

APPENDIX I

THE PEOPLE OF INDIA

THE distribution of population, its density, and the pursuits of the people have a very direct bearing on the question of enfranchisement and elections, and Indian census Reports (amongst the most interesting publications issued by the Indian Government) afford elaborate information on this point.

The numbering of the people of India presents extraordinary difficulties on account of the size of the country, the varieties of government within it, the large numbers of people on the move at any given time, the backward state in civilisation and education of large masses, and their religious and superstitious prejudices. The first attempt was made between 1867 and 1872, but not until 1881 was any census carried out on systematic lines. Then it was but a first experiment, and every tenth year since, it has been done with greater accuracy and completeness. The bigness of the task can be estimated from the fact that about two million people were engaged upon it when it was last taken. The census of 1911 gave British India, with an area of 1,093,074 square miles, a population of 244,267,542, and the Native States, with an area of 709,583 square miles, one of 70,888,854. In the whole of India the population density is 175 persons to the square mile; in British India it is 223, and in the Native States 100. The population is massed mainly in the Ganges Valley and Punjab, on the western shore of the Bay of Bengal, in the south below the towns of Madras and Mysore, and on the coast districts south of Bombay between the hills and the sea. The chief factor in determining this density, in addition to physiographic configuration, is the climate, and a map of the rainfall follows in general features a

map of the distribution of the people. But, in addition, we see the traces of invasion and insurrection, of disease and famine, of irrigation¹ and of drainage. The development of commercial and industrial enterprise is hardly seen yet in the density of population outside Calcutta and Bombay, and in small localities like the mining district of Manbhum. India remains agricultural and the laws which determine the settlement of an agricultural population hold an almost unmodified sway. It has appeared to some observers² to be curious that in districts where rents are high and the cultivator is poor, population should be as dense as where rents are lower and the cultivator better off. That is, however, what we should naturally expect. In the one case, population is attracted to the soil by certain economic advantages, and in the other it is kept there by its caste cohesion, the weight of its poverty, and by the lowness of its standard of living. Generally it is true that whatever makes for successful cultivation makes for density of an agricultural population, and that law has to be supplemented by the other that a low standard of life also makes for a high density—especially in a country like India where obstacles are put in the way of a free circulation of the people.

The importance of the agricultural population in India can be seen at once by the figures. The census of 1911 showed that 9·5 per cent. lived in towns. In Assam only 3 per cent. are urban, in Bengal, 6 per cent.—only 4 per cent. if Calcutta be not taken into account; in Bihar and Orissa, 3·4 per cent.; in Bombay, 18 per cent.; in Burma, 9·3 per cent., but the town here is often an extended village and its population can hardly be accepted as urban in its characteristics; in the Central Provinces and Berar, 8 per cent.; in Madras, 11·7 per cent., but here again the official town is not always a town, but a village founded on the economy of a village; in the Punjab, 10·6 per cent.; in the United Provinces, 10·2 per cent. In Baroda, the proportion of the urban population has actually declined, but in every case the figures are not absolutely reliable owing to the prevalence of plague when the census was taken having caused an exodus from towns.

¹ In the Lyallpur district, for instance, a wheat-growing population of 272 to the square mile is maintained solely by irrigation on what used to be a desert.

² *Census Report*, 1911, Part I. p. 26.

With the exception of Bengal, where there is a large Mohammedan agricultural population, the trading propensities of Mohammedans draw them to urban areas, and the proportion of town-dwelling Mohammedans is therefore larger than town-dwelling Hindus. Parsis are town dwellers, and Christians are also largely found in great centres of population. Where there is an immigrant population, as the Hindus in Burma and the Hindus and Sikhs in the North-West Province, it is to be found in towns because it has come for trading purposes. It is found generally that the Mongoloid peoples of the East are attracted by towns more than the Dravidians, and the comparative largeness of the city populations of the North-West is owing to the fact that the walled city there was important for the fighting races which ruled and built capitals, and that has created a habit amongst the people. The racial proportions in towns do not correspond, therefore, with those of the country as a whole. The same is true of religious proportions.

Moreover, recent census figures show how steadily railway communication is changing the town geography of India. The old capitals and trading centres are being deserted. They are now remote from the paths of men on the banks of deserted rivers, or on roads and routes once full of a stream of traffic which no longer flows upon them.

