

**PEASANTS AND FORMAL CREDIT IN
THIRUVITAMCORE : THE STATE, INSTITUTIONS
AND SOCIAL STRUCTURE 1914-1940**

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Considerations of credit mechanism as a suitable mode of appropriation of surplus, compared to rent, explains to a great extent the motivation behind state intervention in the money market in a peasant society.¹ The later half of the nineteenth century and the first half of the twentieth century are often characterized as periods of growing state intervention in this regard.² Direct State intervention in the credit market by reorganizing the system of agricultural loans and the emergence of the co-operative credit system under the State initiative are two examples of such specific instances which have received scholarly attention. It has been argued that in British India, these interventions heralded a new era of statism whereby the colonial authorities accepted the state's responsibility for economic development.³ What is important in this context, however, is to understand the circumstances under which new institutions were moulded and in what way and by which the state's perspective of the agrarian situation in India affected their nature and evolution. In other words, the emphasis has to be shifted from state's role in fostering economic development to a study of the incongruity between State's perspective of the peasantry and the new institutional arrangements. Although an enhanced state intervention would mean a more organised regime of extraction and control of economic surplus, the success and failure of each individual project depended heavily on the socio-political context in which it operated. More significant however was the relative class and caste positions in the rural society, which formed the basis of the varied and differential responses of the peasantry which was highly hierarchical. Peasants' response to

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¹ Sugatha Bose, Agrarian Bengal : Economy, Social Structure and Politics (Cambridge, 1967:98).

² For a discussion of the growth of State power in the late colonial period see Christopher John Baker, An Indian Rural Economy 1880-1955, the Tamilnadu Countryside (Oxford, 1984) and Peter Robb, Bihar, the Colonial State and agricultural development in India 1880-1920 The Indian Economic and Social History Review, Vol.25, No.2 (1988:205-235).

³ Robb, "Bihar the Colonial State", op.cit., 205.

state initiatives and resolving state dilemmas regarding the successful governmental management of the different section of the peasantry characterized by both caste and class divisions decided the outcome of every State action. This paper examines the interventionist experience of the Thiruvitamcore state in the credit market during the two and half decades preceding 1940. We specifically look into the trajectory of two State interventions, one direct and the other indirect. The direct intervention was through the system of providing agricultural loans and the action from a distance was through the establishment of the co-operative movement. We argue that the inability of the government to cope up with the sharp social and economic divisions in the peasant society had been among others, a fundamental reason for the failure of these two institutions. This paper is divided into four sections. Section two, which follow this brief introduction, deals with the history of the system of agricultural credit system and the factors that led to its final collapse and disappearance. Section three examines the origins of the co-operative movement in Thiruvitamcore and its chaotic existence in what can be characterized as a 'multiplex' society, following Gluckman.⁴ Section four provides some concluding observations.

II

WHOM TO LEND? DILEMMA OF STATE AS LENDER

The notion of State assistance to the peasants appears to have been an integral part of the patron-client relationship that existed between the Thiruvitamcore state and its subjects. Consequently the practice of distributing advances for agricultural purposes to peasants by the State was widely prevalent in the region from early periods onwards. Several cadjan records pertaining to the 18th century administration of Thiruvitamcore hold testimony to the fact that this practice was by no means infrequent.⁵ The system prevailed without any statutory basis by promulgating necessary orders issued by the administration from time to time. The traditional commitment of the State in providing rural credit however was

⁴ Quoted in Pranab Bardhan, Land, Labour and Rural Poverty: Essays in Development Economics, (Delhi, 1984:157). The concept of Multiplex Society is used by Gluckman to denote a society where the individual members constituting it "play not one but a variety of roles in interacting with fellow members". In our context the concept is used in a broader sense to represent the complicated structural location of individuals and groups at varying social levels.

⁵ See for example ola dated 943-4-13 ME (1768 AD) Vol.76, p. 138; ola dated 906-2-17 (1761 AD), Vol.1, p. 186 etc. of Huzar Central Vernacular Records, CRT.

revamped and regulated by the close of the 19th century following attempts by British Indian authorities to reorganise the mechanism of 'Takkavi' advances⁶ with a view to ensure agricultural reproduction in the colonial context of deterioration of living standards and consequent "depeasantising".⁷ Peter Robb points out that "the British reneged on the governments' responsibility for lending support of agriculture, an error compounded by their more rigid collection of a high land revenue and their withdrawal of the grants and revenue privileges of religious and other foundations.⁸ By the late 19th century, however one sees a retreat of the state to its traditional role in rural credit. The colonial bureaucrats found that the system can be used for a variety of purposes like reclamation of indigenous people who were forced to abandon hill cultivation, settlement of nomadic societies, *quid pro quo* for favours received from landlords etc.⁹ The system of making agricultural advance through government credit was practised by the British government in India in the late eighteenth and early nineteenth centuries. Advances of petty sums not exceeding Rs.50 were ordinarily given for purposes such as the purchase of seed, implements of husbandry, bullocks, the repair of old or the digging of new wells or not infrequently for the mere subsistence of the

⁶ The term 'Takkavi' was used to designate the concept of State assistance to agriculture in several parts of India. It means "giving strength to" or assisting. It originally signified advances made by the government to peasants at the time of sowing and repayable at the time of harvest. Later gained acceptance as a common name for all advances made for purposes connected with agriculture. See R.S. Vaidyanatha Aiyer, The Madras Takkavi Manual, (Madras, 1912:1).

⁷ In 1871, for example, when the Revenue, Agricultural and Commerce Department was constituted the subject Takkavi advances for agricultural improvement was transferred to a newly created Takkavi branch. [See Guide to the Records in the National Archives of India (GNRI) Part IV, p. 29.]

⁸ Robb, Bihar the Colonial State, op.cit., p. 206.

