

**ALL-INDIA
RURAL CREDIT SURVEY**

**DISTRICT MONOGRAPH
QUILON**



BOMBAY - 1958

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FOREWORD

The All-India Rural Credit Survey was conducted in 1951-2 by the Committee of Direction appointed by the Reserve Bank of India. The investigation extended over nearly 1,30,000 families resident in 600 villages and the various types of credit agencies in 75 selected districts spread all over the country. The data collected covered all important aspects of the working of the system of rural credit in the 75 districts. The detailed study of the material in all its aspects has been completed and the Report of the Committee has been published in three volumes, namely, Volume I, the Survey Report, containing discussions on the results of the Survey, Volume II, the General Report, containing the recommendations of the Committee and Volume III, the Technical Report, containing a description of the technique of the Survey and the various statistical statements prepared from the data. In order to obtain integrated pictures of the working of the rural credit machinery under different local types of economies and to provide a basis for preparation of the All-India Report, preliminary monographs were prepared on each of the 75 selected districts. A few of these have been selected for revision and publication.

2. Each district monograph can broadly be divided into three parts. The first part describes the main features of the agricultural economy of the district as well as of the villages selected for investigation and provides the necessary background for the study of rural credit. The second part is mainly devoted to an analysis of the 'demand' aspect of rural credit. The third part gives a detailed description and assessment of the working of the rural credit organisation. Although the treatment of subject-matter is generally on the lines of the All-India Report, the monographs attempt to focus attention on special problems in the districts, besides presenting a review of the detailed economic and credit pattern of the district. The monographs may, therefore, provide some assistance in formulation and adaptation of agricultural credit policy with reference to different types of economic conditions and in devising measures for dealing with problems of special importance to particular agricultural tracts.

3. The data presented in each district monograph are based on field investigation in eight villages selected by adopting the stratified random sampling method. All the families in each of these villages were covered by a general schedule and this was supplemented by an intensive enquiry confined to a small sub-sample of fifteen cultivating families in each of the selected villages, making a total of 120 cultivating families for the district. The district data presented in the monographs mean, for all purposes for which the data were collected, the data for the villages in the sample. It is, of course, not the raw data for all the eight villages but the data for the eight villages weighted in a particular way. Districts in India are

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usually rather large in area and are populous. In most of them physical and crop conditions differ materially from one part to another. The number of villages in the sample was not large and a further limitation was imposed by one-half of the sample being confined to villages with co-operative credit societies. The result has often been that all parts of the district have not necessarily been adequately represented in the sample and the total picture presented by the weighted village data for the district may not accord with the average picture for the whole district. It may thus happen that the picture presented for the district by the village data does not correspond, in particular cases, to the general conception of conditions in the district or to the average figures. The fact remains, however, that they represent conditions in at least some parts of the district. Since the main objective was to study conditions not necessarily of whole areas identified with certain names, viz., districts as such, but with samples of varying conditions throughout the country, the different district pictures presented have full validity and considerable value for the study of different conditions is agricultural credit.

4. The field investigation in Quilon district was carried out on an agency basis by the University of Travancore ; Kumari Aleyamma George was in charge of field investigation under the overall supervision of Dr U. S. Nair, Professor of Statistics. On a request from the Committee of Direction of All-India Rural Credit Survey, Dr U. S. Nair conducted a special enquiry into the working of Chit Funds in Quilon district. A report on this enquiry drafted by him is published as appendix to the monograph and we are grateful to him for drafting this report. The responsibility for the views expressed therein is that of the author and not of the Reserve Bank of India.

5. A draft monograph on Quilon was prepared by Sarvashri C. Gopalakrishna Murthy, K. P. N. Nair, and C. G. Subramaniam under the direction of Shri T. S. Rao, all of the Reserve Bank of India. This was later edited for publication by Dr S. G. Madiman in the Rural Economics Division in co-ordination with the Division of Statistics, Department of Research and Statistics. The responsibility for the views expressed is that of the authors and not of the Reserve Bank of India.

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Reserve Bank of India,
Central Office,
BOMBAY, April 14, 1958.

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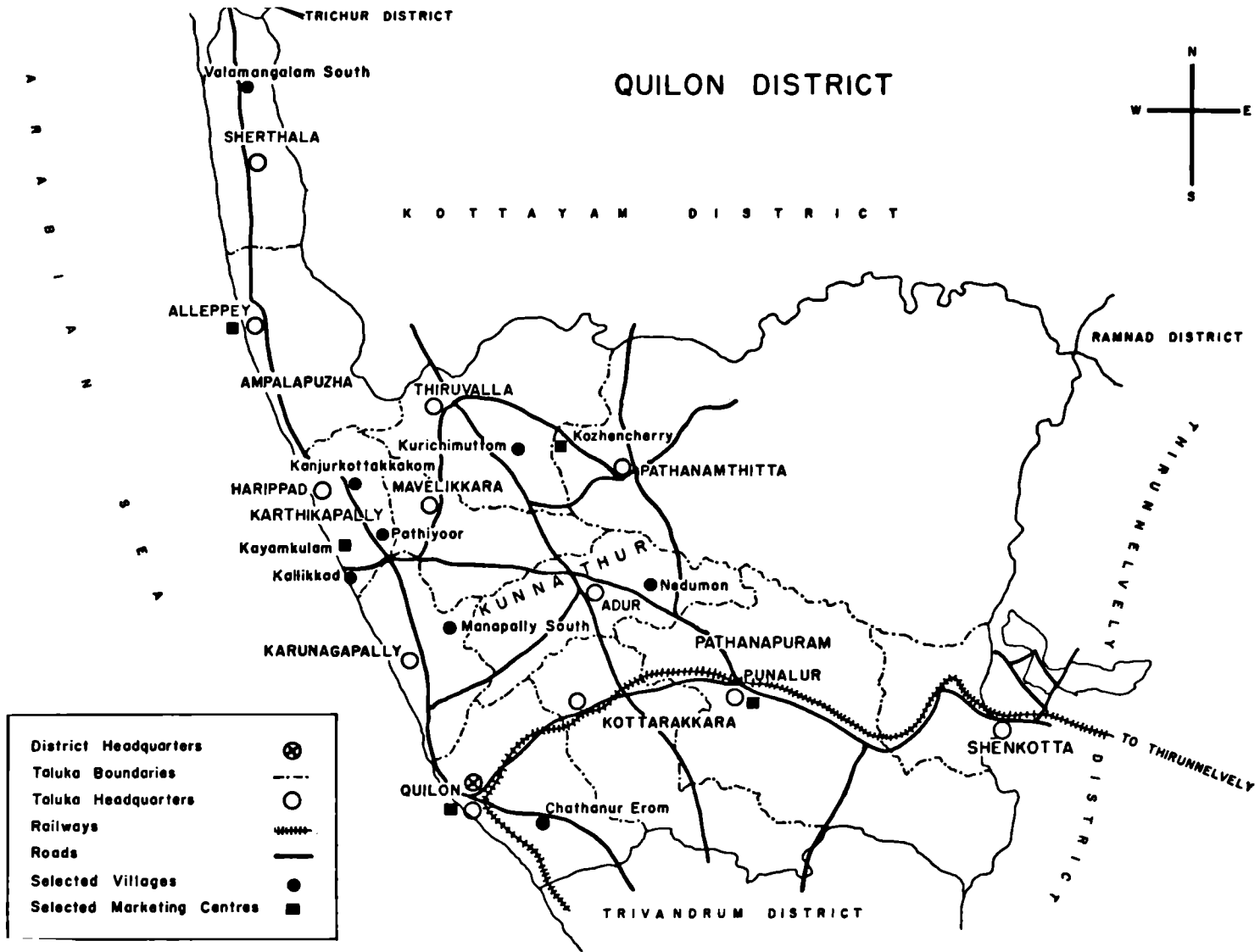
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The following symbols have been used in tables :

— to represent 'nil' or negligible figure.

.. to indicate that the figure is not available.



CHAPTER I

GENERAL FEATURES OF THE DISTRICT

1.1 LOCATION

The Quilon district, one of the two southern districts of Travancore-Cochin State is bounded on the north by Kottayam district, on the east by the Thirunnevely district of the Madras State, on the south by Trivandrum district and on the west by the Arabian Sea. The district has an area of 2,729.6 square miles and a population of 3,026,822 according to the 1951 census. Quilon, which is the district headquarters is a port on the sea coast. In 1951 the number of villages and towns in the district totalled 1,288 and 26, respectively. The rural population numbered 2,619,252, accounting for about 87 per cent of the total population.

TABLE 1.1—POPULATION IN QUILON DISTRICT

Taluka	Number of villages	Number of towns	Number of persons living in rural areas	Total population
	1	2	3	4
Quilon.....	146	1	331,634	397,760
Kottarakkara.....	161	1	241,766	250,202
Pathanapuram.....	68	2	141,947	171,992
Shenkotta.....	42	6	23,370	65,457
Pathanamthitta.....	98	2	240,507	251,779
Kunnathur.....	111	1	171,327	185,072
Karunagapally.....	120	3	234,307	256,578
Karthikapally.....	86	2	167,692	182,910
Mavelikkara.....	112	3	205,342	231,632
Thiruvalla.....	223	2	417,194	452,464
Ampalapuzha.....	74	2	196,508	326,202
Sherthala.....	47	1	247,658	254,774
District.....	1,288	26	2,619,252	3,026,822

(Source : *District Census Handbook*, 1951, Quilon.)

1.2 PHYSICAL FEATURES

The Western Ghats which form the eastern boundary of the district consist of several ridges and hill plateaus, some of them well over 5,000 feet in height. The mountain ridges diminish in altitude towards the coast and the land slopes to the west in a series of hills and valleys, traversed by a number of rivers having their origin in the Ghats. The three important rivers in the district are the Ithikkara, the Kallada and the Pampa or Ranni. All these are navigable upstream for fairly good distances. The district has a sea-coast approximately 75 miles long, fringed with a number of large lakes and lagoons linked with a net work of canals. The Vembanad lake covering an area of 79 square miles and the Kayamkulam lake with an area of about 20 square miles are two of the important lakes. The Ashtamudi

lake, so called because of its branching off into eight creeks is situated near Quilon. There is also a small fresh-water lake at Sasthamkottah in Kunnathur taluka.

On the basis of the physical features, the district is divisible into three natural sub-divisions—the 'highland' bordering the Ghats, accounting for about 44 per cent of the total area of the district, with only 3 per cent of the population, the 'lowland' or the plains stretching along the seacoast, occupying slightly over one-fifth of the area and accommodating 47 per cent of the population, and the undulating territory—the midland—in between these two, accounting for 35 per cent of the total area and accommodating 50 per cent of the population of the district. A portion of the Shenkotta taluka on the eastern side of the Western Ghats, is also topographically similar to the midlands.

The highland consists mainly of reserve forests, rich in teak and a large variety of other hardwood-yielding trees. The dense forests, the thick under-growth and the deep ravines in these parts offer excellent sanctuary for wild life. Elephants, tigers, bison and other wild animals are in plenty here. The scenic splendour of the tract, with its majestic hills, rugged rocks, deep gorges, stately trees and evergreen valleys interspersed with streams and rivulets, is remarkable. Rubber, tea, pepper and coffee plantations cover about 9 per cent of the area of this region.

The midland consists of Thiruvalla, Mavelikkara, Kunnathur and Kottarakkara talukas and parts of Pathanamthitta and Pathanapuram talukas. The southern part of Kottarakkara and the eastern portion of Kunnathur taluka are covered by forests and most of the remaining area is under cultivation. The country here is made up of small hills and valleys and one rarely comes across any broad expanse, except along the banks of the rivers. On the hill-sides, tapioca, cashewnuts, ginger and pepper are grown and paddy and coconut are cultivated in the valleys.

The plain territory of the lowland consists mainly of paddy fields, bordered by the backwaters, the banks of which are eminently suited for growing coconut. A large part of the area is water-logged, except during the summer months and the fields are, in many places, to be drained before sowing. The sea at times makes inroads upon the coast and does damage in certain areas of the region.

The climate is moist and hot on the coast; in the highlands it is cooler and drier, the temperature varying with the elevation. The diurnal variation of temperature in the coastal stations is small, seldom exceeding 10 degrees. The plains in Shenkotta on the eastern side of the Western Ghats do not share the climate prevailing on the western side of the ghats. In Shenkotta the rainfall is less; the climate is hotter and less humid. The dry season (so called because during this season, the air contains the least moisture) lasts from December to February. It is characterised by moderate humidity, occasional rains and absence of thunderstorms. The days are fairly hot but the nights are chilly. The hot season lasts from March to May. Fairly high temperature, occasional rains and frequent thunderstorms are characteristics of these months. On the coast the heat is moderated by sea breeze, but in the midland regions it is excessive.

The South-West monsoon begins in June and lasts till September ; during this period the skies are usually cloudy, the air is very humid and there is heavy rain with gusts and squalls of varying intensity. The month of maximum rainfall in this district is June. The monsoon weakens about the middle of August ; the latter part of August and September witness only intermittent rain. The retreating South-West monsoon period includes the months of October and November. The rains begin towards the end of October and last during November. During this season the rains are generally preceded by thunderstorms. By the beginning of December, the rains become less frequent and dry weather sets in. The distribution of rainfall is marked by two features—the gradual increase in rainfall on the coast from the south to the north and the steady increase in rainfall from the coast towards the mountains. The gap in the Western Ghats at Shenkotta influences rainfall markedly ; at Shenkotta on the eastern side of the Ghats the rainfall is only 21·5 inches, while at Ariyankavu on this side of the Ghats it is 58·5 inches. In this district, the North-East monsoon gives only about one-third of the total rainfall.

The soils in the coastal tracts consist mainly of pure crystalline sand. The swamp paddy lands in the back-waters areas in Mavelikkara, Karthikapally, Ampalapuzha, Sherthala and Thiruvalla talukas contain clay soils of different depths mixed with varying proportions of organic matter in different stages of decay. The soils in the valleys and deltas of rivers are alluvial in nature and consist mostly of fine silt. The soils in the hills are loamy in nature with great admixture of humus. *Kari* or peaty marsh-soils occur in some parts of Ampalapuzha and Sherthala talukas.

The soils in the district are generally deficient in nitrogen and phosphorous while the sands along the coast are deficient in potash also ; lime deficiency is a general defect in the district.

1.3 LAND USE

The net area sown was 8·52 lakh acres which formed about 52·6 per cent of the total area of the district. Land not available for cultivation and forests formed about 10 and 35 per cent of the total area, respectively. The relevant data are given in Table 1.2 below.

TABLE 1.2—LAND UTILIZATION IN QUILON DISTRICT

Type of land use	Area (Acres)	Percentage to the total area
Total area according to village papers*	1,618,712	100·0
Forests.....	569,246	35·2
Not available for cultivation.....	155,383	9·6
Other uncultivated land excluding fallow land.....	17,471	1·1
Fallow land including current fallow.....	24,683	1·5
Net area sown.....	852,023	52·6
Area sown more than once.....	73,065	4·5
Total cropped area.....	925,088	57·1

* The Geographical area according to Surveyor General of India was, 1,746,944.
(Source : *Agricultural Statistics*, 1951-2, *Quilon*.)

Of the total area sown, food crops, mainly rice, accounted for 33 per cent, while oilseeds, mainly coconut, accounted for 32 per cent. Other important crops in the district are tapioca and 'other fruits and vegetables'. The data relating to crop pattern in the district are given in Table 1.3 below.

TABLE 1.3—CROP PATTERN IN QUILON DISTRICT (1951-2)

Principal crops	Total area (Acres)	Percentage to the total
Food crops	3,36,111	36.4
Rice	3,08,639	33.4
Jowar	7,187	0.8
Ragi	2,091	0.2
Other cereals and millets	13,721	1.5
Pulses and other food crops	4,473	0.5
Non-food crops	5,88,977	63.7
Coconut	2,91,301	31.5
Other oilseeds	8,678	0.9
Sugar-cane	8,570	0.9
Condiments and spices	27,377	3.0
Tapioca	1,71,728	18.6
Other fruits and vegetables	41,569	4.5
Other crops (tea, coffee)	39,754	4.3

(Source : *Agricultural Statistics, 1951-2, Quilon.*)

The table below gives some relevant details regarding land use and crop pattern in each of the twelve talukas in the district.

TABLE 1.4—LAND USE AND CROP PATTERN IN QUILON DISTRICT

Name of Taluka	AREA IN SQ. MILES				AREA IN SQ. MILES UNDER PRINCIPAL CROPS		
	Total	Occupied	Wet land	Dry land	Paddy	Coconut	Tapioca
	1	2	3	4	5	6	7
Quilon	146.8	119.0	23.5	95.4	19.4	39.3	28.7
Kottarakkara	211.6	180.9	26.4	154.5	26.4	51.0	72.0
Pathanapuram	412.6	129.0	16.9	112.1	20.0	14.3	52.6
Shenkotta	128.5	54.0	13.2	40.8	11.3	2.3	0.6
Pathanamthitta	925.8	155.8	10.3	145.5	10.4	35.9	63.5
Kunnathur	149.6	128.5	25.7	102.8	22.3	21.1	50.6
Karunagapally	88.4	77.0	33.9	43.1	29.0	38.1	6.0
Karthikapally	74.0	67.2	41.3	25.9	35.1	28.9	1.9
Mavelikkara	111.4	104.8	34.3	70.5	31.6	29.8	30.0
Thiruvalla	211.0	165.5	48.4	117.1	51.0	67.5	60.3
Ampalapuzha	146.6	113.9	79.2	34.7	84.8	37.2	..
Sherthala	123.3	93.9	36.5	57.4	33.4	54.7	2.5
District	2,729.6	1,389.5	389.6	999.9	374.7	420.1	368.7

(Source : *District Census Handbook, 1951, Quilon.*)

The characteristic features of agriculture in Quilon district are (1) *punja* rice crop, (2) *kanni* rice crop, (3) *makaram* rice crop and (4) coconut. The agricultural operations for the *punja* rice crop start as early as September-October, with the raising and repairing of the bunds enclosing the fields. The entire region would

be under a vast sheet of water and the dewatering of the fields begins, immediately after the rainy season and sowing operations are generally finished in November-December, though in higher regions, the sowing season extends till December-January. As the harvest has to be gathered before the onset of the rains in April, short-duration varieties of rice requiring about 90 to 100 days are selected. The harvest season extends from mid-February to about mid-April.

In 1951-2 the total irrigated area in the district was 225,614 acres, which comprised roughly one-fourth of the net area sown during that year. Canals irrigated an area of 39,427 acres while tanks accounted for 13,158 acres. The area irrigated by wells was only 699 acres. About 66 per cent of the irrigated area was under rice and *cholum*, 3 per cent under sugar-cane and the rest, under 'other food crops'

TABLE 1.5—SOURCE OF IRRIGATION (1951-2)

Types of irrigation	Area irrigated (Acres)	Per cent
Government canals.....	30,603	14
Private canals.....	8,824	4
Tanks.....	13,158	6
Wells.....	699	—
Other sources.....	1,72,330	76
Total.....	2,25,614	100

(Source : *Indian Agricultural Statistics*, 1951-2, Quilon.)

1.4 DEMOGRAPHIC FEATURES

The total population of the district according to the 1951 Census was 3,026,822. The distribution of the population among the different talukas was as follows:

TABLE 1.6—DISTRIBUTION OF POPULATION

Taluka	Area in sq. miles	Total population	DENSITY OF POPULATION PER SQ. MILE		Rural population as percent- age of the total population
			Total area	Occupied area	
	1	2	3	4	5
Quilon.....	146.8	397,760	2,710	3,343	83
Kottarakkara.....	211.6	250,202	1,182	1,384	97
Pathanapuram.....	412.6	171,992	417	1,333	83
Shenkotta.....	128.5	65,457	509	1,212	36
Pathanamthitta.....	925.8	251,779	272	1,616	96
Kunnathur.....	149.6	185,072	1,237	1,435	93
Karunagapally.....	88.4	256,578	2,902	3,333	91
Karthikapally.....	74.0	182,910	2,472	2,723	92
Mavelikkara.....	111.4	231,632	2,079	2,209	89
Thiruvalla.....	211.0	452,464	2,144	2,735	92
Ampalapuzha.....	146.6	326,202	2,225	2,873	60
Sherthala.....	123.3	254,774	2,066	2,713	97
District.....	2,729.6	3,026,822	1,109	2,179	87

(Source : *District Census Handbook*, 1951, Quilon.)

Pathanamthitta, the biggest taluka in the district had the smallest density of population, when the total area is taken into account. On the basis of the occupied area, Shenkotta had the smallest density and Pathanapuram, the second biggest taluka comes next. The major parts of these three talukas constitute the mountainous highland region of the district. The density of population in various talukas of the district varied from 1,212 to 3,343 per sq. mile of occupied area ; this chiefly brings out the heavy pressure of population on land. The industrial development being not much to speak about, the land and occupations other than agriculture do not provide enough opportunities for the population, and many have to seek their living elsewhere in the country.

Of the total population, 38 per cent were cultivators* of land wholly or mainly owned* or un-owned and their dependants while about 19 per cent were cultivating labourers including dependants. Only one per cent were non-cultivating owners of land, agricultural rent receivers and their dependants. However, of the total number of persons (including dependants) with agriculture as their principal means of livelihood 58.5 per cent were cultivators of land wholly or mainly owned, while, 32.3 per cent were cultivating labourers. Cultivators of land wholly or mainly un-owned accounted for 7.5 per cent and only 1.7 per cent was accounted for by non-cultivating owners of land and agricultural rent receivers. About two-fifths of the population in the district could be technically said to be non-agricultural. The relevant details are given in table below.

TABLE 1.7.—POPULATION ACCORDING TO LIVELIHOOD CLASSES

Principal livelihood classes	RURAL		URBAN		TOTAL	
	Number	Per-centage	Number	Per-centage	Number	Per-centage
	1	2	3	4	5	6
1. Cultivators of land wholly or mainly owned and their dependants.....	9,73,631	37.2	48,034	11.8	10,21,665	33.7
2. Cultivators of land wholly or mainly un-owned and their dependants.....	1,18,605	4.5	11,726	2.9	1,30,331	4.3
3. Cultivating labourers and their dependants.....	5,17,802	19.8	46,210	11.3	5,64,012	18.6
4. Non-cultivating owners of land, agricultural rent receivers and their dependants.....	19,353	0.7	9,829	2.4	29,182	1.0
5. Production other than cultivation.....	5,25,485	20.1	1,09,165	26.8	6,34,650	21.0
6. Commerce.....	1,49,070	5.7	60,973	15.0	2,10,043	6.9
7. Transport.....	78,230	3.0	26,701	6.5	1,04,931	3.5
8. Other services and miscellaneous sources.....	2,37,076	9.0	94,932	23.3	3,32,008	11.0
Total	26,19,252	100.0	4,07,570	100.0	30,26,822	100.0

(Source : *District Census Handbook, 1951, Quilon.*)

* The terms used in this section are the same as those used for the purpose of Census Report.

Data relating to classification according to various livelihood classes are available not only in respect of total population which was discussed before but also for self-supporting persons, earning dependants and non-earning dependants. Of the total population of 30·27 lakhs, 7·14 lakhs were reported to be self-supporting persons in the rural areas. The distribution of the rural self-supporting persons according to the livelihood categories can be seen from the table below.

TABLE 1.8—RURAL SELF-SUPPORTING PERSONS ACCORDING TO LIVELIHOOD CLASSES IN 1951

	Number of self-supporting persons	Percentage
1. Agricultural	407,215	57·0
1·1 Cultivators of land	238,885	33·4
1·2 Cultivating labourers	162,314	22·7
1·3 Non-cultivating owners of land and agricultural rent receivers	6,016	0·9
2. Non-Agricultural	307,257	43·0
2·1 Stock raising	1,708	0·2
2·2 Plantation industries and fishing	32,495	4·6
2·3 Processing and manufacture of food stuffs, including beverages	24,963	3·5
2·4 Processing and manufacture of textile except foot-wear	73,741	10·3
2·5 Processing and manufacture of wood and wood products including furniture and fixtures	18,251	2·6
2·6 Commerce	35,875	5·0
2·7 Transport by road and water	21,377	3·0
2·8 Health, education and public administration	17,169	2·4
2·9 Other non-agricultural (i.e., excluding 2·1 to 2·8)	71,640	10·0
2·10 Unproductive activities	10,040	1·4
Total	714,472	100·0

(Source : *District Census Handbook, 1951, Quilon*).

1.5 INDUSTRIES

Industries are of comparatively recent origin though the coir-matting industry was established at Alleppey by James Darragh about the year 1865, and Darragh's Spinning Mills at Quilon, in 1884. The chief industries are mentioned below.

The coir industry gives employment to a large number of people in all the coastal talukas particularly Quilon, Karthikapally, Sherthala and Ampalapuzha. Door mats, coco matting and coir carpets are manufactured for both Indian and foreign markets ; coir machine-belted is made for local requirements. The production of coconut oil from copra is concentrated at Alleppey and Quilon. Cashewnut industry is of recent origin but has developed into one of great size and importance. A tinware industry as auxiliary to the cashewnut industry for the manufacture of tin containers is located in Quilon. China clay of excellent quality abundant in this district forms the raw material for a flourishing ceramic industry. The raw material for paper manufacture is reeds which are abundant in the forest areas. There are two textile factories one at Quilon making cotton yarn and piece goods and the other at Shenkotta, manufacturing cotton yarn. There are about twelve factories around

Quilon town, manufacturing bricks and roofing tiles. Handloom weaving is carried on in all talukas as an attempt to meet local demands for towels and finer varieties of cloth, but Shenkotta, Quilon and Kottarakkara talukas have a larger share of this industry than the other talukas. There are a few tea factories located in the tea estates in the Pathanapuram and Shenkotta talukas. In some rubber estates, rubber latex is made into smoke sheets or lace crepe. Smaller industries include timber mills, workshops, factories engaged in making splints for matches, and printing presses.

Among the newer industries may be mentioned the bobbin industry (at Quilon), the pencil industry, the plywood industry, the canning industry (canning of pine apples at Punalur), the starch industry (at Kundara), the manufacture of electrical accessories, manufacture of aluminium conductors and cables and the production of enamelware, signboards, etc. There is also a sugar factory (the Pampa Valley Sugar Factory) in the district at Thiruvalla ; this is the only factory in the State producing sugar from sugar-cane. The total number of registered factories in this district was above 330 and the number of factory workers about 59,000.

The preservation of fish by sun-drying is carried on at a number of places along the coast ; fish oil is also collected. Dry fish is sent to inland markets or exported. The chief centre of brass and bell-metal industry is Mannar in Thiruvalla taluka. Baskets and mats are made from bamboos and reeds obtained from the forests. *Rattan* work is carried on in a few localities. The making of *beedies* (Indian cigarettes) gives employment to a considerable number of people in the towns and villages.

1.6 TRANSPORT

The lowland and midland areas of the district are served by numerous roads. The lowlands have, in addition, a number of canals which interlink the river and lake systems of the district. Some parts of this region, however, are water-logged during the monsoon and road communication becomes practically impossible. Projects are being undertaken to improve the road facilities of this area. The district had 66 miles of railway line running through it. The length of roads and canals in different talukas of the district are given in Table 1.9 on page 9.

Motor traffic is heavy along almost all the roads. The State Transport Corporation runs regular passenger and goods services between the important places of the district and private buses serve most of the routes not covered by the State-owned buses.

1.7 LAND TENURE SYSTEM

Lands in the district can broadly be classified as (i) *Pandaravaka* Lands, (ii) *Kandukrishi* Lands and (iii) *Jenmom* Lands. *Ryotwari* principle of land-tenure prevails in both the *Pandaravaka* and *Kandukrishi* Lands. *Pandaravaka* Lands comprising roughly three-fourths of the land in Travancore-Cochin State belong to Government. All tenants to whom permanent assignments of these lands have been made, are practically owners of their land, subject to payment of tax. *Kandukrishi* Lands which are exempted from basic tax, were the home farm-lands of

TABLE 1.9—LENGTH OF ROADS AND CANALS

[In miles]

Taluka	Main roads	Planter's roads	Village roads	Canals
	1	2	3	4
Quilon	109	—	70	33
Kottarakkara	122	—	76	12
Pathanapuram	126	—	55	12
Shenkotta	64	6	10	—
Pathanamthitta	108	7	68	1
Kunnathur	67	—	62	10
Karunagapally	52	—	51	27
Karthikapally	25	—	32	30
Mavelikkara	67	—	67	3
Thiruvalla	277	—	48	30
Ampalapuzha	62	—	33	46
Sherthala	95	—	59	21
Total	1,173	13	632	225

(Source : District Census Handbook, 1951, Quilon).

the Maharaja of Travancore till they were made over to the State Government and are found in some talukas. The *Kandukrishi* tenant has no proprietary right under the law and is subject to a number of limitations and restrictions. The properties held under this tenure are, however, heritable and freely transferable. With the enactment of the Janmikudiyan Acts, the *ryots* holding the *Jenmom* lands which were the private properties of *Jenmis* or landlords, have been made full owners of their lands, subject only to payment of *Michavaram* or *Jenmom* rights to the landlord. Of late, steps have also been taken to collect the *Michavaram* along with the land tax and the *ryot* has now practically no dealings with his *Jenmi*.

The chief tenancy systems under which tenants hold lands owned by others are (i) *Verumpattom* (*Venpattom*), (ii) *Varam* or *Pankuvaram*, (iii) *Kudikidappukar* and (iv) *Otti*. *Verumpattodars* are tenants who hold lands on lease for specified periods, and on conditions stated in a contract. They are 'tenants-at-will' and are liable to be evicted under the conditions of the contract. *Varamdars* or *Pankuvaramdars* are people who raise crops on agricultural lands in partnership with the owners of the lands. The terms of the partnership vary from place to place. Usually the landlord meets in advance the entire cost of cultivation and is repaid only at the harvest time. The balance after repayment of these advances is divided between the landlord and the tenant. The most prevalent ratio of division is 1 : 1. *Kudikidappukar* are persons who were previously allowed by the owners of land to occupy a small portion of it, generally to put up a small house to live in and watch the land or work on it. *Otties* are possessory mortgages granted for specified periods, by landlords, on payment of *Ottiarttham*. The income accruing from the property is considered to be the interest on the loan. In certain types of *Otti deeds*, the holder is entitled to make improvements, compensation for which will have to be paid at the time of redemption.

1.8 RURAL CREDIT SURVEY : METHODS AND COVERAGE

In the All-India Rural Credit Survey conducted during 1951-2, the working of the rural credit system was studied in relation to its two aspects, namely, the demand for credit from rural families and the supply of credit by credit agencies, both institutional and private. These two aspects are, hereafter, referred to as the 'demand' and 'supply' aspects, respectively, of the Survey. According to the design of the Survey for the 'demand' side investigation, eight villages—Kallikkad, Pathiyoor and Valamangalam South where primary co-operative credit societies existed and Chathanur Erom, Kanjurkottakkakom, Kurichimuttom, Manapally South and Nedumon where no such societies existed—were selected from the district. All the families in each of the selected villages were investigated using the General Schedule. Within each selected village a sample of 15 cultivating families was selected for detailed investigation. For this purpose a cultivating family was defined as a family engaged in the cultivation of any piece of land, owned or leased other than small garden plots. The selection of cultivating families for the purpose of intensive enquiry was made by first arranging all cultivating families in each selected village in descending order of the size of cultivated holding, dividing them into ten strata or deciles containing roughly equal number of families and selecting at random two families from each of the first five deciles and one family from each of the last five deciles.

The field investigations on the 'demand' side of the enquiry were conducted in two rounds. The first round commenced in the second week of November 1951 and was completed in April 1952. The second round commenced in April 1952 and was over by the end of May 1952. During the first round, information on capital investment in agriculture, non-farm business, expenditure on some important items of family expenditure, borrowings and repayments for a period of twelve months preceding the month of investigation and the outstanding debt as on the date of interview was collected in the General Schedule in respect of all the rural families in the selected villages. In the intensive enquiry, data relating to farm business, credit and marketing transactions, and the assets position were collected in respect of the sample of cultivating families. Information on farm expenses such as on purchases of fodder and other cattle feed, cash wages paid to hired labour, payments in kind made immediately after harvest, purchase of grain for payment of wages in kind, other current farm expenditure, source of finance for expenditure on specified items such as capital investment in agriculture, non-farm business expenses, family expenditure and sale of assets and on cash receipts during the period was collected in two rounds. The coverage of families investigated through the General Schedule was almost complete in most of the villages ; only a few families were not covered. This was either due to the difficulties in contacting the head of the family or the family itself having temporarily left the village. The response from the families investigated was reported to be good.

To facilitate comparison between the different classes of cultivators, the data are generally presented for groups of deciles. The first three, the middle four and

the last three deciles are grouped separately and the cultivators in these three groups of deciles are referred to as the 'large', the 'medium' and the 'small' cultivators, respectively. In addition, the results of the first decile are also presented separately and the cultivators in this decile are referred to as the 'big' cultivators. Data collected in the intensive enquiry are generally presented for two groups comprising the cultivators selected from the first five and from the last five deciles ; these are referred to as the upper and lower strata cultivators, respectively.

Investigations regarding the 'supply' aspect were conducted in a few selected centres of the district in addition to the villages selected for the 'demand' aspect. The different types of credit agencies, namely, Government, co-operatives, village and urban money-lenders, indigenous bankers, traders in agricultural commodities and commercial banks were studied. As regards the primary co-operative credit societies, in addition to the societies existing in the villages selected for the demand aspect of the Survey, societies from four more villages were also investigated in the district. The method of selection of these four villages was the same as that adopted for the villages selected for the 'demand' side investigations.

Government did not advance any loans during 1950-1. The number of loans given by Government in 1949-50 which were selected for case study in the district was five. None of the loan applications which were rejected was studied in this district. In all, thirteen primary agricultural co-operative credit societies were studied for the Survey. Of these four were found to be dormant. The number of loans given by the eight working societies which were studied in detail was 335. One central co-operative bank, one banking union and one wholesale co-operative marketing society were also studied. There was no co-operative land mortgage bank in Quilon. One village money-lender, 12 urban money-lenders and 10 indigenous bankers were interviewed while the total number of traders interviewed in the district as a whole was 78. From the offices of commercial banks in the district 120 completed questionnaire forms were received.

The ensuing chapters contain an analysis of the data collected in the district in the All-India Rural Credit Survey. The methods of enquiry followed and the concepts used in this Report have already been described in detail in the 'Survey Report, Vol. I', and the 'Technical Report, Vol. III' of the Report of the Committee of Direction of the All-India Rural Credit Survey.

CHAPTER 2

SELECTED VILLAGES AND SIZE OF FARM BUSINESS

In this chapter, it is proposed to describe the principal features of the agricultural economy of the eight selected villages and also to discuss the size of farm business operations of the cultivators investigated. The discussion on the main features of the agricultural economy of the selected villages is based largely on the village notes prepared by the field staff, as well as on the 1951 Census data and on the data collected in the Survey. The discussion on the farm business operations is based entirely on the Survey data.

2.1 SELECTED VILLAGES

In the district, eight villages were selected for the Rural Credit Survey. The names of the villages, their location, population, number of households, etc., are given in Table 2.1 below.

TABLE 2.1—IMPORTANT FEATURES OF SELECTED VILLAGES

Village	Taluka in which situated	Total population	Number of households	LIVELIHOOD CLASSES (INCLUDING DEPENDANTS)				
				AGRICULTURAL				Non-agri-cultural
				Cultivators of land wholly or mainly		Culti-vating labour-ers	Non-culti-vating owners of land and ag-ri-cultural rent re-ceivers	
				Owned	Un-owned			
	1	2	3	4	5	6	7	8
Kallikkad	Karthikapally	2,848	495	545	1	155	1	2,146
Pathiyoor	Karthikapally	932	163	245	49	164	29	445
Valamangalam South	Sherthala	3,559	686	943	130	836	6	1,644
Chathanur Erom	Quilon	3,264	556	1,395	24	366	5	1,474
Kanjurkottakkakom	Karthikapally	785	143	258	4	322	—	201
Kurichimuttom	Thiruvalla	759	146	419	11	266	—	63
Manapally South	Karunagapally	1,729	345	598	159	376	5	591
Nedumon	Kunnathur	1,832	349	1,319	64	312	1	186

(Source : *District Census Handbook, 1951, Quilon.*)

Of the eight villages selected, three are situated in Karthikapally taluka and one each in Quilon, Karunagapally, Thiruvalla, Kunnathur and Sherthala talukas.

The population of the selected villages, according to 1951 Census, varied from 759 in Kurichimuttom to 3,559 in Valamangalam South. Of the eight selected villages two were with population above 3,000, three with population between 1,000 and 3,000 and the other three with population less than 1,000.

In seven of the selected villages, the number of agriculturists exceeded that of non-agriculturists although the difference was significant only in the case of four villages, while in one village, Kallikkad, the non-agriculturists far outweighed the agriculturists. The village Kallikkad is predominantly populated with fishermen for whom coconut cultivation provides only a secondary source of livelihood. For all the eight villages together, the agriculturists and non-agriculturists accounted for 57 and 43 per cent of the total population, respectively.

All villages except Kallikkad, have some wet land. The extent of wet land exceeds that of dry land only in the case of two villages. The relevant data are given in Table 2.2 below.

TABLE 2.2—LAND UTILIZATION IN THE SELECTED VILLAGES

[In acres]

Village	Total area	Wet land	Dry land	Waste land
	1	2	3	4
Kallikkad.....	330	—	251	79
Pathiyoor.....	205	145	45	15
Valamangalam South.....	1,513	579	655	279
Chathanur Erom.....	1,445	114	1,327	4
Kanjurkottakkakom.....	172	113	54	5
Kurichimuttom.....	372	61	294	17
Manapally South.....	480	217	245	18
Nedumon.....	1,270	107	980	183

(Source : *District Census Handbook, 1951, Quilon*)

In three of the selected villages waste land covered about one-fourth to one-seventh of the total area, while in the remaining villages most of the available land was brought under cultivation. The main crops grown in the selected villages are paddy and coconut. Of the eight selected villages, five villages, viz., Valamangalam South, Pathiyoor, Kanjurkottakkakom, Kallikkad and Manapally South are chiefly coconut growing areas. Plucking of coconuts take place once in 45 to 60 days during which they get ripe.

During the period of ripening of coconut most cultivators resort to borrowings from the traders. Many traders do not charge any fixed interest in cash on the amounts advanced by them, but they recover the interest indirectly by paying to the cultivators prices for coconut which are lower than the prevailing ones.

In some villages the trader is also a retail dealer in provisions. The cultivators purchase from him provisions on credit and the dues mount up during the intervals between the plucking and ripening of coconut. In the up-country villages (Nedumon or Kurichimuttom) the chief agricultural products are tapioca, plantain,

cashewnuts, etc. Itinerant merchants, often agents of wholesale merchants in the large commercial centres, advance small amounts to cultivators on the security of standing crops, e.g., green pepper on the vines, tender nuts on the cashew tree.