With a direct bearing upon electoral arrangements is also the distribution of the educated population. In this respect, Burma easily holds the premier place. Three hundred and fourteen per thousand over the age of fifteen (the male proportion being 376) are literate, and they are scattered over the country; in Bengal and Madras, the figure is 77 and 75; at the bottom of the graded list are the United Provinces and the Central Provinces with Berar, boasting of 34 and 33 respectively. Taking India as a whole, the distribution of the literate population is three times as many males and nine times as many females in the cities as in the general population. Distributed amongst religions the Parsis come first with 711 per thousand literates, or 831 of persons over fifteen years of age. Of Buddhists, one in four is able to read and write, and the Christians come close upon that. The significant feature of Christian education, however, is that it is found to such a degree amongst aborigines and outcastes that the proportion of literate

people amongst these is three times as high as it is amongst Hindus, and four times more than amongst Mohammedans. One in four Indian Christian males is able to read and write. At the bottom of the grade are the Mohammedans, only 69 per thousand of whose males are literate.

APPENDIX II

IMPERIAL AND PROVINCIAL REVENUES

THE subordination of local to central authority is best seen when one studies the Indian system of finance. In 1833 the financial administration of India was put absolutely into the hands of the Central Government. But in 1870 Lord Mayo began a system of decentralisation by handing over to the major Provinces control of police, jails, medical services, roads, education, and a few other activities together with a fixed sum from which the charges were to be met. Excesses in cost were to be found from savings or from provincial taxes, and powers, very limited and entailing much reference to the Central Government, were given to the Provincial Governments to employ the necessary staffs. Lord Lytton was responsible for a further step in advance, beginning in 1877. The responsibilities of Provincial Governments were extended; and in order to induce them to practise economy and develop their taxable resources, certain sources of income were placed under their control. The Imperial Government kept the total income from certain revenues, divided others with the Provincial Governments, and surrendered others altogether. But each fifth year the arrangements were revised. In 1904 the system was again revised, and the present one of "quasi-permanent settlement" instituted. The theory of the present arrangement is as follows. First of all, the Indian Government retains control of the services which it thinks necessary, and the revenues required to enable it to carry on its work—opium, railways, posts and telegraphs—Provincial Governments look after what remains, and receive a definite share of the revenues which they collect. Thus the Provincial Exchequers receive all the income from the spending departments which they administer, they share equally with the Indian Government the land revenue, excise, stamps, and forest receipts, they have a share in the income of the larger irri-

gation works and the total receipts from the minor provincial ones. This system, designed for the purpose of throwing back the Provincial Governments upon their own resources and of encouraging them to develop their own incomes by improving their Provinces, has been supplemented by substantial doles from the Indian Exchequer to enable the Provinces to effect certain improvements (as in police, agriculture, and education) without delay. Minor changes that did not affect the general system were made in 1912.

The method here explained is objectionable. The general control of the Central Government must, of course, remain so as to co-ordinate the work of the Provincial Governments, but Provincial revenues should be mainly under the control of the Provinces, the contributions to the Central Government being more and more of a tribute, whilst the system of doles and large grants for specific purposes, which may be nothing more than a passing hobby of some powerful member of the Executive Council of the Governor-General, should be ended. It is liable to be wasteful and is not always in accord with the most pressing needs of the Provinces, and it allows the Central Government to exercise a control on local administration which is properly resented in the more progressive Provinces.

The changes that have been made have all tended to create an independent provincial financial system, but the Central Government has preserved its position as the sole budgeting authority. There has been much to be said for this hitherto, although Provincial Legislative Councils naturally object to it. Provincial autonomy must be consistent with a policy of Indian development, and this cannot be secured without central financial control. At present there is friction, but I can see emerging from present conditions of dispute an agreed and accepted settlement of existing difficulties in administration when the Provinces will have secured in practice a financial freedom which will not sacrifice the necessary central co-ordination, and which will place them independent of doles and so free them from unnecessary interference.