⁹ For example, the chief object in making advances to the Kumbes of Kandeesh was to induce them to send their relatives to settle in outlying villages then occupied by Bheels only and by doing so, establish a permanent settlement and complete the work which had been commenced by the Bheels. On the other hand, the advances to Bheels were to induce them to settle down in one spot and to cultivate land as a means of subsistence instead of living on the produce of the jungles and occasional employment and for ever changing their abode. (Letter from Western Bheel Agent in Khandeesh to the Collector of Khandeesh dt. 25 July 1871; Proceedings Vol.I, Revenue, Agricultural and Commerce Department, Takkavi Branch, National Archives, New Delhi). In another instance, acting Secretary to the Government of Bombay wrote to the Secretary of Government of India: "Futteh Khan's circumstances are not now so good as they were; but he worked so devotedly and so nobly personally and with all his tribe last year during the fortnight Jacobabad was in such in great danger, that the advance might be made a gift". (Ibid).

ryots till the next harvest.¹⁰ However, rules to regulate the advance of such loans by making it a permanent part of the ordinary revenue administration were formulated in the late nineteenth century ostensibly with the spread of a liquidity crisis in the Indian rural countryside effected by the structures of British economic policy.¹¹ Discreet incidents of general complaints regarding the diminution of credit in the first half of the 19th century have been reported by various British government officials at the local levels.¹² The British government responded to the emerging situation of credit squeeze by resorting to the reorganisation of the takkavi system as a countermanding mechanism by enacting two loans acts in 1870's.¹³ In Thiruvitamcore, however formal legal status was given to the system after a lag of 20 years in 1891 with the promulgation of the regulation IV of 1066 ME [1891 AD].

Nonetheless, as in the case of British India, this regulation did not bring in any immediate change in the ineffective character of the scheme or generate any enthusiastic response from the peasants. Administrative reports of the years soon after the enactment of the regulation testify to the rather poor response of the farmers in availing the agricultural loans.¹⁴ The legal procedures for obtaining the loans were very cumbersome and the prevalence of corruption and nepotism at the various levels of the bureaucracy compounded the welter of administrative difficulties. The gross ineffectiveness of the existing system urged the government to formulate a more systematic exercise of the agricultural loans scheme. In order to facilitate this the Land Improvement and Agricultural Loans Regulation IX of 1094 ME [1919 AD] was promulgated with provisions strictly similar to the takkavi loan acts which prevailed in British India.¹⁵ This coincided with a further expansionary phase of agriculture in Tiruvitamcore and resulting in an

10 R.S. Vaidyanatha Aiyer, The Madras Takkavi Manual, op.cit.

11 For a detailed and useful discussion of the colonial policy and its impact on rural credit and money supplies, See C.A. Bayley, Rulers, Townsman and Bazaars: North Indian Society in the Age of British Expansion 1770-1810 (Cambridge, 1983).

12 Ibid., p. 279.

13 Bobb, Bihar, the Colonial State, op.cit.

14 The various Travancore Administrative Reports (TAR) pertaining to the period record that the number of applications for agricultural loans were few and disbursement practically nil.

15 Travancore Banking Enquiry Committee Report (TBECE) Trivandrum, 1930, Vol. 1, p.35.

unprecedented demand for loans from the various sections of the peasantry.¹⁶ Owners of large forest lands and speculators who had obtained *puduvais* demanded large loans for various cash crops like coconut or pepper and for putting up bunds in backwaters and reclaiming land.¹⁷ Agricultural loans were advanced to prospective farmers under various Kayal (Backwater) reclamation schemes against collateral bonds.¹⁸ The Tahsildar of Kunnathur taluk noted that under his jurisdiction large areas registered as *puduvais* are left uncultivated by owners and sanction should be given to an applicant by name Sankaran Pandalai since "it will be a model lesson to others".¹⁹ The state also responded positively to the demands of legislators for the relaxation of the procedures as well as other suggestions to improve the organisational structure of the system. In a representation, Raman Pillai, member of Sri Moolam Popular Assembly (SMPA) urged that the system of sale of manure on credit should be replaced by a system of short term loans of smaller magnitudes under the agricultural loans regulation "with easy and practicable rules to enable the people to purchase seeds, manures etc."²⁰ Consequently, a set of rules were passed under the same regulation suggesting that loans may be granted to purposes other than land improvement, such as, for purchase of cattle, agricultural implements, seeds and manures.²¹ In 1922 the government exempted all applications of loan up to Rs.200 under this regulation from paying any court fees²² followed by a similar exemption for stamp duty for bonds executed in this regard facilitating a smoother procedure for availing agricultural loans.²³

16 *Puduvai* refers to new land brought under cultivation. The TAR for the year 1929-30 observed as follows: "In recent years, cultivation has been steadily extending further and further into the interior. This is achieved by the operation of two sets of rules which regulate the assignment of government lands for cultivation. These are (i) the *Puduvai* Rules for the older and more general forms of agriculture devoted to the raising of grain, vegetable, fruits, spices etc. and (ii) the special Rules for the assignment of lands for growing cardamoms, coffee, tea and rubber".

17 Letter from Land Revenue and Income Tax Commissioner (LRITC) to Chief Secretary (CS), File Number (F No.) 776/23; Development Department (DD), Directorate of State Archives (DSAT), Trivandrum.

18 F No: 1315/22; DD, DSAT.

19 F No: 383/21; DD, DSAT.

20 F No: 84/21; DD, DSAT.

21 F No: 111/21; DD, DSAT.

22 F No: 1082/22; DD, DSAT.

23 F No: 1442/22; Judicial Department (JD), DSAT.

This official policy of partial encouragement, immediately resulted in an unprecedented demand for agricultural loans. Applications for loans were far exceeding the quota already set apart for the purpose.²⁴ At the beginning of the year 1098 M.E. (mid 1922 AD), there were a total of 208 applications for an amount of Rs.324 thousand pending at the four administrative divisions together, while the allotment for the year was only Rs.100 thousand. In the three months followed another 135 fresh applications were received.²⁵ However the amount disbursed upto the end of the quarter was only Rs.42 thousand. As early as 1921 the LRITC wrote to the Chief Secretary that there are scores of applications for big sums from landholders who have acquired large *puduvai* tracts and also from people who owned kayal lands.²⁶ The following table is illustrative of the situation where loan applications were pouring in making the administrative mechanism struggle to cope with the sudden rise in demand.