It is difficult to ascertain the rates of interest charged on the aforesaid advances. One thing is certain; this is the fact that the borrower pays a high price for the credit, in the shape of low prices for his products.

Seven of the selected villages have water and road transport facilities. Of the selected villages, Kurichimuttom is a relatively less accessible village situated in the hilly region. None of the villages are served by railways. Transport and communication facilities cannot be regarded as entirely satisfactory.

Mostly, the selected villages are situated at short distances from marketing centres. The village Valamangalam South is a centre of the coir industry while Kallikkad is a village depending mostly on fishing. The screw pine mat industry is an important industry at Manapally South.

2.1.1 Kallikkad

The village Kallikkad is situated in Karthikapally taluka and had a population of 2,848 in 1951. It lies between the sea and the Kayamkulam lake, about three miles west of Kayamkulam. Water transport is cheaply available. It is a fishing centre and for most of its inhabitants coconut cultivation provides a secondary source of livelihood.

2.1.2 Pathiyoor

The village Pathiyoor is also situated in Karthikapally taluka and had a population of 932 in 1951. The village is only two miles from Kayamkulam which is an important marketing centre. The absence of any proper road has resulted in difficulty in movement of goods, etc. The paddy fields comprise both single crop and double crop lands. Gingelly is also cultivated in the paddy lands as an off crop.

2.1.3 Valamangalam South

Valamangalam South is situated in Sherthala taluka and had a population of 3,559 in 1951. The village is about eight miles north of Sherthala and 22 miles north of Alleppey. Waterways and roads afford adequate facilities for the movement of agricultural products. Paddy and coconut are the chief crops. The wet lands are low lying and the influx of salt water from the backwaters during summer often damages paddy crops. The village is a seat of coir industry.

2.1.4 Chathanur Erom

The village Chathanur Erom is situated in Quilon taluka and had a population of 3,264 in 1951. There are village roads connecting this village with Quilon which is at a distance of eight miles. It lies in a very fertile area but cultivation is backward owing, mostly, to lack of irrigation facilities. There is a river nearby but it dries up in the summer. The village has large extensive tracts of uncultivated

meadows. The chief crops are tapioca and other root crops ; there are also a few coconut gardens. Ithikara, a village adjacent to Chathanur Erom has developed as a centre of potteries and tiles.

2.1.5 Kanjurkottakkakom

The village is situated in Karthikapally taluka and had a population of 785 in 1951. It is at a distance of about five miles north of Kayamkulam and two miles south of Haripad. It lies on the eastern side of the Kayamkulam-Alleppey Road. Paddy and coconut are the chief crops. *Gingelly* is sown as a second crop in the fields. Irrigation facilities are reported to be lacking.

2.1.6 Kurichimuttom

The village Kurichimuttom is situated in Thiruvalla taluka and had a population of 759 in 1951. There is a village road which links the village to the Aranmula-Kozhencheri Road, but it is not cartable. In fact Kurichimuttom is relatively less accessible of the villages surveyed. Kozhencheri and Chengannur are the two important markets which are equi-distant from the village. It is a hilly region growing a variety of agricultural products like paddy (in limited quantities only), coconut, tapioca, vegetables, bananas, pepper, ginger, etc. Scarcity of water is never felt here.

2.1.7 Manapally South

The village is situated in Karunagapally taluka and had a population of 1,729 in 1951. There is a road connecting the village with the Quilon-Kayamkulam Road on the west. Paddy and coconut are the only crops grown in this village. Coconut trees are badly infested by insects and pests. Except for the fields irrigated by one or two canals, the paddy fields in the village have to depend on the monsoons. There is an important market close by the village, with sizeable volume of trade in coconut. A peculiar practice of selling coconut by auction is prevalent in this village.

2.1.8 Nedumon

It is a village in Kunnathur taluka with a population of 1,882 in the year 1951. It is situated near the most important market of the taluka, viz., Parakkode Market ; there are a few roads connecting it to other parts of the taluka. One comes across small strips of farms side by side with large plantations of rubber and teak. A large variety of crops (including garden crops) are cultivated ; they include tapioca, paddy, coconut, pepper, areca-nut, ginger, turmeric, pine-apples, cashewnuts and bananas. The crops depend on the monsoons which generally are heavy in this area.

An idea of the inter-village variations can be formed from the data collected during the Survey which are presented in Table 2.3 on page 16.

TABLE 2.3—AVERAGE SIZE OF CULTIVATED HOLDINGS IN THE SELECTED VILLAGES

Village	Period during which the General Schedule was filled in	Number of families interviewed with the General Schedule	GENERAL SCHE- DULE DATA	INTENSIVE ENQUIRY DATA		
			Average size of cultivated holding per cultivating family (Acres)	Average value of gross produce per family (Rs)	Average cash receipts from sale of crops and fodder per family (Rs)	Average cash receipts from sources other than from sale of crops and fodder (Rs)
	1	2	3	4	5	6
Kallikkad	4 Dec. 1951 to 22 Jan. 1952	503	0.7	282.8	269.8	745.2
Pathiyoor	3 Feb. 1952 to 13 Feb. 1952					
Valamangalam South.	9 Nov. 1951 to 30 Dec. 1951	690	2.2	641.3	530.3	261.6
Chathanur Erom	25 Mar. 1952 to 30 Mar. 1952	563	1.9	776.4	359.0	343.2
Kanjurkottakkakom..	18 Feb. 1952 to 25 Feb. 1952	144	2.1	789.6	189.7	577.1
Kurichimuttom	6 Mar. 1952 to 15 Mar. 1952	147	1.6	648.7	446.3	344.0
Manapally South	29 Mar. 1952 to 4 April 1952	343	0.9	430.8	167.7	337.6
Nedumon	12 Mar. 1952 to 26 Mar. 1952	327	2.7	480.6	173.6	147.2

Number of families interviewed with the General Schedule ranged from 144 in Kanjurkottakkakom to 690 in Valamangalam South. The average size of cultivated holding per family ranged from 0.7 acres in Kallikkad to 2.7 acres in Nedumon.

2.2. VARIATIONS IN THE SIZE OF FARM BUSINESS OPERATIONS

2.2.1 Classification of families

As already stated, data collected in the General Schedule are presented for the four groups of cultivators, viz., the big, the large, the medium and the small cultivators, and those collected in the intensive enquiry for two groups, viz., the upper strata and the lower strata cultivators. The selected cultivating families have also been classified into four groups according to the value of gross produce reported between April 1, 1951 and March 31, 1952. In addition to these major types of classification, we shall be presenting data according to two other methods of classification in Chapter 8 of this monograph.

2.2.2 Size of cultivated holdings

Of the 2,882 families interviewed in the district, 1,951 were cultivating families. The number of cultivating families ranged from 87 in Kanjurkottakkakom to 493

in Chathanur Erom. The average size of cultivated holding per family in each of the eight villages is given in Table 2.4

TABLE 2.4—AVERAGE SIZE OF CULTIVATED HOLDING—INTER-GROUP VARIATIONS

[General Schedule data]

Village	Number of cultivating families enumerated	AVERAGE SIZE OF CULTIVATED HOLDING PER FAMILY IN ACRES : TYPE OF CULTIVATORS			
		Big	Large	Medium	Small
	1	2	3	4	5
Kallikkad.....	222	4.2	2.0	0.3	0.1
Pathiyoor.....	113	6.3	3.5	0.6	0.2
Valamangalam South.....	342	12.3	5.9	0.8	0.2
Chathanur Erom.....	493	9.0	4.7	0.9	0.3
Kanjurkottakkakom.....	87	13.6	6.1	0.6	0.1
Kurichimuttom.....	111	6.1	3.6	1.0	0.2
Manapally South.....	304	4.5	2.3	0.5	0.2
Nedumon.....	279	13.6	6.7	1.3	0.5
Total.....	1,951	8.6	4.4	0.8	0.2

In the case of big cultivators, the average size of holding was fourteen acres each in Kanjurkottakkakom and Nedumon and twelve acres in Valamangalam South. It was less than five acres in Kallikkad and Manapally South. The data for the district are given in Table 2.5.

TABLE 2.5—VARIATION IN THE SIZE OF CULTIVATED HOLDING

[General Schedule data]

Group	Proportion of families	Average size of cultivated holding (Per family)	RANGE IN THE SIZE OF CULTIVATED HOLDING		Cultivated holding of this group as percentage of the total cultivated holdings	Proportion of families owning plough cattle
			Maximum	Minimum		
	(Per cent)	(Acres)	(Acres)	(Acres)		(Per cent)
	1	2	3	4	5	6
Big cultivators.....	10	8.6	121	2	51.8	40.8
Large cultivators.....	30	4.4	121	1	77.5	28.1
Medium cultivators.....	40	0.8	2	—	18.3	10.1
Small cultivators.....	30	0.2	1	—	4.2	4.8
All cultivators.....	100	1.7	121	—	100.0	13.9

The big cultivators constituting only 10 per cent of the cultivators accounted for 51.8 per cent of the total cultivated holdings. On the other hand, the small cultivators constituting 30 per cent of the cultivators accounted for only 4.2 per cent of the total cultivated holdings. Whereas 40.8 per cent of the big cultivators

owned plough cattle, the corresponding proportion was only 4·8 per cent in the case of the small cultivators.

2.2.3 Cultivated holding, value of owned assets and value of gross produce per acre

As stated earlier, 120 cultivating families were selected for intensive enquiry; these have been classified into two groups for the purpose of presentation of data. The average size of cultivated holding of upper strata cultivators per family was 2·7 acres, as against 0·2 acres of the lower strata cultivators. The table below presents the data on value of gross produce, value of total assets, the average size of holdings, etc., of the selected cultivators of the upper and lower strata.

TABLE 2.6—CULTIVATED HOLDINGS, ASSETS, GROSS PRODUCE AND RECEIPTS OF SELECTED CULTIVATORS

[Intensive enquiry data. Amount in rupees per family]

Group	Average size of cultivated holding per family	Average area sown (including area sown more than once) per family	Average value of total owned assets	Value of gross produce	Cash receipts from sale of crops and fodder	Cash receipts from other sources
	(Acres)	(Acres)				
	1	2	3	4	5	6
Upper strata.....	2·7	3·0	10,494	1,028	532	439
Lower strata.....	0·2	0·4	1,596	141	92	345
All cultivators.....	1·5	1·7	6,045	584	312	392

Average value of total owned assets as also value of gross produce in the case of the upper strata cultivators was about seven times that of the lower strata cultivators. Cash receipts from sale of crops and fodder amounted to Rs 532 per family in the case of the upper strata cultivators as against Rs 92 per family in the case of the lower strata cultivators. On other hand, the cash receipts from other sources were Rs 439 per family in the case of the former as against Rs 345 per family in the case of the latter.

We have no measure of the net income of cultivators. We have, however, figures of value of gross produce, cash proceeds from sale of crops and fodder and cash receipts from other sources. The value of gross produce is the value of all farm produce whether sold or retained for consumption or seed. It is believed that there was some under-reporting of the quantity produced and its sale price, and that some minor items might not have been included in the data collected.

A classification of the families in the upper and the lower strata according to the value of gross produce is provided in Table 2.7 on page 19.

The data show that the upper strata cultivators are largely concentrated in the above Rs 200 groups, while the lower strata cultivators are concentrated in the below Rs 200 group. This indicates that, in the main, the classification made

TABLE 2.7—FREQUENCY DISTRIBUTION OF SELECTED CULTIVATORS ACCORDING TO STRATA AND GROSS PRODUCE GROUPS

Gross produce group	TOTAL NUMBER OF CULTIVATING FAMILIES	
	Upper strata	Lower strata
Less than Rs 200.....	14	32
Rs 200–Rs 1,000.....	37	8
Rs 1,000–Rs 3,000.....	21	–
Rs 3,000 and above.....	8	–
Total.....	80	40

by us on the basis of physical acres (for want, of course, of any other easily available and quickly applicable criteria of classification) does give results that are generally in conformity with the gradation in economic status as indicated by value of gross produce. It is of considerable importance as a large part of the discussion in the subsequent chapters is based on difference in results in the sample between the lower and the upper strata cultivators.

The data regarding the value of owned assets, etc., of the selected cultivating families classified according to value of gross produce are given in table below.

TABLE 2.8—GROSS PRODUCE GROUPS

[Intensive enquiry data]

Gross produce group	Proportion of families	Average size of cultivated area per family	Average value of gross produce per family	Average value of total owned assets per family
	(Per cent)	(Acres)	(Rs)	(Rs)
	1	2	3	4
Less than Rs 200.....	48.8	0.2	97	1,666
Rs 200–Rs 1,000.....	33.1	1.4	421	4,408
Rs 1,000–Rs 3,000.....	13.1	3.0	1,441	12,718
Rs 3,000 and above.....	5.0	10.6	4,173	42,160

It will be seen that the average size of cultivated holding increases with the increase in the average value of gross produce. In other words, the cultivators reporting high value of gross produce were generally the cultivators with larger size of cultivated holdings.

2.3 COMPOSITION OF ASSETS

Information regarding value of assets was collected in respect of the selected cultivating families only. It was not possible during the course of intensive enquiry to make any attempt at independent evaluation of the assets owned by each cultivating family. Further, no data either relating to inventories in kind or resources in

cash were collected. Data relating to value of owned bullion and ornaments were also not collected. It was also not possible to collect data relating to lendings by rural families to others. The data, therefore, represent the returns made by cultivating families in response to questions relating to value of their assets, and are only broadly indicative of the economic position of the respondents. In Section 2.2.3 we referred to the average value of total owned assets by cultivating families. We saw that the average value of owned assets showed an increase consistently with the increase in the size of the holding.

In Table 2.9 we give data relating to assets. For all cultivators, owned land and buildings accounted for about 94 per cent of the total assets while owned live-stock and owned implements and machinery accounted for about one per cent. Financial assets also accounted for one per cent, while outstanding dues were reported mostly by the upper strata cultivators.

TABLE 2.9—VALUE OF OWNED ASSETS
[Intensive enquiry data. Amount in rupees per family]

Strata	Land	Building	Live-stock	Imple-ments and machi-nery	Out-standing dues	Finan-cial (other) assets	Total
	1	2	3	4	5	6	7
Upper strata.....	8,488	1,342	128	22	430	84	10,494
Lower strata.....	1,252	284	22	—	24	14	1,596
All cultivators.....	4,870	813	75	11	227	49	6,045

CHAPTER 3

INDEBTEDNESS

In this chapter, we discuss the data on outstanding debt collected in the General Schedule as also in the intensive enquiry. Before we proceed, it is necessary to point out that debt as reported in the General Schedule refers to the outstanding debt as on the dates on which the families were interviewed, *i.e.*, any time between December 1951 and March 1952. It refers mainly to cash transactions. Indebtedness as reported in the intensive enquiry refers to the position as at the time of the second round of the Survey, *i.e.*, in April and May 1952. Loan transactions in kind were covered in the intensive enquiry, but they have been treated separately. No account of them is taken in any of the statistics relating to debt, borrowings and repayments in monetary values, particularly because it was difficult to incorporate the data relating to debt in kind in the data relating to money debts. Further, in some villages, the data collected in the General Schedule referred to the position as in December 1951 and January 1952, while in others it referred to the position as in February and March 1952. But, for the district as a whole, the figures represented in a broad way the average conditions prevailing during the period covered by the investigation.

3.1 EXTENT OF INDEBTEDNESS

As can be seen from Table 3.1 below, of the 1,951 cultivating families, 478 families or about 25 per cent did not report any debt. About 29 per cent of the cultivating families reported that their debt was less than Rs 100, while 22 per cent reported it to be between Rs 100 and Rs 300. The remaining 24 per cent reported their debt to be more than Rs 300.

TABLE 3.1—FREQUENCY DISTRIBUTION OF CULTIVATING FAMILIES ACCORDING TO THE SIZE OF OUTSTANDING DEBT

[General Schedule data]

Size of debt	Number of cultivating families	Percentage
Nil.....	478	25
Below Rs 50.....	330	17
Rs 50 - Rs 100.....	233	12
Rs 100 - Rs 150.....	162	8
Rs 150 - Rs 200.....	126	6
Rs 200 - Rs 250.....	107	5
Rs 250 - Rs 300.....	54	3
Rs 300 - Rs 400.....	97	5
Rs 400 - Rs 500.....	79	4
Rs 500 - Rs 750.....	116	6
Rs 750 - Rs 1,000.....	38	2
Rs 1,000 and above.....	131	7
Total.....	1,951	100

The average outstanding debt per family is a value which is the result of two factors, namely, the level of debt per indebted family and the proportion of indebted families among all families. Among the cultivating families, the proportion of indebted families varied from 52 per cent in Kanjurkottakkakom to 91 per cent in Kurichimuttom. On the other hand, the debt per indebted family ranged from Rs 180 in Manapally South to Rs 649 in Valamangalam South. The relevant data are given in Table 3.2.

TABLE 3.2—RANKING OF VILLAGES ACCORDING TO THE DEBT POSITION OF CULTIVATORS

[General Schedule data. Cultivating families]

PROPORTION OF FAMILIES INDEBTED		AVERAGE DEBT PER FAMILY		DEBT PER INDEBTED FAMILY	
Village	Percentage	Village	Amount (Rs)	Village	Amount (Rs)
1	2	3	4	5	6
Kurichimuttom.....	91.0	Valamangalam South.....	549	Valamangalam South.....	649
Pathiyoor.....	88.5	Kurichimuttom....	481	Kurichimuttom....	528
Valamangalam South	84.5	Kallikkad.....	367	Kallikkad.....	525
Manapally South....	79.9	Chathanur Erom...	367	Chathanur Erom...	494
Chathanur Erom....	74.2	Pathiyoor.....	365	Pathiyoor.....	412
Kallikkad.....	69.8	Kanjurkottakkakom	162	Kanjurkottakkakom	314
Nedumon.....	60.6	Manapally South...	144	Nedumon.....	182
Kanjurkottakkakom.	51.7	Nedumon.....	110	Manapally South...	180

The proportion of indebted families in the various groups of cultivators does not indicate any trend, either consistent or inverse, with the increase in the size of holdings, as can be seen from Table 3.3 below.

TABLE 3.3—DEBT : SIZE OF DEBT

[General Schedule data]

Group	Proportion of indebted families	Average debt per family	Debt per indebted family	Average debt per acre of cultivated holding
	(Per cent)	(Rs)	(Rs)	(Rs)
	1	2	3	4
Big cultivators.....	71.8	969	1,350	113
Large cultivators.....	77.1	638	827	147
Medium cultivators.....	75.2	206	274	265
Small cultivators.....	73.2	97	132	413
All cultivators.....	75.2	303	404	179
Non-cultivators.....	69.3	91	132	—
All families.....	73.4	239	326	—

Average debt per family as also debt per indebted family declined with the decline in the size of cultivated holdings.

It may, however, be noted that debt per acre of cultivated holding tends to increase consistently with the decline in the size of cultivated holding. This may perhaps indicate that the burden of debt on the large cultivators was always somewhat low, in any case significantly lower than that on the medium and small cultivators' groups. If this is taken together with the fact (*vide* Table 3.12) that outstanding dues as reported are more concentrated in the group of large cultivators than elsewhere, it is obvious that the burden of debt per acre in the large cultivators' group is low and hence, the financial solvency of this group is superior to that of others. The burden of debt per acre in the group of small cultivators is higher than in other groups. This may be partly the result of one important factor, namely, that some of the cultivators in this group, especially those in the last decile, may generally be persons who are, in the main, not agriculturists but are engaged in other types of work. The outstanding debt of these persons may, therefore, have been contracted in relation not to agricultural lands or farm business but to other economic activities which they might be carrying on. To the extent this is so, the comparison of per acre debt of small cultivators with that of other cultivators may prove misleading.

We give in Table 3.4 the data collected in the intensive enquiry for the upper and lower strata cultivators.

TABLE 3.4—INCIDENCE OF DEBT
[Intensive enquiry data. Amount in rupees]

Strata	AVERAGE DEBT				
	Per family	Per acre of sown area	Per Rs 100 of gross produce	Per Rs 100 of value of owned land and buildings	Per Rs 100 of total value of owned assets
	1	2	3	4	5
Upper strata	328	108	32	3	3
Lower strata	106	252	75	7	7
All cultivators	217	126	37	4	4

These data also clearly indicate that the burden of debt in relation to the area sown is greater on the cultivators with small sized holdings. But it has already been noted that many small cultivators were also engaged in non-agricultural activity which introduces an element of non-comparability even in this measure of the debt burden. Apart from the difficulties arising out of the variations in the quality of land there is also the problem relating to ownership status or the variations in interests of the cultivators in the land cultivated by them. In case there is a significant difference in the quality of holding rights as between different strata, the mere holding of land for cultivation purposes or the value of gross produce of land would not be necessarily indicative of similar capacity to acquire or bear debt. More particularly, if the upper strata cultivators held exclusively or to a much greater

degree superior rights in land and the lower strata cultivators inferior rights, neither the cultivated holding nor the total value of gross produce of cultivated holdings (a part of which may have to be handed over to the landlord in lieu of rent in the case of tenant cultivators) in the two cases may indicate the same propensity for expenditure on farm business or the same capacity to bear the burden of debt. Further, we collected data regarding value of owned assets which could be used for getting a broad idea regarding proportion of debt to value of owned assets; these figures are given in columns 4 and 5 of Table 3.4. They also indicate that the burden of debt was higher in the case of cultivators with holdings of smaller size.

3.2 GROWTH OF DEBT

The average debt per indebted family, as can be seen from Table 3.2, varied from Rs 180 in Manapally South to Rs 649 in Valamangalam South. The amount of outstanding debt as reported at the time of interview is obviously influenced by many factors. In the first instance, it represents the amount of debt at a particular time or a particular period of the agricultural season. Similarly, requirements of consumption finance would depend on whether the agricultural season is a normal one or whether the climatic conditions during the year are particularly unfavourable. In a number of years and for some strata of cultivators, it may be a regular annual necessity to borrow for current consumption purposes for some months immediately before the annual harvest. Consequently, the measurement of outstanding debt taken at any point of time from different villages would not represent the same position of indebtedness in relation to the annual operations. For some villages and for some strata of cultivators, the period may represent the point of highest outstanding debt immediately prior to the sale of crops and for others it may be the period immediately after harvest.

The measure of outstanding debt obtained relates to the debt at the time of investigation in the case of General Schedule data and to the time when the second round was conducted in the case of intensive enquiry data. Information was also collected regarding borrowings and repayments during the period of twelve months immediately preceding the month of investigation in the case of the General Schedule and between April 1951 and March 1952 in the case of intensive enquiry. Net borrowing or net repayment during the year can be obtained as the difference between the borrowings and the repayments and this gives a measure of the total increase or decrease in debt during the year. Deducting the increase in debt from or adding the decrease in debt to, the debt outstanding at the end of the year, we get the debt outstanding at the beginning of the year. It is, thus, possible to obtain percentage increase or decrease in debt during the year covered by the Survey.

In Table 3.5, we give the estimate of debt at three different times covered by the Survey.

The data clearly show the increase in debt during the period covered by the Survey. Of the likely factors responsible for a marked increase in debt, the

TABLE 3.5—OUTSTANDING DEBT OF SELECTED CULTIVATORS : VILLAGE-WISE

Village	Period during which General Schedule was filled in	Date of completion of intensive enquiry	AVERAGE OUTSTANDING DEBT PER FAMILY FOR THE SELECTED FAMILIES		
			As estimated at the beginning of the General Schedule year, i.e., year before the date of interview (Rs)	As reported in the General Schedule on the date of interview (Rs)	As reported in intensive enquiry at the time of the second round of the Survey (Rs)
	1	2	3	4	5
Kallikkad	4 Dec. 1951 to 22 Jan. 1952	15 May 1952	59.0	593.2	324.6
Pathiyoor	3 Feb. 1952 to 13 Feb. 1952				
Valamangalam South	9 Nov. 1951 to 30 Dec. 1951	31 May 1952	273.4	388.3	386.4
Chathanur Erom	25 Mar. 1952 to 30 Mar. 1952	31 May 1952	11.3	151.8	96.2
Kanjurkottakkakom	18 Feb. 1952 to 25 Feb. 1952	30 Apr. 1952	11.8	92.3	120.0
Kurichimuttom	6 Mar. 1952 to 15 Mar. 1952	31 May 1952	379.2	507.6	336.4
Manapally South	29 Mar. 1952 to 4 Apr. 1952	15 May 1952	59.7	213.4	198.7
Nedumon	12 Mar. 1952 to 26 Mar. 1952	31 May 1952	-	54.1	67.2

decline in agricultural prices, especially those of non-food crops, observed towards the end of the year might be the major one. The decline in prices of non-food crops which was generally marked to a greater extent than of food crops must have affected greatly the cash receipts from farming and consequently the volume of repayments by cultivators. It is important to note, in this context, that the period immediately preceding the Survey year was one of buoyant prices for agricultural commodities. Presumably as a result of this, debt at the commencement of the year covered by the Survey was, in a number of cases, as revealed by the Survey data, quite low. Moreover, as the decline in agricultural prices became evident only during the second half of the Survey year, the borrowings of cultivators both for farm and family needs would have generally been a function of the level of expenditure to which they had become accustomed in the immediately preceding period of favourable prices.

Apart from the operations of the general factors which may result in the growth of debt during a given period, the growth may also be recorded due to an aberration in the data. The timing of the enquiry at a particular point in the agricultural season would not, as such, necessarily lead to any distortion in the data. However, a defect in data may creep in owing to a failure in the reporting of repayments made

in the earlier part of the twelve-month period of the enquiry, particularly, if these were met out of the sale proceeds of the crop of the previous agricultural season. The delay that occurred in the period of repayment during the Survey year may also affect the data. Thus, it may happen that repayments, either whole or part, out of the sale proceeds of neither the year preceding the Survey year nor the Survey year itself would be reported within the twelve-month period of the Survey year.

3.3 NATURE AND COMPOSITION OF DEBT

3.3.1 Outstanding Interest

In the intensive enquiry, we collected data regarding outstanding interest as at the end of the second round of the Survey. The available data are given below.

TABLE 3.6—PRINCIPAL AND INTEREST OUTSTANDING

[Intensive enquiry data. Amount in rupees per family]

	Principal	Interest
Debt outstanding for more than one year.....	105.4	10.8
Debt outstanding for one year or less.....	96.0	4.6
Total debt outstanding at the time of the second round of the Survey.....	201.4	15.4
Borrowings during the year fully repaid.....	47.4	
Borrowings during the year not fully repaid.....	102.0	
Total borrowings during the year.....	149.3	
Repayments towards loans outstanding for more than one year.	11.8	8.3
Repayments towards loans outstanding for one year or less....	6.0	0.8

Out of a total outstanding debt of Rs 217 per cultivating family, Rs 15 was in the form of outstanding interest. The data for the upper and lower strata cultivators are given below.

TABLE 3.7—OUTSTANDING INTEREST : INCIDENCE

[Intensive enquiry data. Amount in rupees]

Strata	OUTSTANDING DEBT PER FAMILY		OUTSTANDING INTEREST PER			
	Principal	Outstand- ing interest	Acre of sown area	Rs 100 of gross produce	Rs 100 of total cash receipts	Rs 100 of total owned assets
	1	2	3	4	5	6
Upper strata.....	302.4	25.2	8	2.5	2.6	0.2
Lower strata.....	100.3	5.5	14	3.9	1.3	0.3
All cultivators.....	201.4	15.4	9	2.6	2.2	0.3

Though in terms of absolute figures the outstanding interest per family is smaller in the case of lower strata cultivators, the burden of interest in relation to sown area and value of gross produce appears to be greater.

We also collected data relating to interest rates at which the debt was contracted. About half the total debt was contracted at interest rates varying between 10 per cent and 12½ per cent, while 30 per cent of the debt was at interest rates below 10 per cent, which includes 20 per cent of interest-free debt mostly from relatives and traders. The relevant data are given in Table 3.8 below.

TABLE 3.8—OUTSTANDING DEBT ACCORDING TO RATE OF INTEREST
[Intensive enquiry data]

Rate of interest per annum	PROPORTION OF DEBT CONTRACTED AT THIS RATE OF INTEREST (Per cent)		
	Upper strata	Lower strata	All cultivators
<i>Nil</i>	21	14	19
<i>Less than 3½ per cent</i>	—	—	—
<i>3½ – 7 per cent</i>	5	3	4
<i>7 – 10 per cent</i>	5	9	6
<i>10 – 12½ per cent</i>	50	47	49
<i>12½ – 18 per cent</i>	2	—	1
<i>18 – 25 per cent</i>	14	16	15
<i>25 – 35 per cent</i>	2	—	2
<i>35 per cent and above</i>	—	1	—
<i>Unspecified</i>	1	9	3
Total	100	100	100
Average debt per family (Rs)	328	106	217

3.3.2 Security given for loans outstanding

More than half of the total debt was against personal security, while about 39 per cent was against the security of immovable property. The proportion of debt secured against immovable property was 71 per cent in the case of the lower strata cultivators as against only 28 per cent in the case of the upper strata cultivators, as can be seen from Table 3.9 below.

TABLE 3.9—OUTSTANDING DEBT AGAINST VARIOUS TYPES OF SECURITIES
[Intensive enquiry data]

Type of security	DEBT REPORTED AGAINST THIS SECURITY AS PERCENTAGE OF TOTAL DEBT		
	Upper strata	Lower strata	All cultivators
1. Personal.....	62	25	53
2. Bullion and ornaments.....	10	3	8
3. Immovable property.....	28	71	39
(i) Simple mortgage.....	13	37	19
(ii) Usufructuary mortgage.....	15	34	20
4. Movable property.....	—	1	—
5. Shares.....	—	—	—
6. Insurance policies.....	—	—	—
7. Commodities.....	—	—	—
8. Guarantee by third party.....	—	—	—
9. Any other security.....	—	—	—
10. Security not specified.....	—	—	—
Total	100	100	100

It is noteworthy that more than one-third of the total debt of cultivators of the lower strata was secured against usufructuary mortgage.

3.3.3 Duration of debt

About 46 per cent of the debt was outstanding for one year or less, 24 per cent for 1 to 2 years, about 21 per cent for 2 to 3 years and only 9 per cent for more than 3 years.

TABLE 3.10—OUTSTANDING DEBT ACCORDING TO DURATION

[Intensive enquiry data]

Period	DEBT REPORTED FOR THIS DURATION AS PERCENTAGE OF TOTAL DEBT		
	Upper strata	Lower strata	All cultivators
1 Year or less.....	54	22	46
1 - 2 years.....	14	51	24
2 - 3 years.....	21	20	21
3 - 4 years.....	3	—	2
4 - 5 years.....	5	7	5
5 - 10 years.....	2	—	1
Above 10 years.....	1	—	1
Period not specified.....	—	—	—
Total	100	100	100

3.3.4 Purpose of debt

Debt owed by the selected cultivating families to different credit agencies was classified into eight broad categories with reference to purposes and periods of borrowings; these categories are short-term and long-term under each of the three purposes, namely, agricultural, non-agricultural and consumption purposes, and repayment of old debt and 'other' purposes. Long-term agricultural purposes have been taken to include medium-term agricultural purposes also. Proportion of debt incurred for the various purposes and periods to the total debt outstanding was 5.5 per cent for agricultural short-term, 10.8 per cent for agricultural long-term, 9.9 per cent for short-term consumption and 28.8 per cent for long-term consumption; the remaining 45.0 per cent was for non-agricultural purposes, repayment of old debt and 'other' purposes.

Data on debt, classified according to various purposes, namely, capital expenditure on farm, current expenditure on farm, non-farm business expenditure, family expenditure and other expenditure, are given in Table 3.11 on page 29.

In respect of selected cultivators, debt incurred for expenditure on farm accounted for less than one-fifth of the total debt, while that for family expenditure accounted for about one-third.

TABLE 3.11—OUTSTANDING DEBT FOR VARIOUS PURPOSES

[Intensive enquiry data]

Purpose	DEBT REPORTED FOR THIS PURPOSE AS PERCENTAGE OF TOTAL DEBT		
	Upper strata	Lower strata	All cultivators
Capital expenditure on farm.....	7	22	11
Current expenditure on farm.....	6	2	6
Non-farm business expenditure.....	33	3	25
Family expenditure.....	26	46	31
Other expenditure.....	17	27	19
More than one purpose and unspecified purposes.....	11	-	8
Total.....	100	100	100

3.4 DUES

Both in the General Schedule and in the intensive enquiry, we collected data regarding amounts due from others to the families interviewed. We, however, did not make allowance for dues receivable from others while compiling figures for average debt per family. As will be seen from Table 3.12 below, the proportion of the families reporting dues was highest among big cultivators.

TABLE 3.12—OUTSTANDING DUES

[General Schedule data]

Group	Proportion of families reporting dues (Per cent)	Average amount due per reporting family (Rs)	Amount due per family (Rs)
Big cultivators.....	54.2	1,494	810
Large cultivators.....	44.0	872	383
Medium cultivators.....	27.9	238	67
Small cultivators.....	22.6	153	35
All cultivators.....	31.1	489	152
Non-cultivators.....	20.5	119	24
All families.....	27.9	407	114

The average amount due per reporting family was also the highest among big cultivators ; it was about ten times of the amount reported by small cultivators and twelve times of that reported by non-cultivators.

CHAPTER 4

BORROWINGS

4.1 VOLUME OF BORROWINGS

Enquiries into economic transactions and activities of rural families, undertaken as a part of the Survey, were limited to a period of one year. A complete enquiry into all economic activities responsible for the acts of borrowing and repayment would have involved obtaining a picture of all the cash and kind transactions of a family during the year. Such a detailed enquiry was considered impracticable, and attention was concentrated on activities directly affecting debt position. The enquiry was confined to those transactions which might be presumed specially to lead to borrowings or repayments. The questions were, therefore, planned in relation to those items of expenditure which, apart from current needs of farm business or family living, might force or lead families into special borrowing activity. Information on important items of expenditure, together with the sources of finance for meeting the expenditures was, therefore, collected. This did not, of course, provide an exhaustive classification of purposes of all borrowings. In addition to this, information was directly sought relating to total borrowings during the twelve months preceding the month during which the enquiry was conducted using the General Schedule, while in the case of intensive enquiry borrowings during April 1951 and March 1952 were covered. Total borrowings for all purposes were exhaustively enumerated and the purpose of each loan and the complete classification of purposes of all borrowings was derived from the information collected.

Technically, there is difference between the two sets of data. The questions on borrowing related to borrowings during the year and the purposes for which these borrowings were resorted to. This does not mean that the amounts borrowed were expended during the same twelve-month period when the borrowings were resorted to. Further, borrowings which provided wholly or partly the source of finance for expenditure need not necessarily have been reported during the twelve-month period when the expenditure was incurred.

In this chapter, as in the case of the previous one, it is proposed to discuss the data relating to proportion of borrowing families and the amount borrowed per borrowing family.

The percentage of borrowers would depend very largely on the economy of the tract in relation both to farm business and family living. If the farm business required borrowing for current purposes as a general rule, the percentage of borrowers would necessarily be large. If the cultivators get cash from sale of garden crops, ghee, fluid milk, etc., at regular intervals almost throughout the year, the

need for borrowing may be much less. Hence, the proportion of borrowing families is likely to be influenced by the seasonality of the farm operations and business. Table 4.1 gives the data relating to borrowings of cultivators as reported in the General Schedule in the selected villages.

TABLE 4.1—BORROWINGS OF CULTIVATING FAMILIES

[Amount in rupees]

Village	GENERAL SCHEDULE DATA				INTENSIVE ENQUIRY DATA	
	Proportion of borrowing families (Per cent)	Average borrowing per borrowing family	Average borrowing per family	Total capital expenditure in agriculture per family	Average value of gross produce per family	Total cash receipts per family
	1	2	3	4	5	6
Kallikkad.....	73.0	644	470	220	283	1,015
Pathiyoor.....	83.2	401	333	182	635	718
Valamangalam South.....	81.9	476	390	319	641	792
Chathanur Erom.....	70.8	427	302	106	776	702
Kanjurkottakkakom.....	52.9	317	168	165	790	767
Kurichimuttom.....	88.3	495	437	217	649	790
Manapally South.....	74.3	152	113	41	431	505
Nedumon.....	64.2	216	139	156	481	321
District.....	73.6	377	278	163	584	704

As can be seen from Table 4.1 above the proportion of borrowing families ranged between 53 per cent in Kanjurkottakkakom and 88 per cent in Kurichimuttom. Average borrowing per borrowing family varied from Rs 152 in Manapally South to Rs 644 in Kallikkad.

Of the total borrowings of cultivating families, the different groups of cultivators accounted for different proportions. The proportion of borrowing families did not indicate any consistent trend among the different groups, as can be seen from Table 4.2. The average borrowing per borrowing family was, however, higher in the case of the bigger cultivators. The average borrowing per borrowing family in individual villages varied from Rs 304 in Manapally South to Rs 2,135 in Kallikkad, in the case of big cultivators; in the case of small cultivators, it ranged from Rs 83 in Nedumon to Rs 243 in Kallikkad.

It will be seen from Table 4.2 that the big cultivators who constitute only about 10 per cent of the cultivators account for 30 per cent of the total borrowings of all cultivators; the small cultivators who constitute 30 per cent of the total number of cultivators account for only 12 per cent. The average borrowing per family in the case of big cultivators was about seven times that in the case of the small cultivators.

Among non-cultivators, the proportion of borrowing families to the total was between 46 per cent in Kanjurkottakkakom and 78 per cent in Kurichimuttom. Average borrowing per borrowing non-cultivating family ranged between Rs 27

in Nedumon and Rs 224 in Kallikkad. The average borrowing per non-cultivating family was the highest at Rs 159 in Kallikkad and the lowest at Rs 13 in Nedumon.

TABLE 4.2—BORROWINGS OF DIFFERENT GROUPS OF CULTIVATORS

[General Schedule data]

Group	Proportion of borrowing families	Average borrowing per family	Average borrowing per borrow- ing family	Proportion of borrowings by this group to the total borrowings	Borrowings of the group as percentage of the total borrowings of all families
	(Per cent)	(Rs)	(Rs)	(Per cent)	
	1	2	3	4	5
Big cultivators.....	71.8	808	1,122	29.6	
Large cultivators.....	75.7	564	745	61.3	
Medium cultivators.....	74.5	187	252	27.0	
Small cultivators.....	70.3	108	154	11.7	
All cultivators.....	73.6	278	377	100.0	88.3
Non-cultivators.....	67.7	85	125		11.7
All families.....	71.8	219	305		100.0

According to the General Schedule data, about 48 per cent of the borrowings of cultivators were for family expenditure, the proportion being as high as 61 per cent in the case of small cultivators. Big cultivators borrowed to a lesser extent for family expenditure; the proportion of borrowings for capital expenditure in agriculture to the total borrowings of this group was 25 per cent which is the highest among all groups of cultivators.

