Ltd.	Airur	2,00,000	36,100	4,580	100	15
1103	The Lowland Bank Ltd.	Karikuzhi, Talavadi	1,00,000	18,260	4,300	370	15
1103	The Ranni Union Bank Ltd.	Ranni	1,00,000	20,700	4,110	...	...
1104	The Village Bank Ltd.	Amichakari	1,00,000	7,070	3,540	...	18
1104	The Little Flower Industrial Bank Ltd.	Yevur, Changanachery	50,000	30,800	4,440	...	...
1104	The Adur Bank Ltd.	Adur	1,00,000	21,010	4,200	...	...
1104	The Ambika Bank Ltd.	Ambalapuzha	50,000	8,600	4,400	...	...



APPENDIX V.—(contd.)  
VIII A. Rs. 3,000 and below Rs. 5,000.

Year of Registration.	Name of Bank.	Situation of the Registered office.	Capital. (Rs.)			Reserve and other funds. Rs.	Dividend per cent for 110%.
			Authorised.	Subscribed.	Paid up.		
1104	The Central Kuttanad Kannadi Bank Ltd.	Kannadi, Pulinkunnu	1,00,000	29,120	3,190	...	...
1104	The Airur Model Bank Ltd.	Airur	1,00,000	29,200	4,640	...	...
1104	The Eastern Banking and Industrial Union Ltd.	Minachil	20,000	4,500	4,500	...	...
1104	The Mannar Popular Bank Ltd.	Kurattisseri, Tiruvalla	2,00,000	16,140	4,040	...	...
1104	The Ranni Highland Bank Ltd.	Ranni	1,00,000	22,140	3,460	...	...
1104	The Travancore Sanathana Bank Ltd.	Chengannur	1,50,000	20,660	3,510	...	...
1104	The Reliance Bank Ltd.	Alleppey	50,000	9,250	4,620	...	...
1104	The Trust Bank Ltd.	Ennakad, Chengannur	1,00,000	15,770	4,410	...	...
1104	The Desabandhu Bank Ltd.	Tumpaman	2,00,000	35,290	4,420	...	...
1104	The Sasthankotta Bank Ltd.	Punnamoodu, Sasthankotta	1,00,000	21,180	3,180	...	...
1102	The Service Bank Ltd.	Kartikapalli	50,000	9,500	3,500	...	...

APPENDIX V.—(contd.)  
VIII. B. Rs. 1,000 and below Rs. 3,000.

Year of Registration.	Name of Bank.	Situation of the Registered office.	Capital. (Rs.)			Reserve and other funds. Rs.	Dividend per cent for 1104.
			Authorised.	Subscribed.	Paid up.		
1096	The Travancore Agricultural Bank Ltd.	Veeyapuram	1,00,000	5,780	2,550	...	...
1096	The Atirampuzha Peoples Bank Ltd.	Atirampuzha	1,00,000	12,750	2,370	...	...
1102	The Highland Bank Ltd.	Erumeli	20,000	8,140	1,180	...	...
1103	The Premier Bank Ltd.	Trikodithanam	50,000	11,770	2,070	50	15
1103	The Lekshmi Vilasam Bank Ltd.	Maramon, Tiruvalla	20,000	10,000	2,000	...	12
1103	The Sri Vijayam Bank Ltd.	Omallur	1,00,000	10,000	2,000	...	...
1103	The Tiruvalla Syrian Bank Ltd.	Tiruvalla	1,00,000	8,400	2,260	...	12
1103	The Karipuzha Bank Ltd.	Karipuzha	1,00,000	8,500	1,270	...	...
1104	The Alleppey Banking and Industrial Syndicate Bank Ltd.	Alleppey	1,00,000	2,000	2,000	...	...
1104	The Chiravom Muttam Bank Ltd.	Ithithanam, Changanachery	1,00,000	16,700	2,500	...	...
1104	The Pantalam Central Bank Ltd.	Pantalam	1,00,000	15,500	1,550	...	...
1104	The United Banking and Agricultural Kottayam Syndicate Ltd.	Kottayam	10,000	2,000	2,000	...	..
1104	The Muhamma Bank Ltd.	Shertalla i	50,000	1,000	1,000	...	...
1104	The Malankara Associated Bank Ltd.	Changanachery	1,00,000	26,930	2,690	...	..