Table 1

Accumulation of Agricultural Loan Applications in 1922

Division	Below 3 months of receipt		3 to 6 months of receipt		6 to 12 months of receipt		Above 12 months of receipt		Total	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Trivandrum	20	20417	41	36230	17	30310	4	5713	82	108670
Quilon	41	22756	0	6950	12	19100	9	43400	70	92206
Kottayam	19	30100	26	35350	7	19100	4	19000	50	103550
Devikulam	--	--	4	10500	5	24000	-	--	9	42500
Total	80	31273	79	97030	43	100510	17	68113	219	346934

Source: F No: 786/23 DD; DSAT.

This booming trend continued in the early as well as mid 1920's and a host of applications were rejected for want of funds.²⁷ With the diversion of funds to relief measures for the sufferers from flood in 1924 the system of distributing agricultural loans came to a virtual standstill, albeit temporarily.²⁸ But more and

²⁴ Letter from LRITC to CS, F No: 786/23; DD, DSAT.

²⁵ Ibid.

²⁶ Letter from LRITC to CS, F No: 776/23; DD, DSAT.

²⁷ See for example F No: 135/25, F No: 147/25 etc/. DD, DSAT.

²⁸ While rejecting the loan application of one Devasiah Ouseph, it was maintained that owing to advance of small loans to the victims of flood in Central Thiruvitamcore, the government could not propose to grant any agricultural loan in 1924-25. See F No:

more applications for loans under the scheme were received by the authorities from various parts of the State. In 1925 Land Revenue and Income Tax Commissioner (LRITC) was writing to the Chief Secretary that "applications for agricultural loans are being received by me regularly".²⁹ In the 19th session of SMPA, it was suggested that more money should be set apart for the grant of agricultural loans, in response to which the Dewan of Thiruvitamcore replied that if the amount allotted was not sufficient more shall be given. "We want to push on with agricultural loans" he said.³⁰ However this policy declaration was not eventually followed up with any concrete action. Even in 1929, as pointed out by the Banking Enquiries Committee, the amount granted for the purpose was just Rs.1,50,015.³¹ The Depression Enquiry Committee also pointed out that the witnesses who gave evidence before the Committee including Land Revenue officials were unanimous in their opinion that the allotment under agricultural loans regulation was thoroughly inadequate to meet the needs of the ryots.³² The Committee in its turn recommended that a liberal allotment should be provided for agricultural loans.³³ The case of Kuttanad ryots was specifically mentioned by the Committee, instructing the government to set apart at least Rs.1,00,000 solely for advancing special loans to the Kuttanad ryots in view of the large cultivation expenses in that region.³⁴

154/25; ID, DSMT.

29 Letter from LRITC to CS, F No: 135/25; ID, DSMT.

30 F No: 1053/23; ID, DSMT.

31 TEDEC, op.cit., p. 36. The inadequacy of the amount set apart for providing agricultural loans invited criticism from several quarters. Kerala Chandrika dated 1st August 1921 objected to the government move to advance funds for the Cochin Harbour Scheme on the ground that the sums allotted for various important measures like agricultural loans are grossly inadequate and any diversion of State's resources for other purposes therefore cannot be justified. The paper noted that "the sum allotted at present for this purpose (agricultural loans) is a lakh of rupees. How paltry and insufficient this sum is will be patent when we consider the mere number of ryots in this country. Taking the average we see that this comes to about half an anna per head".

32 Travancore Economic Depression Enquiry Committee Report (TEDEC), Trivandrum, 1932:96.

33 Ibid., p. 97.

34 Ibid.

With the onset of depression there was a palpable contraction in the availability of rural credit which resulted in a further rise in demand for governmental assistance. But the response of the government in this regard was lukewarm and the additional amount sanctioned by the government to meet the rising demand for credit was very meagre, and hence insufficient (See table 2).

Table 2

Amount Disbursed as Agricultural Loans 1928/29 - 1933/34

Year	Amount	Percent increase over the previous year
1928-29	150015	--
1929-30	157518	5.0
1930-31	287774	82.7
1931-32	389793	35.5
1932-33	353007	-9.4
1933-34	272928	-22.7

Source: Travancore Administration Reports, relevant years.

Recovery of agricultural loans also became difficult during the period of depression. Prayers were received by the government from ryots for concessions with respect to the terms of repayment of loans taken by them.³⁵ The government had no option but to relent.³⁶

The reluctance on the part of the government to increase the allotment for agricultural loans to any considerable scale was compounded by the fact that most of the applications received were for large sums of money. Table 3 shows that the average amount demanded by loan applicants was very high in all the four administrative divisions in Thiruvitamcore, given the low quota of money set apart for the purpose.

³⁵ See for example F No: 704/33, 646/33 etc. Revenue Department (RD), DEAT.

³⁶ See F No: 733/33. RD, DEAT.

Table 3

**Average amount of loan applied and Pending applications in 1922
(In Rs. Approximate)**

Administrative Division	Below 3 months	3 to 6 months	6 - 12 months	Above 12 months	Total
Trivandrum	1421	884	2254	1429	1325
Quilon	555	869	1592	4822	1317
Kottayam	1584	1360	2729	4750	1785
Devikulam	—	4625	4800	—	4722
Total	1016	1228	2338	4007	1584

Source: Based on Table 1.