TABLE 4.3—BORROWINGS FOR VARIOUS PURPOSES IN DIFFERENT GROUPS OF CULTIVATORS

[General Schedule data. Amount in rupees per family]

Group	Total amount	Capital expendi- ture in agri- culture	Current farm expen- diture	Non- farm business expen- diture	Family expen- diture	Other expen- diture	More than one purpose
	1	2	3	4	5	6	7
Big cultivators.....	806 (100)	200 (25)	31 (4)	174 (22)	323 (40)	61 (8)	17 (2)
Large cultivators.....	564 (100)	104 (18)	25 (4)	121 (21)	247 (44)	38 (7)	30 (5)
Medium cultivators.....	187 (100)	24 (13)	8 (4)	37 (20)	98 (52)	14 (8)	6 (3)
Small cultivators.....	108 (100)	7 (7)	1 (1)	26 (24)	66 (61)	7 (6)	2 (2)
All cultivators.....	278 (100)	43 (16)	11 (4)	59 (21)	133 (48)	19 (7)	12 (4)
Non-cultivators.....	85 (100)	2 (2)	—	30 (35)	49 (58)	3 (4)	—
All families.....	219 (100)	31 (14)	8 (4)	50 (23)	108 (49)	15 (7)	8 (4)

(Figures in brackets are percentages to total amount borrowed).

The proportion of borrowings for farm and non-farm business to the total borrowings of big cultivators ranged from 8 per cent in Manapally South to 97 per cent in Kanjurkottakkakom. However, in the case of medium cultivators, the proportion ranged from 19 per cent in Manapally South to 58 per cent in Kallikad. The data for villages are given in Table 4.4 below.

TABLE 4.4—BORROWINGS FOR FARM AND NON-FARM BUSINESS

[General Schedule data]

	PROPORTION OF BORROWINGS FOR FARM AND NON-FARM BUSINESS TO THE TOTAL BORROWINGS IN EACH GROUP (PER CENT)							
	Kallikad	Pathiyoor	Valamangalam South	Chathanur Erom	Kanjurkottakkakom	Kurichimuttom	Manapally South	Nedumon
	1	2	3	4	5	6	7	8
Big cultivators.....	87	38	37	50	97	31	8	29
Large cultivators.....	69	34	27	41	92	36	15	56
Medium cultivators.....	58	30	32	28	36	36	19	57
Small cultivators.....	53	37	24	26	59	19	15	16
All cultivators.....	64	33	28	35	77	35	16	52
Non-cultivators.....	64	24	11	14	21	11	9	31
All families.....	65	32	26	34	72	34	15	52

The data discussed heretofore related to the General Schedule. The data collected in the intensive enquiry are presented in the following paragraph for the cultivators of the upper strata and lower strata separately. The average borrowing during the year in the case of upper and lower strata cultivators amounted to Rs 263 and Rs 35 per family, respectively.

In relation to sown area and cash receipts, the volume of borrowings was greater in the case of upper strata cultivators.

TABLE 4.5—BORROWINGS IN DIFFERENT STRATA OF CULTIVATORS, GROSS PRODUCE AND CASH RECEIPTS

[Intensive enquiry data. Amount in rupees]

Strata	AVERAGE AMOUNT BORROWED DURING THE YEAR			
	Per family	Per acre of sown area	Per Rs 100 of gross produce	Per Rs 100 of total cash receipts
	1	2	3	4
Upper strata.....	263.3	87.2	25.6	27.1
Lower strata.....	35.3	84.2	25.1	8.1
All cultivators.....	149.3	86.8	25.6	21.1

4.2 NATURE OF BORROWINGS

4.2.1 Seasonality

Unlike other districts selected for the Survey, the most important feature of the agricultural economy of Quilon is the virtual absence of any marked seasonality in the nature of agricultural operations, which has been clearly brought out in Table 4.6 below.

TABLE 4.6—SEASONALITY OF EXPENDITURE
[Intensive enquiry data. Amount in rupees per cultivating family]

Period	CURRENT FARM EXPENDITURE			Value of gross produce	Cash receipts from sale of crops and fodder
	Cash expenditure	Kind expenditure	Total		
	1	2	3	4	5
April–September 1951	203·6	85·8	289·4	287·8	155·6
October 1951–March 1952	117·0	61·6	178·6	296·6	156·4
April 1951–March 1952	320·5	147·3	467·8	584·3	312·0

Though the volume of current farm expenditure, whether in cash or kind, appears to be higher in the period April 1951 to September 1951, there does not appear to be any marked seasonality in receipts. Predominance of garden crops like coconut, pepper, etc., and the practice of double cropping may perhaps explain the virtual absence of seasonality.

4.2.2 Borrowing as a source of finance

Data relating to the pattern of financing expenditure appear both in the General Schedule and the intensive enquiry. The General Schedule data are presented for all the families, while those collected in the intensive enquiry are presented for cultivators only.

The proportion which expenditure financed out of borrowings bore to the total expenditure varied from item to item. Whereas expenditure financed out of borrowings in the case of non-farm business expenditure and expenditure on laying of new orchards and plantations was 65 per cent and 42 per cent, respectively, the expenditure so financed in the case of bunding and other land improvements, education, purchase of clothing, shoes, bedding, etc. was 15 per cent or less as can be seen from Table 4.7 on page 35.

Here, we discuss only certain important items of expenditure covered in the General Schedule which were presumed to be occasions for borrowings. In addition, we collected details regarding total amount borrowed during the year. The total amount spent per family on all the items of expenditure recorded in the General Schedule which was financed out of borrowings was Rs 154; the average total borrowing per family was Rs 219. The variation between these two figures, as will be seen in Chapter 6 on 'Family Expenditure', was largely due to the fact that we had

not asked for details regarding expenditure on consumption account even though borrowings for meeting this type of expenditure were reported under the item 'other family expenditure'. At this stage, it should suffice if we take note of the broad agreement between the pattern of borrowings as revealed by the data relating to source of finance on the one hand and the data relating to purpose of borrowing on the other. On an average out of Rs 219 borrowed by a rural family during the year, Rs 8 were for current farm expenditure, Rs 31 for capital expenditure on farm, Rs 108 for family expenditure and Rs 50 for non-farm business expenditure.

TABLE 4.7—BORROWINGS AS A SOURCE OF FINANCE FOR MEETING EXPENDITURE ON RECORDED ITEMS

[General Schedule data. All families]

Item	Average expenditure per family which was financed out of borrowings	Proportion of expenditure financed out of borrowings to the total expenditure on this item
	(Rs)	(Per cent)
I. Capital expenditure in agriculture.....	30	26
1. Purchase of land.....	12	33
2. Reclamation of land.....	2	19
3. Bunding and other land improvements.....	2	15
4. Digging and repair of wells.....	—	16
5. Development of other irrigation resources.....	1	22
6. Laying of new orchards and plantations.....	5	42
7. Purchase of livestock.....	5	25
8. Purchase of implements, machinery and transport equipment.....	1	13
9. Construction of farm houses, cattle sheds, etc.....	—	13
10. Other capital expenditure in agriculture.....	1	15
II. Non-farm business expenditure.....	37	65
III. Family expenditure.....	76	23
1. Construction and repairs of residential houses and other buildings.....	21	24
2. Purchase of household utensils, furniture, etc.....	—	5
3. Death ceremonies.....	2	24
4. Marriage and other ceremonies.....	23	37
5. Medical expenses.....	18	32
6. Other occasional expenditure.....	—	—
7. Educational expenses.....	4	11
8. Purchase of clothing, shoes, bedding, etc.....	5	9
9. Other family expenditure.....	—	—
10. Litigation charges.....	3	23
IV. Other expenditure.....	11	12
1. Repayments of old debts.....	11	11
2. Financial investment expenditure.....	—	1
V. Average amount spent per family on the above items which was financed out of borrowings.....	154	24

4.3 BORROWINGS AND SECURITY

About 75 per cent of the total borrowings was against personal security, while those against bullion and ornaments and against immovable property accounted

for 10 per cent and 15 per cent of the total borrowings, respectively, as can be seen from Table 4.8 below.

TABLE 4.8—BORROWINGS OF SELECTED CULTIVATORS CLASSIFIED ACCORDING TO SECURITY AND MORTGAGE

[Intensive enquiry data. Amount in rupees per family]

	UPPER STRATA		LOWER STRATA		ALL CULTIVATORS	
	Amount	Per cent	Amount	Per cent	Amount	Per cent
Type of Security						
1. No security or personal security	198.1	75.2	24.4	69.0	111.2	74.5
2. Bullion and ornaments	26.8	10.2	3.4	9.6	15.1	10.1
3. Immovable property	38.4	14.6	6.9	19.4	22.6	15.2
4. Movable property	—	—	0.7	2.0	0.4	0.2
5. Shares	—	—	—	—	—	—
6. Government security	—	—	—	—	—	—
7. Insurance policy	—	—	—	—	—	—
8. Commodities	—	—	—	—	—	—
9. Guarantee by third party	—	—	—	—	—	—
10. Other security	—	—	—	—	—	—
11. Security not specified ..	—	—	—	—	—	—
Total	263.3	100.0	35.3	100.0	149.3	100.0
Type of mortgage						
1. Simple	30.8	11.7	6.9	19.4	18.8	12.6
2. By conditional sale	—	—	—	—	—	—
3. Usufructuary	7.6	2.9	—	—	3.8	2.5
4. Others	—	—	—	—	—	—
5. Unspecified	1.4	0.5	3.6	10.1	2.5	1.7
6. No mortgage	223.5	84.9	24.9	70.5	124.2	83.2

(Percentages are to the total amount borrowed)

4.4 BORROWINGS AND INTEREST RATES

Data relating to borrowings at various rates of interest are given below.

TABLE 4.9—CASH LOANS BORROWED ACCORDING TO RATES OF INTEREST

[Intensive enquiry data]

Rate of interest per annum	PROPORTION OF TOTAL BORROWINGS AT THIS RATE OF INTEREST (PER CENT)		
	Upper Strata	Lower Strata	All cultivators
Nil	33.5	29.5	33.0
Less than 3½ per cent	—	—	—
3½–7 per cent	5.6	7.3	5.7
7–10 per cent	3.9	12.4	4.9
10–12½ per cent	49.3	34.8	47.6
12½–18 per cent	—	—	—
18–25 per cent	4.4	12.5	5.4
25–35 per cent	3.1	—	2.8
35–50 per cent	0.2	3.5	0.6
50 per cent and above	—	—	—
Unspecified	—	—	—
Total	100.0	100.0	100.0

About 33 per cent of the total borrowings of cultivators was interest-free; as will be seen later, a substantial portion of such borrowings was from relatives and traders and commission agents. About 58 per cent of the borrowings was at rates lower than $12\frac{1}{2}$ per cent (excluding interest-free borrowings) while about 8 per cent was at rates varying between 18 and 35 per cent.

4.5 GRAIN LOANS

Data relating to grain loans were collected only in the intensive enquiry. Only about 15 per cent of the selected cultivating families reported borrowing of grain loans during the year. Value of borrowings in grain constituted less than 10 per cent of the value of borrowings in cash.

The average quantity of grains borrowed per family was 72 seers in the case of the upper strata, the proportion of families reporting borrowing of grain loans in the strata being 22.6 per cent. Only 7.5 per cent of the cultivators of the lower strata reported borrowing grain loans.

TABLE 4.10—GRAIN LOANS
[Intensive enquiry data]

	Upper strata	Lower strata	All cultivators
Proportion of families borrowing grain loans(Per cent)	22.6	7.5	15.1
Quantity borrowed per family.....(Seers)	72.4	11.4	41.9
Quantity borrowed per borrowing family(Seers)	320.4	151.5	277.4
Quantity borrowed and fully repaid during the year per family.....(Seers)	38.1	10.2	24.2
Quantity borrowed and fully repaid during the year as percentage of the total quantity borrowed during the year.....	52.7	89.7	57.7
Quantity outstanding.....(Seers)	34.3	1.2	17.7

Of the grain loans borrowed during the year by the selected cultivating families, about 14 per cent were for current farm expenditure and the rest for family expenditure. Rice was the only commodity which was reported to have been borrowed. Grain loans were reported to be outstanding for varying periods, as can be seen from the Table 4.11.

TABLE 4.11—QUANTITY OF GRAIN LOANS OUTSTANDING PER CULTIVATING FAMILY ACCORDING TO PERIOD : SELECTED CULTIVATORS
[Intensive enquiry data. In seers]

	Total quantity out- stand- ing	GRAIN LOANS OUTSTANDING ACCORDING TO PERIOD						
		3 months or less	4 to 6 months	7 to 9 months	10 to 12 months	13 to 24 months	More than 24 months	Period not speci- fied
		1	2	3	4	5	6	7
Upper strata.....	64.3	9.2	7.2	—	17.8	9.0	21.1	—
Lower strata.....	18.3	1.1	—	—	—	5.7	11.4	—
All cultivators.....	41.3	5.2	3.6	—	8.9	7.4	16.3	—

Commodity loans (other than grain loans) namely sesamum were borrowed for current farm expenditure; the average quantity borrowed was 0.45 seers.

4.6 CREDIT NEEDS

4.6.1 Difficulties in getting credit

In the intensive enquiry, an attempt was made at collecting information about the credit needs of the selected cultivators. Of the 120 cultivators selected, 95 cultivators reported having experienced difficulties in meeting expenses for current agricultural operations due to lack of finance; 17 did not experience any difficulty and 8 did not reply at all to the question put to them. Replies to the question as to what amounts were required by them for different purposes indicate that about one-third of the credit required was for increasing the size of holding by purchasing land. The relevant data are given below.

TABLE 4.12—CREDIT REQUIREMENTS OF SELECTED CULTIVATORS

[Intensive enquiry data. Amount in rupees per family]

	UPPER STRATA		LOWER STRATA	
	Amount	Per cent	Amount	Per cent
Credit required for development plans				
1. Purchase of bullocks.....	99.4	7.1	78.4	14.5
2. Purchase of implements and machinery.....	112.8	8.1	17.0	3.2
3. Bunding, land improvement and land reclamation.....	230.4	16.6	35.6	6.7
4. Increasing the size of the holdings by tenancy	266.9	19.2	170.6	31.9
5. Increasing the size of holdings by purchase of land	372.3	26.8	168.3	31.3
6. Digging of wells in holdings.....	155.4	11.2	28.8	5.4
7. Making use of other irrigation resources	46.5	3.4	2.5	0.5
8. Undertaking cultivation of more remunerative but costly crops like cash crops or garden crops	104.7	7.6	34.9	6.5
Total.....	1,388.4	100.0	537.0	100.0

The average amount of credit required for development plan was Rs 1,388 and Rs 537 per family for the cultivators of the upper strata and lower strata, respectively. Less than one-tenth of the credit needs were for purchase of bullocks, while purchase of implements and machinery accounted for about one-fifteenth. About one-eighth of the credit needs were for development of irrigation resources.

4.6.2 Purposes for which credit was required

Replies of selected cultivators also indicate that more than two-thirds of the cultivators required credit for intensive tillage and/or better manuring. Less than half the number of cultivators required it for expenditure on purchase of seed, as can be seen from Table 4.13 on page 39.

4.6.3 Credit required at various interest rates

On being asked as to at what interest rate they wanted credit, about one-third of the total number of cultivators reported that they would like to have credit at 3 per cent or less, as can be seen from Table 4.14 on page 39.

TABLE 4.13—USE OF CREDIT IF READILY AVAILABLE : SELECTED CULTIVATORS
[Intensive enquiry data. Demand Questionnaire 5]

	Number of cultivators investigated	INTENSIVE TILLAGE		BETTER MANURING		SEED	
		Number of cultivators replying	Number of cultivators who said they would use credit for this purpose	Number of cultivators replying	Number of cultivators who said they would use credit for this purpose	Number of cultivators replying	Number of cultivators who said they would use credit for this purpose
	1	2	3	4	5	6	7
Upper strata.....	80	76	60	78	70	75	41
Lower strata.....	40	39	24	39	26	39	12

TABLE 4.14—CREDIT REQUIREMENTS AT VARIOUS INTEREST RATES
[Intensive enquiry data]

Rate of interest	NUMBER OF CULTIVATORS WHO WANTED LOANS		PERCENTAGE OF NUMBER OF LOANS BORROWED	
	Upper strata	Lower strata	Upper strata	Lower strata
Nil.....	—	—	45.1	40.2
3 per cent or less.....	22	9	—	—
3 - 4 per cent.....	8	1	—	—
4 - 5 per cent.....	9	6	—	—
5 - 7½ per cent.....	18	11	3.0	4.1
7½ - 10 per cent.....	3	1	7.0	12.3
Above 10 per cent.....	10	3	44.9	43.4
Total	70*	31*	100.0	100.0

* Excluding 10 families in the upper strata and 9 families in the lower strata who did not reply or gave irrelevant replies.

Table 4.14 also gives the data relating to rates at which credit was required and the rates at which loans were borrowed. It will be seen that about 40 per cent and 45 per cent of the total number of loans borrowed during the year by the lower strata and the upper strata cultivators, respectively, were free of interest, largely from relatives, traders and commission agents. However, none expressed the desire to have loans free of interest. About four-fifths of those replying in the case of the upper strata and nine-tenths in the lower strata wanted loans at interest rates of 7½ per cent or less. But the actual position of the borrowings indicates that 7 per cent of the total number of loans (excluding interest-free loans) among the lower strata and 5 per cent among the upper strata were borrowed at interest rates up to 7½ per cent, while the remaining or about 95 per cent of the total number

of loans (excluding interest-free loans) were taken at interest rates exceeding 7½ per cent.

4.6.4 Period for which credit is required

About half the number of cultivators reported that they needed credit for a duration of more than five years. Relevant data are given in table below.

TABLE 4.15—SELECTED CULTIVATORS ACCORDING TO DURATION OF LOANS REQUIRED

[Intensive enquiry data]

	Number of cultivators investigated	Number of cultivators who did not give information	NUMBER OF CULTIVATORS ACCORDING TO DURATION OF LOANS				
			6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	Above 5 years
	1	2	3	4	5	6	7
Upper strata.....	80	2	—	3	2	29	44
Lower strata.....	40	7	—	1	1	15	16

None of the cultivators needed credit for a period of six months or less, while a few said that they required for a period of 2 years or less. About two-fifths said that they needed for a duration of 2 to 5 years.

4.6.5 Credit security

More than 90 per cent of the cultivators were prepared to offer immovable property as security for the loans, as can be seen from Table 4.16 below.

TABLE 4.16—SELECTED CULTIVATORS ACCORDING TO SECURITY FOR THE LOANS

[Intensive enquiry data]

	Number of cultivators investigated	Number of cultivators who did not reply or gave irrelevant reply	SECURITY WHICH CULTIVATORS WERE PREPARED TO OFFER				
			Personal security	Immovable property	Movable property	Guarantee by third party	Other securities
	1	2	3	4	5	6	7
Upper strata.....	80	2	1	77	—	—	—
Lower strata.....	40	7	1	30	—	1	1

It is noteworthy that whereas more than 90 per cent of the cultivators were prepared to offer immovable property as security, only 39 per cent of the outstanding debt and 15 per cent of the borrowings during the year, were against this security.

CHAPTER 5

REPAYMENTS

In studying repayments, a relation needs to be established between three types of credit transactions, *viz.*, borrowings during the year, repayments during the year and the debt outstanding at the end of the year. The proportion of families reporting repayments, proportion of families reporting repayments to the number of borrowing families and proportion of families reporting repayments to the number of indebted families are the three measures which could be used. The magnitude of repayment can be measured in terms of average repayment per family, average repayment per repaying family, repayments as proportion of borrowings during the year, and repayments as proportion of debt plus repayment. The last mentioned measure needs to be used, as repayments during the year have to be related not merely to borrowings during the year but also to total debt outstanding at the beginning of the year. The amount of outstanding debt at the beginning plus borrowings during the year represents the total amount in relation to which repayments might have been made; this total is equal to outstanding debt at the end of the year plus repayments made during the year.

5.1 REPAYMENTS IN RELATION TO BORROWINGS

Whereas the average borrowings during the year and debt outstanding at the end of the year in the case of cultivating families amounted to Rs 278 and Rs 303 respectively, the average repayment per cultivating family during the year was Rs 122 only. The proportion of cultivating families reporting repayment was 45 per cent. The number of repaying families formed 61 per cent and 60 per cent of the number of borrowing families and of the families reporting debt, respectively.

Though the proportion of repaying families to the total number of cultivating families for the district as a whole was 45 per cent according to the General Schedule data, the proportion ranged from 10 per cent in Kanjurkottakkakom to 79 per cent in Kurichimuttom, as can be seen from Table 5.1 on page 42.

The proportion of repaying families varied from 73 per cent to 79 per cent in villages Valamangalam South, Pathiyoor and Kurichimuttom, while it ranged between 10 and 35 per cent in the remaining selected villages. In this regard, the data relating to the proportion of repaying families to the number of borrowing families would be a more useful measure. The proportion of repaying families for the district as a whole was 61 per cent and it ranged between 90 and 93 per cent in villages Valamangalam South, Kurichimuttom and Pathiyoor. The proportion was lowest at 20 per cent in Kanjurkottakkakom. In the case of the remaining villages the proportion varied from 37 per cent to 49 per cent. The average repayment per

family ranged from Rs 8 in Kanjurkottakkakom to Rs 292 in Valamangalam South. The average repayment per repaying family varied from Rs 69 in Manapally South to Rs 397 in Valamangalam South.

TABLE 5.1—REPAYMENTS BY CULTIVATORS

[General Schedule data]

Village	Proportion of repaying families (Per cent)	REPAYING FAMILIES AS PERCENTAGE OF		REPAYMENTS		REPAYMENTS AS PERCENTAGE OF	
		Borrowing families	Indebted families	Per family	Per repaying family	Borrowings	Out-standing debt plus repayments
		2	3	(Rs) 4	(Rs) 5	6	7
Kallikkad	33.3	45.7	47.7	126	379	27	26
Pathiyoor	77.0	92.6	87.0	213	276	64	37
Valamangalam South	73.4	89.6	86.9	292	397	75	35
Chathanur Erom	35.1	49.6	47.3	137	389	45	27
Kanjurkottakkakom	10.3	19.6	20.0	8	73	5	4
Kurichimuttom	79.3	89.8	87.1	189	239	43	28
Manapally South	34.2	46.0	42.8	24	69	21	14
Nedumon	24.0	37.4	39.6	51	212	37	32
District	45.2	61.4	60.1	122	271	44	29

Varying proportions of the total borrowings were repaid during the year. The proportion of repayments during the year to the outstanding debt plus repayment ranged from 4 per cent to 37 per cent.

5.2 REPAYMENTS IN RELATION TO SIZE OF HOLDING, GROSS PRODUCE AND CASH RECEIPTS

The proportion of repaying families to the borrowing families can be closely examined in relation to the variations in the size of operations. For this purpose, we have two types of data. Firstly, there are the data collected in the General Schedule presented for big, large, medium and small cultivators. Secondly, we have the data collected in the intensive enquiry which are presented separately according to upper and lower strata cultivators.

Considering the General Schedule data in respect of various groups of cultivators, it is observed that the proportion of repaying families was slightly higher in the case of bigger cultivators as compared to other cultivators. The proportion of repaying families was also higher among cultivating families as compared to that of non-cultivating families.

Average repayment per family was relatively higher in the case of bigger cultivators; this was also true in respect of repayments per reporting family. The proportion of repaying families to the number of borrowing families as well as to the

number of indebted families, however, show a consistent trend towards a decline with the diminishing size of holdings. The volume of repayments, as could be judged by the figures relating to proportion of repayments to borrowings, appears to be higher among big and large cultivators than among small cultivators. The volume of repayments was comparatively lower among non-cultivators and shows a trend towards increase with increasing size of holdings. Repayments as proportion of debt plus repayment did not show much variation among different groups of cultivators. However, the proportion stood higher among cultivating families than among non-cultivating families.

TABLE 5.2—REPAYMENTS BY DIFFERENT GROUPS OF CULTIVATORS

[General Schedule data]

Group	Proportion of repaying families (Per cent)	REPAYING FAMILIES AS PERCENTAGE OF		Repay-ments per family (Rs)	Repay-ments per reporting family (Rs)	REPAYMENTS AS PERCENTAGE OF	
		Borrow-ing families	Indebted families			Borrow-ings	Out-standing debt plus repay-ments
	1	2	3	4	5	6	7
Big cultivators.....	48.7	67.8	67.8	419	860	52.0	30.2
Large cultivators.....	48.8	64.5	63.3	260	532	46.0	28.9
Medium cultivators.....	44.9	60.3	59.7	79	176	42.2	27.8
Small cultivators.....	42.0	59.7	57.3	42	100	38.8	30.3
All cultivators.....	45.2	61.4	60.1	122	271	44.1	28.8
Non-cultivators.....	39.2	57.9	56.5	29	75	34.7	24.3
All families.....	43.4	60.4	59.1	94	217	43.0	28.3

The above discussion is based on the data collected in the General Schedule. According to the intensive enquiry, the average debt per cultivating family was Rs 217, of which Rs 116 was outstanding for more than one year (*vide* chapter 3 section 3.3.1). The total borrowings during the year were Rs 149 per family, while the total repayments per family amounted to Rs 74. Of Rs 74 repaid, Rs 47 represented full repayments towards loans borrowed during the year, Rs 20 represented partial repayments towards loans outstanding for more than one year and Rs 7 towards loans outstanding for a year or less. The data are given in Table 5.3 on page 44.

It appears from Table 5.3 that the proportion of the loans repaid by the lower strata cultivators was higher than that re-paid by the upper strata cultivators, but the volume of repayments both principal and interest made by the upper strata cultivators was larger than that of the lower strata cultivators.

TABLE 5.3—REPAYMENTS CLASSIFIED ACCORDING TO PRINCIPAL AND INTEREST

[Intensive enquiry data]

Strata	Number of loans outstanding per 100 cultivating families	Proportion of loans towards which repayments were made (Per cent)	AMOUNT REPAID PER FAMILY			Amount borrowed and fully repaid per family (Rs)
			Total	Principal	Interest	
			(Rs)	(Rs)	(Rs)	
	1	2	3	4	5	6
Upper strata						
1. Loans outstanding for one year or less.....	80	22.9	9.0	8.0	1.0	85.4
2. Loans outstanding for more than one year.....	40	45.6	22.5	14.1	8.4	
Lower strata						
1. Loans outstanding for one year or less.....	40	53.4	4.6	3.9	0.7	9.3
2. Loans outstanding for more than one year.....	40	53.0	17.8	9.6	8.2	
All cultivators.....						47.4
1. Loans outstanding for one year or less.....	60	33.8	6.8	6.0	0.8	
2. Loans outstanding for more than one year.....	40	49.2	20.1	11.8	8.3	

Table 5.4 below gives the data, collected in the intensive enquiry, according to the two strata of cultivators. The data presented in this table indicate that the volume of repayments in the case of upper strata cultivators was generally better.

TABLE 5.4—REPAYMENTS

[Intensive enquiry data. Amount in rupees]

	AVERAGE AMOUNT REPAID					REPAYMENTS AS PERCENTAGE OF	
	Per family	Per acre of sown area	Per Rs 100 of gross produce	Per Rs 100 of cash receipts from sale of crops and fodder	Per Rs 100 of total cash receipts	Borrowing	Debt plus repayments
	1	2	3	4	5	6	7
Upper strata.....	136.9	45.3	13.3	25.7	14.1	52.0	29.5
Lower strata.....	14.6	34.9	10.4	15.8	3.3	41.5	12.2
All cultivators.....	75.8	44.1	13.0	24.3	10.8	50.7	25.9

When the average repayments in the different groups of cultivators are considered in relation to other measures such as the extent of area sown, value of gross

produce and cash receipts, it is observed that the volume of repayment in relation to these variables was actually greater in the case of cultivators with larger sized cultivated holdings.

5.3 SOURCE OF FINANCE FOR REPAYMENT

An important aspect of the repayment of loans is the source through which it is financed. If a significant part of even the relatively small repayment of debt was made through borrowing or sale of assets, the position indicated thereby, would be greatly different from that indicated by repayment being made through, say, current income. If a high proportion of amount repaid is financed out of borrowings, then this may well indicate a tendency towards 'refinancing of debt' and consequently may imply that the burden of chronic debt is quite heavy. Therefore, data on source of finance for repayment were also collected, the four major sources of finance enumerated in the Survey being current income, past savings, sale of assets and borrowings. Details relating to sources of finance collected in the General Schedule, as also in the intensive enquiry, are given in Table 5.5 below.

TABLE 5.5—SOURCE OF FINANCE FOR REPAYMENTS

Type of data	Average amount repaid per family (Rs)	AMOUNT OF REPAYMENTS FINANCED THROUGH EACH SOURCE AS PERCENTAGE OF TOTAL REPAYMENTS				
		Current income	Past savings	Sale of assets	Borrowings	Other sources
		1	2	3	4	5
General Schedule						
All families.....	94.3	62.3	6.2	12.3	11.4	7.8
Intensive enquiry						
Upper strata.....	136.9	74.9	1.7	14.8	8.6	—
Lower strata.....	14.6	46.0	19.3	32.4	2.3	—
All cultivators.....	75.8	72.1	3.4	16.5	8.0	—

The problem of demarcating between current income and past savings must have been quite difficult. By current income is meant income accruing during the year surveyed. Any income accruing prior to this period is necessarily past income i.e., past savings, and, therefore, is part of receipts which were presumably received before the beginning of the year to which the enquiry relates. In the light of these difficulties, for all practical purposes, current income and past savings as a source for repayment are better placed together for the purpose of analysis.

It will be observed from the Table 5.5 that more than 60 per cent of the total repayments were financed out of current income. Borrowings and sale of assets were also reported as a source of finance for repayments. Less than one-tenth of the total repayments made by cultivators was financed out of borrowings.

CHAPTER 6

FAMILY EXPENDITURE

In the case of a large majority of cultivators, it is difficult to separate family expenditure from expenditure on farm business. It is necessary, therefore, to take account of the operations of the cultivator in relation both to farm business and family living for arriving at an understanding of the operation of the credit system. Chapters 7 and 8 deal with capital expenditure in agriculture and current farm operations, respectively. In this chapter, we discuss the data regarding family expenditure which include expenditure on construction and repairs to residential houses, durable consumer goods, death, marriage and other ceremonies, sickness, education and litigation, collected mainly in the General Schedule. It is, however, necessary to note here that the General Schedule was not intended directly to constitute an enquiry into the family expenditure. Also, the items and classes into which the expenditure was grouped did not allow, by their nature, of precise definition, though it can be taken for granted that the interpretation of instructions regarding various items of family expenditure followed similar lines within the district.

6.1 RECORDED ITEMS OF FAMILY EXPENDITURE

Data on important items of family expenditure incurred during the twelve-months preceding the month of investigation were collected from all families in the selected villages. The main purpose in collecting these data was to ensure that the respondent recalled all the important occasions and items of expenditure to finance which, borrowing might have been resorted to. For this and other reasons, the day-to-day expenses on current needs such as food, drink, tobacco and other items, were not included in the General Schedule. Although clothing, bedding, shoes and other apparel are also part of the day-to-day consumption items, these were included in the General Schedule. The items of family expenditure regarding which data were obtained are given in Table 6.1. The total of the various items, while covering a large part of cash expenditure which would be important from the point of view of credit operations, could not be termed, in any sense of the term, 'total family expenditure'. Any reference to such a total in the following discussions should clearly be understood as indicating merely the total of recorded items.

Table 6.1 gives the data relating to average expenditure per cultivating family. The total of expenditure on the recorded items does indicate the magnitude of expenditure on consumption account.

Ninety-four per cent of the cultivating families reported expenditure on construction and repairs of residential houses and other buildings, while almost all the families reported expenditure on purchase of clothing, shoes, bedding, etc.

Seventy-nine per cent of the cultivating families reported medical expenses, while 52 per cent of the families reported educational expenses. About 26 per cent of the cultivating families reported expenditure on purchase of household utensils, furniture, etc.

TABLE 6.1—FAMILY EXPENDITURE ON THE RECORDED ITEMS

[General Schedule data. Amount in rupees per cultivating family]

Item	Proportion of families reporting this expenditure	Average expenditure per family	Proportion of expenditure on this item to the total expenditure on recorded items	Average expenditure per reporting family
	(Per cent)		(Per cent)	
	1	2	3	4
1. Construction and repairs of residential houses and other buildings.....	93.8	111	27	119
2. Purchase of household utensils, furniture, etc.....	25.5	9	2	36
3. Purchase of clothing, shoes, bedding, etc.....	99.6	65	16	65
4. Death ceremonies.....	13.6	9	2	65
5. Marriage and other ceremonies..	42.5	81	20	189
6. Medical expenses.....	78.5	67	16	85
7. Educational expenses.....	51.6	48	12	94
8. Litigation charges.....	14.8	19	5	130
Total.....	100.0	410	100	410

TABLE 6.2—RECORDED ITEMS OF FAMILY EXPENDITURE

[General Schedule data. Amount in rupees per cultivating family]

Item	ALL-INDIA		QUILON	
	Proportion of families reporting this expenditure	Average expenditure per family	Proportion of families reporting this expenditure	Average expenditure per family
	(Per cent)		(Per cent)	
	1	2	3	4
1. Construction and repairs of residential houses and other buildings.....	39.8	61	93.8	111
2. Purchase of household utensils, furniture, etc.....	26.1	9	25.5	9
3. Purchase of clothing, shoes, bedding, etc.....	97.5	132	99.6	65
4. Death ceremonies.....	10.4	13	13.6	9
5. Marriage and other ceremonies..	30.0	86	42.5	81
6. Medical expenses.....	32.3	26	78.5	67
7. Educational expenses.....	18.3	18	51.6	48
8. Litigation charges.....	6.4	16	14.8	19
Total.....		361	100.0	410

A comparison of the data for Quilon with that of All-India shows that the pattern of family expenditure in the district was different from that in most other areas. These variations in the pattern of expenditure need to be analysed in the context of the special conditions of the district. Quilon is located in the high rainfall zone on the western coast and the climate is such that it calls for smaller expenditure on clothes and higher expenditure on maintenance and repairs of houses. As is well known, the spread of education in this area is also greater as compared to other parts.

The average family expenditure not only varied between cultivators and non-cultivators but also from village to village. It was the highest at Rs 560 in Valamangalam South, and the lowest at Rs 252 in Manapally South in the case of cultivators.

TABLE 6.3—TOTAL EXPENDITURE ON RECORDED ITEMS OF FAMILY EXPENDITURE

[General Schedule data]

Village	AVERAGE EXPENDITURE PER FAMILY IN RUPEES		
	Cultivators	Non-cultivators	All families
	1	2	3
Kallikkad.....	514	178	326
Pathiyoor.....	424	145	336
Valamangalam South.....	560	111	334
Chathanur Erom.....	466	175	429
Kanjurkottakkakom.....	403	87	278
Kurichimuttom.....	472	93	379
Manapally South.....	252	133	239
Nedumon.....	304	66	269

6.2 CONSTRUCTION AND REPAIRS OF RESIDENTIAL HOUSES AND OTHER BUILDINGS

Expenditure on construction and repairs of residential houses and other buildings may be said to reflect both physical necessity and levels of standards of living. The proportion of cultivating families reporting expenditure on this item was more than 90 per cent in 7 out of 8 selected villages, the proportion being 87 per cent in the case of Chathanur Erom. Average expenditure per cultivating family on this item varied from Rs 62 in Manapally South to Rs 168 in Kallikkad. The expenditure on this item per reporting cultivating family also varied from Rs 68 to Rs 174. The data for the selected villages are given in Table 6.4 on page 49.

For the district as a whole, out of 1,951 cultivating families interviewed in the selected villages, about 140 families or 7 per cent did not report any expenditure on construction and repairs of residential houses and other buildings, while about 77 per cent of the families reported an expenditure of less than Rs 100. One hundred and ninety-nine cultivating families or about 10 per cent reported an expenditure ranging from Rs 100 to Rs 400 and 59 families reported an expenditure ranging from Rs 400 to Rs 1,000. Only 42 out of 1,951 cultivating families interviewed

reported an expenditure of Rs 1,000 or more. It would, therefore, appear that but for a very small proportion of cultivating families the expenditure per family on this item was generally less than Rs 400 which may be more for repairs and maintenance of houses and minor additions to the buildings than for construction of new buildings.

TABLE 6.4—EXPENDITURE ON CONSTRUCTION AND REPAIRS OF RESIDENTIAL HOUSES AND OTHER BUILDINGS

[General Schedule data]

Village	Proportion of families reporting expenditure (Per cent)	Expenditure per family (Rs)	Expenditure per reporting family (Rs)
Kalikkad.....	96.4	168	174
Pathiyoor.....	96.5	106	110
Valamangalam South.....	96.2	125	130
Chathanur Erom.....	87.4	124	141
Kanjurkottakkakom.....	95.4	97	102
Kurichimuttom.....	99.1	122	123
Manapally South.....	91.4	62	68
Nedumon.....	92.1	116	126

We may now consider how the expenditure on this item was financed. The General Schedule data regarding the sources of finance refer to all the families in the selected villages; no tabulations were done separately for cultivators or non-cultivators or for the different classes of cultivators. However, the data collected in the intensive enquiry were tabulated separately for the upper and the lower strata cultivators. In Table 6.5, we give both the sets of data.

TABLE 6.5—SOURCE OF FINANCE FOR EXPENDITURE ON CONSTRUCTION AND REPAIRS OF RESIDENTIAL HOUSES AND OTHER BUILDINGS

Type of data	Average expenditure per family (Rs)	EXPENDITURE FINANCED BY EACH SOURCE AS PERCENTAGE OF THE TOTAL EXPENDITURE ON THIS ITEM (PER CENT)				
		Current income	Past savings	Sale of assets	Borrowings	Other sources
	1	2	3	4	5	6
General Schedule data						
All families.....	86.2	36.0	28.0	3.8	24.2	8.0
Intensive enquiry data						
Upper strata.....	146.5	30.6	41.3	1.7	26.4	-
Lower strata.....	50.3	40.9	22.9	4.9	31.3	-
All cultivators.....	98.4	33.3	36.6	2.5	27.6	-

We have already noted that the distinction between current income and past savings is too blurred to lend itself to any precise discussion. The two sources together accounted for 64 per cent of the expenditure on this item. About 24 per cent of the total expenditure was financed from borrowings. However,

the above table shows that smaller cultivators resorted to borrowings to a greater extent than the bigger cultivators for financing this item of expenditure.

6.3 PURCHASE OF DURABLE CONSUMER GOODS

We collected data in the General Schedule separately for purchase of household utensils, furniture, etc., as also for purchase of clothing, shoes, bedding, etc. Expenditure under these two items have been grouped under one broad heading of 'purchase of durable consumer goods'.