At the same time, it cannot be expected that self-respecting Provincial Governments will surrender the right to pass their own Budgets and be content to send them to the Government of India to be incorporated into an Imperial Budget. So long as the

Executive Councils of the Provinces and of India are composed of civilians belonging to the same service, and the official element on the Provincial Councils is so strong, this objection may not be felt very much; but immediately the official power is weakened, the representative bodies will want more financial liberty. The solution that ought to be aimed at is, I think, such a modification of the present system as will provide that Provincial Budgets shall be submitted to the central financial authorities as advisors whose powers of disallowance and modification shall be strictly defined, and then returned for discussion and approval to the Provincial Legislatures. On the other hand, the Imperial revenue should be derived from profitable services, like the railways, supplemented by demands upon the Provinces imposed in proportions to be fixed from time to time between Province and Province. This would put an end to the system of divided revenues, which has not much to commend it. The Indian Government should continue to be the authority for prescribing forms of accounts, methods of levying taxation, borrowing on the open market, and for dealing with all arrangements affecting the general financial administration, including customs and excise of India.

But when principles are settled, there are problems arising out of their application. I see no valid objection at all to a system by which the Imperial Government, having estimated the income from its own resources, distributes amongst the Provinces their share of the deficit and presents to them a rescript for the amount. It is done in Local Government here, and can be adopted in India. But there are certain revenues which come from impositions which, in the interests of the whole of India, ought not to be varied from Province to Province. The Land Tax, for instance, is a purely provincial matter, and there is no necessity for it to be a uniform proportion of product from one end of India to another. It is a rent and should respond to the economic laws of rent. That is not the case, however, with the Income Tax, which is a tax and not a rent, and therefore should be uniform. Commercial Stamp Duties are of the same nature. These latter ought to be Imperial revenues, and so the question arises how they can be collected. If Imperial collectors may be regarded as out of the question, there are still two methods open. The first is to make some grades of provincial officers responsible and arrange with the Provinces

for costs of collection, and the second is to make the Provinces responsible and allow them a commission. The first seems the better way. But in any event these are only matters of ways and means. The important thing is to settle that Provincial finance will be put upon an unassailable provincial basis, and that the Imperial Government, instead of being the dispenser of financial benefits, shall receive from the Provinces the means necessary to make both sides of its Budget balance; further, that the Provinces shall be free to develop their own resources with a superimposed control not for the purpose of hampering policy, but of securing the necessary uniformity and equity—and even that may soon be dispensed with.

APPENDIX III

THE 'CO-OPERATIVE MOVEMENT

THE growth of co-operation in India is phenomenal, though in every sense of the word the movement is still in its infancy. In fact, in some places it seems to have spread through the atmosphere. It has been regarded as a panacea, like one of the many drugs which cure everything, advertised in the Indian press. This does not discredit the movement or throw any doubt upon its stability. It has not only come to stay, but to cure, and no country in the world can give a more sincere welcome to the co-operative spirit than India. The Indian leans upon his family, his village, his community. From the moment of his birth till that of his death, he is under obligations of a social and personal character. To him the virtues of co-operation and the spirit of interdependence are an inheritance and not an acquired habit. But the co-operation of Indian life has degenerated. The wide world market has destroyed the co-operative organisation of the village, and the moneylender has more and more individualised credit. Commercialism has split up the co-operative life of the people into separate transactions of profit-making. But the soul of the people has not gone. Their traditional modes of life are still natural to them, and these, impelled by the pressure of exploitation which is upon them, make them turn readily to the co-operative promise.

The chief quarry from which information about co-operation is to be dug is the annual reports issued by the Governments. Figures are striking, but convey only an imperfect idea of what the movement means. A few will, however, enable one to understand both its size and its stability. In Bengal the societies of all kinds increased in 1913-14 from 1,123 to 1,663, the members from 56,889 to 90,363, the working capital from Rs.4,607,301 to Rs.8,940,803. In the United Provinces the report for 1914-15 records difficulties

owing to crop failures, and the work of the year was not conspicuously successful. But the number of agricultural societies increased from 2,560 to 2,716. The amounts borrowed from the societies, totalling 27 lakhs of rupees, show their utility, as by that much did they save cultivators from moneylenders. In the same year the societies in the Central Provinces and Berar increased from 2,213 to 2,297; the membership from 40,415 to 44,085, and the working capital from 65 to 72.5 lakhs of rupees. Here, again, there were failures in crops to contend with. The Punjab, also under difficulties, showed no increase in the number of societies or of members, but did show an increase in working capital of 7.25 lakhs of rupees. The stability which the Punjab Societies evidenced is very gratifying, for the crisis through which they passed was severe.