APPENDIX V.—(contd.)

VIII. B. Rs. 1,000 and below Rs. 3,000.—(concl'd.)

Year of Registration.	Name of Bank.	Situation of the Registered office.	Capital. (Rs.)			Reserve and other funds. Rs.	Dividend per cent for 1104.
			Authorised.	Subscribed.	Paid up.		
1104	The Subramonia Vilasam Banking and Industrial Union Ltd.	Changanachery	20,000	7,000	1,400	...	...
1104	The Desabhivardhini Bank Ltd.	Mallapalli	70,000	11,000	2,200	...	...
1104	The Sri Ramalayam Banking and Industrials Ltd.	Paravur	20,000	6,800	1,700	...	...
1104	The Prabhata Tharaka Bank Ltd.	Kuravilangad	1,00,000	5,000	1,490	...	...
1104	The Travancore Nair Mahasabha Ltd.	Mannar	1,00,000	2,640	2,640	...	...
1104	The Family Provident Bank Ltd.	Omaller	1,00,000	2,700	1,350	...	...
1104	The Parur Banking and Industrials, Ltd.	Parur	20,000	15,000	1,500	...	...
1104	The Kaithakar Family Benefit Fund Ltd.	Eramallur	10,000	10,000	2,000	...	...
1104	The Karakal Aiswarya Nidhi Bank Ltd.	Karakal	30,000	4,400	1,760	...	...
1104	The Thevalakara Bank Ltd.	Thevalakara	1,00,000	18,180	1,820	...	...
1104	The Labourers' Capital Bank Ltd.	Changanachery	1,00,000	12,240	2,590	...	...
			17,20,000	2,34,430	47,890	50	...
	VIII A and B (Total)		42,90,000	6,59,400	1,46,750	...	...

## APPENDIX V.—(concl'd.)

## IX. Below Rs. 1,000.

Year of Registration.	Name of Bank.	Situation of the Registered office.	Capital. (Rs.)			Reserve and other funds. Rs.	Dividend per cent for 1904.
			Authorised.	Subscribed.	Paid up.		
1103	The Kangoorpilli Commercial Union Ltd.	Kangoorpilli	20,000	2,100	630	...	..
1104	The Family Benefit Banking and Industrials Ltd.	Trivandrum	20,000	8,000	800	...	...
1104	The V. N. Industrial Co., Ltd.	Tiruvalla	30,000	2,450	820	...	...
1104	The Vijaya Lekshmi Banking and Industrials Ltd.	Alleppey	17,000	8,500	850	...	...
1104	The Oriental Bank Ltd.	Quilon	2,00,000	810	...	...	...
1104	The Aranmula Union Bank Ltd.	Mallapuzhaseri, Aranmula	1,00,000	12,170	...	...	...
1104	The Trading Union Bank Ltd.	Vazhapalli	1,00,000	18,680	...	...	...
1104	The Catholic Little Flower Bank Ltd.	Kunammavu	25,000	700	280	...	...
1104	The Karukutti Bank Ltd.	Karukutti	20,000	6,050	610	...	...
1104	The International Bank Ltd.	Quilon	5,00,000	67,500	...	...	...
			10,32,000	1,26,960	3,990	...	...

## APPENDIX VI.

VASUL HUNDI.

(1)

*Sivamayam.*

No. 115.

(Year) 1104 (Month) Adi (Date) 16.