As observed earlier (*vide* Table 6.1), about 26 per cent of the total number of cultivating families reported expenditure on purchase of household utensils, furniture, etc., while almost all the cultivating families reported expenditure on purchase of clothing, shoes, bedding, etc. The average expenditure on the former item varied from Rs 3 in the case of small cultivators to Rs 40 in the case of big cultivators, while the average expenditure on the latter item ranged from Rs 36 in the case of small cultivators to Rs 174 in the case of big cultivators. The relevant data are given in Table 6.6.

TABLE 6.6—EXPENDITURE ON PURCHASE OF DURABLE CONSUMER GOODS

[General Schedule data]

Group	PURCHASE OF HOUSEHOLD UTENSILS, FURNITURE, ETC.		PURCHASE OF CLOTHING, SHOES, BEDDING, ETC.	
	Average expenditure per family	Proportion of expenditure on this item to the total expenditure on specified items of family expenditure reported by this group	Average expenditure per family	Proportion of expenditure on this item to the total expenditure on specified items of family expenditure reported by this group
	(Rs)	(Per cent)	(Rs)	(Per cent)
	1	2	3	4
Big cultivators.....	40	3	174	14
Large cultivators.....	21	3	113	14
Medium cultivators.....	5	2	51	19
Small cultivators.....	3	2	36	20
All cultivators.....	9	2	65	16
Non-cultivators.....	3	2	27	21
All families.....	7	2	54	17

Expenditure on the above items may perhaps be looked upon as fairly representative of the general consumption account. In some ways, therefore, it may be regarded as an index of varying standards of current consumption from group to group than any other type of expenditure. Physical considerations may not affect these items of expenditure as much as they might affect the expenditure on construction and repairs of residential houses and other buildings.

Table 6.7 gives data relating to sources of finance for expenditure on 'purchase of durable consumer goods'.

TABLE 6.7—SOURCE OF FINANCE FOR EXPENDITURE ON PURCHASE OF HOUSEHOLD UTENSILS, FURNITURE, CLOTHING, SHOES, BEDDING, ETC., i.e., DURABLE CONSUMER GOODS

Type of data	Average expenditure per family (Rs)	EXPENDITURE FINANCED BY EACH SOURCE AS PERCENTAGE OF THE TOTAL EXPENDITURE ON THIS ITEM				
		Current income	Past savings	Sale of assets	Borrowings	Other sources
		1	2	3	4	5
General Schedule data						
All families	61.0	84	5	—	8	2
Intensive enquiry data						
Upper strata	77.2	88	7	—	5	—
Lower strata	44.9	92	7	—	1	—
All cultivators	61.1	90	7	—	3	—

Less than 10 per cent of the total expenditure on these items appears to have been financed out of borrowings, the bulk of it having been met out of owned funds.

6.4 EXPENDITURE ON CEREMONIES

Less than 5 per cent of the total expenditure on specified items of family expenditure was on death ceremonies while about one-fifth of the total expenditure was on marriages and other ceremonies. The relevant data are given in Table 6.8 below.

TABLE 6.8—EXPENDITURE ON DEATH AND MARRIAGE AND OTHER CEREMONIES

[General Schedule data]

Group	DEATH CEREMONIES		MARRIAGE AND OTHER CEREMONIES	
	Average expenditure per family	Proportion of expenditure on this item to the total expenditure on specified items of family expenditure reported by this group (Per cent)	Average expenditure per family	Proportion of expenditure on this item to the total expenditure on specified items of family expenditure reported by this group (Per cent)
	(Rs)	(Per cent)	(Rs)	(Per cent)
	1	2	3	4
Big cultivators	27	2	211	17
Large cultivators	17	2	157	19
Medium cultivators	5	2	54	20
Small cultivators	5	3	39	21
All cultivators	9	2	81	20
Non-cultivators	5	4	23	18
All families	8	2	63	19

According to the data collected in the intensive enquiry, average expenditure on death, marriage and other ceremonies per cultivating family was Rs 52, the average being Rs 68 in the case of upper strata cultivators and Rs 35 in the case of lower strata cultivators.

About one-third to one-fourth of the total expenditure on death, marriage and other ceremonies was financed out of borrowings. The proportion of expenditure financed out of borrowings to the total expenditure on these occasions was a little higher in the case of lower strata cultivators than that of upper strata cultivators. A very small proportion of expenditure as reported in General Schedule was financed through sale of assets, while the bulk of expenditure was financed out of the owned funds of the cultivators, as can be seen from Table 6.9 below.

TABLE 6.9—SOURCE OF FINANCE FOR EXPENDITURE ON DEATH, MARRIAGE AND OTHER CEREMONIES

	Average expendi- ture per family (Rs)	EXPENDITURE FINANCED BY EACH SOURCE AS PERCENTAGE OF THE TOTAL EXPENDITURE ON THIS ITEM				
		Current income	Past savings	Sale of assets	Borrow- ings	Other sources
		1	2	3	4	5
General Schedule data						
All families.....	70.5	29	26	1	35	9
Intensive enquiry data						
Upper strata.....	68.4	33	43	—	24	—
Lower strata.....	34.8	37	33	—	30	—
All cultivators.....	51.6	35	39	—	26	—

6.5 MEDICAL EXPENSES, EDUCATIONAL EXPENSES AND LITIGATION CHARGES

The medical expenses, educational expenses and litigation charges were reported to be highest among big cultivators. The expenditure reported by big cultivators on medicine was 4 times, on litigation 11 times and on education 33 times the expenditure reported by the smaller cultivators. The proportion of educational expenses to the total family expenditure was 18 per cent in the case of big cultivators while it was 4 per cent in the case of small cultivators. However, the proportion of medical expenses to the total expenditure was 13 per cent in the case of bigger cultivators, while it was 21 per cent in the case of small and medium cultivators. The proportion of litigation charges to the total family expenditure was more or less the same in the case of all types of cultivators. The relevant data are given in Table 6.10 on page 53.

It will be seen from the data given in Table 6.11 that nearly four-fifths of medical and educational expenses were met by the owned resources of the cultivators. In the case of educational expenses the upper strata cultivators resorted to borrowings for financing 19 per cent of their expenses; the lower strata cultivators did not resort to any other source except their owned funds. The extent of financing of the medical expenses out of borrowings was more marked in the case of

TABLE 6.10—MEDICAL EXPENSES, EDUCATIONAL EXPENSES AND LITIGATION CHARGES

[General Schedule data]

Group	MEDICAL EXPENSES		EDUCATIONAL EXPENSES		LITIGATION CHARGES	
	Average expenditure per family	Proportion to the total family expenditure reported by this group	Average expenditure per family	Proportion to the total family expenditure reported by this group	Average expenditure per family	Proportion to the total family expenditure reported by this group
	(Rs)	(Per cent)	(Rs)	(Per cent)	(Rs)	(Per cent)
	1	2	3	4	5	6
Big cultivators.....	160	13	231	18	65	5
Large cultivators.....	111	13	126	15	42	5
Medium cultivators.....	55	21	20	8	12	5
Small cultivators.....	38	21	7	4	6	3
All cultivators.....	67	16	48	12	19	5
Non-cultivators.....	35	27	5	4	3	2
All families.....	57	18	35	11	14	4

lower strata cultivators than the upper strata cultivators. Whereas about one-fifth of the litigation charges were financed out of borrowings in the case of upper strata cultivators, the expenditure so financed in the case of lower strata cultivators was about 69 per cent.

TABLE 6.11—SOURCE OF FINANCE FOR MEDICAL EXPENSES, EDUCATIONAL EXPENSES AND LITIGATION CHARGES

Item	Average expenditure per family (Rs)	EXPENDITURE FINANCED BY EACH SOURCE AS PERCENTAGE OF THE TOTAL EXPENDITURE ON THIS ITEM				
		Current income	Past savings	Sale of assets	Borrowings	Other sources
		1	2	3	4	5
General Schedule data						
All families						
Medical.....	57	55	6	2	32	5
Educational.....	35	82	5	—	11	3
Litigation charges.....	14	65	4	2	23	6
Intensive enquiry data						
Upper strata						
Medical.....	131	60	20	—	19	1
Educational.....	54	79	1	—	19	1
Litigation charges.....	43	71	4	5	21	—
Lower strata						
Medical.....	23	70	4	3	23	—
Educational.....	7	88	11	—	—	1
Litigation charges.....	4	32	—	—	68	—
All cultivators						
Medical.....	77	61	18	1	20	1
Educational.....	31	80	2	—	17	1
Litigation charges.....	24	68	4	4	24	—

6.6 FAMILY EXPENDITURE AND BORROWINGS

All items of family expenditure were not included in the General Schedule. Of the items excluded, expenditure on various items of current consumption was the most important. It is not possible to estimate the magnitude of this expenditure. However, with a view to ascertaining the purposes for which borrowing was resorted to, information on a residual item called 'other family expenditure' was collected besides the items included on the expenditure side. It is likely that a substantial part of the amount borrowed for 'other family expenditure', was spent for current consumption purposes. In view of the lack of data on current consumption expenditure, it is difficult to assess the proportion which borrowings may form of the total of such expenditure.

Comparing the figures of different items of family expenditure financed out of borrowings with the average amount borrowed for different items of family expenditure (*vide* Table 6.12), it is observed, that there is close correspondence between the two types of data, except for the fact that borrowings 'other purposes' amount to Rs 33 per rural family.

TABLE 6.12—FAMILY EXPENDITURE FINANCED FROM BORROWING

[General Schedule data. All families]

Item	Proportion of expenditure financed out of borrowings to the total expenditure on this item (Per cent)	Average expenditure per family financed out of borrowings (Rs)	Average amount borrowed per family for this purpose (Rs)
1. Construction and repairs of residential houses and other buildings.....	24.2	20.9	20.7
2. Purchase of household utensils, furniture, etc.....	4.9	0.4	0.3
3. Clothing, shoes, bedding, etc.....	8.7	4.7	4.7
4. Death ceremonies.....	24.0	1.8	1.9
5. Marriage and other ceremonies.....	36.7	23.1	24.0
6. Medical expenses.....	32.1	18.3	18.6
7. Educational charges.....	10.9	3.8	4.1
8. Litigation charges.....	22.6	3.2	3.2
9. Other purposes.....	—	—	33.3
Total family expenditure.....	23.0	76.2	110.8

The average borrowing of Rs 33 per family in connection with the item of for 'other purposes' formed, however, a significantly large proportion of total borrowings for family expenditure. This is, however, not surprising in view of the fact that the total family expenditure of the residual type, including that on food and other consumption items and miscellaneous expenditure is likely to be quite large in magnitude. It is difficult to comment on the data as the item is a residual one with a highly mixed and varying composition. In view of the broad agreement between the figures relating to average amount borrowed per family and average expenditure per family financed out of borrowings for various items of family expenditure except in the case of 'other purposes', it may perhaps be concluded that the borrowings for food and other consumption items were not more than one-third of the total borrowings.

CHAPTER 7

CAPITAL EXPENDITURE

The items of capital expenditure regarding which data were collected are classified into three categories, namely, financial investment expenditure, capital expenditure in non-farm business and capital investment in agriculture. Financial investment expenditure during the year of the Survey, together with financial assets as at the time of the first round of the Survey and the preferences of cultivators in respect of channels in which savings could be directed, present a total picture of financial savings and investments. Secondly, there is the omnibus class termed 'non-farm business investment expenditure' about which we have no detailed information but the total dimensions of which may be of significance for our enquiry. Thirdly, there is capital expenditure in agriculture consisting of nine specific items and one miscellaneous residual item listed in Table 7.1. We have, it will be seen from the above, used the terms 'capital expenditure' and 'capital investment' as if the two are synonymous, even though the use of the term 'investment' may not be satisfactory. Having used the term investment in the demand schedules and as it was not possible to dispense with the use of the term 'investment' and 'disinvestment' in the discussion on the balance of capital transactions the use of the term 'investment' is continued here.

Table 7.1, which gives data relating to capital expenditure by cultivators as reported in the General Schedule, shows that 24 per cent of the total capital expenditure was incurred on non-farm business, while about one-fifth was on financial investment as also on purchase of land. Expenditure on reclamation of land, bunding and other land improvements and development of irrigation resources including digging and repair of wells accounted for about 16 per cent of the total capital expenditure. In Quilon where coconut and pepper are important crops, about 6 per cent of the total capital expenditure was incurred for laying of new orchards and plantations.

Considering the proportion of cultivating families reporting capital expenditure, it is observed that 58 per cent of the families incurred capital expenditure on agriculture, 38 per cent on financial investment expenditure and about 10 per cent on capital expenditure in non-farm business. Although 24 per cent of the total capital expenditure was incurred on non-farm business, only about 10 per cent of the cultivating families reported expenditure on this item. Apparently, capital expenditure in agriculture was the most important item so far as the proportion of cultivating families reporting these items is concerned.

TABLE 7.1—CAPITAL EXPENDITURE BY CULTIVATING FAMILIES

[General Schedule data]

Item	Proportion of families reporting this expenditure (Per cent)	Proportion of expenditure on this item to the total capital expenditure (Per cent)
1. Financial investment expenditure.....	37.5	18.9
2. Capital expenditure in non-farm business.....	10.3	24.0
3. Capital expenditure in agriculture.....	58.1	57.1
3.1 Purchase of land.....	4.3	18.6
3.2 Purchase of livestock.....	17.7	9.9
3.3 Reclamation of land.....	10.6	5.6
3.4 Bunding and other land improvements.....	26.7	7.0
3.5 Digging and repair of wells.....	4.3	1.3
3.6 Development of other irrigation resources.....	7.8	2.2
3.7 Laying of new orchards and plantations.....	22.8	5.9
3.8 Purchase of implements and machinery and transport equipment.....	21.3	1.9
3.9 Construction of farm houses, cattle sheds, etc.....	3.4	1.9
3.10 Other capital expenditure in agriculture.....	11.2	2.8

7.1 FINANCIAL INVESTMENT EXPENDITURE

The discussion in this section is based on material collected from three different sources. The first source is the information collected in the General Schedule. In the intensive enquiry, data relating to ownership of financial assets of selected cultivating families as at the time of the first round of the Survey were also collected; sub-items in the class of 'financial assets' were somewhat different from the classification used for information in the General Schedule. This difference in classification enables us to elucidate further some points regarding the preferences for particular types of financial investments, data relating to which were collected through a specially devised questionnaire. Even though there are some apparent variations between the data yielded by returns in the General Schedule and those in the intensive enquiry, the differences are so minor as not to modify the total picture presented by the two types of data. Thirdly, there are the replies to the questionnaire on savings possibilities and savings behaviour; these replies cannot form the basis of any quantitative estimation. At the same time they are of importance as they give information relating to insurance, habits regarding purchase of bullion and ornaments, etc.

The financial investment expenditure items, in respect of which data were collected in the General Schedule, were (1) purchase of shares in co-operative societies, banks, etc., (2) additions to deposits in co-operative societies, postal savings and other banks, etc. and (3) purchase of National Savings Certificates, Treasury Bonds, etc. Additions to financial assets such as through loans made to others, additions to cash balances held by the family, etc., were not enquired into. In Table 7.2 we give the data relating to financial investment expenditure.

TABLE 7.2—FINANCIAL INVESTMENT EXPENDITURE

[General Schedule data]

Group	PURCHASE OF SHARES IN CO-OPERATIVE SOCIETIES, BANKS, ETC.			ADDITIONS TO DEPOSITS IN CO-OPERATIVE SOCIETIES, POSTAL SAVINGS, OTHER BANKS, ETC.			PURCHASE OF NATIONAL SAVING CERTIFICATES, TREASURY BONDS, ETC.		
	Proportion of families reporting expenditure	Proportion of expenditure re- ported by this group to total expenditure re- ported under this item	Average expenditure per reporting family	Proportion of families reporting expenditure	Proportion of expenditure re- ported by this group to total expenditure re- ported under this item	Average expenditure per reporting family	Proportion of families reporting expenditure	Proportion of expenditure re- ported by this group to total expenditure re- ported under this item	Average expenditure per reporting family
	(Per cent)	(Per cent)	(Rs)	(Per cent)	(Per cent)	(Rs)	(Per cent)	(Per cent)	(Rs)
	1	2	3	4	5	6	7	8	9
Big cultivators	13.7	41.1	99	43.9	38.2	479	4.1	36.8	172
Large cultiva- tors.....	10.5	62.3	66	38.2	57.6	281	2.9	63.3	140
Medium culti- vators.....	7.7	19.8	22	36.7	21.9	84	1.7	18.5	53
Small cultiva- tors.....	4.1	7.8	21	28.9	8.1	53	1.2	8.7	45
All cultivators	7.4	89.9	41	34.8	87.6	141	1.9	90.5	91
Non-cultivators	7.5	10.1	10	27.4	12.4	59	0.4	9.5	99
All families...	7.4	100.0	31	32.6	100.0	120	1.5	100.0	91

Large cultivators constituting about one-third of the total number of cultivators accounted for 62 per cent of the total expenditure on purchase of shares in co-operative societies, banks, etc. They also accounted for 58 per cent of the total expenditure incurred in lieu of additions to deposits in co-operative societies, postal savings, other banks, etc. and 63 per cent of the expenditure on purchase of National Savings Certificates. Even though the proportion of families reporting expenditure on purchase of shares in co-operative societies, banks, etc. was higher in the case of bigger cultivators, only about 14 per cent of the big cultivators and 10 per cent of the large cultivators reported expenditure on this item. Additions to deposits in co-operative societies, postal savings, other banks, etc., were, however, reported by about 44 per cent of the big cultivators and 38 per cent of the large cultivators. This proportion was 37 per cent in the case of medium cultivators and 29 per cent in the case of small cultivators. Less than 5 per cent of the families in each of the groups reported expenditure on purchase of National Savings Certificates, Treasury Bonds,

etc. The financial investment expenditure appears to be concentrated mostly in the bigger cultivators group. The average expenditure per family in the bigger cultivators group was also much higher than that in the smaller cultivators group. The average expenditure per reporting family on purchase of shares in co-operative societies, banks, etc. was Rs 99 in the case of big cultivators and only Rs 21 in the case of small cultivators. Both the proportion of families reporting expenditure on financial investment items and the average expenditure per reporting family were relatively low in the case of non-cultivators and small cultivators.

According to the data on the source of finance collected in the General Schedule which related to all the rural families, the expenditure on financial investment items was mainly financed out of current income and past savings, as can be seen from Table 7.3 below.

TABLE 7.3—SOURCES OF FINANCE FOR FINANCIAL INVESTMENT EXPENDITURE
[General Schedule data]

Item	Average expendi- ture per family (Rs)	EXPENDITURE FINANCED BY EACH SOURCE AS PER- CENTAGE OF THE TOTAL EXPENDITURE ON THIS ITEM				
		Current income	Past savings	Sale of assets	Borro- wings	Other sources
		1	2	3	4	5
Purchase of shares in co-operative societies, banks, etc.....	2.34	77.4	19.2	—	3.0	0.4
Additions to deposits in co-operative societies, postal savings and other banks, etc.	39.09	93.4	0.3	3.0	0.6	2.7
Purchase of National Savings Certificates, Treasury Bonds, etc.....	1.36	97.8	—	—	1.5	0.7

In the intensive enquiry, detailed questions were asked regarding the pattern of savings of selected cultivators. The data collected are presented in Table 7.4 below.

TABLE 7.4—PATTERN OF SAVINGS : SELECTED CULTIVATORS
[Intensive enquiry data]

	Upper strata	Lower strata
Number of cultivators interviewed.....	80	40
Number of cultivators who reported :		
Holding of deposits in Postal Savings Bank.....	4	—
Holding of National Savings Certificates or Treasury Bonds.....	—	—
Holding of deposits or shares in co-operative societies and banks.....	13	5
Holding of insurance policies.....	3	—
Holding of deposits with private bankers or shopkeepers.....	5	3

The cultivators who did not report any of the assets enumerated above, were asked further questions as to the reasons for the absence. In response to these questions, 89 cultivators, 56 from the upper and 33 from the lower strata, reported that they did not have margin for savings while seven, all from the upper strata, reported preference for holding them in cash. Only one from the upper strata showed preference for purchasing gold and jewellery while one other who is also from the upper strata reported indicating his preference for lending money.

When asked as to why they did not hold deposits in the postal savings bank, twelve cultivators, eleven from upper and one from lower strata, reported that there were no local facilities, six, five from upper and one from lower strata, complained about the low rate of interest and seven, five from upper and two from lower strata, complained about the difficulties of withdrawals.

When they were asked as to the reasons for not holding National Savings Certificates, Treasury Bonds, etc., 24 cultivators, twenty from upper and four from lower strata, reported that there were no local facilities, nine cultivators, seven from upper and two from lower strata, stated that these were inconvenient for holding, ten cultivators, seven from upper and three from lower strata, reported that there were difficulties for encashing, while eleven, nine from upper and two from lower strata, complained about the low rate of interest.

When asked as to the reasons for not holding deposits in co-operative societies and banks, etc., ten cultivators, nine from upper and one from lower strata, reported that there were no local facilities, two cultivators from upper strata were not confident about the safety of their investment in these institutions, and two cultivators, one from upper and one from lower strata, complained about the low rate of interest. As regards the questions on the insurance policies, twenty-one cultivators, fifteen from upper and six from lower strata, said that they did not hold any insurance policies as there were no local facilities, eight, all from upper strata reported that insurance was too complicated, nineteen cultivators, fourteen from upper and five from lower strata, stated that there were difficulties in paying premia regularly, while nine, eight from upper and one from lower strata, reported that money could not be readily realized.

7.2 CAPITAL EXPENDITURE IN NON-FARM BUSINESS

Table 7.5 on page 60 gives data regarding the magnitude of expenditure by various groups of cultivators.

Non-farm business embraces a large variety of economic activity from trading and processing to artisan and cottage industry. The division by groups among cultivators brings out the gradation in the size of investment per reporting family incurring expenditure on this account. The special position of big cultivators some of whom may have been engaged in non-farm activities is also emphasised by this data.

TABLE 7.5—VARIATIONS IN CAPITAL EXPENDITURE IN NON-FARM BUSINESS

[General Schedule data]

Group	Proportion of families reporting this expenditure	Average amount spent per reporting family
	(Per cent)	(Rs)
Big cultivators.....	12.8	2,042
Large cultivators.....	13.4	1,198
Medium cultivators.....	10.3	359
Small cultivators.....	7.3	233
All cultivators.....	10.3	661
Non-cultivators.....	6.7	453
All families.....	9.2	615

Considering the data relating to source of finance for capital expenditure in non-farm business, as collected in the General Schedule, it is noticed that about 65 per cent of the total expenditure was financed from borrowings. The data collected in the General Schedule as also in the intensive enquiry are given in Table 7.6 below.

TABLE 7.6—SOURCE OF FINANCE FOR CAPITAL EXPENDITURE IN NON-FARM BUSINESS

Type of data	Average expenditure per family (Rs)	EXPENDITURE FINANCED BY EACH SOURCE AS PERCENTAGE OF THE TOTAL EXPENDITURE ON THIS ITEM				
		Current income	Past savings	Sale of assets	Borrowings	Other sources
		1	2	3	4	5
General Schedule data						
All families.....	57	10.6	19.8	2.5	65.2	1.9
Intensive enquiry data						
Upper strata.....	214	30.4	8.1	—	61.5	—
Lower strata.....	8	36.9	8.7	—	54.4	—
All cultivators.....	111	30.6	8.2	—	61.2	—

7.3 CAPITAL EXPENDITURE IN AGRICULTURE

7.3.1 Purchase of land

In Table 7.7 on page 61, we give the figures relating to purchase and sale of land.

About 4 per cent of the cultivating families interviewed reported expenditure on purchase of land and about the same proportion reported receipts from sale of land. However, when the data are analysed in relation to different groups

TABLE 7.7—NET PURCHASE OR SALE OF LAND

[General Schedule data]

Group	PURCHASE OF LAND			SALE OF LAND			Net purchase (+) or sale (—) of land per family
	Proportion of families reporting expenditure (Per cent)	Expenditure per family (Rs)	Expenditure per reporting family (Rs)	Proportion of families reporting receipts (Per cent)	Average receipts per family (Rs)	Average receipts per reporting family (Rs)	
	1	2	3	4	5	6	
Big cultivators.....	10.1	258	2,540	10.6	269	2,544	— 11
Large cultivators.....	8.1	127	1,565	5.1	111	2,156	+ 17
Medium cultivators.....	3.0	30	978	3.1	20	661	+ 9
Small cultivators.....	2.2	10	458	3.1	19	634	— 10
All cultivators.....	4.3	53	1,226	3.7	47	1,280	+ 6
Non-cultivators.....	0.3	—	132	1.1	8	755	— 8
All families.....	3.1	37	1,195	2.9	36	1,220	+ 2

of cultivators, it is observed that the proportion of families purchasing land was higher than the proportion of families selling land only in the case of large cultivators. The large and medium cultivators reported net purchase of land, while the other groups, namely, big cultivators, small cultivators and non-cultivators reported net sale of land.

Analysing the data village-wise it is observed that in five of the eight villages, a net purchase of land was reported, while in the remaining three villages net sale of land was reported. Relevant data are given in the table below.

TABLE 7.8—PURCHASE AND SALE OF LAND OF CULTIVATING FAMILIES

[General Schedule data]

Village	PURCHASE OF LAND		SALE OF LAND		Net purchase (+) or sale (—) of land per family
	Proportion of families reporting expenditure	Average expenditure per family	Proportion of families reporting receipts	Average receipts per family	
	(Per cent)	(Rs)	(Per cent)	(Rs)	(Rs)
	1	2	3	4	5
Kallikkad.....	5.9	94	2.7	36	+ 58
Pathiyoor.....	3.5	62	7.1	36	+ 26
Valamangalam South.....	3.2	49	2.3	36	+ 13
Chathanur Erom.....	5.1	46	3.9	44	+ 2
Kanjurkottakkakom.....	—	—	1.1	25	— 25
Kurichimuttom.....	8.1	57	4.5	42	+ 15
Manapally South.....	4.6	11	3.0	19	— 8
Nedumon.....	3.6	111	3.9	123	— 12
District.....	4.3	53	3.7	47	+ 6

It would appear from the above table that the conditions varied from village to village to a large extent. Though a specific number of transfers appear to have taken place during the year under review no firm trend as to any changes in ownership pattern from big cultivators to small cultivators or *vice versa* are apparent from the data given above.

In Table 7.9, we give data relating to source of finance for financing expenditure on purchase of land. According to the General Schedule data about one-third of the total expenditure on purchase of land by rural families was financed out of borrowings. The intensive enquiry data, however, reveal that only the upper strata cultivators reported purchase of land and the bulk of their expenditure was met from their owned funds.

TABLE 7.9—SOURCE OF FINANCE FOR PURCHASE OF LAND

Type of data	EXPENDITURE FINANCED BY EACH SOURCE AS PERCENTAGE OF THE TOTAL EXPENDITURE ON THIS ITEM				
	Current income	Past savings	Sale of assets	Borrow- ings	Other sources
	1	2	3	4	5
General Schedule data					
All families.....	5.0	29.8	28.0	33.0	4.2
Intensive enquiry data					
Upper strata.....	9.1	63.6	—	27.3	—
Lower strata.....	—	—	—	—	—
All cultivators.....	9.1	63.6	—	27.3	—

7.3.2 Purchase of livestock

While discussing the composition of assets in Chapter 2, we observed that whereas value of owned land accounted for about four-fifths of the total owned assets, value of owned livestock accounted for about 1 per cent. Earlier in this chapter we have observed that expenditure on purchase of land accounted for about 19 per cent of the total capital expenditure, while that on purchase of livestock accounted for only 10 per cent. The term 'livestock' includes plough and milch cattle and other farm animals. The circumstances under which purchase or sale of livestock takes place and the purposes served by it differ considerably. Firstly, there would be some cases in which purchase of livestock may represent a clear addition to assets. Secondly, there may be many others in which purchase of livestock is undertaken to replace the dead cattle or those incapacitated by sickness or old age. In such cases purchase of livestock represents the maintenance of assets by replacement. The rate of annual replacement is likely to be fairly high due to the poor quality of a large proportion of our agricultural livestock and the prevalent unsatisfactory conditions of feeding and maintenance.

The data obtained from the Survey in respect of purchase and sale of livestock consist only of the value of livestock purchased and sold and, in the case of purchase,

the source of finance for the purchase. There are no means of finding out directly from the data the nature of the transaction and of separating the different elements such as maintenance and replacement, seasonal purchase and sale and net addition to assets.

According to the returns in the General Schedule, the proportion of cultivating families reporting expenditure on purchase of livestock was 35 per cent in the case of big cultivators, 30 per cent in the case of large cultivators, 14 per cent in the case of medium cultivators and 10 per cent in the case of small cultivators. The details for the district are given in Table 7.10 below.

TABLE 7.10—PURCHASE AND SALE OF LIVESTOCK

[General Schedule data]

Group	PURCHASE OF LIVESTOCK			SALE OF LIVESTOCK			Net purchase (+) or sale (-) of livestock per family
	Proportion of families reporting purchase of livestock (Per cent)	Average expenditure per family (Rs)	Expenditure per reporting family (Rs)	Proportion of families reporting receipts (Per cent)	Average receipts per family (Rs)	Receipts per reporting family (Rs)	
	1	2	3	4	5	6	7
Big cultivators.....	34.6	78	225	13.9	30	218	+48
Large cultivators.....	29.7	57	192	14.5	20	135	+37
Medium cultivators.....	14.3	20	138	10.0	14	140	+ 6
Small cultivators.....	10.2	10	101	6.9	6	85	+ 5
All cultivators.....	17.7	28	159	10.4	13	127	+15
Non-cultivators.....	1.6	2	134	4.2	3	61	-
All families.....	12.8	20	158	8.6	10	117	+10

The proportion of families which reported sale of livestock was about 14 to 15 per cent in the case of big and large cultivators, 10 per cent in the case of medium cultivators and 7 per cent in the case of small cultivators.

For the district as a whole there was an excess of purchase over sale of livestock in all the groups of cultivators, the excess being the highest at Rs 48 per family in the case of big cultivators' group and lowest at about Rs 5 per family in the case of small cultivators' group. In the case of non-cultivators' group the excess of sale over purchase was less than Re 1 per family.

According to the data collected in the intensive enquiry, the average value of owned livestock as reported at the time of first round of intensive enquiry was about Rs 128 per family in the case of upper strata and Rs 22 per family in the case of lower strata. On the other hand, the average expenditure on purchase of livestock was only Rs 34 per family in the case of upper strata and Rs 9 per family in the case of lower strata. Cultivators of both the strata reported a net purchase of livestock.

TABLE 7.11—LIVESTOCK—PURCHASE AND SALE

[Intensive enquiry data]

Item	Upper strata	Lower strata
Value of owned livestock (as at the time of the first round of the Survey).....(Rs)	128	22
Number of milch cattle owned per family.....	1.2	0.5
Number of plough cattle owned per family.....	0.4	—
Proportion of families reporting expenditure only on purchase of livestock.....(Per cent)	13.8	5.1
Proportion of families reporting purchase and sale of livestock (Per cent)	7.4	2.4
Proportion of families reporting neither purchase nor sale of livestock.....(Per cent)	72.6	90.1
Average expenditure on purchase of livestock.....(Rs)	33.5	9.0
Average receipts through sale of livestock.....(Rs)	29.9	4.7
Net purchase (+) or sale (—) of livestock.....(Rs)	+3.6	+4.3

We may now consider the way in which the expenditure on purchase of livestock was financed. About one-fourth of the total expenditure on purchase of livestock was financed through borrowings, while 54 per cent of the total expenditure on purchase of livestock was financed out of owned funds. Sale of assets accounted for less than one-sixth of the total expenditure on purchase of livestock by rural families.

TABLE 7.12—SOURCE OF FINANCE FOR PURCHASE OF LIVESTOCK

Type of data	Average expenditure per family (Rs)	EXPENDITURE FINANCED BY EACH SOURCE AS PERCENTAGE OF THE TOTAL EXPENDITURE ON THIS ITEM				
		Current income	Past savings	Sale of assets	Borrowings	Other sources
	1	2	3	4	5	6
General Schedule data						
All families.....	20.2	20.5	33.9	14.0	25.2	6.4
Intensive enquiry data						
Upper strata.....	33.5	20.6	53.3	6.4	19.7	—
Lower strata.....	9.0	43.0	45.1	—	11.9	—
All cultivators.....	21.3	25.4	51.6	5.0	18.0	—

7.4 CAPITAL EXPENDITURE IN AGRICULTURE: ITEMS OTHER THAN LAND AND LIVESTOCK

We have so far considered the position regarding capital expenditure on purchase of land and purchase of livestock. There remains to be considered types of capital expenditure undertaken in relation to land and other fixed assets on farm or in relation to farm equipment other than livestock; all these put together may be called 'other capital expenditure in agriculture'. Data relating to the amount of expenditure incurred by each family during the period of twelve months preceding the date of investigation and the sources from which the expenditure was financed were specifically obtained with regard to (1) reclamation of land, (2) bunding and

other land improvements, (3) digging and repairs of wells, (4) development of other irrigation resources, (5) laying of new orchards and plantations, (6) purchase of implements, machinery and transport equipment and (7) construction of farm houses, cattle sheds, etc. While the first five items refer to the improvement of land surface or the availability of water, the remaining two are related to farm equipment and farm buildings. Provision was made for entering expenditure on any item of capital expenditure other than those mentioned above under a residual heading called 'other capital investment in agriculture'. To avoid confusion, this item is being termed 'miscellaneous capital expenditure in agriculture' in the discussion below.

7.4.1 Reclamation of land

About 11 per cent of the cultivators reported expenditure on reclamation of land, though the proportion of families reporting this expenditure was as high as 33 per cent in the case of big cultivators and 22 per cent in the case of large cultivators. The relevant data are given in Table 7.13 below.

TABLE 7.13—RECLAMATION OF LAND

[General Schedule data]

Group	Proportion of families reporting expenditure	Proportion of expenditure by each group to the total expenditure on this item by cultivators	EXPENDITURE	
			Per acre of cultivated holding	Per reporting family
	(Per cent)	(Per cent)	(Rs)	(Rs)
	1	2	3	4
Big cultivators.....	33.1	52.2	9.5	248
Large cultivators.....	22.0	82.7	10.1	200
Medium cultivators.....	7.0	12.3	6.3	70
Small cultivators.....	4.1	5.0	11.3	65
All cultivators.....	10.6	100.0	9.5	151
Non-cultivators.....	0.6	—	—	107
All families.....	7.6	—	—	150

About one-fifth of the total expenditure on reclamation of land was financed out of borrowings according to the General Schedule data.

7.4.2 Bunding and other land improvements

In Quilon district, bunding and other land improvements would generally mean replacing the bunds either of rice fields or of plantations. Hence, bunding is not an elaborate or costly process as in the other dry farming areas.

The proportion of families reporting expenditure on bunding and other land improvements was, however, as high as 50 per cent in the case of big cultivators, while it was only 16 per cent in the case of small cultivators. Less than one-sixth of the total expenditure on this item according to the General Schedule, was financed out of borrowings. The relevant data are given in Table 7.14 on page 66.

TABLE 7.14—BUNDING AND OTHER LAND IMPROVEMENTS

[General Schedule data]

Group	Proportion of families reporting this expenditure	EXPENDITURE PER	
		Reporting family	Acre of cultivated holding
	(Per cent)	(Rs)	(Rs)
	1	2	3
Big cultivators.....	50.1	180	10.5
Large cultivators.....	38.2	131	11.5
Medium cultivators.....	26.3	40	13.5
Small cultivators.....	15.6	16	10.5
All cultivators.....	26.7	75	11.8
Non-cultivators.....	1.8	10	
All families	19.1	73	

7.4.3 Digging and repair of wells and development of other irrigation resources

About 4 per cent of the cultivators reported expenditure on digging and repair of wells, while 8 per cent reported expenditure on development of other irrigation resources. The average expenditure per reporting cultivating family on digging and repair of wells and development of other irrigation resources was Rs 84 and Rs 81, respectively. The details are given in Table 7.15.

TABLE 7.15—DIGGING AND REPAIR OF WELLS AND DEVELOPMENT OF OTHER IRRIGATION RESOURCES

[General Schedule data]

Group	PROPORTION OF FAMILIES REPORTING EXPENDITURE ON		PROPORTION OF EXPENDITURE BY EACH GROUP TO THE TOTAL EXPENDITURE BY ALL CULTIVATORS ON		EXPENDITURE PER REPORTING FAMILY ON	
	Digging and repair of wells	Development of other irrigation resources	Digging and repair of wells	Development of other irrigation resources	Digging and repair of wells	Development of other irrigation resources
	(Per cent)	(Per cent)	(Per cent)	(Per cent)	(Rs)	(Rs)
	1	2	3	4	5	6
Big cultivators.....	12.5	17.0	43.2	52.9	121	193
Large cultivators.....	9.3	14.2	77.3	84.8	99	125
Medium cultivators.....	3.0	5.7	19.9	9.9	60	27
Small cultivators.....	0.9	4.1	2.8	5.3	37	27
All cultivators.....	4.3	7.8	100.0	100.0	84	81
Non-cultivators.....	0.7	0.9			23	28
All families	3.2	5.7			80	79

About one-fifth to one-sixth of the total expenditure on these items was reported to be financed out of borrowings.

7.4.4 Laying of new orchards and plantations

Expenditure on this item is of particular importance in the district because of the cultivation of coconuts and pepper. Laying of new orchards and plantations is, therefore, a specialized type of activity in most villages of Quilon. About 23 per cent of the cultivators reported expenditure on this item. About 10 per cent of the capital expenditure in agriculture by cultivators was for laying of new orchards and plantations. The details are given in Table 7.16 below.

TABLE 7.16—LAYING OF NEW ORCHARDS AND PLANTATIONS
[General Schedule data]

Group	Proportion of families reporting expenditure (Per cent)	Expenditure per reporting family (Rs)	Proportion of expenditure on this item to the total expenditure on capital investment in agriculture (Per cent)
Big cultivators.....	50.0	234	14.9
Large cultivators.....	37.0	131	12.0
Medium cultivators.....	20.4	20	5.2
Small cultivators.....	11.7	12	4.7
All cultivators.....	22.8	73	10.3
Non-cultivators.....	0.6	14	1.9
All families	16.1	73	10.2

According to the General Schedule data, 42 per cent of the total expenditure on laying of new orchards and plantations was financed out of borrowings.

7.4.5 Purchase of implements, machinery and transport equipment

Expenditure on purchase of implements, machinery and transport equipment was reported by about 21 per cent of the cultivators, as can be seen from Table 7.17.

As compared to other items of expenditure, particularly expenditure on bunding and other land improvements and laying of new orchards and plantations, the expenditure on implements, machinery and transport equipment appears to be relatively a minor item. Only about 13 per cent of the total expenditure on this item was financed out of borrowings.