Lower rate of interest alongside with a longer time span available for the repayment in easy instalments as compared to other sources of credit would have been the major reasons or this rush for governmental loans. It should be noted that despite certain half hearted attempts by the state to relax some of the administrative and legal hassles associated with the procedures of loan distribution, it remained one of the most cumbersome activities of the Revenue officials. First, there was the problem of verifying the security offered against the loan. The nature of land holdings, the prevalence of Marumakkathayam system of inheritance among the major communities preventing partition and alienation of the properties of the Tharawad etc. meant that only after very detailed investigations loans could be sanctioned to those who have applied. This implied undue delay in the final distribution of the money. However it is interesting to note that in spite of the arduous character of the institution of agricultural loans there was a constant rise in the demand for the same.

It is worth noting in this context that the enormity of applications particularly for huge amounts from large farmers posed an immediate policy question before the State. It was viewed that the system of agricultural loan was instituted primarily to assist those small farmers who face subsistence crisis and are more vulnerable to the vagaries of both weather as well as the market. The Dewan of Thiruvitamcore in his reply to a representation to SMPA stressed that the "Agricultural loans are mainly intended for the poor and if the poor do not make advantage of the loans the blame does not lie with the government. Of the one lakh rupees earmarked for the agricultural loans last year Rs. 96000 were actually advanced. Applications from the poor will certainly be preferred to those from the

rich. The latter can command money in the open market while the former can't".³⁷

But lower down the hierarchy of administration the ambiguity regarding the policy for distributing agricultural loans was very strong. In a letter to Chief Secretary LRITC opined that although the grant of loans to venturesome capitalists for raising ordinary crops on large scale would certainly raise the productivity of state, the government need not finance them since they could mobilize resources from Banks and hundi merchants.³⁸ He argued that "the object of granting loans to ryots is to encourage agriculture, help the needy holder of land to improve his holding by granting loans on easy terms by way of reduced interest and repayment in instalments and save him from the clutches of money lenders who demand generally very high rates and commissions".³⁹

But the Chief Secretary had a different story to tell. He wrote back to LRITC that the government had already ordered that "it was not sound policy to shut out applications for the grant that the amount of loan applied for is large and the land to be improved cover big area and to entertain only those applications that relate to the improvement of small areas".⁴⁰ On the contrary he felt that the government should give every encouragement to the improvement of large land holdings whether *puduvai* or *kayal* land.⁴¹ But this stricture does not seem to have been strictly adhered to by the LRITC. When W.R. Stainforth, Director of "Pathanamthitta Rubber and By-Products", applied for a grant of loan to "demonstrate the advisability of intensive cultivation by the use of artificial manure and the provision of facilities for irrigation", LRITC recommended that it should be rejected on the ground that "government have recently ordered that applications from rich landed men should be discouraged".⁴² He also mentioned that a few other applications have been rejected on the presumption that the

37 F No: 2102/26; DD, DSAT.

38 Letter from LRITC to CS, F No: 776/23; DD, DSAT.

39 Ibid.

40 Letter from LRITC to CS, F No: 776/23; DD, DSAT.

41 Ibid.

42 Letter from LRITC to CS, F No: 1382/24; DD, DSAT.

applicants were "well-to-do men who can raise funds otherwise".⁴³ There was also a suggestion that 50 per cent of the amount allotted every year may be reserved for applications from the poor.⁴⁴

In 1923 at the instance of the LRITC, the government had directed the Dewan Peiskars to discourage the applications for loans from rich land owners. Some of the Dewan Peiskars carried out this order in its most literal sense causing embarrassment to LRITC himself.⁴⁵ Soon, he reverted from his earlier position and recommended the government to cancel this order. He felt that "this order of the government was working bit too harshly" and hence irrespective of the fact whether a peasant is poor or rich he/she should be granted agricultural advances".⁴⁶ The Director of agriculture and fisheries also held a similar view. Most of the agriculturists in Thiruvitamcore according to him, "do not as a rule command sufficient fluid capital and are, therefore, invariably put to the necessity of borrowing money to meet even the ordinary expenses of cultivation".⁴⁷ He argued that "they generally borrow from the money lenders at exorbitant rates of interest and invest the money for the improvement of their lands", and since "such investment seldom yields the interest which they have to pay the money lender" which would ultimately push him down into a debt trap.⁴⁸ He was of the opinion that although it is desirable that small holders should be given preference to large holders in granting loans the latter should not be shut out entirely from the privilege of obtaining credit facilities simply on the ground that they are owners of a larger tracts of land. The Unemployment Enquiry Committee also noted that many acres of land lie idle in Thiruvitamcore for want of capital and a large proportion of land owners are deeply immersed in debts on which various rates of interest have to be paid from which they are not likely to emerge unaided.⁴⁹ The

⁴³ One example of such rejection is the loan application from Velayudhan Padmanabhan alias Kochu Pappan Tharakan of Vakkom desam Kaddakkavoor, based on the report from the Dewan Peishkar, Trivandrum that the applicant was rich enough to raise resources from elsewhere. See letter from LRITC to CD, F No: 1533/24; DD, DSAT.

⁴⁴ Letter from LRITC to CS, F No: 2102/26; DD, DSAT.

⁴⁵ Letter from LRITC to CS, F No: 3746/27; DD, DSAT.

⁴⁶ Ibid.

⁴⁷ Letter from Director of Agriculture and Fisheries (DAF) to CS, F No: 2105/28; DD, DSAT.

⁴⁸ Ibid.

⁴⁹ TEER, (Trivandrum, 1928).