(From)

S. S. Palanichami Nadar and Bros.,  
Virudunagar.

(To)

M. R. Ry. N. P. Subbiah Pillai Avargal, Trivandrum.

Towards debit of our account (here) please pay at sight Rupees one thousand only to M. R. Ry. S. Padmanabha Pillai or order (there) and accept this with entry on the reverse.

[ At sight please pay Mr. S. Padmanabha Pillai or order the sum of Rs. 1000 only and debit against our account after due entry on the reverse.]

Rs. 1000|-

S. S. Palanichami Nadar.

(2)

*Sivamayam.*

No. 89.

Trivandrum,  
(Year) 1104 (Month) Purattasi (Date) 18

(From)

V. E. S. Pichandi Moopnar,  
Trivandrum.

(To)

M. R. Ry. N. S. Subramonia Pillai Avargal,  
Tuticorin.

Towards payment to M. R. Ry. Ganapathi Pillai Avargal, Hundi merchant here, please pay to his order there the sum of Rupees eight hundred only and debit against our accounts (with due entry on the reverse).

[ At sight please pay to Mr. Ganapathi Pillai, Hundi merchant, or order the sum of Rs. 800 only and debit against our account after making due entries on the reverse.]

Rs. 800|-

V. E. S. Pichandi Moopnar.

## DARSANA HUNDI.

No. 15.

Vadaseri.

(From)

P. A. K. Pichandi,  
Hundi merchant,  
Vadaseri.

In the year of Piramotheutha 1105, Painguni (Month), dated the tenth.

(To) M. R. Ry. S. Ganapathi Pillai Avargal, Trivandrum.

On behalf of Sankarathanu Tharakanar of this place, please pay at sight the sum of Rupees five hundred only to V. N. Padmanabha Aiyar of that place or order and debit against our accounts with due entries (on the reverse).

Rs. 500/-

P. A. K. Pichandi.

## MELEZHUTHU.

No. 156.

Rs. 5000/-

*Sri Ramajayam.*

1105 Piramotheutha (Year) Purattasi (Month) 18 (Date)

(From) S. P. Sankara Iyer Ramaswami Iyer,  
Bankers, Alleppey.

(To) M. R. Ry. S. N. L. Lakshmana Aiyar Avargal,  
Cochin.

For G. A. Company of this place, please pay Thomas (with their order) any amount from one rupee to five thousand rupees till the 18th Kartikai, take *vattam* at .....Rs.....obtain receipt for amounts paid, forward same to us and debit against our account.

S. P. Sankara Iyer Ramaswami Iyer.

## PROMISSORY NOTE.

Stamp.  
12 Annas.

Alleppey,  
6th March 1930.

Br. Rs. 987/-

Eighty-seven days after date we promise to pay the Travancore Peoples Bank Ltd., or order at the office of Alleppey the sum of British Rupees nine hundred and eighty seven only for value received.

For the Alleppey Co., Ltd.

CHIT.

(Indigenous Cheque)

No.

15th May 1930.

To

Messrs. S. P. Sankara Iyer Ramaswami Iyer,  
Bankers, Alleppey.

(Year) 1105 (Month) Edavam (Date) 2.

S. R. Narayana Iyer (Drawn by).

Pay Damodaran or Bearer.

*Hundi* For rupees five hundred only in favour of  
M. R. Ry. P. Rama Iyer Avargal, Kayankulam.*Cash* Rupees three hundred only.Rupees Eight hundred only and debit the amount with discount to our  
accounts.

Rs. 800/-

S. R. Narayana Iyer.

HAVALA.

Y. B. No. 467.

Alleppey,  
21-3-1930.

Br. Rs. 2500/-

3-4-30.

On demand please pay the Travancore Peoples Bank  
Ltd. or order the sum of British Rupees two thou-  
sand five hundred only for value received.To Mr. P. Paramu,  
C/o Messrs. Aspinwall and Co., Ltd.,  
Cochin.

(Sd.)

For the Alleppey Company Ltd.