7.4.6 Construction of farm houses and cattle sheds

Sheds and shelter for cattle and other livestock cannot always be separated from residential dwellings. They are generally attached to the dwellings themselves and the same is the case with places which are used for storing of produce, tools, implements, etc. Except in places where there is a marked distinction between

TABLE 7.17—PURCHASE OF IMPLEMENTS, MACHINERY AND TRANSPORT EQUIPMENT

[General Schedule data]

Group	Proportion of families reporting expenditure (Per cent)	Expenditure per reporting family (Rs)
Big cultivators.....	48.6	50
Large cultivators.....	38.0	35
Medium cultivators.....	16.9	18
Small cultivators.....	10.3	8
All cultivators.....	21.3	26
Non-cultivators.....	1.0	11
All families.....	15.1	26

houses in the village and buildings on farms, it would be difficult to separate the items of expenditure on construction or repairs of residential buildings and other construction or repairs of farm houses. The proportion of families reporting expenditure on this item ranged between 0.5 per cent in the case of small cultivators and 17 per cent in the case of big cultivators.

TABLE 7.18—CONSTRUCTION OF FARM HOUSES, CATTLE SHEDS, ETC.

[General Schedule data]

Group	Proportion of families reporting expenditure (Per cent)	Expenditure per reporting family (Rs)	Proportion of expenditure incurred by the group to the total expenditure incurred by cultivators (Per cent)
Big cultivators.....	17.0	269	88.3
Large cultivators.....	8.4	199	94.9
Medium cultivators.....	1.7	38	4.9
Small cultivators.....	0.5	7	0.2
All cultivators.....	3.4	157	100.0
Non-cultivators.....	0.5	32	
All families.....	2.5	149	

According to the General Schedule, about 13 per cent of the total expenditure on construction of farm houses, cattle sheds, etc., was reported to have been financed out of borrowings.

7.5 RECEIPTS FROM SALE OF ASSETS

In the earlier part of this chapter we have referred to the data relating to sale of land and livestock. In those sections, we have tried to estimate the extent of

excess of purchase over sale of land or *vice-versa*. Here we shall broadly discuss the total receipts from sale of various kinds of assets, as those data would be of importance in the discussion on investment and disinvestment, which follows in the next section.

Data relating to sale of assets are available in respect of only six major categories, namely, land, livestock, implements and machinery, houses and buildings, ornaments and bullion and financial and other assets. The relevant data are given in Table 7.19 below.

TABLE 7.19—RECEIPTS FROM SALE OF VARIOUS TYPES OF ASSETS

[General Schedule data. Amount in rupees per family]

Group	Total	Sale of land	Sale of livestock	Sale of implements and machinery	Sale of houses and buildings	Sale of bullion and ornaments	Sale of financial and other assets
	1	2	3	4	5	6	7
Big cultivators.....	334	269	30	28	1	4	2
Large cultivators.....	150	111	20	11	1	6	1
Medium cultivators.....	42	20	14	1	—	4	3
Small cultivators.....	30	19	6	—	—	4	1
All cultivators.....	71	47	13	4	1	4	2
Non-cultivators.....	18	8	3	1	1	3	2
All families.....	55	36	10	3	1	4	2

Of the total receipts from sale of assets, those from sale of land accounted for about two-thirds while those from bullion and ornaments accounted for about 6 per cent, in the case of all cultivators.

7.6 INVESTMENT AND DISINVESTMENT

It is not possible on the basis of data relating to debt, borrowings and repayments to throw any light on deficits in the economy. A large part of the borrowings in particular villages or for particular strata of the population may be for capital expenditure of one kind or the other. An increase in the outstanding debt by itself will not, therefore, indicate any deterioration in the economic position of a family or a village. In the same way, a low level of repayments during a particular year may not also be a sign of economic deterioration. In fact, in the initial stages of economic development, such a low proportion may be indicative of a large and rapid long-term investment.

One way to determine whether the economic condition of an individual or a group has improved or deteriorated during a given period of time would be to compare the net assets position at the beginning and at the end of the period. However, detailed information required for assessing the net assets position of a family was not obtained during the Survey. In the first instance, no data either relating

to inventories in kind or resources in cash were collected. Secondly, data relating to purchase of bullion and ornaments were also not asked for. Thirdly, it was also not possible to collect data relating to lendings by rural families to others. The main reason for not collecting these data was fear of arousing suspicion in the minds of respondents. Therefore, if we proceed to compare the position of rural families at the beginning and at the end of the year covered by the Survey on the basis of the data collected by us, the results are likely to be misleading.

An alternative way of arriving at a calculation of the deficits in the economy would be through full enumeration of all transactions during the period. Apart from the obvious difficulties of such enumeration in respect of a small and only partially monetized business as that of the Indian cultivator, an important feature of Indian rural economy further complicates such a task. The common feature is that the business and domestic economy of the cultivator are so mixed up that it would be impossible to obtain any clear idea of deficits or surpluses unless full details of family living are collected. A proper accounting of this type of consumption would require a detailed enquiry into family living which could not be attempted in a survey with the limited objectives of the Rural Credit Survey.

In view of the above, the only alternative method which could be followed was that of calculating deficits through data regarding capital expenditure and investment, sale of assets and borrowings and repayments. The underestimation or under-reporting of gross produce, or stocks and of prices does not affect the total position as envisaged by us. The position is judged by us in terms only of definite changes in the extent of physical assets or financial assets owned and no surplus or deficit is recognised, unless it exhibits itself through a net change recorded during the year in the ownership either of types of capital assets or of financial obligations. The data for the district as a whole are given in Table 7.20 on page 71.

Now it may be noted that in this calculation, attention is confined to the record of transactions on what may be called the capital account. It is assumed by us that if we collect information regarding the acquisition of assets and reduction of debts on the one side and the contraction of debts and sale of assets on the other, the net change adequately summarizes the total result of economic activity during the year. The chief assumption in this calculation is that all significant changes or all significant deficits or surpluses would be reflected in the changes in capital assets and investments and in borrowings and debts. It will also be noticed that transactions leading to acquisition of assets, particularly lendings and purchase of bullion and ornaments are ignored. Stocks and inventories position is completely ignored and there is an assumption of investment effect of certain expenditure. The stocks and inventories position does not materially change in most years for the majority of rural families. For the major part, it is believed that most of these omissions do not vitiate our conclusion to any material extent. The indications regarding surplus and deficit during the particular year by what we have called net investment or disinvestment calculations, appear to give a fair and, in the circum-

stances, the best approach to the problem of indicating elements of deficits in the economy.

TABLE 7.20—INVESTMENT—DISINVESTMENT

[General Schedule data. Amount in rupees per family]

Group	INVESTMENT				
	Capital expenditure in agriculture	Capital expenditure in non-farm business	Financial investment expenditure	Repayments	Total
	1	2	3	4	5
Big cultivators.....	787	262	231	419	1,699
Large cultivators.....	403	161	118	260	942
Medium cultivators.....	80	37	33	79	229
Small cultivators.....	31	17	17	42	107
All cultivators.....	163	68	54	122	407
Non-cultivators.....	4	30	17	29	81
All families.....	115	57	43	94	309

Group	DISINVESTMENT			Net investment (+) or disinvestment (—)	Construction and repairs of residential houses and other buildings
	Borrowings	Sale of assets	Total		
	6	7	8		10
Big cultivators.....	806	334	1,140	+ 559	370
Large cultivators.....	564	150	714	+ 228	242
Medium cultivators.....	187	42	229	—	61
Small cultivators.....	108	30	138	— 31	47
All cultivators.....	278	71	349	+ 58	111
Non-cultivators.....	85	18	103	— 22	28
All families.....	219	55	274	+ 35	86

Apart from the deficiencies in our data pointed out in the previous paragraph, a calculation of net balance attempted on the basis of our data must allow for the elements such as (1) livestock purchased which does not represent net additions to stock at the end of the year, (2) the repair and maintenance element for which allowances have to be made in the data relating to capital expenditure, (3) an allowance for the replacement element in the data relating to capital expenditure and (4) a small element in the sale of assets which represents sale of livestock which is a part of current farm business and does not represent capital disinvestment.

There are, however, two major factors, for which allowances ought to be made and have actually been made in Part 1, Volume I of the Report on the Rural Credit

Survey ; these have not been made in the district report. The major allowances on the two sides are (1) for lendings adding to the investment side and (2) for the maintenance and replacement element reducing the value of the investment. It is obvious that the addition would be important only for the upper decile cultivators and in particular for the big cultivators. The deductions, on the other hand, would affect the figures for all the deciles in somewhat similar proportions ; or possibly the deductions regarding repair, maintenance and replacement may even have to be proportionately larger for the lower decile cultivators than for the upper. It is impossible to work out the effect of this in detail on the fortunes of the various groups.

In Volume I, the Survey Report of the All-India Rural Credit Survey, with a view to accounting for these limitations, due allowances are made in the data relating to investment and disinvestment. There, the figures for the groups and regions are also discussed in detail. It is, however, not possible to discuss these data at the district level as it introduces major complications in computation as well as in presentation.

For all classes of cultivating families, the most important item of investment was capital expenditure in agriculture followed by expenditure on repayments. Though for the cultivators as a group the balance shows a net investment position, a net disinvestment position is seen in respect of small cultivators.

Both in the case of medium and small cultivators the relatively unfavourable position as compared to the big and the large cultivators appears to be largely a result of borrowings during the year, as can be seen from Table 7.21 below.

TABLE 7.21—INVESTMENT-DISINVESTMENT AND SOME IMPORTANT TRANSACTIONS

[General Schedule data. Amount in rupees per family]

Group	Net investment (+) or disinvestment (—) per family	Percentage increase in debt during the year	Expenditure on construction and repair of residential houses	AVERAGE AMOUNT BORROWED PER FAMILY FOR	
				Farm and non-farm business	Other purposes
	1	2	3	4	5
Big cultivators.....	+ 559	66	370	405	401
Large cultivators.....	+ 228	91	242	250	314
Medium cultivators.....	—	112	61	69	118
Small cultivators.....	— 31	218	47	34	74
All cultivators.....	+ 58	105	111	113	165
Non-cultivators.....	— 22	154	28	32	53
All families.....	+ 35	110	86	89	130

The medium and small cultivators show a net investment position, if the expenditure on construction and repair of residential houses and other buildings is taken on investment side. The percentage increase in debt among different cultivators appears to be quite high.

TABLE 7.22—INVESTMENT AND DISINVESTMENT OF CULTIVATING FAMILIES

[General Schedule data. Amount in rupees per family]

Village	Group of cultivators	Net investment (+) or disinvest- ment (-)	Proportion of borrowings for farm and non-farm business purposes to the total borrowings (Per cent)	Expenditure on construction and repair of residential houses and other buildings
	1	2	3	4
Kallikkad	Big cultivators	+ 1,613	87.1	475
	Large cultivators	+ 541	69.2	317
	Medium cultivators	-	57.9	86
	Small cultivators	+ 16	52.9	126
Pathiyoor	Big cultivators	+ 1,011	38.0	147
	Large cultivators	+ 424	33.7	202
	Medium cultivators	+ 6	29.8	67
	Small cultivators	- 60	36.9	61
Valamangalam South ...	Big cultivators	+ 1,632	36.6	355
	Large cultivators	+ 778	26.7	265
	Medium cultivators	+ 150	31.6	81
	Small cultivators	+ 16	23.9	46
Chathanur Erom	Big cultivators	+ 423	49.7	407
	Large cultivators	+ 151	40.7	283
	Medium cultivators	- 59	28.2	72
	Small cultivators	- 55	25.6	35
Kanjurkottakkakom ...	Big cultivators	+ 755	96.6	441
	Large cultivators	+ 259	92.1	235
	Medium cultivators	+ 40	36.5	50
	Small cultivators	- 26	58.8	21
Kurichimuttom	Big cultivators	+ 165	30.5	706
	Large cultivators	+ 113	35.7	331
	Medium cultivators	- 20	36.2	32
	Small cultivators	- 43	19.2	26
Manapally South	Big cultivators	- 69	8.0	169
	Large cultivators	- 89	14.8	112
	Medium cultivators	- 49	19.1	43
	Small cultivators	- 47	15.4	39
Nedumon	Big cultivators	- 95	28.6	352
	Large cultivators	+ 44	55.7	243
	Medium cultivators	+ 3	56.8	70
	Small cultivators	- 19	16.0	51

It will also be seen from Table 7.21 that the proportion of total borrowings for farm and non-farm business expenditure in the case of big and large cultivators was higher as compared to that of medium and small cultivators. In other words,

the big and large cultivators borrowed the amounts for productive purposes which helped them in arriving at net investment position at the end of the year.

Though for the district as a whole the net investment position of the small cultivators appears to be relatively bad, on analysing the data village-wise it is observed that in the case of Manapally South all the groups of cultivators show a net disinvestment position. But if the expenditure on construction and repair of residential houses and other buildings is taken on the investment side, it is observed that medium cultivators and small cultivators of Manapally South and small cultivators of Chathanur Erom, Kanjurkottakkakom, and Kurichimuttom show a net disinvestment position.

In the above discussion we have used only the General Schedule data. We shall now proceed with the discussion of the data collected in the intensive enquiry. Data for the upper and lower strata show a net investment position. A positive overall balance for all the cultivating families does not, however, throw much light on the position of the individual families, as can be seen from Table 7.23 below.

TABLE 7.23—INVESTMENT—DISINVESTMENT

[Intensive enquiry data]

Strata	NUMBER OF FAMILIES ACCORDING TO VALUE OF GROSS PRODUCE WHICH SHOW INVESTMENT (+) AND NET DISINVESTMENT (—)				Net balance when figures are cast together (Average in rupees per family)
	Less than Rs 200	Rs 200—Rs 1,000	Rs 1,000—Rs 3,000	Rs 3,000 and above	
	1	2	3	4	5
Upper strata.....	+ 7 — 4 3	+15 —15 7	+10 — 8 3	+ 7 — 1 —	+268
Lower strata	+16 — 9 7	+ 4 — 3 1	— — —	— — —	+10

(The figures without (+) or (—) refer to families reporting 'no investment or disinvestment').

The above table gives the frequency distribution of 120 families showing investment and disinvestment position according to the upper and lower strata and also according to the value of gross produce. The position as revealed by the intensive enquiry data does not appear to be as unfavourable to small cultivators as that revealed by the General Schedule data, though the position of the bigger cultivators appears to be superior to that of smaller cultivators. This discussion, therefore, leads to the conclusion that the movement towards positive balances in the case of bigger cultivators is distinctly larger and more positive than in the case of small cultivators.

CHAPTER 8

CURRENT FARM OPERATIONS

8.1 TYPE OF FARMING IN THE DISTRICT

In this Chapter, we discuss the data relating to current farm operations collected in the intensive enquiry from 120 selected cultivating families in the eight selected villages. The information was collected separately for two six-month periods, namely, April 1951 to September 1951 and October 1951 to March 1952.

In Chapter 1, it was observed that rice and coconut are the important crops in the district. According to the intensive enquiry, about 40 per cent of the total value of gross produce of selected cultivating families was accounted for by rice. Oilseeds, mostly coconut, accounted for 41 per cent of the total value of gross produce. Vegetables and fruits accounted for 14 per cent.

TABLE 8.1—CROP PATTERN IN QUILON DISTRICT

Crop	Proportion of area under this crop to the total area sown in the district*	INTENSIVE ENQUIRY DATA FOR THE EIGHT SELECTED VILLAGES	
		Proportion of value of gross produce of this crop to the total value of gross produce	Proportion of families with this as the major crop to the total number of selected cultivating families
	(Per cent)	(Per cent)	(Per cent)
	1	2	3
1. Rice.....	33.4	40	25.8
2. Gram.....	—	—	—
3. Oilseeds.....	32.4	41	51.4
4. Spices.....	3.0	4	—
5. Vegetables and fruits.....	23.1	14	—
6. Sugar-cane.....	0.9	—	—
7. Betel leaf.....	—	1	—
8. Other crops.....	7.2	—	22.8
Total.....	100.0	100	100.0

* Indian Agricultural Statistics Vol. II (1951-2).

8.2 CURRENT FARM EXPENDITURE

The 'total farm expenses' included (1) value of seed and manure, both owned and purchased, (2) cash wages paid and value of payments made in kind to casual, annual and permanent farm servants, village artisans and others and (3) value of fodder and other cattle feed purchased, rent paid for pastures and other type of current farm expenditure which are enumerated in Table 8.2 and Table 8.3. No attempt was made to evaluate the family labour employed and hence 'total farm

expenses' do not include the same. Similarly, charges for services of owned draught cattle were not included nor was any *ad hoc* allowance made on that account. The cost of owned fodder consumed on farm was also not taken into account. As our study was not directed to farm employment costs or farm management, collection of data regarding farm expenditure was not done in as great a detail or as meticulously as would be required in studies which have that objective primarily in view. However, the data are of interest not only for a general study of the farm economy but also for studying in relation to the volume of expenditure and the size of the potential credit requirements. The data collected regarding current farm expenditure, both in cash and kind, are presented in Tables 8.2 and 8.3, for the upper and lower strata cultivators. Expenditure on remuneration to permanent farm servants was put under general expenses. Also in asking for information on this item, the distinction between cash and kind expenditure was not maintained. Thus, we obtained an inclusive total which could not be split up into its cash and kind components. To that extent our breakdown between cash and kind expenses is not complete.

TABLE 8.2—CURRENT FARM EXPENDITURE—DETAILS

[Intensive enquiry data]

Item	UPPER STRATA		LOWER STRATA		ALL CULTIVATORS	
	Average expenditure per family	Proportion of total current farm expenditure	Average expenditure per family	Proportion of total current farm expenditure	Average expenditure per family	Proportion of total current farm expenditure
	(Rs)	(Per cent)	(Rs)	(Per cent)	(Rs)	(Per cent)
	1	2	3	4	5	6
I. Cash expenditure on						
1. Seed.....	22.9	3	6.2	5	14.6	3
2. Manure.....	154.3	19	19.1	17	86.7	19
3. Fodder.....	88.0	11	19.4	17	53.7	11
4. Wages and purchase of grain for payment of wages.....	221.0	27	32.9	29	127.0	27
5. Other cash expenditure	69.2	8	7.9	7	38.6	8
Total current farm cash expenditure ..	555.4	68	85.6	75	320.5	69
II. Expenditure in kind on						
1. Seed.....	65.9	8	7.1	6	36.5	8
2. Manure.....	36.9	4	12.0	10	24.4	5
3. Wages in kind other than at harvest time..	27.9	3	—	—	14.0	3
4. Value of total disposals in kind made immediately after harvest.....	135.5	16	9.3	8	72.4	15
Total current farm kind expenditure ..	266.3	32	28.3	25	147.3	31
Total.....	821.7	100	113.9	100	467.8	100

It is observed that about two-thirds of the total current farm expenditure recorded in the intensive enquiry was incurred in cash. Of the current cash farm expenditure, about two-fifths was accounted for by wages and purchase of grain for wages. Expenditure on purchase of seed and manure together accounted for 32 per cent of the total current cash farm expenditure. As regards the expenditure in kind, it is noticed that the value of seed and manure owned alone accounted for about two-fifths and of total disposals in kind immediately after harvest for about half of the current farm kind expenditure. There are two major items in Table 8.2, viz., 'other cash expenditure' and 'value of total disposals in kind immediately after harvest', details in respect of which need to be studied. Of the 'other cash expenditure on farm', about 21 per cent was accounted for by land revenue and other agricultural charges while about one-fourth was by payments in lieu of interest on loans. Transport charges for marketing accounted for 13 per cent, while rent to landlord accounted for 9 per cent. Salaries paid to annual or permanent farm servants accounted for about 9 per cent of this expenditure. The details are given in Table 8.3 below.

TABLE 8.3—OTHER CURRENT CASH FARM EXPENDITURE
[Intensive enquiry data]

Item	PERCENTAGE TO TOTAL 'OTHER CURRENT CASH FARM EXPENDITURE'		ALL CULTIVATORS	
	Upper strata	Lower strata	Amount in rupees per family	Percentage to total 'other current cash farm expenditure'
	1	2	3	4
1. Cash contributions to tenants, co-sharers and partners.....	7	—	2.5	6
2. Purchase of materials for farming.....	5	4	2.0	5
3. Maintenance and repair of implements and machinery.....	2	1	0.7	2
4. Hire of implements and bullocks.....	1	—	0.5	1
5. Transport charges for marketing.....	14	7	5.0	13
6. Sale commissions.....	1	—	0.2	1
7. Storage and other marketing costs....	—	1	0.1	—
8. Salaries paid to annual or permanent farm servants.....	10	—	3.3	9
9. Cash rent paid to landlords.....	9	11	3.4	9
10. Land revenue and other agricultural charges.....	19	37	8.1	21
11. Interest paid on loans.....	21	35	8.7	23
12. Other cash farm expenses.....	12	3	4.1	11
Total amount in rupees per family.	69.2	7.9	38.6	

About 15 per cent of the total current farm expenditure was in the form of disposals in kind immediately after harvest. Of these disposals, the rent share to landlords or co-sharers accounted for about 39 per cent, while wages to labourers for harvesting, etc., accounted for about 49 per cent. The details are given in Table 8.4.

TABLE 8.4—DISPOSALS IN KIND

[Intensive enquiry data]

Item	AVERAGE AMOUNT IN RUPEES PER FAMILY		ALL CULTIVATORS	
	Upper strata	Lower strata	Average per family	Proportion to the total disposals in kind
			(Rs)	(Per cent)
	1	2	3	4
Rent share to landlord or co-sharer.....	54.33	1.94	28.13	39
Wages to labour for harvesting, etc.....	64.44	6.84	35.65	49
Remuneration to artisans and services.....	1.09	—	0.55	1
Other payments at harvest time.....	15.65	0.51	8.08	11
Total	135.52	9.29	72.41	100

8.3 CASH RECEIPTS

Before proceeding with the details regarding gross produce as also cash receipts from sale of crops and fodder and from other sources, it may be useful to examine the total figures regarding value of gross produce. Value of gross produce on farm is the value of total produce grown on farm including fodder but not livestock products such as milk, or poultry products. It is the value of total produce of crops, whether sold, disposed of in other ways or retained for consumption, for use in farm business or for sale later. It is obvious that the reliability of reporting depends on a number of factors such as completeness of reporting of quantities of produce or value of sale of produce or the evaluation according to some assumed price of the product not sold. There are a number of considerations which make it likely that the value of gross produce sold is an item of information which is less reliable than many other items derived from our enquiry. Largely due to the activities of procurement agencies in the district and partly due to the definite bias in the direction of under-reporting which is evident in most enquiries of this type, physical quantities may be under-estimated, prices of sales reported, may be less than what they were and total sales may also be minimized. The total value is, thus, under-estimated in our returns.

'Cash receipts' included cash proceeds from sale of crops and fodder (either raised in the year of the Survey or in the years preceding the Survey or obtained by way of rent or other payments) and receipts from sale of milk and milk products, poultry and poultry products, seeds, plants, fruits, vegetables and manure, receipts from carting, cash wages, cash rent, interest on amounts lent to others and remittances received. 'Cash receipts' did include earnings from subsidiary occupations other than those specifically mentioned above in which the cultivators may have been engaged. This type of income is, however, likely to assume considerable importance in some villages. It is, however, not possible to make a definite estimate of the size and addition made to the resources of the cultivating

families on account of the sources of income which were not included in our enquiry. This would, therefore, indicate that there may have been certain kind of under-estimation of both value of gross produce and cash receipts. This, however, does not affect the total picture and would, of course, not be additive to the total required for the under-estimation of the value of gross produce and for the non-inclusion in the income for non-farm business.

The cash receipts can be divided into two main groups, namely, (1) cash proceeds from sale of crops and fodder and (2) other cash receipts. The details are given in Table 8.5 below.

TABLE 8.5—VALUE OF GROSS PRODUCE AND CASH RECEIPTS

[Intensive enquiry data]

Item	UPPER STRATA		LOWER STRATA		ALL CULTIVATORS	
	Amount in rupees per family	Percentage to total cash receipts	Amount in rupees per family	Percentage to total cash receipts	Amount in rupees per family	Percentage to total cash receipts
	1	2	3	4	5	6
Gross produce.....	1,028.2		140.5		584.3	
Cash receipts from sale of crops and fodder.....	531.7	54.7	92.4	21.1	312.0	44.3
Other cash receipts.....	439.3	45.3	344.8	78.9	392.1	55.7
1. Sale of milk and milk products.....	18.2	1.9	2.8	0.6	10.5	1.5
2. Sale of poultry and poultry products.....	3.6	0.4	—	—	1.8	0.3
3. Sale of seed and plants.....	7.4	0.8	—	—	3.7	0.5
4. Sale of manure.....	0.7	0.1	0.5	0.1	0.6	0.1
5. Cash wages.....	77.4	8.0	158.7	36.3	118.1	16.7
6. Remittances received...	118.8	12.2	43.2	9.9	80.9	11.5
7. Carting.....	0.5	0.1	—	—	0.3	—
8. Rent received.....	6.9	0.7	—	—	3.4	0.5
9. Interest received.....	5.3	0.5	—	—	2.6	0.4
10. Other sources.....	200.6	20.7	139.7	32.0	170.2	24.2
Total cash receipts...	971.0	100.0	437.2	100.0	704.1	100.0

Whereas in the case of upper strata cultivators cash receipts from sale of crops and fodder accounted for 55 per cent of the total cash receipts, in the case of lower strata cultivators such receipts accounted for about 21 per cent. In other words the smaller cultivators received a substantial part of their cash income from sources other than from sale of farm produce. It may, however, be noted that the sale of milk and milk products accounted for a relatively low proportion of the total cash receipts of the lower strata cultivators. Perhaps the most significant item which was responsible for a high magnitude of other cash receipts in the case of lower strata cultivators was cash receipts in the form of wages. Whereas on an average the cash receipts in the form of wages in the case of upper strata cultivators was only Rs 77

per family, it was about Rs 159 in the case of lower strata cultivators. Cash wages accounted for about 36 per cent of the total cash receipts of the lower strata cultivators as against 8 per cent in the case of upper strata cultivators. Similarly, about 32 per cent was accounted for by receipts from other sources in the case of lower strata cultivators and it was about 21 per cent in the case of upper strata cultivators.

8.4 SEASONALITY IN FARM EXPENDITURE AND RECEIPTS

Another important aspect revealed by the data on farm business is the extent of seasonality in expenditure on farm business and also in cash receipts. In the intensive enquiry, data relating to the current farm business expenses were collected for two six-month periods separately.

TABLE 8.6—SEASONALITY : FARM EXPENSES AND RECEIPTS

[Intensive enquiry data. Amount in rupees per family]

Item	April to September 1951	October 1951 to March 1952
UPPER STRATA		
Total current cash farm expenditure	354.2	201.2
Value of gross produce	512.7	515.6
Cash receipts from sale of crops and fodder	269.6	282.0
Other cash receipts	220.0	219.4
LOWER STRATA		
Total current cash farm expenditure	52.8	32.9
Value of gross produce	62.8	77.7
Cash receipts from sale of crops and fodder	41.7	50.7
Other cash receipts	149.0	195.8

It will be seen from Table 8.6 above, that there was no marked seasonality in receipts.

8.5 SOURCE OF FINANCE FOR CURRENT CASH FARM EXPENSES

Only 8 to 10 per cent of the current farm expenditure appears to have been financed out of borrowings in both the periods. This is brought out in Table 8.7.

8.6 CURRENT FARM EXPENDITURE : PATTERN

For the purpose of the discussion on current farm operations, in this chapter, we have confined only to four different methods of classification. The first classification divides the families into two groups; the first group comprises the first five deciles of the cultivators while the second group comprises the last five deciles of the cultivators. This is a classification which we have commonly used in the preceding chapters. The second classification is based on the size of farm business as reflected by the value of gross produce. The third classification is done according to the extent of commercialization of farm business as measured by the proportion of the value of produce of cash crops to the value of gross produce; in this context

cash crops comprise all crops other than foodgrains (cereals and pulses). The fourth criterion for classification of the families is the major crop, i.e., the crop which makes the largest contribution to the value of gross produce during the year.

TABLE 8.7—BORROWINGS AND CURRENT CASH FARM EXPENDITURE

[Intensive enquiry data]

Item	UPPER STRATA				LOWER STRATA				ALL CULTIVATORS			
	AVERAGE EXPENDITURE FINANCED OUT OF BORROWINGS PER FAMILY		PROPORTION OF EXPENDITURE FOR THIS ITEM FINANCED OUT OF BORROWINGS TO THE TOTAL CURRENT CASH FARM EXPENDITURE ON THE ITEM		AVERAGE EXPENDITURE FINANCED OUT OF BORROWINGS PER FAMILY		PROPORTION OF EXPENDITURE FOR THIS ITEM FINANCED OUT OF BORROWINGS TO THE TOTAL CURRENT CASH FARM EXPENDITURE ON THE ITEM		AVERAGE EXPENDITURE FINANCED OUT OF BORROWINGS PER FAMILY		PROPORTION OF EXPENDITURE FOR THIS ITEM FINANCED OUT OF BORROWINGS TO THE TOTAL CURRENT CASH FARM EXPENDITURE ON THE ITEM	
	April to September 1951	October 1951 to March 1952	April to September 1951	October 1951 to March 1952	April to September 1951	October 1951 to March 1952	April to September 1951	October 1951 to March 1952	April to September 1951	October 1951 to March 1952	April to September 1951	October 1951 to March 1952
	(Rs)	(Rs)	(Per cent)	(Per cent)	(Rs)	(Rs)	(Per cent)	(Per cent)	(Rs)	(Rs)	(Per cent)	(Per cent)
	1	2	3	4	5	6	7	8	9	10	11	12
Seed.....	2.0	2.9	32.7	40.3	0.2	0.7	5.7	25.9	1.1	1.8	11.3	36.7
Manure.....	7.6	5.1	7.4	9.8	1.9	1.0	15.0	15.6	4.8	3.1	8.3	10.6
Fodder.....	—	0.8	—	2.9	—	—	—	—	—	0.4	—	2.2
Wages.....	6.1	11.6	4.5	13.7	0.3	—	1.4	—	3.2	5.8	4.1	12.1
Others.....	12.3	1.0	31.2	3.4	—	—	—	—	6.1	0.6	28.4	2.9
Total	28.0	21.4	7.9	10.6	2.4	1.7	4.5	5.2	15.2	11.5	7.5	9.8

Classification of families according to the two groups of strata as also according to the value of gross produce have already been discussed in detail in Chapter 2 of this monograph. In this section, we shall discuss two types of classification of families, viz., (i) according to the extent of commercialization and (ii) according to major crop. In addition, we shall make some observations, in regard to borrowings, debt, expenditure, etc., classified according to gross produce.

8.6.1 Non-food crops

One of the methods of classification of the selected cultivating families was according to the proportion of the value of cash crops (non-food crops) grown to the value of gross produce. The data based on this classification are given in Table 8.8 on page 82.

For the purposes of Table 8.8 cash crops comprised crops other than foodgrains (cereals and pulses). About 1 per cent of the families did not produce any cash crop. The proportion of value of cash crops to the value of gross produce was between 10 and 50 per cent in respect of 19 per cent of the families and between 50 and 90 per cent in respect of another 18 per cent. The remaining 62 per cent of the cultivating families reported that value of cash crops constituted 90 per cent or more of the total value of gross produce.

TABLE 8.8—SELECTED FAMILIES CLASSIFIED ACCORDING TO VALUE OF CASH CROPS : CURRENT FARM OPERATIONS

[Intensive enquiry data]

Proportion of value of gross produce of cash crops to the value of total gross produce	Proportion of families (Per cent)	Average area sown per family (Acres)	Value of gross produce per family (Rs)
	1	2	3
<i>Nil</i>	1.3	1.2	235.4
<i>Less than 10 per cent</i>	—	—	—
<i>10 – 20 per cent</i>	4.3	2.3	566.3
<i>20 – 30</i> " ".....	4.9	5.7	1,643.9
<i>30 – 40</i> " ".....	6.8	3.6	1,308.8
<i>40 – 50</i> " ".....	3.1	8.2	1,824.2
<i>50 – 60</i> " ".....	3.1	3.2	601.3
<i>60 – 70</i> " ".....	6.8	3.8	1,789.0
<i>70 – 80</i> " ".....	5.0	2.1	468.2
<i>80 – 90</i> " ".....	3.2	1.7	698.1
<i>90 per cent and above</i>	61.5	0.5	235.4

8.6.2 Major crops

Another criterion for classification of families was according to the major crop, that is, the crop which made the largest contribution to the value of gross produce realised by the family during the year. In Table 8.9 below, we give the relevant data.

TABLE 8.9—MAJOR CROPS : CURRENT FARM OPERATIONS

[Intensive enquiry data]

Major crop grown	Proportion of families (Per cent)	Value of gross produce per family (Rs)	Cash receipts from sale of crops and fodder per family (Rs)
	1	2	3
Rice.....	25.8	1,191.6	370.7
Other oilseeds (Coconut and sesamum).....	51.4	432.3	343.2
Other crops*.....	22.8	240.2	175.4

* This category does not include wheat, millets, gram, other pulses, groundnut, sugar-cane, cotton, jute and tobacco as these crops were not reported to be major crops in the district.

More than half of the cultivating families reported oilseeds (mostly coconut) as the major crop, while about 26 per cent reported rice. In the case of about one-fourth of the families, the largest proportion of the value of gross produce was from crops other than those listed above.

8.6.3 Gross produce groups

In Table 8.10 we give data relating to size of borrowings, debt, farm expenditure, etc., after classifying the families according to the value of gross produce. It will be seen therefrom that the volume of borrowings, debt and expenditure decline with a decline in the value of gross produce.

TABLE 8.10—CURRENT FARM OPERATIONS OF SELECTED CULTIVATORS IN RELATION TO SIZE OF GROSS PRODUCE

[Intensive enquiry data. Amount in rupees per family]

Gross produce group	Pro- portion of fami- lies (Per cent)	Cash re- ceipts from sale of crops and fodder	Receipts from sale of crops and fodder of this group as percent- age to the total re- ceipts from sale of crops and fodder	Other cash re- ceipts	Cur- rent cash farm expen- diture	Cur- rent farm expen- diture in kind	Capital expen- diture in agri- culture	Bor- row- ings	Debt
	1	2	3	4	5	6	7	8	9
Less than Rs 200...	48.8	72	11.2	380	74	22	15	48	127
Rs 200 - Rs 1,000.	33.1	246	26.1	319	233	93	58	139	203
Rs 1,000 - Rs 3,000.	13.1	736	30.9	620	769	393	202	401	479
Rs 3,000 and above.	5.0	1,983	31.8	392	2,128	1,088	853	546	493

Comparison of the total value of gross produce and cash receipts with the total current farm expenditure clearly indicates the need for alternative sources of employment or income to cultivators in the district.

In the statistical picture set out in this chapter, especially while comparing expenses with receipts, the main allowances to be made are twofold, namely, for an under-estimation of the value of gross produce reported, and for the under-estimation owing to non-inclusion of non-farm business income in total cash receipts. The larger part of the income from non-farm business would accrue to cultivating families, especially to those of the upper deciles, in the form of cash and a much smaller part of it would be available in kind; the correction to be made for non-inclusion of non-farm income would thus be mainly in the cash receipts data. A third defect in the statistical picture is the under-estimation of cash receipts from sale of produce, which would be even greater than the under-estimation in the value of gross produce. However, it is only in contexts in which special importance is attached to calculations of resources in cash that this under-estimation of cash receipts becomes important. It may, however, be claimed that while the deficiencies noted above are important, the accounts framed on the basis of the data do not raise doubts regarding the general size and distribution of other data collected during the Survey.

CHAPTER 9

CREDIT AGENCIES

We may now proceed to assess the role of various credit agencies on the basis of the data collected in both the 'demand' and the 'supply' aspects of the Survey. In this chapter, we shall assess the relative importance of various credit agencies as revealed by the 'demand' side data. In the subsequent three chapters, besides describing the working of various credit agencies, *viz.*, Government, co-operative societies and private agencies, we also study the relative importance of different credit agencies to the various groups of cultivators and non-cultivators on the basis of both the demand and supply side data.

The agencies supplying credit have been classified into nine categories, *viz.*, Government, co-operatives, relatives, landlords, agriculturist moneylenders, professional moneylenders, traders and commission agents, commercial banks and 'others', and all loans are classified according to source of borrowing. Under 'Government', all borrowings from Government through various departments and under various schemes were included. Borrowings from different types of co-operative institutions, such as primary credit societies, marketing societies, central co-operative banks and land mortgage banks were treated together under 'co-operatives'. Only interest-free loans given by relatives were treated as loans from relatives; interest bearing loans from relatives were classified as from one or the other of the appropriate agency such as the agriculturist moneylender, professional moneylender, etc., according to the principal business of the relative. Loans from landlords to their own tenants were classified separately. If a cultivator received a loan from a landlord, of whom he was not a tenant, then such a loan was not recorded as from a landlord but was classified under the appropriate agency according to the business of the landlord. An agriculturist moneylender was defined as one whose major profession was agriculture and whose moneylending business was comparatively of minor importance. The professional moneylender was defined to include all those who earned a substantial part of their income from moneylending and who could not be classified as agriculturist moneylenders. No distinction was made between professional moneylenders living in towns and those living in the rural areas. Borrowings from persons who were, in the main, traders, commission agents, etc., were put separately. Borrowings from all banks, scheduled and non-scheduled, including the Imperial Bank of India, were classified under 'commercial banks'. Borrowings not included in any of the above categories were classified as borrowings from 'others'.

The average amount borrowed per cultivating family in the district, according to the General Schedule was Rs 278, of which co-operatives and relatives accounted

for Rs 13 and Rs 61, respectively, and professional moneylenders, traders and commission agents and commercial banks for Rs 94, Rs 81 and Rs 18, respectively. The average debt per cultivating family at the end of the year covered by the General Schedule was Rs 303 of which relatives, professional moneylenders and traders and commission agents accounted for Rs 61, Rs 147 and Rs 56, respectively. The relevant data are given in Table 9.1.

The proportion of cultivating families reporting borrowings from Government and Co-operatives was 0.3 per cent and 3.1 per cent respectively. As will be seen later, the co-operative movement in the district was in a relatively undeveloped stage. About 28 per cent of the cultivating families reported interest-free loans from relatives, accounting for about 22 per cent of the total borrowings. About 34 per cent of the total borrowings of the cultivators was met by professional moneylenders; about 30 per cent of the cultivating families reported borrowings from this agency. About 33 per cent of the cultivating families reported borrowings from traders and commission agents, accounting for about 29 per cent of the total borrowings. It would, therefore, appear that the private agencies, particularly professional moneylenders and traders and commission agents supplied about 63 per cent of the total credit obtained by cultivators. The relevant data are given in Table 9.1 below.