State, however, failed to offer any definite policy directive to the subordinate officers in this regard. "It is difficult to lay down any hard and fast instruction in this respect but the government expect the officers competent to grant loans to exercise their discretion judiciously."⁵⁰

However, while the government was not able to formulate any clear cut policy regarding the distribution of loans to the different strata of the peasantry, the system was degenerating in the face of growing corruption and nepotism.⁵¹ It was not guaranteed that the loans were strictly used for agricultural purposes. A leaderette in the "Kerala Deepam" on the 29th November 1923 pointed out that many of those who have taken agricultural loans were using it for other purposes.⁵² It was suggested that a statement containing particulars regarding those who have availed loans and the works for which they spent the money should be published in the Gazette.⁵³ Nonetheless, the official response to an internal enquiry was to dismiss the allegation as totally baseless.⁵⁴ "Prathidinam" dated 5th February 1925 alleged that the ryots were not the real beneficiaries of the scheme "These loans were intended to help the poor and bonafide agriculturists. But in practice big sums were being given to government officers and government pensioners".⁵⁵ There were several instances where retired government officials received special treatment in getting the loan as well as getting relaxations in the process of recovery.⁵⁶ Despite the official denial, as late as 1930's complaints

⁵⁰ Letter from CS to LRITC, F No: 902/29; ID, DSAT.

⁵¹ Charges of corruption and nepotism were raised in the case of registry of Puduval lands to government employees also. One such complaint which appeared in "Western Star" dated 10th August, 1920 was reviewed seriously by the Sircar. Consequently, an order prohibiting government officials from purchase, bargain, mortgage, transfer of landed property etc. within their jurisdiction without prior sanction from the government, was issued. See F No: 68/20; JD, DSAT. However, since this was a period of initial political polarisation in the state along caste lines, the discourses of corruption and nepotism should also be understood as rhetorical strategies of rival caste groups to gain an upper hand in the emerging political arena of Thiruvitankore State.

⁵² "Kerala Deepam", 11th November, 1923.

⁵³ Ibid.

⁵⁴ Diwan Peishkar (DP) to LRITC, F No: 815/24; ID, DSAT.

⁵⁵ "Prathidinam", 5th February 1925.

⁵⁶ In the case of a retired Dewan Peishkar who availed loan from the government and failed to fulfil the conditions, recovery proceedings were stalled and extension granted to him on the ground that he was retired "high" official in the government. The case received the attention of the media also: See "Sudarsanam", 1st June 1921.

were raised in the legislative forums regarding corruption, nepotism and non-availability of loan to the poor and the needy which characterized the system of providing agricultural loans.

Most often the potentially productive small farmers were also unable to satisfy the collateral security requirement specified in the regulation. The State, like other lending institutions, showed an "inherent tendency to allocate resources to investors with best security, rather than those with the best schemes".⁵⁷ Even in cases where the small farmers were able to offer security, the State preferred large and capitalist farmers. It could be the perceived high risk of lending to small borrowers that prevented the government from allotting loans. It was observed in 1929 that "The general complaint in the matter of granting loans is not that the poor who are unable to offer security are not granted loans, but that, as compared with the well to do, the relatively poor and the middle classes, who are able to offer security find it difficult to obtain loans and that the bulk of the loans go generally to the well-to-do and the influential."⁵⁸ But it can be seen that even after following a policy of selective lending to large farmers, the rate of recovery was hovering around 40 per cent in the aggregate. Table 4 gives a statement of the amount payable, the amount recovered and the balance left in the year 1941, under agricultural loans.

Table 4
Recovery Status of Agricultural Loans, 1941

Division	Amount Payable			Amount Recovered			Balance		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
Trivandrum	104590	16097	120687	44004	11659	51663	64594	4340	68934
Quilon	304686	40077	344763	86046	30557	116603	218640	9521	228161
Kottayan	106877	25737	132614	68170	20890	83060	30707	4039	43546
Total	516161	81821	597982	197220	63114	257334	321941	18708	340649

Source: RALRD, 1941-42, p. 26.

Also P No: 1270/21; DD, DSAT.

⁵⁷ Kitchen, F.L. Finance for the Developing Countries (Chichester, 1966:95) quoted in Machiko Nissanke, Excess liquidity syndrome in the Banking System in low income developing countries, Working Paper No.34, Department of Economics, School of Oriental and Agricultural Studies, University of London, p. 12.

⁵⁸ See P No: 903/29; DD, DSAT.

Under these circumstances, it was not possible for the government to push on with the programme of agricultural loans. Therefore the work of granting such loans was transferred to the Travancore Credit Bank in 1940 and government completely withdrew from the scene.⁵⁹

III

ACTION AT A DISTANCE : THE CHAOS OF CO-OPERATION

The ground was set for the introduction of co-operative system in Thiruvitamcore quite unexpectedly in 1911 after a discussion on the working of joint stock companies in the SMPA. The SMPA, criticizing the functioning of the joint stock companies requested the governments to initiate steps for the control and regulation of these companies.⁶⁰ The government however refused to interfere with the working of the joint stock companies and instead directed the legislation department to take necessary steps to formulate a co-operative regulation based on the model which prevailed in the British Indian province of Madras.⁶¹ As noted by the Travancore Co-operative Enquiry Committee the conditions of the institution of co-operatives in Thiruvitamcore were entirely different from that of the situation in British India. However, the multiplex social-structure into which the co-operative system was introduced affected its potential of success in Thiruvitamcore in terms of mobilization of resources as well as the sustainability of the movement. The initial phase of its growth therefore was essentially characterized by multifarious tensions and frictions. This resulted in creating an insurmountable inertia for the co-operative institutions particularly in its early years. The perfunctory manner in which the system was introduced in Thiruvitamcore had a long and standing negative impact on its functioning both as a democratic institution as well as an institutional support for the peasant in distress.

⁵⁹ It is interesting to recollect the State's earlier aversion to such propositions. In 1926, the Dewan pronounced that "I have no faith in Agricultural Banks. These Banks have proved to be a failure wherever they have been tried". Instead the Dewan hoped to use co-operative society as "a more appropriate agency through which the poor may obtain loans". F.No.2102/26 DD, DSAT.

⁶⁰ Travancore Co-operative Enquiry Committee Report (TCER) (Trivandrum, 1935, p. 26).