I studied the movement a little more closely in Madras. There in 1905-6 there were only 27 societies with 2,733 members, a working capital of Rs.107,651, and a meagre reserve of Rs.689; in seven years there were 1,078 societies, 82,713 members, Rs.9,548,750 capital, and Rs.443,000 in reserve. It is also noteworthy that whereas in the first of these years 32 per cent. of the members were agricultural, in the latter the percentage was 59. In this Province we also see the tendency to use these societies as Savings' Banks, for the deposits of non-members in the first year were 7 per cent. of the capital, whereas in the latter year they were 26 per cent. At first the Madras societies were helped by loans from both the Imperial and the Provincial Governments, but these have been discontinued because they are no longer required. To supply the needs of the societies and to organise their credit are two central banks—the Madras Central Urban Bank, a joint-stock society dealing only with registered Co-operative Societies, but neither managed nor controlled by them; and the Madura-Ramnad Co-operative District Bank, Ltd., which is a banking union of societies in the district. Banks of the latter type will in time control the grand finance of the movement so that the whole work will be put upon a self-contained basis of self-government.

The societies themselves show different modes of working, and greater uniformity is desirable. Some are of limited liability, others are not—some work with a large proportion of capital paid up, others are not so particular; but that they all supply a need is

seen by the loans they have paid—one hopes that in every case it is a real need. In 1908-9 the agricultural societies alone gave 6,951 loans; in 1912-13 they gave 27,835—the sum loaned in the former year being Rs.694,462, in the latter Rs.2,306,447. The non-agricultural societies gave in the same years 2,362 and 6,981 loans, of Rs.269,759 and Rs.842,764 respectively.

The Indian cultivator undoubtedly spends money and has no notion of keeping out of debt. It was therefore feared that co-operative credit, instead of being used to improve agriculture and the lot of the peasant, would only widen the margin of credit and be a new incentive to expenditure, and the Government tried, by regulations defining the purposes for which loans were to be granted, to protect the cultivator and the societies against this. The result has been good. Fifty-six per cent. of the loans issued in Madras in 1912-13 were for production purposes, 41 per cent. to clear off old debts most of which bore usurious rates of interest, and only 3 per cent. for non-productive expenditure. That is for the agricultural societies. For the non-agricultural societies the figures are almost as good, being 49, 38, and 13 respectively. The non-productive borrowings were mainly for marriages, the expenses for which in India (until there is a revolution in habits) are not only essential, but cannot be cut down.

The redemption of old debt is most important, though some of the superficial critics of the movement always seize upon the figures under this heading to try to diminish the importance of co-operation. Thus, not only is the income of the cultivator relieved of heavy usurious charges—sometimes up to nearly 40 per cent.—not only is it possible for him to pay off his borrowings with interest on a considerably lower charge than his interest alone used to impose,¹ but he becomes a freer man altogether, and, so far from teaching him more extravagance, this freedom gives him a chance of learning what economy means. In one of his reports the registrar of the Punjab societies says regarding the conversion of *bunna* indebtedness into co-operative-society indebtedness: “It will thus be seen that members have replaced one form of

¹ “At a low computation, we save the agriculturists of India from an absolutely unnecessary burden of at least 10 lakhs of rupees on every crore of rupees lent out by the Co-operative Societies” (Sir E. Maclagan, *Registrars' Conference*, 1912).

indebtedness amounting to at least 30 lakhs by another amounting to 72 lakhs, and they are still further this much to the good in so far as the interest they pay on the new form of debt is very much lighter than what they paid on the previous form, while they have recovered cultivating possession of valuable ancestral lands amounting to no less than 8,000 acres." That is a very striking statement showing the back-breaking oppressiveness of the moneylender upon the Indian cultivator.

Whoever visits Conjeeveram to see its famous temples would do well to direct his steps to the workshops of the Co-operative Productive Society. It is for weavers. The people one meets there are imbued with the co-operative idea exactly like the workmen in a similar factory here. The society supplies looms, raw material, and capital; it buys the products of its members and sells them to the best advantage. It divides its profits between its reserve funds, its management, and its weavers, and it employs the attractions of a bonus to encourage regularity in habits and excellence in work. It has had its ups and downs, but the time I spent looking round it and hearing from its moving spirits what their hopes and fears were was full of the most lively interest.

There are also co-operative trading societies, but I found these still in a struggling infancy, experimenting to find a field and a method, and complaining of the hardness of their task. But of the future I have no doubt, whatever disappointments may intervene between now and final success. In time, the usurious moneylender will go, the parasitic middleman will go, and co-operation will take their place in the interests of the cultivator and the craftsman.