TABLE 9.1—RELATIVE IMPORTANCE OF CREDIT AGENCIES—CULTIVATORS

[General Schedule data]

Credit Agencies	BORROWINGS				DEBT	
	Proportion of families borrowing from the specified agency	Proportion of borrowings from the specified agency to the total borrowings from all agencies	Average borrowings per borrowing family from the specified agency	Average borrowings per family from the specified agency	Average debt per family owed to the specified agency	Proportion of debt owed to the specified agency to the total debt owed to all agencies
	(Per cent)	(Per cent)	(Rs)	(Rs)	(Rs)	(Per cent)
	1	2	3	4	5	6
Government.....	0.3	—	33	—	—	—
Co-operatives.....	3.1	4.6	419	13	27*	8.8*
Relatives.....	28.1	21.8	215	61	61	20.1
Landlords.....	2.5	1.1	129	3	3	1.2
Agriculturist moneylenders...	—	—	—	—	1	0.2
Professional moneylenders....	30.4	33.7	308	94	147	48.4
Traders and commission agents.....	32.9	29.2	246	81	56	18.4
Commercial banks.....	10.1	6.6	181	18	†	†
Others.....	4.7	3.1	169	8	9	2.9
Total.....	73.6	100.0	377	278	303	100.0

* Includes also commercial banks.

† Included under co-operatives.

The foregoing discussion is based on the total borrowings and debt. Some credit agencies, especially co-operatives usually give loans only for certain specified purposes; the role of different agencies in different types of loans may, therefore, differ widely. The data available in this connection relate to the reported purposes of borrowings. These data were classified according to each credit agency only for the selected cultivating families covered in the intensive enquiry. The loans borrowed by these families during the period covered by the intensive enquiry and outstanding at the time of the second round of the Survey were classified into eight broad categories with reference to the purpose and period of borrowings. These categories include short-term and long-term needs for each of the three purposes, namely, agricultural, non-agricultural and consumption purposes, the remaining two purposes being repayment of old debts and other purposes. In this context, long-term agricultural purposes include medium-term agricultural purposes also.

TABLE 9.2—BORROWINGS AND DEBT OF CULTIVATORS CLASSIFIED ACCORDING TO PURPOSE—DURATION AND CREDIT AGENCY

[Intensive enquiry data]

	PROPORTION OF BORROWINGS FROM THE SPECIFIED CREDIT AGENCY FOR EACH PURPOSE TO THE TOTAL BORROWINGS FROM ALL AGENCIES FOR THE RESPECTIVE PURPOSE-DURATION (PER CENT)									PROPORTION OF DEBT OWED TO THE SPECIFIED CREDIT AGENCY ON LOANS BORROWED FOR EACH PURPOSE TO THE TOTAL DEBT OWED TO ALL AGENCIES ON LOANS BORROWED FOR THE RESPECTIVE PURPOSE-DURATION (PER CENT)		
	Government	Co-operatives	Relatives	Landlords	Agriculturist money-lenders	Professional money-lenders	Traders and commission agents	Commercial banks	Others	Government	Co-operatives	Other agencies
	1	2	3	4	5	6	7	8	9	10	11	12
Agricultural												
Short-term	—	1.8	29.9	0.5	—	20.3	25.8	19.0	2.7	—	1.9	98.1
Long-term	—	—	39.9	—	—	24.1	23.4	12.6	—	—	—	100.0
Non-Agricultural												
Short-term	—	—	1.3	—	—	62.5	23.9	12.3	—	—	—	100.0
Long-term	—	—	38.9	—	—	57.3	3.8	—	—	—	—	100.0
Consumption												
Short-term	—	6.9	10.0	—	—	42.4	36.5	4.2	—	—	4.3	95.7
Long-term	—	3.0	12.6	—	—	66.3	13.3	4.8	—	—	1.2	98.8
Repayment of old debts	—	25.9	—	—	—	37.4	29.3	7.4	—	—	24.9	75.1
Other purposes	—	—	—	—	—	—	94.0	6.0	—	—	14.8	85.2

It is obvious that any classification of this type is subject to many limitations and that all the loans reported could not necessarily fit into one of these several categories. However, it was considered necessary to adopt some classification for convenience of handling the data and the classification adopted by us is detailed above. Purchase of seed, manure and fodder, payment of wages and other purposes of current farm expenditure were grouped together under the category of short-term agricultural purposes, while loans for bunding and other land improvements, digging and repair of wells, purchase of livestock, reclamation of land and such other

capital expenditure purposes were classified under long-term agricultural purposes. In respect of borrowings on consumption account, loans for purchase of household utensils, furniture, clothing, shoes, bedding, etc., medical and educational expenses, other occasional expenditure and other family expenses were classified under short-term consumption group and the loans for construction and repairs to houses, death and marriage ceremonies and litigation charges were grouped under the category of long-term consumption finance. Data relating to borrowings and debt classified according to purpose-duration and source of finance are given in Table 9.2.

About 2 per cent of short-term agricultural borrowings of cultivators was supplied by co-operatives as against about 46 per cent by professional moneylenders, traders and commission agents. In the case of long-term agricultural borrowings, relatives accounted for 40 per cent of the total borrowings, while professional moneylenders and traders and commission agents accounted for about 48 per cent. Borrowings for short-term consumption purposes were generally from professional moneylenders and traders and commission agents.

CHAPTER 10

GOVERNMENT FINANCE

The legal framework, procedures and the mode of operation with regard to loans extended by Government in 1951-2 in the area comprising the erstwhile Travancore State were different from that in the area of erstwhile Cochin State.

10.1 STRUCTURE

So far as the Travancore area in the Travancore-Cochin State was concerned, the practice of issuing agricultural loans under Land Improvement and Agricultural Loans Act of 1094 (M.E.) was given up a few years ago. In 1951-2 the Travancore Credit Bank, which had taken up the place of the Land Mortgage Bank was issuing loans to agriculturists for the improvement of agriculture after getting the securities offered scrutinised by the officers of the Revenue Department. So far as the Cochin area was concerned, the system of advancing loans for the improvement of agriculture continued under the provisions of the Cochin Agricultural Improvement Loans Act IV of 1093 (M.E.)

10.2 TRAVANCORE CREDIT BANK*

In discussing the role of the State in respect of agricultural credit, the activities of the Travancore Credit Bank require a special mention. It was established by the Government of Travancore under the Travancore Credit Bank Act in 1938, to take over among other things, the affairs and business of the former Travancore State Land Mortgage Bank and to lend money on the first mortgage of immovable property in Travancore as primary security, for the following purposes :

- (i) the liquidation of bona fide debts charged on immovable property,
- (ii) the redemption of possessory mortgage relating to immovable property,
- (iii) the purchase and taking on lease of any agricultural or other land,
- (iv) the development and improvement of land including the incurring of capital expenditure for the preparation of the produce for the market,
- (v) the carrying on or the development of the business of agriculture or industry,
- (vi) the liquidation of debts already incurred by agriculturists within the meaning of the Travancore Agriculturists' Relief Regulation or incurred for any of the above purposes,
- (vii) the erection of building on any land, and

* In October 1956, the Kerala Co-operative Central Land Mortgage Bank Ltd., was registered ; it was to take over the assets and liabilities of the Travancore Credit Bank placed under liquidation.

(viii) any purpose incidental, accessory, ancillary or auxiliary to any of the above purposes.

The bank was a Government controlled Joint-Stock Credit Bank, majority of the shares being held by Government.

The amount of loan from the bank to any person, firm or corporation at any time was not to exceed Rs 3 lakhs and the minimum was to be Rs 200. The period of the loans was 20 years. The procedure for getting a loan was as follows.

On receipt of a formal application for loan in the prescribed form together with title deeds relating to the securities offered, a preliminary scrutiny of *prima facie* title was made by the Bank's Legal Assistant. If the title was in order, the papers were sent to the *tahsildar* of the taluka in which the securities, viz., land, buildings, etc., were situated. He inspected them and sent the bank a detailed report regarding their value, annual income, nature of improvements, possession, title, applicant's general financial position, etc. The *tahsildar* sent the report usually within a month together with an encumbrance certificate for twenty-four years and a statement from the applicant explaining each item in the encumbrance certificate. A second independent report on valuation and income of the securities was also obtained from a valuation officer of the bank. These two reports with the remarks and recommendations of the secretary were then considered by the Board of the bank. A sum not exceeding 50 per cent of the value of the securities was to be generally sanctioned. After the Board's sanction, the sum was disbursed to the party against a registered hypothecation bond executed in favour of the bank. Recovery of outstandings was effected through the revenue authorities under the Revenue Recovery Act by summary process.

10.3 GROW MORE FOOD SCHEMES

The Grow More Food loans were intended for the purchase of agricultural machinery such as pumping engines, tractors, etc., for the construction of minor irrigation works and every other work which tend to increase the agricultural production under the scheme.

The applications for Grow More Food loans were received by the Secretary, Food Production Board. The sufficiency of the security offered for the loan and the necessity and usefulness of the loan were got verified through the *tahsildar* or *tahsildars* concerned. The applicants' title to the security offered etc., were got verified in the Law Department. The loan was then considered by the Food Production Board which sanctioned or rejected the same according to merit. The amount of the sanctioned loan was paid by the *tahsildar* who was also required to watch its utilization. Rules were framed for the grant of loans in aid of the Grow More Food Schemes, subject to a minimum of Rs 500. Under this scheme a loan of any amount might be granted to the owners or occupiers of arable lands for the purpose of increasing food production or to any person having a right to make improvements for the purpose of minor irrigation works such as restoration or

improvement of tanks, wells, etc. Interest was usually charged at 4 per cent per annum, but in special cases Government, if deemed fit, could sanction loans at special rates of interest. Loans were repayable by equal annual instalments discharging both principal and interest. These were granted to the owners of land on security of their lands and on the security of the crops raised or on the security of the machinery, tools and plant purchased or to be purchased with the loan. The maximum period fixed for repayment was five years.

10.4 IMPORTANCE OF GOVERNMENT AS A CREDIT AGENCY

According to the General Schedule data, the proportion of cultivating families who borrowed during the year of Survey from Government and reported debt to Government at the end of the year was 0.3 per cent and 0.2 per cent, respectively. Government as a credit agency was thus not of any significance in the district.

TABLE 10.1—ROLE OF GOVERNMENT AS A CREDIT AGENCY

[General Schedule data]

Group	BORROWINGS			DEBT		
	Proportion of families reporting borrowing from Government (Per cent)	Borrowings per reporting family (Rs)	Borrowings from this agency as percentage of total borrowings	Proportion of families indebted to Government (Per cent)	Debt per indebted family (Rs)	Debt owed to this agency as percentage of the total debt owed
	1	2	3	4	5	6
Big cultivators.....	-	-	-	1.1	11	-
Large cultivators.....	-	-	-	0.4	11	-
Medium cultivators.....	-	-	-	0.1	275	0.1
Small cultivators.....	0.9	33	0.3	0.1	95	0.1
All cultivators.....	0.3	33	-	0.2	58	-
Non-cultivators.....	-	40	-	-	-	-
All families.....	0.2	34	-	0.1	58	-

CHAPTER II

CO-OPERATIVE FINANCE

The origin of the co-operative movement in Quilon district in particular and the erstwhile Travancore State in general could be traced to the Co-operative Societies Regulation which became a law in April 1914. As on 30 June 1951, the position relating to the co-operatives was as follows.

TABLE 11.1—MEMBERSHIP AND SHARE CAPITAL IN DIFFERENT CLASSES OF SOCIETIES IN TRAVANCORE-COCHIN STATE AS ON 30 JUNE 1951

Type of societies	Number of societies	Members	Share capital (Rs)
I. Central societies			
Central banks.....	2	2,012	2,63,506
Central marketing societies.....	1	73	6,005
Central wholesale societies.....	2	86	11,770
Central industrial societies.....	2	194	62,647
Milk unions.....	2	1,024	3,298
Other types.....	2	96	3,298
Land mortgage banks.....	1	3,686	96,100
II. Agricultural societies			
Credit limited.....	285	38,360	6,44,617
Credit unlimited.....	856	1,09,434	13,39,774
Purchase and sale limited.....	307	30,454	3,70,124
Purchase and sale unlimited.....	12	1,672	31,140
Production and sale limited.....	38	5,391	40,467
Production and sale unlimited.....	1	145	441
Production limited.....	25	3,204	1,44,192
Production unlimited.....	—	—	—
Social service limited.....	72	8,079	81,832
Social service unlimited.....	—	—	—
III. Non-agricultural societies			
Credit limited.....	267	71,861	20,67,480
Credit unlimited.....	138	17,573	2,77,578
Purchase and sale limited.....	384	43,546	6,49,896
Purchase and sale unlimited.....	5	759	5,303
Production and sale limited.....	134	16,765	1,88,626
Production and sale unlimited.....	8	548	4,212
Production limited.....	2	131	7,235
Production unlimited.....	—	—	—
Social service limited.....	36	4,795	45,592
Social service unlimited.....	1	501	21,591
Housing limited.....	3	127	3,412
Housing unlimited.....	—	—	—
Total	2,586	3,60,516	63,70,116

In Quilon district, though there was no district co-operative central bank in 1951-2, the Travancore Central Co-operative Bank* was financing the societies. The distribution of the societies in the various talukas of Quilon district was as given in Table 11.2.

* In January, 1954 this was converted into the Travancore-Cochin State Co-operative Bank, presently named as Kerala State Co-operative Bank.

TABLE 11.2—DISTRIBUTION OF SOCIETIES IN THE DISTRICT

Talukas	Area in square miles in 1951	AS ON 30 JUNE 1951	
		Number of societies	Number of members
Quilon.....	146.8	102	14,201
Kottarakkara.....	211.6	39	5,536
Pathanapuram.....	412.6	42	5,674
Shenkotta.....	128.5	14	2,437
Pathanamthitta.....	925.8	103	10,440
Kunnathur.....	149.6	67	7,098
Karunagapally.....	88.4	73	10,522
Karthikapally.....	74.0	84	10,693
Mavelikkara.....	111.4	99	9,664
Thiruvalla.....	211.0	147	13,275
Ampalapuzha.....	146.6	99	12,164
Sherthala.....	123.3	97	19,879

(Source : District Census Handbook, 1951, Quilon and Travancore-Cochin Government Administration Report of the Co-operative Department for the year, 1950-1).

11.1 PRIMARY CO-OPERATIVE CREDIT SOCIETIES

In all thirteen primary credit societies were to be studied. Of these four were found to be 'dormant' and the data in respect of one society were not available. The societies which had not issued any loans during the two years 1949-50 and 1950-1 or reported any trading or other activity at the time of the Survey were defined to be dormant. Some important data regarding the remaining eight societies are given in Table 11.3 below.

TABLE 11.3—IMPORTANT FEATURES OF THE WORKING SOCIETIES

	Year of registration	Number of members	Total owned funds (Rs)	Loans advanced during 1951-2 (Rs)
	1	2	3	4
Society No. 1.....	1950	467	53,060	—
Society No. 2.....	1926	134	2,371	566
Society No. 3.....	1927	416	12,479	13,744
Society No. 4.....	1926	390	12,491	12,871
Society No. 5.....	1921	62	1,029	—
Society No. 6.....	1929	213	3,695	2,437
Society No. 7.....	..	310	4,081	3,325
Society No. 8.....	..	50	955	700

Of the societies listed above, membership in the case of four societies was more than 300, whereas for all societies it ranged from 50 to 467. Many of the societies had been registered even before 1930 and it appeared that only a few societies had made progress not only with regard to extension of membership but also with regard to the financial position.

Seven societies reported that they had one or more persons who were working full time for the society at the time of the Survey. The secretary was reported to be an honorary worker in the case of four societies. Four societies ran ration shops in addition to their credit activities.

The maximum borrowing power was ten times the paid-up share capital plus reserve funds in the case of two societies, Rs 5,000 in the case of three societies and Rs 10,000 or above in the case of two societies. The maximum borrowing power of the society was reported to have been revised in the case of only one society. Only three of the selected societies reported borrowings from central financing agencies, while the remaining had to depend either on the deposits mobilised by them or on their owned funds. Hence, the magnitude of total loan operation was very small. In response to the Supply Questionnaire SQ 1 addressed to the secretaries of the primary co-operative credit societies, almost all reported that the shortage of funds was an important reason for their inability to expand their activities.

Only six societies reported that they had taken steps for increasing share capital. Two of these societies reported that they also took steps for increasing deposits.

11.2 LOAN OPERATIONS OF PRIMARY CO-OPERATIVE CREDIT SOCIETIES

Details about loans advanced by primary co-operative credit societies during the year 1950-1 or in any of the latest years for which information was available were collected. In all 335 loans amounting to Rs 40,136 advanced by working societies were studied. An idea of the distribution of loans according to size can be had from Table 11.4 below.

TABLE 11.4—PRIMARY CO-OPERATIVE CREDIT SOCIETIES : LOANS ADVANCED DURING 1950-1* CLASSIFIED ACCORDING TO SIZE

	Less than Rs 100	Rs 100 to Rs 200	Rs 200 to Rs 300	Rs 300 to Rs 400	Rs 400 to Rs 500	Rs 500 to Rs 1,000	Rs 1,000 and above	Total
	1	2	3	4	5	6	7	8
Number of loans	186	71	57	2	5	14	—	335
Percentage of total number of loans	55.5	21.2	17.0	0.6	1.5	4.2	—	100.0
Amount disbursed (Rs) . .	8,551	8,845	12,985	655	2,100	7,000	—	40,136
Percentage of total amount disbursed	21.3	22.0	32.4	1.6	5.2	17.5	—	100.0

* Or the latest year for which information was available.

It will be seen that about 56 per cent of the loans were given in size of less than Rs 100, the corresponding amount disbursed being about 21 per cent of the total amount disbursed. About 21 per cent of the loans were given in size of Rs 100 to Rs 200, while about 19 per cent of the loans were of size varying between Rs 200 and Rs 500. Only about 4 per cent of the loans were of size varying between

Rs 500 and Rs 1,000; these loans accounted for about 18 per cent of the total amount advanced.

Loans advanced by societies for purchase of land and livestock and other capital expenditure in agriculture accounted for about 8 per cent of the total number of loans, while loans for current expenditure on farm accounted for about 17 per cent. The proportion of the loans for non-farm business to the total number of the loans was 25 per cent. The relevant data are given in Table 11.5 below.

TABLE 11.5—PRIMARY CO-OPERATIVE CREDIT SOCIETIES : LOANS ADVANCED DURING 1950-1* CLASSIFIED ACCORDING TO PURPOSE

[Supply Schedule data]

	CAPITAL EXPENDITURE IN AGRICULTURE				Non-farm business expenditure	Family expenditure	Other expenditure	Total
	Purchase of land	Purchase of livestock	Other capital expenditure in agriculture	Current expenditure on farm				
	1	2	3	4	5	6	7	8
Number of loans.....	21	4	1	58	85	65	101	335
Percentage of total number of loans.....	6.3	1.2	0.3	17.3	25.4	19.4	30.1	100.0
Amount disbursed (Rs)...	6,000	150	50	5,091	6,854	8,384	13,607	40,136
Percentage of total amount disbursed.....	14.9	0.4	0.1	12.7	17.1	20.9	33.9	100.0

* Or the latest year for which information was available.

All the loans given by the societies were at rates ranging between $6\frac{1}{4}$ per cent and $9\frac{3}{8}$ per cent. About 86 per cent of the loans were given at rates ranging between $7\frac{1}{8}$ per cent and $9\frac{3}{8}$ per cent; the amount thus given accounted for 94 per cent of the total amount disbursed.

About 52 per cent of the number of loans involving about 38 per cent of the amount disbursed were given against personal security, while the remaining loans were given against the security of immovable property.

About 82 per cent of the loans accounting for 67 per cent of the amount disbursed were for duration of one to three years, while about 15 per cent of the loans accounting for 31 per cent of the amount disbursed were for duration of three to five years. An idea of the disbursement of the loans according to the duration can be had from Table 11.6 given on page 95.

11.3 MARKETING SOCIETIES

The Travancore Co-operative Wholesale Society at Alleppey was the only marketing institution studied during the Survey. It was registered as early as 1929 but actually started working only from 1937. It had taken up the marketing of products such as pepper, turmeric, copra, coffee and dried ginger.

TABLE 11.6—PRIMARY CO-OPERATIVE CREDIT SOCIETIES : LOANS ADVANCED DURING 1950-1* CLASSIFIED ACCORDING TO DURATION

[Supply Schedule data]

	One year or less	One to three years	Three to five years	Over five years	Period not specified	Total
	1	2	3	4	5	6
Number of loans	9	276	49	—	1	335
Percentage of total number of loans	2.6	82.4	14.7	—	0.3	100.0
Amount disbursed (Rs)	410	27,001	12,370	—	355	40,136
Percentage of total amount disbursed	1.0	67.3	30.8	—	0.9	100.0

* Or the latest year for which information was available.

The society had a membership of 162 societies and 75 individuals as on 30 June 1951 with a paid-up share capital of Rs 9,560. It had built up reserves and other funds to the tune of Rs 65,307. The society depended mainly on the funds borrowed from the Travancore Central Co-operative Bank, which amounted to Rs 1.35 lakhs as on 30 June 1951. The particulars of its marketing activities during 1949-50 and 1950-1 are given below.

	1949-50 (Rs)	1950-1 (Rs)
Value of purchases during the year	47,16,325	93,05,203
Value of sales	49,41,313	94,63,000

The Travancore Warehouse Act was passed in 1121 (M.E.) (1946 A.D.) prior to merger of Travancore with Cochin. But, no licensed warehouse had been organized till 1951-2.

11.4 CENTRAL FINANCING AGENCIES

As already stated, the Travancore Central Co-operative Bank was financing the societies in Quilon district. It was registered on 23 November 1915 and was subsequently operating as central financing agency for all the co-operative institutions in the erstwhile Travancore State. The Registrar of Co-operative Societies who had assumed the charge as Chairman of the Bank in the year 1943, continued to be the Chairman during the year 1951-2.

11.5 ROLE OF CO-OPERATIVES

As already stated in Chapter 9, co-operatives accounted for less than 5 per cent of the total borrowings of cultivators. The data given in Table 11.7 on page 96 also bring out the comparatively minor role played by the co-operatives.

It will be seen from Table 11.7 that a very small proportion of the amount advanced by co-operatives had gone to small cultivators.

TABLE 11.7—BORROWINGS FROM CO-OPERATIVES

[General Schedule data]

	Average amount borrowed per family from co-operatives (Rs)	Borrowings from co-operatives by this group as percentage of total borrowings from co-operatives	Proportion of families borrowing from co-operatives (Per cent)	Average borrowings from co-operatives per family borrowing from co-operatives (Rs)
	1	2	3	4
Big cultivators.....	25	3.2	2.1	1,207
Large cultivators.....	31	5.6	2.7	1,180
Medium cultivators.....	6	3.4	4.1	157
Small cultivators.....	3	2.5	2.1	130
All cultivators.....	13	4.6	3.1	419
Non-cultivators.....	1	1.6	1.7	82
All families.....	9	4.3	2.6	355

Even with regard to borrowings for short-term agricultural purposes, co-operatives were a relatively unimportant source of credit, as can be seen from the table below.

TABLE 11.8—ROLE OF CO-OPERATIVES

[Intensive enquiry data. Amount in rupees per family]

Purpose-duration	BORROWINGS		DEBT	
	Average borrowings from co-operatives	Proportion of borrowings from co-operatives for the respective purpose-duration to the total borrowings from all agencies (Per cent)	Average debt owed to co-operatives	Proportion of debt owed to co-operatives for the respective purpose-duration to the total debt owed to all agencies (Per cent)
	1	2	3	4
Agricultural				
Short-term.....	0.3	1.8	0.2	1.9
Long-term.....	—	—	—	—
Non-agricultural				
Short-term.....	—	—	—	—
Long-term.....	—	—	—	—
Consumption				
Short-term.....	1.4	6.9	0.9	4.3
Long-term.....	1.2	3.0	0.8	1.2
Repayments of old debts.....	2.6	25.9	6.2	24.9
Other purposes.....	—	—	2.6	14.8

Less than 2 per cent of the total borrowings of cultivators for short-term agricultural purposes was from co-operatives. As will be seen from the table above, about 7 per cent of the total borrowings of cultivators for short-term consumption purposes was from co-operatives. Even in regard to borrowings for repayment of old debts, the role played by co-operatives as indicated by the average amount borrowed from co-operatives was relatively minor. As for long-term agricultural purposes, in the absence of a land mortgage bank for the district, cultivators had to depend mostly on private credit agencies.

11.6 CHIT FUNDS

The institution of chit funds which dates back to the period even prior to the organization of co-operative credit societies, is a noteworthy feature of the rural credit system in Quilon district.

In view of the importance of the chit fund institutions a special enquiry was conducted in the district in the year 1952. The report on the said enquiry is set out in the appendix.

The working of Chit Funds, as organized at present by private individuals, *viz.*, 'Foremen', is regulated under the Travancore Chitties Act. The interest rates which the borrowers have to pay are in many cases on the high side. With the changes in the structure and working of these Chit Funds and the institution of 'mutual help chit funds' by co-operative societies as recommended by the Committee of Direction of the All-India Rural Credit Survey, Chit Funds may be expected to play important role in the integrated credit scheme for rural credit development.

CHAPTER 12

PRIVATE CREDIT AGENCIES

12.1 LEGAL STRUCTURE

The legal framework within which the private credit agencies generally had to operate were (1) Acts attempting direct regulation of moneylenders, (2) Regulations of mortgage credit attempted through restrictions on sale and mortgage of land, and (3) Legislation passed chiefly in the depression and post-depression era for scaling down or adjusting debt. During the period covered by the Survey, among others, the following Acts and Regulations were in force in Travancore-Cochin.

1. The Travancore Regulations I and IV of 1010 (ME)
2. The Travancore Civil Procedure Code Regulation VIII of 1100 (ME)
3. The Cochin Usurious Loans Regulation XXVIII of 1111 (ME)
4. The Debt Relief Act of 1116 (ME)

12.2 TYPES OF DATA DISCUSSED

There is no generally accepted classification of private agencies in the field of rural credit. Apart from institutions like co-operatives and banks, all the creditors were individuals and private firms, and most of them operated a mixed business. While collecting information regarding the loan transactions of the families investigated on the 'demand' aspect of the Survey, we attempted initially to distinguish moneylending proper from credit operations connected chiefly with other activities such as trading.

For certain classes of private credit agencies, we have, in addition, the information collected in the questionnaires on the 'supply' aspect of the enquiry. Through the Supply Questionnaire SQ 2, an attempt was made to obtain information regarding credit operations of all the traders in agricultural commodities in the selected villages and some selected traders in Quilon, Alleppey, Kozhenchery, Kayamkulam and Punalur. Through Supply Questionnaire SQ 3, all the moneylenders in the selected villages and some selected moneylenders in the four selected centres and at the district headquarters were approached for information regarding their mode of operations. An attempt was also made to study through Supply Schedule No. SY 7 a sample of the loans given by each moneylender in all those cases where the necessary details were made available. It is not possible to classify the data collected in respect of moneylenders separately for professional and agriculturist moneylenders so as to correspond with the classification adopted for the 'demand' side data; on the 'supply' side, a two-fold classification of moneylenders as between rural and urban moneylenders was made. The Supply Questionnaire SQ 4 was specifically devised for collecting detailed information from moneylenders

who could be classed as indigenous bankers. The Supply Questionnaire SQ 5 addressed to all the commercial banks including the Imperial Bank of India in the selected districts was used for obtaining information regarding the advances of commercial banks for agricultural purposes. No investigation on the lending operations of relatives and landlords was made on the 'supply' aspect of the enquiry. In all, on the 'supply' side, we studied one village moneylender, twelve urban money-lenders, ten indigenous bankers and seventy-eight traders in agricultural commodities. Returns from 120 out of 177 commercial banks in the district were received.

12.3 RELATIVES

We have already observed in Chapter 9 that relatives supplied about one-fifth of the total credit obtained by cultivators. Data relating to credit transactions with relatives in respect of various types of cultivators as also non-cultivators are given in Table 12.1 below.

TABLE 12.1—BORROWINGS FROM AND DEBT OWED TO RELATIVES

[General Schedule data]

Group	BORROWINGS			DEBT	
	Proportion of families borrowing from this agency	Proportion of borrowings from this agency to the total borrowings	Average borrowings from this agency per family borrowing from this agency (Rs)	Proportion of debt owed to this agency to the total debt owed	Average debt owed to this agency per family
	(Per cent)	(Per cent)	(Rs)	(Per cent)	(Rs)
	1	2	3	4	5
Big cultivators.....	29.7	27.3	741	23.0	223
Large cultivators.....	32.4	24.4	425	21.6	138
Medium cultivators.....	28.5	17.2	114	16.4	34
Small cultivators.....	23.5	18.9	87	19.9	19
All cultivators.....	28.1	21.8	215	20.1	61
Non-cultivators.....	19.7	14.3	61	12.1	11
All families.....	25.6	20.9	179	19.1	46

About 27 per cent of the total amount borrowed by the big cultivators was from relatives ; the corresponding proportion was 17 per cent in the case of medium cultivators and 19 per cent in the case of small cultivators. Borrowings from relatives per borrowing family varied from Rs 87 in the case of small cultivators to Rs 741 in the case of big cultivators, though in the case of non-cultivators the average amount borrowed was only Rs 61. Data relating to borrowings from relatives classified according to the various purposes and periods are given in Table 12.2. The relatives supplied about 40 per cent of the total borrowings for long-term agricultural and long-term non-agricultural purposes. About 43 per cent

of the total borrowings from relatives was for agricultural purposes, while about 29 per cent was for consumption purposes.

TABLE 12.2—BORROWINGS FROM RELATIVES CLASSIFIED ACCORDING TO PURPOSE-PERIOD

[Intensive enquiry data]

Purpose-Duration	Average borrowings per family (Rs)	Proportion of borrowings from this agency to the total borrowings from all agencies for this purpose (Per cent)	Proportion of borrowings for this purpose to the total borrowings for all purposes from this agency (Per cent)
Agricultural			
Short-term.....	4.4	29.9	18.6
Long-term.....	5.7	39.9	24.5
Non-agricultural			
Short-term.....	0.3	1.3	1.4
Long-term.....	6.2	38.9	26.7
Consumption			
Short-term.....	2.0	10.0	8.4
Long-term.....	4.8	12.6	20.4
Repayment of old debts.....	—	—	—
Other purposes.....	—	—	—
Total.....	23.3	15.6	100.0

12.4 VILLAGE MONEYLENDERS, URBAN MONEYLENDERS AND INDIGENOUS BANKERS

As stated before, only one village moneylender, twelve urban moneylenders and ten indigenous bankers were studied. Ordinarily, questions requiring them to give quantitative information, such as they may usually not be inclined to give, were not included in the questionnaires; questions which yielded affirmative or negative reply were generally included. This makes the problem of giving a factual description of the working of the private credit agencies difficult. It is also not possible to assess the degree of reliability of information on some aspects obtained from some of the moneylenders. In very few cases it was possible for our investigators to have access to the account books and records of these moneylenders. The field staff was instructed to study about ten selected loans given by each moneylender as a case study if they were prepared to show their account books.

Of the twelve urban moneylenders answering the question, seven reported that they were also cultivators, while three reported that they were also non-cultivating landowners. Seven moneylenders reported that they were engaged in one or more of the other occupations, viz., shopkeeper, trader in agricultural commodities, general merchant, goldsmith and jeweller. Only one of the twelve moneylenders answering the question did not report any other occupation. This would indicate that moneylending as a profession is being carried on by persons who are engaged in other business activities also.

Eight of the thirteen moneylenders studied in the district reported that they accepted deposits. In this connection, it may be noted that we had defined an

indigenous banker as one who accepted deposits and dealt in *hundis*. In respect of all those moneylenders who were identified as indigenous bankers, another questionnaire (Supply Questionnaire SQ 4) was also to be filled in by the field staff.

Of the ten indigenous bankers who responded to Supply Questionnaire SQ 4, one was a trader in agricultural commodities, two were brokers and/or commission agents, two were shopkeepers and one was a goldsmith and jeweller.

Of the seven indigenous bankers responding to Supply Questionnaire SQ 3, four answered the questions regarding their dealings with agriculturists. Out of these four indigenous bankers, three reported that they also dealt with agriculturists. One of them said that agriculturists constituted 25 per cent or less of the total clientele, while two said that agriculturists constituted between 50 and 100 per cent of the total clientele.

12.5 LANDLORDS

According to the General Schedule, less than 3 per cent of the cultivating families reported borrowings from landlords. This agency accounted for about 1 per cent of the total borrowings of the cultivators. Hence, landlords as a source of credit were unimportant.

12.6 PROFESSIONAL MONEYLENDERS, TRADERS AND COMMISSION AGENTS

Borrowings from persons who are, in the main, traders, commission agents, etc., were treated together under the category of 'traders and commission agents', referred to hereafter as traders. According to the General Schedule data, about one-third of the total borrowings of cultivators were from professional moneylenders

TABLE 12.3—BORROWINGS FROM AND DEBT OWED TO PROFESSIONAL MONEYLENDERS AND TRADERS AND COMMISSION AGENTS

[General Schedule data]

	PROFESSIONAL MONEYLENDERS					TRADERS AND COMMISSION AGENTS				
	BORROWINGS			DEBT		BORROWINGS			DEBT	
	Proportion of families borrowing from professional money-lenders	Proportion of borrowings from professional money-lenders to the total borrowings	Average borrowing from professional money-lenders per family borrowing from the agency	Proportion of debt owed to professional money-lenders to the total debt owed	Average debt owed to professional money-lenders	Proportion of families borrowing from traders and commission agents	Proportion of borrowings from traders and commission agents to the total borrowings	Average borrowing from traders and commission agents per family borrowing from the agency	Proportion of debt owed to traders and commission agents to the total debt owed	Average debt owed to traders and commission agents
	(Per cent)	(Per cent)	(Rs)	(Per cent)	(Rs)	(Per cent)	(Per cent)	(Rs)	(Per cent)	(Rs)
	1	2	3	4	5	6	7	8	9	10
Big cultivators.....	33.2	35.8	869	48.1	467	34.2	26.2	617	16.7	162
Large cultivators.....	36.0	34.4	540	48.5	309	32.4	27.7	482	17.0	109
Medium cultivators...	28.8	31.5	208	47.9	99	34.2	32.5	179	22.2	48
Small cultivators.....	27.0	34.9	141	48.8	47	31.6	29.4	101	16.7	16
All cultivators.....	30.4	33.7	308	48.4	147	32.9	29.2	246	18.4	56
Non-cultivators.....	17.2	28.1	139	45.1	41	36.7	49.3	114	32.3	30
All families.....	26.4	33.0	274	48.0	114	34.0	31.5	203	20.0	48

Borrowings from agriculturist moneylenders were not reported by cultivating families either in the General Schedule or in the Intensive enquiry.

and about 29 per cent from traders. About one-third of the total number of cultivating families reported borrowings from each of these two agencies. The relevant data are given in Table 12.3.

The figures relating to the proportion of families borrowing from these two agencies did not show any marked variation among different classes of cultivators.

Borrowings from professional moneylenders and 'traders', as reported in the intensive enquiry, were classified into eight categories depending upon the purpose and duration. The relevant data are given in Table 12.4.

TABLE 12.4—BORROWINGS FROM PROFESSIONAL MONEYLENDERS AND TRADERS AND COMMISSION AGENTS CLASSIFIED ACCORDING TO PURPOSE-DURATION

[Intensive enquiry data]

Purpose-Duration	PROFESSIONAL MONEYLENDERS			TRADERS AND COMMISSION AGENTS		
	Average borrowings per family	Proportion of borrowings from professional money-lenders to the total borrowings from all agencies for the specified purpose	Proportion of borrowings for the specified purpose to the total borrowings for all purposes from professional money-lenders	Average borrowings per family	Proportion of borrowings from traders and commission agents to total borrowings from all agencies for this purpose	Proportion of borrowings for the specified purpose to the total borrowings for all purposes from traders and commission agents
	(Rs)	(Per cent)	(Per cent)	(Rs)	(Per cent)	(Per cent)
	1	2	3	4	5	6
Agricultural						
Short-term.....	3.0	20.3	4.3	3.8	25.8	9.4
Long-term.....	3.5	24.1	5.1	3.4	23.4	8.4
Non-agricultural						
Short-term.....	15.5	62.5	22.7	5.9	23.9	14.8
Long-term.....	9.2	57.3	13.4	0.6	3.8	1.5
Consumption						
Short-term.....	8.3	42.4	12.2	7.2	36.5	17.8
Long-term.....	25.2	66.3	36.9	5.1	13.3	12.6
Repayment of old debts..	3.7	37.4	5.4	2.9	29.3	7.3
Other purposes.....	—	—	—	11.3	94.0	28.2
Total.....	68.3	45.7	100.0	40.1	26.8	100.0

The professional moneylenders and traders appear to be the two important credit agencies for supplying short-term agricultural finance, in as much as 46 per cent of the total borrowings for short-term agricultural purposes was accounted for by these agencies. As regards borrowings for long-term agricultural purposes, the bulk of the total credit was also obtained from these two agencies.

In the intensive enquiry, details relating to securities and rate of interest had also been collected. According to this data, about 52 per cent of the total debt

owed to professional moneylenders was against immovable property, while 46 per cent was against personal security. About 2 per cent of the debt owed to professional moneylenders was against the security of bullion and ornaments and movable property. In the case of debt owed to traders about 91 per cent was against personal security. The relevant data are given in Table 12.5 below.

TABLE 12.5—DEBT OWED TO PROFESSIONAL MONEYLENDERS AND TRADERS AND COMMISSION AGENTS CLASSIFIED ACCORDING TO SECURITY

[Intensive enquiry data. Amount in rupees per family]

Credit agency	Total	DEBT OWED AGAINST THIS SECURITY					
		Personal security	Bullion and ornaments	Immovable property		Movable property	Other
				Simple mortgage	Usufructuary mortgage		
	1	2	3	4	5	6	7
Professional moneylenders							
Amount outstanding.....	133.5	61.1	2.0	26.9	43.0	0.5	-
Proportion to the total amount owed to this agency (Per cent)	100.0	45.7	1.5	20.2	32.2	0.4	-
Traders and commission agents							
Amount outstanding.....	34.7	31.7	0.7	2.3	-	-	-
Proportion to the total amount owed to this agency (Per cent)	100.0	91.4	2.1	6.5	-	-	-

Of the total borrowings from professional moneylenders as reported by the selected cultivating families in the intensive enquiry, about 79 per cent was at interest rates varying from 10 per cent to 12½ per cent per annum. About 8 per cent of the borrowings from this agency was at interest rates varying from 18 per cent to 50 per cent per annum. Sixty-five per cent of the borrowings from traders was interest-free, while about 14 per cent was at interest rates varying from 10 to 12½ per cent per annum. The relevant data are presented in Table 12.6 below.