⁶¹ Ibid.

Soon after the co-operative regulation was passed by the SMPA, a Registrar of co-operatives was appointed in 1914.⁶¹ Following this, in November 1915 the first society in Thiruvitamcore, the Trivandrum Central co-operative Bank Ltd., (TCCB) was registered. To begin with, the Bank had a share capital of 1 lakh Bh.Rs. divided into one thousand shares of 100 British Rupees (Bh:Rs.) each payable in five instalments.⁶² By the end of the year, the membership of the Bank was estimated to be 69 individuals and 16 primary societies. A total of 377 shares were disposed during the year and the paid up capital at the end of the year stood at Bh.Rs. 8340. However, the society began its functioning by borrowing heavily from the government at a very nominal rate of interest. 22 loans summing up to an amount of Bh.Rs. 37710 were advanced in the initial year itself indicating the prevalence of a very high demand for credit.

Despite government patronage for the Bank and the growing public demand for institutional credit the growth of TCCB was very tardy, particularly in the first six years of its existence. It was noted that despite the assistance of government and involvement of high bureaucrats and influential local elite, the TCCB could not make much progress during its initial years. This was particularly true of the Bank's capacity to attract deposits from the public. The Registrar of co-operatives opined in 1917 that:

"It is a matter of surprise that the Bank, consisting as it does of the elite of the Town and with a directorate composed of gentlemen admittedly wielding vast influence, should not have been able to tap local resources by attracting deposits either from the members or from outside public, inspite of the circumstances that the interest the Bank offers on deposits is tempting enough".⁶³

This apathy and indifference of the public, according to the official version, was an unfortunate turn out of the chaos that prevailed in the money market in 1917.⁶⁴ However, it could be noted here that in the following year also there was significant change in the situation. In 1918 the Registrar of Co-operatives again noted that "the Bank cannot be said to have succeeded in attracting deposits on any appreciable scale. In 1919 also though there was a growth in terms of both individual and societal membership in the Bank, the Registrar had to conclude that

62 Ibid.

63 F No: 1176.21; DD, DSAT.

64 Ibid.

65 Ibid.

"no attempt seems to have been made by the Bank to attract deposits."⁶⁶ Default of loan dues also became a case of constant worry from that year onwards. The Registrar in his proceedings for the year 1919 stated that:

"On the whole the year under review cannot be said to have been a prosperous one for the Bank. Large sums both by way of loans and interests are overdue to the Bank. No efforts were put forth to realize these overdue amounts. Many of the share holders it is seen, have remained defaulters for much larger time than can reasonably be allowed. Some of them, it is reported, do not even think of repaying the borrowed money at all. These are unlooked for the undesirable phases in the development of the Bank."⁶⁷

In 1920 also the Registrar was overly worried about the apathy of the Bank authorities in making an all-out effort towards "punctual and rigorous collection of sums" due to the Bank. He also wanted all the primary societies to "strictly adhere to the term of its covenant to repay in time its dues to the Central Bank". However, he was ready to admit that such irregularities in repayment on the part of the primary societies cannot be considered as "very strange" since they were in their early stages and "have not understood the main principles of co-operation". But the bureaucracy was equally ignorant and inefficient in matters connected with co-operation. The Registrar could not undermine the fact that the co-operative inspectors were also technically unequipped and "several material irregularities were allowed unnoticed" by them.⁶⁸

Despite all these words of caution from Government the Bank continued its lethargic attitude towards the enhancement of deposits to the Bank and depended mainly on the government advance and its paid up share capital. By 1921, the Bank had reached a stage where even the repayment of the 1st instalment of the government advance was going to seriously affect the working of the Bank.

The government decided to tighten its grip over the TCCB by directing the Bank authorities to step up their initiatives to impel the primary societies to repay sums which are due to the Bank. But several societies wrote back to the TCCB Board of directors that the severe economic distress prevalent in their jurisdiction makes it impossible for them to respond positively to these initiatives. They required the Board not to go for any extreme steps. The Board was more concerned

66 Ibid.

67 Ibid.

68 Ibid.

with the long run implications of the adoption of extreme measures than the immediate financial crisis management and hence informed the government that any extreme measure at that juncture "would be fatal to the co-operative movement which had only begun to take root in the country".⁶⁹

The government however was unwilling to accept this 'distress' argument as an excuse. Going one step further, the government argued that as far as they are aware there was no serious economic distress in Thiruvitamcore at that time. The Chief Secretary even claimed that though there is a food shortage in some parts of Thiruvitamcore, "people were not wanting in money as they were getting very good prices for their exports".⁷⁰ This optimism, however, was unwarranted and the statements far from true, since the region was slowly sinking into a quagmire of money-shortage, non availability of food and general economic decline. The Registrar of the co-operative societies in his letter to the Chief Secretary in 1921 expressed his indignation over the behaviour of TCCB as well as affiliated societies. He stated that year after year the Registrar and the government in reviewing the work of the Bank had to remark unfavourably on the ability of the Bank to attract fixed deposits". He accused that the Bank Directors in order to safeguard their self interest had taken a loan up to almost the extent of the advances made by them by way of share money. "They appear not to have moved an inch towards improving the condition of the Bank. According to him, the affiliated societies were also making use of this chaotic situation. Realizing that the Bank was not in a position to advance fresh loans, the affiliated societies had begun to loose confidence in TCCB. They had "wilfully become defaulters and thought of managing their affairs with the money they had already secured therefrom".⁷¹ Government took a serious note to this observation and published in the Gazette the statement of the Registrar. This caused the tension between the State and Co-operative organization to reach a new high and the General Body of the TCCB passed a resolution criticizing the government for its unwarranted interference into the affairs of the Bank in the government proceedings contained

69 Letter from Secretary, Trivandrum Central Co-operative Bank (TCCB) to CD, Ibid.

70 Letter from CS to Secretary TCCB, Ibid. This was either double talking or sheer ignorance since the Report of the Administration of the joint stock companies for the same year gives an exactly opposite picture. It says: "52 new companies were registered during the year, all limited by shares, against 101 new companies in the previous year. This fall in the registration of new companies in 1921, is reported to be due to the heavy strain in the money market felt all over the State" [See F No: 770/21, DD, DSAT].

71 F No: 1176/21, DD, DSAT.

the Gazette dated 25.1.1921.⁷² The General Body of the Bank also placed on d its appreciation of the 'good work' done by the Board of Management during year. However, the fact remained that there was a rapid rush of applications withdrawal of membership during these years of state-co-operative frontation.⁷³

The sub committee for Banking and Co-operation instituted by the newly constituted Economic Development Board placed before the Board a resolution requesting the government to appoint a committee to enquire into the working of the co-operative societies and suggest measures for their improvement.⁷⁴ Some of the prominent members of the Board from the nascent entrepreneurial class argued that the network of co-operative system in the state was in doldrums. C.P. Mathen and P. John, the non-official members of the Board criticized the co-operative movement for not fulfilling their function in "ameliorating the condition of the poor".⁷⁵ P. John argued that so far as his knowledge went, "there was not a single co-operative society working satisfactorily in the Northern Division. The objective of the Department as in the case of others, had been to augment the number of societies rather than on proper lines".⁷⁶ The government side however was not willing to accept the resolution for the appointment of a committee of enquiry which they thought was too early since the movement was introduced in Thiruvitamcore only in 1914. Instead, a resolution requesting the Registrar of co-operatives to conduct an enquiry into the working of co-operatives on the lines chalked out by the Board was unanimously passed. However it was only from 1925 onwards that there was any effectual attempt on the part of the government to reorganize the cooperative department on a scale commensurate with the increased volume and importance of work and realize the mobilizational potential of the movement.⁷⁷ From 1925 onwards one can see a rapid and sustained growth in the number of societies and their membership strength, which was interrupted during

⁷² Letter from Secretary TCCB to CS, Ibid.

⁷³ Number of members decreased from 103 to 93 and number of shares from 390 to 326 during the period [Ibid].

⁷⁴ The minutes of the Second meeting of the Travancore Economic Development Board [F No: 1234/21, DD, DSAT].

⁷⁵ Ibid.

⁷⁶ Ibid.

⁷⁷ F No: 1882/30, DD, DSAT.

the years following the global slump (See Table 5), a rupture from which the movement never recovered completely.

Table 5

Progress of Co-operative Societies 1924/25 - 1939/40

Year	Number	Membership
1924-25	1002	74076
1925-26	1325	115303
1926-27	1555	150932
1927-28	1688	177824
1928-29	1788	196078
1929-30	1806	213027
1930-31	1818	220989
1931-32	1810	224532
1932-33	1786	230433
1933-34	1762	229675
1934-35	1767	223760
1935-36	1766	220486
1936-37	1747	213172
1937-38	1704	206699
1938-39	1655	198788
1939-40	1480	181377
1939-40	1480	181377

Source: Report on the working of the Co-operative Societies in Travancore various years.

The stagnation of the co-operative movement during the post-depression years and its subsequent failure to show any resilience could be explained only by placing it in the local context of their organizational and functional characteristics. When the movement was introduced in Thiruvitamcore, the State followed a policy of encouraging the formation of societies along caste and religious lines given the acute caste and communal feelings that prevailed in the region during that period. In the early decades of the century the state bureaucracy was essentially run by caste Hindus who occupied the majority of the high offices of this professed 'Hindu' state.⁷⁸ Politics in Thiruvitamcore began crystallizing in an ideological plane where three major communities Christians, Muslims and Ezhavas were continually at loggerheads with the policies of the state. The proto forms of this development which attained maturity in the subsequent years could be seen in the initial phase of the co-operative movement itself. The fact that state action in the

⁷⁸ One Nair member of the TLC minced no words when he asserted that "This (Thiruvitamcore) is a Hindu State and Hindus form over 70 per cent of the population". It is interesting to note here that this statement was made in the context of a discussion in TLC regarding the need for prohibiting cow slaughter in the state [See (TLCF), vol.IV, p. 154, 1923].

co-operative sector was channelled through the caste-Hindu dominated bureaucratic set up had an important bearing on shaping the nature of relationships between workers of the co-operatives and the State officialdom predominated by caste Hindus.⁷⁹ This came into the open when the Registrar of co-operatives issued a circular asking his subordinates to discourage the formation of co-operative societies along communal lines.⁸⁰ The circular was an offshoot of the discussions held at the conference of co-operative inspectors in 1925 regarding the main principles and system that ought to guide the departmental staff. Although the circular had clearly stated that registration of such societies need not be totally refused, it created a feeling of insecurity among certain Non Hindu communities especially Christian Catholics. They pointed out that communal societies among Christians were less in number in Thiruvitamcore since most of the high officials of the bureaucratic network of the co-operatives were caste Hindus who were biased against them. It was argued that a policy of encouragement to caste societies had been adopted in the beginning when the new movement was popular among the Nairs and 'high' caste Hindus and the new move to stop the registration of exclusive caste societies was ill-motivated.⁸¹ The secular posture that the Thiruvitamcore state attempted to assume through this change in policy actually boomeranged. It should be noted here that by 1924 itself the government had succeeded in removing from the bye-laws of communal societies clauses relating to restrictions of admission of outsiders.⁸² It was observed ten years later that:

"The policy of the Department has been for long to discourage the registration of communal societies since their existence has been found to warp the true co-operative spirit amongst the members. That communalism, so rife in many of the public activities in the State is a grave menace to the stability of the movement has been well appreciated by a vast body of co-operators. The real danger to the

⁷⁹ Of the 20 inspectors in the co-operative department 5 were Brahmins and 6 were Nairs. Other Hindus were 1 Ezhava and 2 Vellalas. 3 were protestants and 1 Marthoma Syrian and 1 reformed Syrian. Roman Catholics, Muslims and Jacobite Syrian did not have any representation at all. The only post of personal assistant was held by a Nair [See TLCP, Vol. IX, p. 859, 1926]. P.S. Muhammad, member of TLC was answered in the firm negative when asked if muslims would be appointed as co-operative inspectors [See TLCP, Vol. XIII, p. 752, 1923]. However, it was reported to the TLC in 1926 that an order has been passed that Syrian Christians should be posted in the Kottayam division and other parts where they were in large numbers and Tamilians in the Southern districts "on the principle that in co-operative work people are likely to respond better to their own folk" [TLCP, Vol. VIII, p. 581, 1926].