TABLE 12.6—BORROWINGS FROM PROFESSIONAL MONEYLENDERS AND TRADERS AND COMMISSION AGENTS CLASSIFIED ACCORDING TO RATE OF INTEREST

[Intensive enquiry data. Amount in rupees per family]

Credit agency	Total	RATE OF INTEREST											
		Nil	Less than 3½ per cent	From 3½ to 7 per cent	From 7 to 10 per cent	From 10 to 12½ per cent	From 12½ to 18 per cent	From 18 to 25 per cent	From 25 to 35 per cent	From 35 to 50 per cent	50 per cent and above	Unspecified	
		1	2	3	4	5	6	7	8	9	10	11	12
Professional moneylenders													
Amount borrowed	68.3	-	-	7.9	1.3	53.8	-	3.2	1.2	0.9	-	-	-
Proportion to the total amount borrowed from this agency....	100.0	-	-	11.6	1.9	78.8	-	4.6	1.7	1.4	-	-	-
Traders and commission agents													
Amount borrowed	40.1	25.8	-	0.7	-	5.7	-	4.8	3.0	-	-	-	-
Proportion to the total amount borrowed from this agency....	100.0	64.5	-	1.8	-	14.2	-	12.1	7.4	-	-	-	-

It is, however, difficult to give a positive explanation for such a high proportion of interest-free loans from traders, though one possible explanation is that a substantial proportion of these borrowings from traders and wholesalers was on the understanding that the produce would be sold to them after harvest and the cultivators were committed to sell the produce through the trader-cum-moneylender. In this context it may be pointed out that in some of the selected villages the traders were also retail dealers in provisions. These traders-cum-retailers would advance credit to the cultivators in the form of daily necessities of life from their provisions shop. Further, it may be mentioned that itinerant merchants, often agents of wholesale merchants in the large commercial centres, advanced small amounts to cultivators on the security of standing crops. In such cases the relation between the debtors and the creditor is more personal than business like. Repayments of such advances are usually made in kind, the creditor's word being final as regards the price of the produce. All this would in effect, perhaps, imply that the produce would be sold at rates lower than the prevailing market rates. It is, therefore, imperative that the loans which were reported as interest-free be examined in the broader context of the relationship between the trader-cum-moneylender and the cultivator. This interlinking between marketing and credit activities, which is a special feature of the private credit agencies appear to be a development which needs to be taken account of.

TABLE 12.7—VALUE OF CROPS AND FODDER SOLD BY SELECTED CULTIVATORS TO DIFFERENT AGENCIES

[Intensive enquiry data. Amount in rupees per family]

Group	VALUE OF CROPS AND FODDER SOLD TO				Value of total produce sold	Value of crops and fodder sold to traders and commission agents as percentage of value of total produce sold	Value of total produce sold as percentage of value of gross produce
	Traders and commission agents	Factories	Co-operatives	Other agencies (including Government)			
	1	2	3	4	5	6	7
Upper Strata.....	480	—	—	51	532	90.2	51.7
Lower Strata.....	81	—	6	5	92	87.5	65.7
All cultivators....	281	—	3	28	312	89.9	53.4

The value of crops and fodder sold by cultivators during the year covered by the intensive enquiry constituted about 53 per cent of the total value of gross produce ; of this 90 per cent was sold to 'traders'. It is needless to stress the point that even if the terms regarding the sale of crops are unfavourable to a very small extent to the cultivators, the repercussions of this on the total financial resources of the cultivators would be quite significant. This aspect of the interlinking between credit and marketing transaction is particularly emphasized by the data regarding the marketing operations collected in the intensive enquiry. The relevant data are given in Table 12.8, which show that in respect of a large proportion of the total number of sale transactions with traders, the price was settled before delivery and money was borrowed in anticipation of sales or money was owed prior to sale.

TABLE 12.8—SALE TRANSACTIONS WITH TRADERS AND COMMISSION AGENTS
[Intensive enquiry data]

	Upper strata	Lower strata
Number of cultivators interviewed	80	40
Number of sale transactions entered into with traders and commission agents	186	83
Proportion@ of sale transactions in which the commodity was delivered in the village of residence (Per cent)	77.2	79.5
Proportion@ of sale transactions in which price was settled before delivery (Per cent)	21.5	22.5
Proportion* of sale transactions in which advance was received before delivery (Per cent)	18.3	10.8
Proportion* of sale transactions in which money was borrowed in anticipation of sales (Per cent)	30.1	26.5
Proportion* of sale transactions in which money was owed prior to sale (Per cent)	29.6	28.9

@ Proportion refers to the total number of sale transactions in respect of which proper answers have been given.

* Proportion refers to the total number of sale transactions entered into with traders and commission agents.

Considering that in respect of about 78 per cent of the sale transactions entered into by cultivators with traders, the produce was delivered in the village itself, this interlinking between credit and marketing appears to be a very noteworthy feature of the operations of private credit agencies.

12.7 COMMERCIAL BANKS

About 10 per cent of the cultivating families reported borrowings from commercial banks ; borrowings from this agency accounted for 6.6 per cent of the total borrowings of cultivators from all agencies. The relevant data are given in Table 12.9 below.

TABLE 12.9—ROLE OF COMMERCIAL BANKS
[General Schedule data]

Group	Proportion of families borrowing (Per cent)	Proportion of borrowings from this agency to the total borrowings (Per cent)	Average amount borrowed per family (Rs)	Average amount borrowed per borrowing family (Rs)
	1	2	3	4
Big cultivators.....	11.8	4.7	38	321
Large cultivators.....	13.5	5.5	31	231
Medium cultivators.....	10.2	9.0	17	165
Small cultivators.....	6.4	6.5	7	111
All cultivators.....	10.1	6.6	18	181
Non-cultivators.....	4.3	2.7	2	52
All families.....	8.3	6.1	13	161

In the intensive enquiry, details regarding purpose of borrowings, etc., were collected. According to this data, about 19 per cent of the borrowings of cultivators for short-term agricultural purposes was from commercial banks, as can be seen from Table 12.10. Of all the districts surveyed, Quilon was the only district in which the selected cultivators reported borrowings from commercial banks for short-term non-agricultural purposes and for repayment of old debts. The borrowings for the former accounted for the largest share of the total borrowings from this agency.

TABLE 12.10—BORROWINGS FROM COMMERCIAL BANKS CLASSIFIED ACCORDING TO PURPOSE-DURATION

[Intensive enquiry data. Amount in rupees per family]

Purpose-Duration	Average borrowing per family	Proportion of borrowings from this agency to the total borrowings from all agencies for this purpose (Per cent)	Proportion of borrowings for this purpose to the total borrowings for all purposes from this agency (Per cent)
Agricultural			
Short-term.....	2.8	19.0	23.6
Long-term.....	1.8	12.6	15.4
Non-agricultural			
Short-term.....	3.1	12.3	26.0
Long-term.....	—	—	—
Consumption			
Short-term.....	0.8	4.2	7.1
Long-term.....	1.8	4.8	15.6
Repayment of old debts.....	0.7	7.4	6.2
Other purposes.....	0.7	6.0	6.1
All purposes.....	11.8	7.9	100.0

According to the intensive enquiry data, all the debt owed to commercial banks was against the security of bullion and ornaments. Rates of interest on borrowings ranged from 7 per cent to 12½ per cent per annum, as can be seen from Table 12.11 below.

TABLE 12.11—BORROWINGS FROM COMMERCIAL BANKS CLASSIFIED ACCORDING TO RATE OF INTEREST

[Intensive enquiry data. Amount in rupees per family]

	Total	RATE OF INTEREST					
		Nil	Less than 3½ per cent	From 3½ to 7 per cent	From 7 to 10 per cent	From 10 to 12½ per cent	12½ per cent and above
	1	2	3	4	5	6	7
Amount borrowed.....	11.8	—	—	—	0.6	11.2	—
Borrowings at specified rate of interest as percentage of total borrowings from this agency..	100.0	—	—	—	5.2	94.8	—

One hundred and seventy-seven commercial bank offices were reported to be operating in the district during 1951-2; 120 filled in questionnaires (Supply Questionnaire SQ 5) were received. The information collected in the questionnaire related to the advances made directly to cultivators against the security of agricultural produce, and advances against bullion and other collateral and clean advances. The questionnaire also included questions relating to advances against agricultural produce to wholesalers. The figures of advances supplied by the banks were those outstanding as on 30 September 1951. We give below the consolidated data based on the 120 returns.

Agricultural advances by commercial banks as on 30 September 1951

Advances against agricultural produce (direct to cultivators) (Rs) ..	34,976
Advances to Wholesalers against agricultural produce for financing agriculture (Rs)	11,396
Advances (for agriculture) against Bullion and other collaterals (Rs)	9,71,780
Clean Advances (for agriculture) (Rs)	3,29,009

Advances against agricultural produce direct to cultivators were reported in thirteen out of the 75 selected districts of which Quilon is one. In Quilon, the amount of such advances was reported to be Rs 34,976. Advances for agriculture against bullion and other collateral (excluding agricultural produce) amounted to Rs 9.72 lakhs and clean advances for agriculture amounted to Rs 3.29 lakhs.

TABLE 12.12—FINANCIAL SUPERSTRUCTURE : PRIVATE CREDIT AGENCIES

[Supply side investigations]

	Number responding	Number of respondents who had to borrow and reported borrowings	NUMBER OF RESPONDENTS WHO SAID THAT THEY BORROWED FROM THIS SOURCE						
			Commercial banks	Indigenous bankers	Money-lenders	Manufacturing and processing concerns	Wholesalers and export firms	By drawing hundies	Others
	1	2	3	4	5	6	7	8	9
Village money-lenders.....	1	1	1	-	-	@	@	-	1
Urban money-lenders.....	12	8	7	-	-	@	@	-	4
Traders.....	78	60	38	3	15	4	5	1	25

@ Borrowing, if any, are included under 'others'.

12.8 FINANCIAL SUPERSTRUCTURE BEHIND THE PRIVATE CREDIT AGENCIES

With a view to studying the superstructure of private credit agencies, in the questionnaire addressed to moneylenders, among others, the following two questions were included. "Are you able to meet the heavy demands completely from your own resources, i.e., without resorting to borrowings? If not, what are the sources through

which you can obtain funds?" The sources listed were (i) commercial banks, (ii) indigenous bankers, (iii) other moneylenders, (iv) drawing of *hundies* and (v) 'other sources'. In the questionnaire addressed to traders, some additional sources of credit, viz., manufacturing and processing concerns and wholesalers and export firms were also listed.

Nine of the thirteen moneylenders and sixty of the seventy-eight traders responding to the questionnaire reported that they could not meet the demand for funds from their clientele from their owned resources. Of the moneylenders who had to resort to borrowings, eight reported that they borrowed from commercial banks. Also in the case of traders, the commercial banks appear to be an important source of credit; of the traders who had to resort to borrowing, 38 reported borrowing from this agency. As against this, of the traders who had to borrow, 15 and 3 reported borrowings from moneylenders and indigenous bankers, respectively.

CHAPTER 13

CONCLUDING REMARKS

Of the 75 districts selected for enquiry in the All-India Rural Credit Survey, Quilon district could be said to be one among the more commercialized and monetized districts. The two most outstanding features of the rural economy of this district are the high proportion of produce which is marketed and the high proportion of current farm cash expenditure to the total current farm expenditure. The dependence of the cultivators on the market economy is emphasized by the relatively high proportion of borrowings from traders-cum-moneylenders as also from commercial banks. For purposes of comparison we give below the comparable estimates for Quilon district and All-India based on the Survey in the 75 selected districts.

	Quilon (Average in rupees per cultivating family)	All-India (Average in rupees per cultivating family)
Value of gross produce (Intensive enquiry).....	584	752
Receipts from sale of crops and fodder (Intensive enquiry).....	312	261
Financial investment expenditure (General Schedule).....	54	4
Current farm expenditure (Intensive enquiry) ..	468	495
Current farm cash expenditure (Intensive enquiry).....	321	282
Proportion of borrowings from commercial banks.....(Per cent)	6.6	0.9

As will be seen from the above data a higher proportion of gross produce was sold and the proportion of cash to total current farm expenditure was also higher in Quilon district.

13.1 CREDIT TRANSACTIONS

About 74 per cent of the cultivators in the district reported borrowings during the year covered by the Survey, 30 per cent having borrowed from professional moneylenders, many of whom were carrying on trading activities. About 33 per cent of the cultivators borrowed from traders and commission agents, 28 per cent from relatives and 10 per cent from commercial banks. The average borrowing per borrowing cultivating family was about Rs 377, while the average debt per

indebted cultivating family was about Rs 404 ; about 75 per cent of the cultivating families were reported to be indebted. As is to be expected, the volume of debt per family in the case of the bigger cultivators was higher. The incidence of debt in relation to the size of operations was, however, greater in the case of smaller cultivators. Only about 46 per cent of the debt was contracted by selected cultivators during the year itself and about 45 per cent was outstanding for one to three years.

TABLE 13.1—BORROWINGS AND INDEBTEDNESS IN QUILON DISTRICT AS COMPARED TO THOSE FOR ALL-INDIA

[Amount in rupees]

	PROPORTION OF BORROWING FAMILIES		AVERAGE BORROWING PER FAMILY		AVERAGE BORROWING PER BORROWING FAMILY	
	Quilon	All-India	Quilon	All-India	Quilon	All-India
	1	2	3	4	5	6
Big cultivators.....	71·8	56·7	806	528	1,122	931
Large cultivators.....	75·7	59·4	564	357	745	601
Medium cultivators.....	74·5	60·7	187	173	252	285
Small cultivators.....	70·3	55·1	108	111	154	201
All cultivators.....	73·6	58·6	278	210	377	358
Non-cultivators.....	67·7	38·6	85	66	125	171
All families.....	71·8	51·7	219	160	305	309

About half the borrowings of rural families were for family expenditure ; borrowings for non-farm business expenditure accounted for about 23 per cent, while borrowings for capital expenditure in agriculture accounted for 14 per cent. About 40 per cent of the borrowings of selected cultivators were for short-term duration for agricultural, non-agricultural and consumption purposes ; about 46 per cent of the total borrowings were for medium and long-term purposes. Borrowings for repayment of old debts accounted for only 7 per cent of the total borrowings of selected cultivators.

About two-fifths of the debt of selected cultivators was against security of immovable property and less than one-tenth against bullion and ornaments. The remaining debt was against personal security.

13.2 EXPENDITURE AND SOURCE OF FINANCE

About one-fourth of the expenditure on death ceremonies and 'construction and repairs of residential houses and other buildings' and about one-third of the expenditure on 'marriage and other ceremonies' and medical expenses were financed by rural families out of borrowings. Of the total borrowings of rural families for family expenditure, expenditure on ceremonies accounted for about one-fourth, while borrowings for expenditure on construction and repairs of residential houses and other buildings and purchase of durable goods together accounted for another

one-fourth ; of the remaining amounts borrowed for family expenditure, the major portion appeared to be largely on consumption account.

The most noteworthy feature of the district was that about 19 per cent of the capital expenditure of cultivating families was in the form of financial investment, and about 24 per cent was in the form of non-farm business expenditure.

Of the total capital expenditure of cultivating families, the proportion of expenditure on different items of capital expenditure in agriculture was 19 per cent for purchase of land, 10 per cent for purchase of livestock, 1 per cent for digging and repairs of wells, 2 per cent each for development of other irrigation resources and purchase of implements, machinery and transport equipment. Though the net expenditure on purchase of land was very small, transfer of some lands from urban residents to rural residents appears to have taken place. About one-fourth of the expenditure on purchase of livestock was financed out of borrowings by rural families. About 16 per cent of the expenditure on digging and repair of wells and about one-fifth of the expenditure on development of other irrigation resources were financed out of borrowings by rural families. About 13 per cent of the expenditure on purchase of implements, machinery and transport equipment was financed out of borrowings by rural families ; the expenditure so financed comprised 42 per cent of the expenditure on laying of new orchards and plantations.

More than two-thirds of the total current farm expenditure of cultivators recorded in the Survey was in cash. This is one of the highest proportions recorded among the selected districts. More than two-fifths of the total cash receipts of cultivators were by way of sale of crops and fodder. Other cash receipts in the form of wages and remittances appear to be important in augmenting the resources of cultivators.

Receipts from sale of crops and fodder constituted about 50 per cent of the value of gross produce harvested. The value of disposals in kind immediately after harvest towards rent, wages, remuneration to artisans, etc., and other payments at harvest time constituted only about 12 per cent of the value of gross produce.

13.3 NET BALANCE ON CAPITAL TRANSACTIONS

The relatively disadvantageous position of smaller cultivators is evident from the net-disinvestment position as reflected from the data relating to capital expenditure, repayments, sale of assets and borrowings. The calculations for the district regarding net investment and disinvestment of cultivators, in terms of definite changes in physical assets or financial assets owned, indicate that only small cultivators show a net disinvestment position. That is to say that the total results of economic activity during the year were such that the small cultivators were worse off at the end of the year.

13.4 CREDIT AGENCIES

Government finance was not of any significance in the district. Only 0.3 per cent of the cultivating families borrowed from Government. The proportion of borrowings from this agency to the total borrowings from all agencies and average borrowing per family were negligible. The relatively unfavourable position of small

cultivators is indicated by the fact that finance from co-operatives appears to be more easily available to large and medium cultivators than to small cultivators. Largely because of the emphasis by co-operatives on the ability of the borrower to give landed property as security for loans and partly because of the inferior economic status of the small cultivators, a substantial portion of loans from co-operatives appears to have been advanced to bigger cultivators. The co-operative movement was relatively undeveloped in the district.

The cultivators were thus left with no other source but private credit agencies for meeting their credit needs. About 63 per cent of the borrowings of the cultivators were from professional moneylenders and traders and commission agents. Further, in the case of a large proportion of sale transactions of cultivators, money was owed to the trader-cum-moneylender even prior to the actual sale. This inter-linking between credit and marketing coupled with the fact that in respect of about 78 per cent of the sale transactions the produce was delivered in the village itself, ensured complete domination of the moneylender-cum-trader on the rural credit structure in Quilon.

It is against this background that the reported 'interest-free' borrowings from traders and commission agents need to be understood. About 65 per cent of the borrowings from traders and commission agents were reported by selected cultivators as interest-free. It is possible that these interest-free loans represented to some extent advances to cultivators against the stipulation that the produce would be sold to the creditors, which might, in effect, mean that the produce would be sold at rates lower than either the prevailing market rates or the rates which the cultivators would have got had they withheld the produce from the market for some more time. In all such instances, the relationship between the debtor and creditor would be influenced by the nature of sale transactions and the relative bargaining strength of the two parties concerned. There is yet another set of data which convincingly show that the interest rates charged by many moneylenders were high. Thus, more than three-fourths of the borrowings of selected cultivators from professional moneylenders were at rates between 10 and 12½ per cent and one-fifth of the borrowings of selected cultivators from traders and commission agents were at rates between 18 and 35 per cent per annum.

As regards the complicated relationship between the different agencies which finance the moneylenders and traders, it can be stated that the private credit structure has the moneylender and trader chiefly as the primary units and has the indigenous banker, the commercial banks and other moneylenders as units at the higher level. There is a much greater mixture of function in this system, so that the commercial banks may have direct relations with traders or may finance an urban moneylender or an export firm or a processing concern which finances the trader, who in turn finances the cultivator. The Survey data show that the private credit agencies operate as a solid block and that the commercial banks stand at the back of this private credit system, as relatively the most important agency in the financial superstructure of this block.

APPENDIX

CHIT FUNDS*

I. HISTORICAL BACKGROUND

History has recorded the existence of Chit Funds in the State for a considerably long period in the past. The antiquity of the institution is spoken of by Mr. Logan in his 'Manual of Malabar District' and by Mr. Sim Cox in his 'Primitive Civilisations'. In early days, when the idea of modern banking transactions had not permeated into the minds of the people, the Chit Funds formed probably an important source of credit and investment facilities. A quantitative study of the volume of money transactions through the Chitties does not appear to have been made in a systematic manner in early times. The Travancore Banking Enquiry Committee 1930, under the Chairmanship of Sri R. Vaidyalingom Pillai, Registrar of Co-operative Societies and member, Travancore Legislative Council, studied in detail the various aspects of the Chitties in the State, and their findings are included in the Report published by them.

2. ORGANIZATION

The conduct of Chitties in the State is controlled by the Travancore Chitties Act, Act XXVI of 1120 (M.E.), corresponding to the Christian Era 1945. The Act defines a Chitty in the following terms.

A 'Chitty' means a transaction by which one or more persons, here-in-after 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 a document containing the articles of agreement between the foreman and the subscribers, relating to the Chitty.

'Prize Amount' means 'Chitty Amount' less 'Discount'. The 'Chitty Amount' in turn is the sum total of the contributions payable by all the subscribers for any instalment without any deduction for discount. The amount of money or quantity of grain a prize winner has to forego, under the terms of the *Variola*, for the payment of *Veethapalisa*, foreman's commission, or other expenses, is called the 'Discount'.

* The chit fund enquiry was conducted and supervised by Dr. U. S. Nair, Professor of Statistics, University of Travancore, Trivandrum in the year 1952. The report on the enquiry has been drafted by Dr. U. S. Nair who bears the responsibility for the statements and the interpretation of facts.

Veethapalisa is the share of a subscriber in the discount available under the *Variola* for rateable distribution among the subscribers at each instalment of the Chitty. The subscription, a subscriber has to pay at each instalment, is the normal share value less the *Veethapalisa* for him, for the particular instalment.

Foreman is the person, (persons or institution) who under the *Variola* is responsible for the conduct of the Chitty. He is entitled to collect from the subscribers at each instalment a certain amount called his 'Commission' for meeting his expenses in conducting the Chitty.

The organisation of a Chitty and its objects are as follows.

An enterprising individual, called the foreman, gets together a few individuals (subscribers) and starts the Chitty. The conditions of the Chitty are drawn out and registered. Subject to those conditions, at regular intervals of time, by turns, subscribers will be declared prize winners. The decision may be made either by lots or by auction of the prize amount. The prize amount payable to the prized subscriber, together with a commission for the foreman, at each instalment, is collected by the foreman from the subscribers, including the foreman and the prized subscribers. Before the commencement of the next instalment, the prize amount is paid to the prized subscriber on furnishing sufficient security for future payments. The foreman, as a subscriber, reserves the right to collect the Chitty Amount in full, at the first, second or third instalment. This transaction provides facilities for obtaining an advance by a subscriber, which need be paid back only in instalments, extended over a fairly long period. For purposes of security, charges on landed property are accepted.

The following illustration will help to understand clearly the working of the Chitty transaction. Consider a Chitty for Chitty Amount Rs 1,000, with twenty subscribers. Suppose the foreman's commission is 5 per cent on the capital, i.e., Rs 50 per instalment. Let the auction at a particular instalment, say the 5th, be confirmed on a subscriber bidding the maximum discount, say Rs 175. The prized subscriber at the 5th instalment receives Rs $(1,000 - 50 - 175) = 775$. The foreman gets his commission, Rs 50. The dividend for the subscribers at the instalment is Rs $175/20 = \text{Rs } 8.75$. The share value is Rs $1,000/20 = \text{Rs } 50$. All the subscribers, including the foreman and the prized subscriber at the instalment pay Rs 50 minus Rs $8.75 = \text{Rs } 41.25$. These subscriptions are collected by the foreman who pays the prized subscriber his prize amount and takes for himself the balance, his commission.

3. TYPES OF CHITTIES

Different forms of Chitty transactions are in vogue; the most popular of them being the 'Lot Chitties' and the 'Auction Chitties'.

The essential feature of the 'Lot Chitty' is that the prized subscriber for the award of the prize amount at each instalment, is determined by lot. The prize

amount paid to the successful subscriber at any instalment is the capital or the Chitty Amount, less the foreman's commission and any other discount that may be stated in the *Variola*. The discount is rateably distributed among all the subscribers or all subscribers except the prized one. The subscription to be paid by each subscriber at any instalment is, therefore, usually less than the share value. For each subscriber, it is equal to the share value less his dividend or *Veethapalisa*. The foreman collects the subscriptions from the subscribers and pays to the prized subscriber the prize amount. The balance after the payment will be his commission. The prized subscribers have to continue participating in the transaction and make payments at the subsequent instalments till the termination of the Chitty. The Chitty terminates when all the subscribers have been successful and have obtained their prize amounts. The foreman is also a subscriber and he reserves for himself the right to collect the prize amount at the first or second instalment without casting lots or allowing any discount to the other subscribers.

To subscribers, interested in credit facilities, this form of Chitty may not be often advantageous. It is not possible for them to obtain the prize amount, when they need it and hence this form of Chitty is waning in popularity.

There are 'Lot Chitties' wherein the obligation of the prized subscribers to make payments stops immediately they win the prize. Such Chitties are very often resorted to by dealers in vessels, ornaments, furniture, etc. Chitties of this type are not recognised by the Chitties Act.

The 'Auction Chitty' is far and away, the most popular form of Chitty. The essential feature of this form of Chitty is that the prize amount and the successful subscriber at each instalment are decided by open auction. The foreman gets a commission, a fixed percentage of the capital, at each instalment. The discount, the subscriber is willing to allow on the capital over and above the foreman's commission is put to open auction and he who bids the maximum amount towards discount is declared successful. The auction is confirmed on him and the prize amount which is equal to the capital less the foreman's commission and the discount he has bid, is paid to him by the foreman.

As in 'Lot Chitties', there are two forms of auction chitties : (i) Auction Chitties wherein the total discount is distributed equally among all subscribers and (ii) Chitties wherein the total discount is distributed only among the non-prized subscribers. Each subscriber thus receives a dividend called *Veethapalisa*, which varies from instalment to instalment. The actual subscription paid by any subscriber is the share value, minus his individual dividend for the instalment. The foreman collects the subscription from the subscribers and the total amount collected covers his commission and the prize amount for the prized subscriber.

The foreman, as a subscriber, has the right to collect the prize amount at a particular instalment of his own choice, generally the first or the second, without bidding. He, therefore, receives the full capital including his commission early

enough. This ensures him a good return by way of interest besides his usual commission.

As in some 'Lot Chitties', the obligation of the subscribers for payments of subscriptions at each instalment exists right upto the termination of the Chitty. The subscribers, who participate in this form of Chitty, are of two categories ;

- (i) subscribers who join for obtaining credit facilities, and,
- (ii) subscribers who join for investment of their savings.

The first category of subscribers bid recklessly at the earlier instalments to obtain an advance. The discount in earlier instalments is, therefore, bound to be high. The recklessness in bidding is controlled to some extent in 'Auction Chitties' wherein the prized subscriber is not eligible for the dividend. The second category of subscribers wait for the best opportunity and take the prize when it would be advantageous to them. They are generally the prized subscribers towards the end of the Chitty.

The 'Auction Chitty' has certain definite advantages over the 'Lot Chitties' from the point of view of the borrower, who is interested in credit. He can obtain the prize amount when he needs it, provided he is prepared to allow a high discount. Owing to the competition for obtaining an advance among the subscribers, the subscriptions at the different instalments may be very much lower than the share value and the subscribers, who resort to it for investing their savings and who take the prize towards the end, earn a fairly high rate of interest on their investments. The credit obtained needs to be repaid only in instalments extended over a fairly long period.

4. LEGISLATION

The Chit Funds in the State are governed by the Travancore Chitties Act 1120 (M.E.). The events that led to the enactment of the Chitties Act were, mainly, the enormous increase in the volume of litigation between the subscribers and the foremen and the supposed exploitation by the foremen of the subscribers. With a view to provide safeguards to the subscribers, the Chitties Regulation III of 1094 (M.E.) was enacted. The Regulation underwent amendments in 1097 (M.E.) and 1100 (M.E.).

The Travancore Banking Enquiry Committee 1930, made a detailed study of the effects of this Regulation. They found that the Regulation had been effective in regulating the Chitties, though possibilities for improving the institution and ensuring greater safety to subscribers and foremen still existed. They made valuable suggestions to Government for amending the Regulation.

In 1945, the Chitties Regulation III of 1094 (M.E.) and the amendments thereon, were repealed and the Chitties Act 1120 (M.E.), was enacted, embodying the main recommendations of the Committee. The main provisions of the Act are :

- (1) No Chitty shall be conducted unless it is registered. Chitties with 'Chitty Amount' less than one hundred rupees have been exempted from registration, but the foremen of such Chitties should take a license before starting the Chitties. Foremen who fail to register or take a license, as the case may be, can be punished with fine up to Rs 500 and Rs 50, respectively.
- (2) In every Chitty there shall be a *Variola*, a document containing the conditions of the Chitty, which shall be registered. Conditions in the *Variola* may be amended or added by the subscribers to the Chitty provided the amendments and additions are also registered. The foreman is under obligation to give each subscriber a copy of the registered *Variola* and its amendments, if any.
- (3) A minute of the proceedings of the Chitty at every instalment shall be prepared and registered.
- (4) The foreman shall provide landed property or other security, sufficient to the satisfaction of any officer empowered by Government, for an amount equal to twice the 'Chitty Amount.'
- (5) The foreman shall maintain specified books relating to the working of the Chitty. These books should be open for inspection by the subscribers, both prized and unprized, and any officer empowered by Government for the purpose.
- (6) The foreman shall, on the prized subscriber furnishing sufficient security for the payment of future subscriptions, be bound to pay him the prize amount. The unpaid prize amount should be invested in an approved bank, before the date of next succeeding instalment. Foremen, contravening this rule are liable to a fine upto Rs 500.
- (7) The foreman is liable to the subscribers for the amounts due to them.
- (8) Every prized subscriber, before drawing his amount, shall furnish sufficient security for the due payment of future subscriptions and if the foreman is the prized subscriber he shall give security to the satisfaction of the Registrar.
- (9) The circumstances under which a Chitty may be deemed to have terminated or be wound up are specified.
- (10) Whoever, wilfully makes a false statement in any document required by the provision of the Act, shall be punishable with imprisonment upto one year or with fine or with both.

At present, the Chit Funds in the State are relatively well organized and the volume of litigation in respect of them has diminished considerably.

5. GENERAL STATISTICS

The Chitty is indigenous to the State of Travancore-Cochin and Malabar. It is perhaps the most popular institution in this part providing credit facilities for a variety of activities such as agriculture, marketing, small scale industries, etc. It is also popular, as an institution for investment of savings especially with the joint stock companies in the State, which resort to it for mobilising the fluid capital.

Table 1 shows the number and extent of the Chitties registered in the State of Travancore-Cochin during the years 1930-1 to 1951-2. Besides the above, a number of Chitties with capital below Rs 100, which do not require registration, might have also been organized during the period.

TABLE I—NUMBER AND EXTENT OF CHITTIES

Year	Number of Chitties registered	Total number of Chitties functioning during the year	Total capital of the Chitties functioning (in lakhs of rupees)	Registration fee in rupees realised by Government
	1	2	3	4
1930-1	524	10,289	258	44,980
1931-2	294	9,254	282	37,778
1932-3	284	8,418	285	31,253
1933-4	339	7,667	146	25,181
1934-5	272	6,944	125	21,763
1935-6	135	6,228	86	16,678
1936-7	204	5,684	82	13,872
1937-8	232	5,447	78.8	12,439
1938-9	166	1,813	56.25	10,341
1939-40	168	1,449	28.43	8,531
1940-1	152	1,122	22.16	6,673
1941-2	127	1,048	25.19	6,782
1942-3	355	1,261	20.30	9,079
1943-4	651	1,708	27.71	15,597
1944-5	869	2,379	38.95	27,532
1945-6	727	2,776	47.25	57,535
1946-7	1,452	..	82.53	1,15,843
1947-8	1,273	..	86.33	1,55,763
1948-9	770	3,001	64.44	97,394
1949-50	528	2,505	..	62,598
1950-1	1,465	96,448
1951-2	1,742	97,465

The figures show that the volume of registration and business turnover of the Chit Funds declined considerably during the years 1934-5 to 1942-3. The decline may be partly due to the general economic depression that prevailed in the State during the period and partly due to the effects of the World War II. Since 1942-3, the number of registrations shows an upward trend. The total capital of the functioning Chitties has increased since 1943-4.

6. ENQUIRY INTO CHIT FUNDS (1952)

A survey of the Chit Funds in selected villages in Quilon district was carried out in 1952, as part of the programme of the All-India Rural Credit Survey, 1951-2 conducted by the Reserve Bank of India. In addition to the eight selected villages in the district, the Chit Fund Survey was also conducted in the following centres selected for the supply side investigation.

1. Alleppey
2. Kayamkulam

3. Kozhencherry
4. Punalur
5. Quilon

Of these additional centres, the first four are important marketing centres in the district and the last one, Quilon, is the District Headquarters.

The Survey covered only the registered Chit Funds which were functioning in the above villages during the period, 15 September to 20 December 1952. Chitties which had terminated before 15 September 1952 and those which were organized after 20 December 1952 have not been studied. Complete information about the capital, location and the foremen of the registered Chitties could be obtained from the Sub-Registrars' Offices having jurisdiction over these centres. The 'frame' for the Survey was based on the records maintained in these offices.

Collection of data was made by the 'Method of Interview' for each and every Chitty in the selected centres. The investigator was given adequate training in the collection of data relating to the Chitties and in filling up of the schedules, incorporating all the available information about their organisation, objects, working, the facilities offered to the subscribers, etc. The field work was started on 18 September and completed on the 20 December 1952.

No Registered Chitties were functioning, during the period, in the villages, Kallikkad, Kurichimuttom, Nedumon, Manapally South and Pathiyoor.

The following items of information were collected through three schedules.

A. *Supply Side*

1. Number and type of Chit Funds,
2. Date of commencement, duration and interval between instalments,
3. Number of instalments and subscribers,
4. Capital per instalment of each Chitty and share value,
5. Number of completed instalments, amount realised by the prized subscriber at each completed instalment, and the security provided, and
6. Defaults in payments of subscriptions.

B. *Demand Side*

1. Number, principal and secondary means of income of prized subscribers,
2. Date of bidding, amount realised and security given by the prized subscriber,
3. Purposes for which the prize amount was utilised,
4. Causes of default, if any, and the provisions made for payment of arrears of subscriptions.

C. *Profit or Loss to the Subscribers and Foremen*

1. Capital per instalment and foreman's commission for expenses,
2. Duration of the Chitty and foreman's instalment number,

3. Discount allowed by the prized subscriber and the dividend obtained by the subscribers at each instalment, and
4. Commission allowed by foreman to the subscribers for prompt payment.

7. NUMBER AND EXTENT

Table 2, below gives the number of registered Chit Funds that were functioning in the centres during the period of Survey.

TABLE 2—NUMBER AND EXTENT OF CHIT FUNDS

Centre	Number of registered chit funds	Number of Chitties	Number of subscribers	Total capital (for all instalments together) (Rs)	Average capital per subscriber (Rs)
	1	2	3	4	5
Alleppey.....	42	172	7,090	69,53,625	981
Chathanur Erom.....	2	11	230	1,30,440	567
Kanjurkottakkakom.....	3	24	555	3,05,375	550
Kayamkulam.....	18	77	2,310	11,69,625	508
Kozhencherry.....	20	232	5,975	51,62,063	864
Punalur.....	22	124	3,095	21,08,250	528
Quilon.....	67	126	3,616	44,90,650	1,277
Valamangalam South.....	4	18	555	1,64,500	332
Total.....	178	784	24,226	205,04,528	846

It may be noted that the same Chit Fund conducts simultaneously more than one Chitty, roughly about four Chitties. The average number of Chitties per Chit Fund is greatest in Kozhencherry, being nearly twelve and is least for Quilon where it is only two. The burden of collection of subscriptions and distribution of the prize amount on the part of the foreman depends to a certain extent on the number of subscribers participating in his Chitties. In this respect, the foremen of Chit Funds in Kozhencherry appear to be heavily burdened, having to deal with about 300 subscribers at a time. The following table indicates briefly the organization of the Chit Funds.

TABLE 3—AVERAGE CAPITAL AND DURATION

Centre	Average number of Chitties per Chit Fund	Average number of subscribers per Chitty	Average capital per Chitty in rupees	Average duration of the Chitty in months
	1	2	3	4
Alleppey.....	4	41	981	36
Chathanur Erom.....	6	21	567	84
Kanjurkottakkakom.....	8	23	550	46
Kayamkulam.....	4	30	506	28
Kozhencherry.....	12	26	864	45
Punalur.....	6	32	528	31
Quilon.....	2	28	1,277	28
Valamangalam South.....	5	31	332	62
Total.....	4	31	846	35

The average duration of a Chitty is calculated on the basis of the figures in the last column in Table 9. The average commission to the foreman is usually 5 per cent of the capital per instalment, though in some cases, more than 5 per cent is levied towards commission.

TABLE 4—DISTRIBUTION OF SUBSCRIBERS ACCORDING TO DURATION OF CHITTY

[Amount in rupees]

		DURATION OF CHITTY							Total
		One year or less	One to two years	Two to three years	Three to four years	Four to five years	Five to six years	Above six years	
		1	2	3	4	5	6	7	
Alleppey . . .	Number of subscribers . . .	475	175	565	3,240	2,075	—	560	7,090
	Total capital . . .	1,85,625	4,22,500	5,80,500	32,00,000	20,85,000	—	4,80,000	69,53,625
Chathanur Erom . . .	Number of subscribers . . .	—	—	—	—	—	—	230	230
	Total capital . . .	—	—	—	—	—	—	1,30,440	1,30,440
Kanjurkot-takkakom	Number of subscribers . . .	—	—	—	180	375	—	—	555
	Total capital . . .	—	—	—	86,000	2,19,375	—	—	3,05,375
Kayamkulam	Number of subscribers . . .	300	80	795	360	775	—	—	2,310
	Total capital . . .	61,000	18,000	3,79,375	2,30,000	4,81,250	—	—	11,69,625
Kozhencherry . . .	Number of subscribers . . .	—	140	1,600	—	2,310	—	1,925	5,975
	Total capital . . .	—	30,000	11,23,438	—	13,52,000	—	26,56,625	51,62,063
Punalur . . .	Number of subscribers . . .	150	—	2,025	1,360	300	—	160	3,995
	Total capital . . .	25,000	—	10,02,250	7,21,000	2,75,000	—	85,000	21,08,250
Quilon . . .	Number of subscribers . . .	150	721	1,228	982	295	—	160	3,516
	Total capital . . .	62,500	12,86,845	15,98,500	9,80,305	4,02,500	—	1,60,000	44,90,650
Valamangalam South.	Number of subscribers . . .	—	—	—	—	380	—	175	555
	Total capital . . .	—	—	—	—	1,22,000	—	62,500	1,84,500
Total . . .	Number of subscribers . . .	1,075	1,116	6,213	6,102	6,510	—	3,210	24,226
	Total capital . . .	3,34,125	17,57,345	46,84,063	52,17,305	49,37,125	—	35,74,565	2,05,04,528

Table 4 shows the distribution of subscribers according to the duration of Chitty and is useful in studying the nature of the demand for credit, whether long-term or short-term.

The requirements of the subscribers are very clearly indicated in Table 5 below.

TABLE 5—PERCENTAGE DISTRIBUTION OF SUBSCRIBERS ACCORDING TO DURATION OF CHITTY

Duration of Chitty	One year or less	One to two years	Two to three years	Three to four years	Four to five years	Five to six years	Above six years
	1	2	3	4	5	6	7
Percentage of subscribers participating	4.44	4.61	25.64	25.19	26.87	—	13.25

Nearly 78 per cent of the subscribers participate in Chitties terminating in two to five years. More than 90 per cent of the subscribers are found to be interested in credit facilities, repayable over a period extending more than two years.