⁸⁰ Circular No. 99, F No: 1385/25, LD, DSAT.

⁸¹ Ibid., Representation from a section of the Catholic Syrian Community to Huzur Cutchery dated 23rd September, 1929.

⁸² Annual Report of the Working of Co-operative Societies (ARCS) (Trivandrum, 1924).

movement, was fractions in villages rather than from communal feelings."⁸³

This however does not reflect the ground reality of the sharp communal divide that existed in rural Thiruvitamcore. A more realistic assessment of the situation was made by the Co-operative Enquiry Committee when it observed that even though there is a growing realization that communal societies are against the spirit of true co-operation, the demand for such societies have not shown any appreciable fall. The circular of the Registrar of co-operatives regarding the policy decision to discourage the formation of communal societies was vehemently criticized in the legislature before it was accepted "in principle".⁸⁴ The media also was quite apprehensive and critical on the circular. It is not really surprising that this new twinge of scruple that the state officials pretended to suffer with regard to the growth of communal societies was viewed by many as an explicit espousal of the cause of the caste Hindus, who by then had consolidated their position in the co-operative movement. State's policy of veering towards the decommunalisation of societies had momentous consequences for the non-caste Hindu communities particularly during a period when the political environment in the country was fast crystallising along the intensification of the strife between caste Hindus and rest of the population, with regard to their share in the political power structure. The years that followed witnessed a more successful articulation of the feelings of non-caste Hindu communities like Christians, Muslims and Ezhavas who shared a common platform to raise their demand for proportionate representation in the legislative bodies.⁸⁵

Those co-operative societies formed exclusively for the depressed castes like Pulayas, Parayas and Kuravas, at the instance of state, following the British Indian Model, were also in deep crisis. Pulaya and other backward castes were given accession to membership of the societies as early as 1917 and they were encouraged to form their own societies.⁸⁶ This was partly due to the aversive attitude of the caste Hindus who refused to shed off their caste prejudices and freely associate with lower caste groups. However, even though the government

83 ARCS (Trivandrum, 1924).

84 TCER, p. 28.

85 For a descriptive narrative of some aspects of the movement see K.K. Kusuman: The Abstention Movement, Kerala Historical Society, Trivandrum, 1976.

86 ARCS (1917).

appointed a protector of depressed castes to look after the affairs of the backward caste societies, their performance was quite below the expectations. It was reported in 1934 that:

"There are at present 250 co-operative societies comprising exclusively or mainly of the various depressed communities of the state. It has to be admitted that the condition of working of these institutions in general is very poor. Almost all of them are credit societies".⁸⁷

Not only was the movement in total shackles, but the members were caught in a debt trap too. The societies assisted them in obtaining loans which were mainly utilized for non-productive purposes. Their means of repayment were scanty which resulted in a situation where "most of the poor people have got themselves involved in heavy debts out of which they find no easy escape".⁸⁸

The state's answer to the crisis was further bureaucratization. A new bill was introduced in the Legislative Council aimed at providing dictatorial powers to the Registrar of Co-operatives. It was pointed out by a member SCSC that "the only idea which seems to have been before the framers of this Bill was to make the Registrar of Co-operative Societies the Centre of the whole scheme and forget altogether the primary societies".⁸⁹ In TLC also the members argued that the government should consider the degree of state control that they ought to exercise in the interests of the Co-operation. "State interference should be to the minimum possible extent only".⁹⁰ The policy of hinging on to bureaucratization for a possible revival of the co-operative movement in the state, however, did not prove successful even in the short run since it failed to provide a breakthrough by breaking the initial inertia.

⁸⁷ Annual Report of the Protector of depressed classes, 1934.

⁸⁸ Ibid.

⁸⁹ Travancore Sri Chitra State Council (TSCC), Vol. IX, 1937, p. 468. Another member also opined that "to introduce official element more than what is necessary will certainly deteriorate the movement", Ibid., p. 467.

⁹⁰ TLCP, Vol. XIX, 1932, p. 996.

IV

CONCLUSIONS

These two case studies of state intervention in the formal credit market give an interesting scenario of comparison and contrast. On the one hand, it could be seen that the more direct intervention in the form of agricultural loans suffered setbacks forcing the state to pull itself out completely. The state could not resolve the dilemma posed by the existence of a vertically hierarchical class society with each group trying to articulate its interests in varied ways. Shortage of resources to cater to the increasing demands of an expanding capitalist agriculture further complicated the situation. Consequently, the state withdrew from the scene, entrusting the task of distributing agricultural loans to a newly constituted autonomous agency, the Travancore credit Bank. In the case of co-operative societies, where the state held only indirect control, the attempt was to further "Statify" it through constitutionalisation and bureaucratization. Caste and communal cleavages, consequent on the religious biases of the state officialdom transmitted impulses of insecurity among minority communities whose distrust of the state had a significant impact on propelling the downfall of the co-operative movement. Both the cases clearly show that the interventionism of the state in a society that is vertically divided according to economic categories and horizontally scattered along caste, religious or communal lines, is destined to fail if it embraces an insensitivity towards the caste and class cleavages that permeate the social sphere.



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