It is interesting to know whether there is any relation between the amount demanded and the duration of credit allowed. Table 6 below provides the requisite information.

TABLE 6—AVERAGE CAPITAL PER CHITTY ACCORDING TO DURATION

Duration of Chitty	One year or less	One to two years	Two to three years	Three to four years	Four to five years	Five to six years	Above six years
	1	2	3	4	5	6	7
Average capital in rupees per Chitty.	310.8	1,574.7	753.9	855.0	758.4	-	1,113.6

The average demand of subscribers is Rs 846 payable in instalments extended over roughly 35 months. The distribution of subscribers according to interval between instalment is contained in Table 7 below.

TABLE 7—DISTRIBUTION OF SUBSCRIBERS ACCORDING TO INTERVAL BETWEEN INSTALMENTS

		INTERVAL BETWEEN INSTALMENTS					
		Less than one month	One month	Two months	Three months	Four months	Six months
		1	2	3	4	5	6
Alleppey.....	Number	600	6,005	325	-	180	-
	Capital	3,48,125	60,60,500	2,75,000	-	2,70,000	-
Chathanur	Number	-	-	-	-	230	-
Erom.....	Capital	-	-	-	-	1,30,440	-
Kanjurkottak-	Number	-	-	555	-	-	-
kakom.....	Capital	-	-	3,05,375	-	-	-
Kayamkulam....	Number	380	1,335	435	-	-	-
	Capital	79,000	7,30,875	2,73,750	-	-	-
Kozhencherry....	Number	-	3,490	-	580	-	1,925
	Capital	-	22,28,438	-	2,77,000	-	26,56,825
Punalur.....	Number	150	3,685	-	-	180	-
	Capital	25,000	19,08,250	-	-	85,000	-
Quilon.....	Number	230	2,741	525	20	-	-
	Capital	1,02,500	39,75,850	3,72,500	40,000	-	-
Valamangalam	Number	-	180	200	75	100	-
South.....	Capital	-	72,000	50,000	37,500	25,000	-
Total.....	NUMBER	1,360	17,436	2,040	655	650	1,925
	CAPITAL	5,54,625	1,50,65,713	12,76,625	3,54,500	5,10,440	26,56,625

Note : In addition to the above, there were 160 subscribers in Kayamkulam subscribing to Chitties with total capital Rs 86,000 held at intervals of one and a half months.

A factor of very great significance to the borrower is the mode of repayment of the loan. In 'Auction Chitty', the subscriber may obtain an advance at any instalment other than the foreman's. Terms of repayment of the advance are made easy by (i) the reduction in the share value due to the declaration of dividends and (ii) the instalment system. The terms may still be convenient or inconvenient according to the amount of subscription at each instalment and the frequency of instalments. Table 8 shows the preference of the subscribers with regard to interval of payments. Nearly 72.5 per cent of the subscribers are participants in monthly Chitties.

Longer intervals between payments may not be desirable because they keep the obligation of the subscriber for payments for a longer period. Another disadvantage is that a subscriber has to wait longer for obtaining an advance. Shorter intervals demand payments too often and, hence, may not be popular.

It has been observed that monthly Chitties are the most popular, though Chitties, with instalments longer and shorter than a month are also conducted. The average capital per instalment in monthly Chitties is approximately Rs 864. The percentages of subscribers in Chitties of different durations and the average capital per instalment are given in Table 8 below.

TABLE 8—AVERAGE CAPITAL PER INSTALMENT

Interval between instalments	Less than one month	One month	Two months	Three months	Four months	Six months
	1	2	3	4	5	6
Percentage of Subscribers.....	5.65	72.45	8.48	2.72	2.70	3.00
Capital per Instalment (Rs).....	407.8	864.1	625.8	541.2	785.3	1,390.1

8. CREDIT FACILITIES AVAILABLE IN CHITTIES PER ANNUM

It will be observed that the Chitty transaction extends over a number of months and only one subscriber out of the many participating in it gets an advance at any one particular instalment. The number of subscribers deriving benefit in the course of one year is, therefore, equal to the number of instalments of the Chitty that may be held in the year. Thus, in a monthly Chitty 12 subscribers derive benefit, whereas in a half-yearly Chitty only two benefit in the course of a year.

The following table gives the number of prized subscribers in each centre and the likely amount that may be obtained by them on credit during the course of one year.

TABLE 9—CREDIT FACILITIES (IN CHITTIES) PER ANNUM

Centre	Total annual capital (Rs)	Number of prized subscribers per annum	Average gross capital per prized subscriber (Rs)	Percentage of prized subscribers per annum to total
	1	2	3	4
Alleppey	22,40,325	2,381	940.92	33.58
Chathanur Erom	18,510	33	560.91	14.35
Kanjurkottakkakom	78,450	144	544.79	25.95
Kayamkulam	4,29,000	1,006	428.44	43.55
Kozhencherry	11,38,750	1,580	720.73	26.44
Punalur	7,42,750	1,530	485.46	38.30
Quilon	19,33,790	1,532	1,262.27	43.57
Valamangalam South	35,400	108	327.78	19.46
Total	66,16,975	8,314	795.88	34.32

The total annual capital given in column (1) of the table includes the foreman's commission in addition to the total annual credit possible.

Allowing a uniform rate of 5 per cent of the capital towards commission, the annual credit possible to the prized subscribers in the year is shown in Table 10 given on page 124.

The actual credit realised by a prized subscriber is generally less than the gross credit shown above, on account of the discount he allows at the competitive bidding to secure the right for credit.

The last column in Table 9 facilitates calculations of the average duration of the Chitties in each centre. This has been obtained already and given in Table 3.

TABLE 10—GROSS CREDIT

Centre	Total gross credit per annum	Average gross credit per prized subscriber during the year
	(Rs)	(Rs)
Alleppey.....	21,28,308.75	893.87
Chathanur Erom.....	17,584.50	532.86
Kanjurkottakkakom.....	74,527.50	517.55
Kayamkulam.....	4,07,550.00	405.12
Kozhencherry.....	10,81,812.50	684.69
Punalur.....	7,05,612.50	461.18
Quilon.....	18,37,100.50	1,199.15
Valamangalam South.....	33,630.00	311.39
Total	62,66,126.25	756.09

9. DISCOUNTING FOR CREDIT

The intensity of demand for credit is reflected to a very large extent in the high premium the prized subscribers pay at each instalment by way of discount. The following tables have been designed to study the intensity of demand for credit from time to time in Chitties of different durations.

TABLE II—WEEKLY CHITTIES—NUMBER OF INSTALMENTS 50—FOREMAN'S INSTALMENT NUMBER 2

[Amount in rupees]

Instalment number	Capital	Foreman's commission	Average discount by the prized subscriber	Total deduction from capital	Net credit realised by prized subscriber	Amount paid by each subscriber per instalment
1	2	3	4	5	6	7
1	1,000	50.0	308.7	358.7	641.3	13.8
2	1,000	50.0	—	50.0	950.0	20.0
3	1,000	50.0	291.6	341.6	658.4	14.2
4	1,000	50.0	247.2	297.2	702.8	15.1
5	1,000	50.0	252.2	302.2	697.8	15.0
6	1,000	50.0	262.0	312.0	688.0	14.8
7	1,000	50.0	270.7	320.7	679.3	14.6
8	1,000	50.0	274.5	324.5	675.5	14.5
9	1,000	50.0	280.0	330.0	670.0	14.4
10	1,000	50.0	253.3	303.3	696.7	14.9
11—13.....	1,000	50.0	251.6	301.6	698.4	15.0
14—16.....	1,000	50.0	260.3	310.3	689.7	14.8
17—19.....	1,000	50.0	223.2	273.2	726.8	15.5
20—22.....	1,000	50.0	198.2	248.2	751.8	16.0
23—25.....	1,000	50.0	187.1	237.1	762.9	16.3
26—28.....	1,000	50.0	176.3	226.3	773.7	16.5
29—31.....	1,000	50.0	94.1	144.1	855.9	18.1
32—34.....	1,000	50.0	59.6	109.6	890.4	18.8
35—37.....	1,000	50.0	80.0	130.0	870.0	18.4
38—40.....	1,000	50.0	90.7	110.7	889.3	18.8
41—43.....	1,000	50.0	24.7	74.7	925.3	19.5
44—46.....	1,000	50.0	7.3	57.3	942.7	19.9
47—49.....	1,000	50.0	1.0	51.0	949.0	19.98
50	1,000	50.0	—	50.0	950.0	20.0

TABLE 12—MONTHLY CHITTIES—NUMBER OF INSTALMENTS 20—FOREMAN'S INSTALMENT NUMBER 2

(Amount in rupees)

Instalment number	Capital	Foreman's commission	Average discount by the prized subscriber	Total deduction from capital	Net credit realised by prized subscriber	Amount paid by each subscriber per instalment
1	2	3	4	5	6	7
1	1,000	51·8	235·9	287·7	712·3	38·2
2	1,000	51·8	—	51·8	948·2	50·0
3	1,000	51·8	225·4	277·2	722·8	38·7
4	1,000	51·8	203·4	255·2	744·8	39·8
5	1,000	51·8	189·4	241·2	758·8	40·5
6	1,000	51·8	173·4	225·2	774·8	41·3
7	1,000	51·8	147·2	199·0	801·0	42·6
8	1,000	51·8	132·9	184·7	815·3	43·4
9	1,000	51·8	111·3	163·1	836·9	44·4
10	1,000	51·8	101·5	153·3	846·7	44·9
11-13	1,000	51·8	74·8	126·6	873·4	46·3
14-16	1,000	51·8	34·5	86·3	913·7	48·3
17-19	1,000	51·8	10·1	61·9	938·1	49·5
20	1,000	51·8	—	51·8	948·2	50·0

TABLE 13—MONTHLY CHITTIES—NUMBER OF INSTALMENTS 25—FOREMAN'S INSTALMENT NUMBER 2

(Amount in rupees)

Instalment number	Capital	Foreman's commission	Average discount by the prized subscriber	Total deduction from capital	Net credit realised by prized subscriber	Amount paid by each subscriber per instalment
1	2	3	4	5	6	7
1	1,000	50·9	247·2	298·1	701·9	30·1
2	1,000	50·9	—	50·9	949·1	40·0
3	1,000	50·9	235·8	286·7	713·3	30·6
4	1,000	50·9	222·5	273·4	726·6	31·1
5	1,000	50·9	214·6	265·5	734·5	31·4
6	1,000	50·9	189·1	240·0	760·0	32·4
7	1,000	50·9	182·3	233·2	766·8	32·7
8	1,000	50·9	169·4	220·3	779·7	33·2
9	1,000	50·9	160·9	211·8	788·2	33·6
10	1,000	50·9	152·4	203·3	796·7	33·9
11-13	1,000	50·9	127·1	178·0	822·0	34·9
14-16	1,000	50·9	90·2	141·1	853·9	36·4
17-19	1,000	50·9	50·6	101·5	898·5	38·0
20-22	1,000	50·9	10·8	61·7	938·3	39·6
23-25	1,000	50·9	2·3	53·2	946·8	39·9

TABLE 14—MONTHLY CHITTIES—NUMBER OF INSTALMENTS 30—FOREMAN'S INSTALMENT NUMBER 2

(Amount in rupees)

Instalment number	Capital	Foreman's commission	Average discount by the prized subscriber	Total deduction from capital	Net credit realised by prized subscriber	Amount paid by each subscriber per instalment
1	2	3	4	5	6	7
1	1,000	50·7	229·2	279·9	720·1	25·7
2	1,000	50·7	—	50·7	949·3	33·3
3	1,000	50·7	255·1	305·8	684·2	24·8
4	1,000	50·7	252·0	302·7	687·3	24·9
5	1,000	50·7	266·3	317·0	683·0	24·4
6	1,000	50·7	234·1	284·8	715·2	25·5
7	1,000	50·7	243·0	293·7	706·3	25·2
8	1,000	50·7	202·3	253·0	747·0	26·6
9	1,000	50·7	193·6	244·3	755·7	26·8
10	1,000	50·7	187·9	238·6	761·4	27·0
11-13	1,000	50·7	186·7	237·4	762·6	27·1
14-16	1,000	50·7	156·2	206·9	793·1	28·1
17-19	1,000	50·7	135·1	185·8	814·2	28·8
20-22	1,000	50·7	97·6	148·3	851·7	30·0
23-25	1,000	50·7	63·2	113·9	886·1	31·2
26-28	1,000	50·7	54·6	105·3	894·7	31·5
29	1,000	50·7	29·2	79·9	920·1	32·3
30	1,000	50·7	—	50·7	949·3	33·3

TABLE 15—MONTHLY CHITTIES—NUMBER OF INSTALMENTS 40—FOREMAN'S INSTALMENT NUMBER 1

[Amount in rupees]

Instalment number	Capital	Foreman's commission	Average discount by the prized subscriber	Total deduction from capital	Net credit realised by prized subscriber	Amount paid by each subscriber per instalment
1	2	3	4	5	6	7
1	1,000	50.0	—	50.0	950.0	25.0
2	1,000	50.0	274.8	324.8	675.2	18.1
3	1,000	50.0	278.8	328.8	671.2	18.0
4	1,000	50.0	272.4	322.4	677.6	18.2
5	1,000	50.0	264.8	314.8	685.2	18.4
6	1,000	50.0	251.2	301.2	698.8	18.7
7	1,000	50.0	257.6	307.6	692.4	18.6
8	1,000	50.0	251.0	301.0	699.0	18.7
9	1,000	50.0	246.4	296.4	703.6	18.8
10	1,000	50.0	229.4	279.4	720.6	19.3
11-13	1,000	50.0	220.1	270.1	729.9	19.5
14-16	1,000	50.0	164.7	214.7	785.3	20.9
17-19	1,000	50.0	128.8	178.8	821.2	21.8
20-22	1,000	50.0	105.1	155.1	844.9	22.4
23-25	1,000	50.0	73.6	123.6	876.5	23.2
26-28	1,000	50.0	28.9	78.9	921.1	24.3
29-31	1,000	50.0	7.8	57.8	942.2	24.8

TABLE 16—MONTHLY CHITTIES—NUMBER OF INSTALMENTS 50—FOREMAN'S INSTALMENT NUMBER 1

[Amount in rupees]

Instalment number	Capital	Foreman's commission	Average discount by the prized subscriber	Total deduction from capital	Net credit realised by prized subscriber	Amount paid by each subscriber per instalment
1	2	3	4	5	6	7
1	1,000	53.2	—	53.2	946.8	20.0
2	1,000	53.2	268.7	321.9	678.1	14.6
3	1,000	53.2	272.5	325.7	674.3	14.6
4	1,000	53.2	265.8	319.0	681.0	14.7
5	1,000	53.2	266.1	318.3	681.7	14.7
6	1,000	53.2	261.4	314.6	685.4	14.8
7	1,000	53.2	266.9	320.1	679.9	14.7
8	1,000	53.2	254.1	307.3	692.7	14.9
9	1,000	53.2	246.2	299.4	700.6	15.1
10	1,000	53.2	246.0	299.2	700.8	15.1
11-13	1,000	53.2	240.1	293.3	706.7	15.2
14-16	1,000	53.2	219.5	272.7	727.3	15.6
17-19	1,000	53.2	228.5	281.7	718.3	15.4
20-22	1,000	53.2	198.0	251.2	748.8	16.0
23-25	1,000	53.2	172.0	225.2	774.8	16.6
26-28	1,000	53.2	146.0	199.2	800.8	17.1
29-31	1,000	53.2	101.0	154.2	845.8	18.0

TABLE 17—CHITTIES HELD ONCE IN TWO MONTHS—NUMBER OF INSTALMENTS 20—FOREMAN'S INSTALMENT NUMBER 2

[Amount in rupees]

Instalment number	Capital	Foreman's commission	Average discount by the prized subscriber	Total deduction from capital	Net credit realised by prized subscriber	Amount paid by each subscriber per instalment
1	2	3	4	5	6	7
1	1,000	56.1	224.9	281.0	719.0	38.8
2	1,000	56.1	—	56.1	943.9	50.0
3	1,000	56.1	177.2	233.3	766.7	41.1
4	1,000	56.1	176.6	232.7	767.3	41.2
5	1,000	56.1	185.4	241.5	758.5	40.7
6	1,000	56.1	171.0	227.1	772.9	41.4
7	1,000	56.1	149.4	205.5	794.5	42.6
8	1,000	56.1	167.3	223.4	776.6	41.6
9	1,000	56.1	138.6	194.6	805.4	43.1
10	1,000	56.1	112.0	168.1	831.9	44.4
11-13	1,000	56.1	71.7	127.8	872.2	46.4
14-16	1,000	56.1	34.2	90.3	909.7	48.3

TABLE 18—CHITTIES HELD ONCE IN TWO MONTHS—NUMBER OF INSTALMENTS 25—FOREMAN'S INSTALMENT NUMBER I

[Amount in rupees]

Instalment number	Capital	Foreman's commission	Average discount by the prized subscriber	Total deduction from capital	Net credit realised by prized subscriber	Amount paid by each subscriber per instalment
1	2	3	4	5	6	7
1.....	1,000	50·0	—	50·0	950·0	40·0
2.....	1,000	50·0	293·8	343·8	656·2	28·2
3.....	1,000	50·0	310·8	360·8	639·2	27·6
4.....	1,000	50·0	285·3	315·3	684·7	29·4
5.....	1,000	50·0	299·5	349·5	650·5	28·0
6.....	1,000	50·0	287·8	337·8	662·2	28·5
7.....	1,000	50·0	232·2	282·2	717·8	30·7
8.....	1,000	50·0	221·5	271·5	728·5	31·1
9.....	1,000	50·0	211·8	261·8	738·1	31·5
10.....	1,000	50·0	272·0	322·0	678·0	29·1
11.....	1,000	50·0	249·3	299·3	700·7	30·0
12.....	1,000	50·0	235·3	285·3	714·7	30·6
13.....	1,000	50·0	232·0	282·0	718·0	30·7
14.....	1,000	50·0	182·0	232·0	768·0	32·7
15.....	1,000	50·0	140·0	190·0	810·0	34·4
16.....	1,000	50·0	163·7	213·7	786·3	33·5
17.....	1,000	50·0	127·7	177·7	822·3	34·9
18.....	1,000	50·0	110·7	160·7	839·3	35·6
19.....	1,000	50·0	44·3	94·3	905·7	38·2
20.....	1,000	50·0	50·0	100·0	900·0	38·0

TABLE 19—CHITTIES HELD ONCE IN THREE MONTHS—NUMBER OF INSTALMENTS 20—FOREMAN'S INSTALMENT NUMBER I

[Amount in rupees]

Instalment number	Capital	Foreman's commission	Average discount by the prized subscriber	Total deduction from capital	Net credit realised by prized subscriber	Amount paid by each subscriber per instalment
1	2	3	4	5	6	7
1.....	1,000	60·0	—	60·0	940·0	50·0
2.....	1,000	60·0	225·2	285·2	714·8	38·7
3.....	1,000	60·0	229·1	289·1	710·9	38·5
4.....	1,000	60·0	213·3	273·3	726·7	39·3
5.....	1,000	60·0	137·8	197·8	802·2	43·1
6.....	1,000	60·0	94·2	154·2	845·8	45·3
7.....	1,000	60·0	94·4	154·4	845·6	45·3
8.....	1,000	60·0	86·8	146·8	853·2	45·7
9.....	1,000	60·0	81·5	141·5	858·5	45·9
10.....	1,000	60·0	70·8	130·8	869·2	46·5
11.....	1,000	60·0	51·6	111·6	888·4	47·4
12.....	1,000	60·0	35·4	95·4	904·6	48·2
13.....	1,000	60·0	32·3	92·3	907·7	48·4
14.....	1,000	60·0	37·9	97·9	902·1	48·1
15.....	1,000	60·0	34·4	94·4	905·6	48·3

TABLE 20—CHITTIES HELD ONCE IN FOUR MONTHS—NUMBER OF INSTALMENTS 20—FOREMAN'S INSTALMENT NUMBER I

[Amount in rupees]

Instalment number	Capital	Foreman's commission	Average discount by the prized subscriber	Total deduction from capital	Net credit realised by prized subscriber	Amount paid by each subscriber per instalment
1	2	3	4	5	6	7
1.....	1,000	50·0	—	50·0	950·0	50·0
2.....	1,000	50·0	191·6	241·6	758·4	40·4
3.....	1,000	50·0	212·3	262·3	737·7	39·4
4.....	1,000	50·0	178·0	228·0	772·0	41·1
5.....	1,000	50·0	136·1	186·1	813·9	43·2
6.....	1,000	50·0	123·3	173·3	826·7	43·8
7.....	1,000	50·0	97·1	147·1	852·9	45·1
8.....	1,000	50·0	88·9	138·9	861·1	45·6
9.....	1,000	50·0	69·0	119·0	881·0	46·5
10.....	1,000	50·0	73·0	123·0	877·0	46·3

**TABLE 21—CHITTIES* HELD ONCE IN SIX MONTHS—NUMBER OF INSTALMENTS
20—FOREMAN'S INSTALMENT NUMBER 1**

[Amount in rupees]

Instalment number	Capital	Foreman's commission	Average discount by the prized subscriber	Total deduction from capital	Net credit realised by prized subscriber	Amount paid by each subscriber per instalment
1	2	3	4	5	6	7
1.....	1,000	45.3	—	45.3	954.7	50.0
2.....	1,000	45.3	281.1	326.4	673.6	34.4
3.....	1,000	45.3	280.7	306.0	694.0	34.7
4.....	1,000	45.3	210.9	256.2	743.8	36.8
5.....	1,000	45.3	195.3	240.6	759.4	37.0
6.....	1,000	45.3	153.3	198.6	801.4	39.0
7.....	1,000	45.3	134.9	180.2	819.8	39.6
8.....	1,000	45.3	117.5	162.8	837.2	40.2

* In these Chitties prized subscribers are not eligible for dividends.

The net credit given in the last but one column of each of the preceding tables is the amount actually realised by prized subscribers, for every Rs 1,000 of capital. The amount paid by the subscribers at the different instalments is given in the last column. Profit or loss to the subscriber depends on the difference between the values of receipts and payments at the termination of the Chitty, calculated at the prevailing rate of interest. This is discussed in greater detail in a subsequent section. The Foreman's profit or loss is also discussed separately elsewhere. Since, most of the Chitties studied had not terminated, the table could be set up only up to certain numbers of instalments. The figures in the tables are the averages for the Chitties in all the centres together.

10. SUBSCRIBER'S POSITION

The Chitty has been described as an institution providing credit facilities and facilities for investment of savings. It would be interesting to examine, in the light of the facts collected, how far it fulfils these objectives.

II. CHITTY AS AN INSTITUTION FOR CREDIT

According to the organization of a Chitty, the number of instalments is exactly the same as the number of subscribers and all the subscribers obtain, by turns, prize amounts at one instalment or other before the termination of the Chitty. The prize amounts may vary from instalment to instalment, according to the discount allowed by the prized winner at the instalment on the Chitty Amount (Capital). If there is very keen competition for obtaining an advance at any particular instalment, the discount then is bound to be high.

The subscribers, in return, for this benefit of the prize amount, have to pay at each instalment, a subscription, which is equal to the share value minus his dividend for the instalment. A prized subscriber cannot take part in the auctions at subsequent instalments, but is obliged to pay the subscriptions at every instalment from the commencement till the termination of the Chitty.

Thus, it is seen that in a Chitty transaction, every subscriber pays to the foreman of the Chitty, a certain amount distributed over a number of instalments at regular

intervals covering a definite period. In return, the subscriber receives a lump sum in advance, before the instalment payments are completed. Most of the subscribers participate in Chitties for the facilities they provide by advance payments by way of prize amounts on easy terms, viz., (1) repayment in instalments and (2) landed property acceptable as security

Tables 11 to 21 give a general idea of the credit obtained and the payments made by the subscriber for obtaining the credit in Chitties of different durations. Though the Chitties are popular institutions for credit, for the reasons given above, it may be interesting to know that most of the subscribers who resort to Chitties for credit facilities are paying a very high rate of interest. The bidding becomes reckless, and the discount unduly great, when a subscriber is hard pressed for credit.

Consider a monthly auction Chitty of n instalments and capital value Rs A wherein the discount is distributed equally among all subscribers. The number of subscribers including the foreman is also n . The foreman is entitled to a commission C at each instalment for meeting the expenses in conducting the Chitty. Let the foreman's instalment be the second.

The right to obtain the prize amount by other subscribers is auctioned at each instalment and the successful bidder is the subscriber who is prepared to give the maximum discount. Let A_k be the advance actually realised by the successful subscriber at the k^{th} instalment and P_k , the amount paid by each subscriber at the k^{th} instalment. Under these conditions, it is interesting to examine how far the Chitty is beneficial, from the financial point of view, to the subscribers and the foreman.

The following equations are easily verified.

$$A_k = n P_k - C \dots \dots \dots (1)$$

$$\text{Discount at } k^{\text{th}} \text{ instalment} = A - C - A_k = A - n P_k \dots \dots \dots (2)$$

$$\text{Dividend at } k^{\text{th}} \text{ instalment} = \frac{A - C - A_k}{n} = \frac{A - n P_k}{n} \dots \dots \dots (3)$$

Suppose r is the prevailing rate of interest per annum. Then the value of the amount realised by the successful subscriber at the k^{th} instalment, with simple interest at r per cent is $= A_k \left[1 + \frac{(n-k)r}{1200} \right]$ at the termination of the Chitty.

The value of the total payments he has made, together with simple interest at r per cent at the termination of the Chitty is

$$= \sum_{i=1}^n \left[P_i \left(1 + \frac{(n-i)r}{1200} \right) \right]$$

Hence, the prized subscriber at the k^{th} instalment will be gaining or losing according as

$$A_k \left[1 + \frac{(n-k)r}{1200} \right] \gtrless \sum_{i=1}^n P_i \left[1 + \frac{(n-i)r}{1200} \right]$$

In other words the k^{th} prized subscriber shall not be a loser if

$$A_k - \sum_{i=1}^n P_i \geq \frac{r}{1200} \left[\sum_{i=1}^n P_i (n-i) - A_k (n-k) \right]$$

Putting $A_k - \sum_{i=1}^n P_i = \alpha_k$ and $\sum_{i=1}^n P_i (n-i) - A_k (n-k) = \beta_k$

$$R_k = \frac{(\alpha_k)}{(\beta_k)} \times 1200, \text{ the equitable rate of interest may be obtained. Profit}$$

or loss to the k^{th} subscriber depends on the value of R_k in relation to r and the signs of α_k and β_k .

The foregoing analysis has been carried out for monthly Chitties with 20 instalments and the following interesting results have been obtained. For convenience the capital has been reduced to Rs 1,000.

Monthly Auction Chitty

Chitty Amount (Capital).....	= Rs 1,000
Number of instalments.....	= 20
Number of subscribers.....	= 20
Foreman's instalment.....	= 2
Foreman's commission per instalment.....	= Rs 5.18 per cent of capital

TABLE 22—PROFIT AND LOSS

Instalment number k	Amount received by the prized subscriber at k^{th} instalment A_k	Amount paid by each subscriber at k^{th} instalment P_k	Equitable rate of interest R_k	Profit or loss in comparison with r
1	712.3	38.2	44.0	Profit if $r > 44.0$
2	948.2	50.0		Always gain
3	722.8	38.7	54.5	Profit if $r > 54.5$
4	744.8	39.8	52.8	Profit if $r > 52.8$
5	758.8	40.5	56.5	Profit if $r > 56.5$
6	774.8	41.3	60.7	Profit if $r > 60.7$
7	801.0	42.6	58.3	Profit if $r > 58.3$
8	815.3	43.4	71.1	Profit if $r > 71.1$
9	830.9	44.4	87.0	Profit if $r > 87.0$
10	846.7	44.9	330.5	Profit if $r > 330.5$
11-13	873.4	46.3	Negative	Always loss
14-16	913.7	48.3	2.5	Profit if $r < \text{or} = 2.5$
17-19	938.1	49.5	6.0	Profit if $r < \text{or} = 6.0$
20	948.2	50.0	6.1	Profit if $r < \text{or} = 6.1$

The analysis reveals the following interesting facts about subscribers' profit and loss.

The subscribers participating in Chitties may be classified into three distinct categories

1. Subscribers interested in credit,
2. Subscribers interested in investing their savings and
3. The foreman.

We may define the first category of subscribers, as those whose income from the Chitty is less than the total payments they make. Such subscribers resort to the Chitties for credit and the excess of the payments over receipts is the interest paid by them for the credit obtained. All prized subscribers at instalments from the first to the 13th, except the foreman, in the above Chitty belong to this category. They are paying a very high rate of interest, as high as or even higher than 44 per cent per annum.

The acute demand for credit is also responsible to some extent for the high rate of interest in Chitties. Defaults in payments of subscriptions are not rare.

The credit thus obtained is reported to be utilised mostly for small scale business activities as also for agricultural purposes.

12. CHITTY AS AN INSTITUTION FOR INVESTMENT OF SAVINGS

The subscribers who belong to the second category are those who make some profit by their payments in instalments. For them the Chitty serves as an institution for investment of their savings. Even for them, if the rate of interest allowed by the Chitty is less than the prevailing rate of interest for deposits the Chitty cannot be considered as really profitable.

In the Chitty transaction described above, it is seen that the prized subscribers at instalments 14 and later, are deriving some profit. They may be considered as participating in the Chitties for investment purposes. The Chitty is really beneficial to the later prized subscribers for it allows as much as 6 per cent per annum, compared to the prevailing rate of 2 to 3 per cent for Savings Bank Deposits in ordinary banks.

The above analysis, no doubt, helps to assess the financial effects on the subscribers, from the point of view of the Chit Fund, as a co-operative institution. It is only natural to expect that in every Chit Fund, some subscribers will have to lose so as to provide income for the foreman and profit for those, who do not compete with them in the bidding at the early stages and bid only towards the closing stages. The results are in agreement with those general expectations. The losses and gains are compensated by the indirect mutual adjustment amongst themselves, in terms of the credit facilities provided to the losers and the interest obtained, by those who gain, on their investments. But the lower limits for the prevailing rates of interest, derived by the foregoing analysis appear to be rather high. They are so only because of the assumption of a uniform rate of interest on investments and drawings.

To study the working of a Chit Fund as a banking institution, it is probably logically more appropriate, to consider a fixed rate of interest on investments and a different higher rate of interest on loans. The periodical subscriptions paid by the subscribers to the foreman may be treated as investments and the Chitty Amount received by them as borrowings from the Chit Fund. If r is the fixed rate of interest on investments and r_k , the interest charged by the fund on borrowings by the successful subscriber at the k^{th} bidding, profit or loss depends on the sign of

$$A_k - \sum_{i=1}^n P_i + \frac{(n-k) A_k r_k}{1200} - r \sum_{i=1}^n \frac{P_i (n-i)}{1200}$$

For a fixed r , the transactions will be fair to both the subscriber and the Chit Fund if neither party loses nor gains *i.e.*, when r_k satisfies the equation

$$\frac{(n-k) A_k r_k}{1200} = r \sum_{i=1}^n \frac{P_i (n-i)}{1200} + \sum_{i=1}^n P_i - A_k$$

($k = 1, 2, \dots, n$).

For the illustrative example discussed above, the values of r_k , for values of $r = 0, 1, 2, 3, 4$ and 5 have been calculated and are shown in Table 23. The rates on borrowings differ from subscriber to subscriber and generally increase as the rate on investment is enhanced.

TABLE 23—INTEREST RATES : ILLUSTRATIONS

$$r_k = \frac{8250 \cdot 9 r}{(20-k) A_k} + \frac{(906 \cdot 1 - A_k) 1200}{(20-k) A_k}$$

k	$20-k$	A_k	r_k					
			$r=0$	$r=1$	$r=2$	$r=3$	$r=4$	$r=5$
1	19	712.3	17.1838	17.7935	18.4032	19.0129	19.6226	20.2323
2	18	948.2	— 2.9800	— 2.4766	— 1.9832	— 1.5098	— 1.0264	— 0.5430
3	17	722.8	17.9010	18.5725	19.2440	19.9155	20.5870	21.2585
4	16	744.8	16.2426	16.9350	17.6274	18.3198	19.0122	19.7046
5	15	758.8	15.5298	16.2547	16.9796	17.7045	18.4294	19.1543
6	14	774.8	14.5254	15.2861	16.0468	16.8075	17.5682	18.3289
7	13	801.0	12.1118	12.9042	13.6966	14.4890	15.2814	16.0738
8	12	815.3	11.1370	11.9803	12.8236	13.6669	14.5102	15.3535
9	11	836.9	9.0203	9.9166	10.8129	11.7092	12.6055	13.5018
10	10	846.7	8.4186	9.3931	10.3676	11.3421	12.3166	13.2911
11-13	8	873.4	5.6180	6.7969	7.9778	9.1587	10.3396	11.5205
14-16	5	913.7	— 1.9963	— 0.1903	1.6157	3.4217	5.2277	7.0337
17-19	2	938.1	— 20.4669	— 16.0692	— 11.6715	— 7.2738	— 2.8761	+ 1.6216
20	0	948.2						

The values of r_k (Table 23) are very low compared to the values of R_k (Table 22). If the subscriptions paid by the subscribers are treated as current deposits, in which case $r=0$, the highest rate of interest payable is 17.90 per cent. Subscribers who bid at the 14th and later auctions reap good profits. Even when the rate of interest on deposits is increased to 5 per cent, the interest payable by subscribers remains less than 21.3 per cent. The subscribers bidding at the 14th and later auctions in none of the cases discussed ($r=0$ to $r=5$) pay more than double the rate of interest on deposits. Even though the rate of interest on loans provided by the

Chitty, as a banking institution, is relatively high, it justifies itself by the easy terms of repayment in instalments and security conditions which are lacking in ordinary banks.

The foreman's position is totally different from that of the remaining subscribers and is discussed separately.

13. FOREMAN'S POSITION

The most important and prominent personality in a Chitty transaction is the foreman. He enjoys wide powers, special rights and privileges. He has at the same time a number of obligations and duties to perform. The risks he has to face are also many and heavy.

14. DUTIES OF THE FOREMAN

The foreman is responsible for

1. payment to the prized subscriber the prize amount on furnishing sufficient security for payment of future subscriptions and maintaining proper receipts of acknowledgement for the amount paid,
2. investment of unpaid prize amounts before the date of the next instalment in approved banks and intimating the fact to the prize winner,
3. maintenance of the Chitty books, viz.,
 - (a) register of subscribers, their individual share value, etc.,
 - (b) minute book of proceedings,
 - (c) ledger for payments to and receipts from subscribers and investments in banks and
4. preparation of Annual Balance Sheet in the prescribed manner and presentation of the same for audit,
5. proper conduct of the Chitty at the specified dates of instalment.

15. OBLIGATIONS OF THE FOREMAN

1. The foreman shall before the first drawing of the Chitty execute a bond in favour of or in trust for other subscribers for the proper conduct of the Chitty, charging property sufficient to the satisfaction of the Registrar or any officer empowered by Government for the realisation of twice the Chitty amount or depositing cash in any approved bank of not less than the Chitty Amount.

2. He shall be liable to the subscribers for the amounts due to them.

3. He shall allow subscribers all reasonable facilities for the inspection of security bonds, receipts and other records taken from the prized subscribers or furnished by him and all Chitty records.

16. RIGHTS OF THE FOREMAN

The foreman shall be entitled

1. unless otherwise provided for in the *Variola*
 - (a) to obtain his prize at the instalment specified in the '*Variola*' without any deduction or discount and

- (b) to such commission or remuneration not exceeding 5 per cent of the 'Chitty Amount' as may be fixed in the '*Variola*' for the conduct of the Chitty,
- 2. to receive and realise all contributions from the subscribers and to distribute the dividend among them,
- 3. to demand reasonable security from any prized subscriber for the amount of future subscriptions payable by him, and
- 4. to substitute subscribers in the place of defaulters.

17. FOREMAN AS A SUBSCRIBER

The foreman functions in a dual capacity, as a subscriber and as the convener of the Chitty. As a subscriber, he is entitled to receive the prize, at a particular instalment specified in the bye-laws of the Chitty without allowing any discount to the other subscribers, usually the 1st, 2nd or 3rd. This places him in a very advantageous position, completely different from that of the remaining subscribers. He receives an advance, the maximum amount possible under the rules of the Chitty, in the beginning itself. The advance not only serves as credit but brings him a good return by way of interest.

In the monthly Chitty with twenty instalments described on page 125, the foreman receives the prize at the 2nd instalment. He always gains as a subscriber, whatever be the prevailing rate of interest. He gets a very high rate of interest for the amount invested by him.

18. FOREMAN AS THE CONVENER OF THE CHITTY

In addition to the credit facilities secured by him as subscriber, the foreman receives a commission at each instalment for his expenses for conducting the Chitty. Though the Chitties Act has specified the maximum commission chargeable, *viz.*, 5 per cent, instances have been met with in the course of the survey, where even as high as 8 per cent on the capital has been charged towards commission. To induce subscribers for prompt payment of the subscriptions, the foreman in most Chitties allows a rebate upto 2 per cent.

The net commission rate realised by a foreman at each instalment depends on :

- (1) the usual commission rate,
- (2) the amount paid as rebate on prompt payments,
- (3) the amount he has to realise from subscribers towards subscriptions, and
- (4) the interest, if any, he pays on loans for prompt payment of prize to the prized subscriber, due to delayed payments and defaults by subscribers.

Since no figures are available in respect of some of the items, the computation of the net commission rate has not been possible. However, for the monthly Chitties discussed previously it has been found that the foreman gets a net rate of commission of about 5 to 6 per cent.

Thus, it may appear that the foreman in a Chitty is the most favoured individual, benefiting both as a subscriber and as the convener. It must be borne in mind that actual experience will be consistent with theory only if the foreman is enterprising and lucky enough to get together a group of prompt subscribers.

19. CONCLUDING REMARKS

The following facts about the Chitty transaction in the Travancore-Cochin State have been noticed in the Survey.

1. Since 1945, on an average about 1,208 Chit Funds with a total capital of nearly Rs 26 lakhs are registered annually in the State. Quite a large number of Chitties with capital less than Rs 100, which need not be registered under the Chitties Act, are also organized every year.

2. Though there was a decline in the Chitty transactions during the years 1934-5 to 1942-3, Chitty is regaining its popularity since 1943-4. The Chitties as these are organised at present cannot, however, be considered as really beneficial from the financial point of view of the subscribers resorting to it for credit.

3. The Chitty allows a reasonable rate of interest to the subscribers who resort to it for investment purposes.

4. The foreman of a Chitty is the most favoured individual deriving benefit both as a subscriber and convener.

5. The monthly Chitties extending over not more than 3 years seem to be the most popular type.

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