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REPORT

of the

United Provinces Provincial Banking Enquiry Committee

1929-30

Volume IV

EVIDENCE.



ALLAHABAD:

PRINTED BY THE SUPERINTENDENT, GOVERNMENT PRESS, UNITED PROVINCES, AND PUBLISHED BY THE GOVERNMENT OF INDIA, CENTRAL PUBLICATION BRANCH, CALCUTTA.

1931

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QUESTIONNAIRE.

I.—Agricultural credit and credit facilities.

Part A.—*Agricultural borrowing for purposes of production.*

1. (*a*) From what classes of lenders does the agriculturist in your area or district borrow (*e.g.*, Government, co-operative societies, village moneylenders, etc.)?

(*b*) For what purposes does he borrow, *e.g.*—

(i) repayment of earlier debts,
(ii) payment of accumulated interest,
(iii) marriage and other social functions,
(iv) famine and other kinds of distress,
(v) payment of land revenue or rent,
(vi) seed,
(vii) manure,
(viii) expenses of cultivation, *e.g.*, wages of labourers,
(ix) agricultural implements,
(x) litigation,
(xi) purchase of plough or other cattle.
(xii) sinking of wells,
(xiii) building of tanks,
(xiv) other agricultural improvements, and
(xv) subsistence?

(*c*) Please indicate roughly—

(i) in what proportion the debt is distributed among the above purposes, and

(ii) in what proportion the debt is divided between the various classes of lending agencies mentioned in (*a*) above?

(*d*) (i) How much of the total debt is incurred in cash and grain respectively?

(ii) How much of it is incurred for a long or short period respectively? (N.B.—A short period is six months or less.)

2. (*a*) What rates of interest are charged in your area or district—

(i) for cash advances,

(ii) for loans in kind for seed,

(iii) for other loans in kind?

(*b*) What are the methods of calculating the rates of interest?

(*c*) Are the rates of interest in your opinion exorbitant?

(*d*) Do you know of any other charges incidental to the grant or repayment of loans?

3. (*a*) What kind of security is usually given and accepted in the case of borrowing for agricultural purposes, *e.g.*, land mortgage, standing crops, house property, ornaments, agricultural implements?

(*b*) Is it correct to say that the better the title to land the greater the amount of indebtedness, *i.e.*, that the landlord is relatively more indebted than the occupancy tenant and the occupancy tenant than the tenant-at-will?

(*c*) What is the comparative extent of the indebtedness of the various classes of landlords and tenants?

(*d*) Is the amount of debt secured on land mortgage increasing or decreasing? How does it compare with unsecured debt or debt otherwise secured?

4. (*a*) What are the usual methods in your area or district of enforcing payment of debt from agriculturists?

(*b*) Is there any difference between the rate at which the cultivator borrows grain or repays it and the prevailing rate (*nirakh*) for that grain in the village or market at the time of borrowing or repaying respectively? Is there any means by which the cultivator can ascertain what the prevailing rate in the market is from time to time?

5. (*a*) Does the cultivator take full advantage of the facilities provided by the Agriculturists Loans Act and the Land Improvement Act, *i.e.*, does he freely borrow *taqavi* (i) for seed, cattle or agricultural implements, and (ii) for building tanks or wells?

(*b*) If he does not, what is the reason?

(*c*) To what extent does the cultivator borrow more *taqavi* in abnormal than in ordinary years?

(*d*) Are there any defects in the present *taqavi* system?

(*e*) If there are, what improvements can you suggest?

NOTE.—In answering question 5 please distinguish between the Agriculturists Loans Act and the Land Improvement Act.

6. Do you know of any instances where cultivators combine together to produce particular crops? If not, do you regard such a combination as either possible or desirable?

7. Are there any defects in the present system of agricultural borrowing? If so, what are they and to what causes do you attribute them? Can you suggest any remedies?

PART B.—*Agricultural borrowing for purposes of marketing.*

1. (*a*) In what ways are the principal crops of your area or district brought to market?

(*b*) Do the methods of marketing vary according as the crop is one mainly used for domestic consumption, or one mainly sold in the market?

2. (*a*) From what classes of lenders is money obtained to finance the marketing of crops, *e.g.*, banks, grain merchants, exporting firms? On what terms do these various classes lend?

(*b*) If there is a co-operative society in your area or district, does it ever assist in the marketing of crops either by lending money or otherwise? If it does not, do you think that it should?

3. (*a*) What charges does the cultivator ordinarily pay in the case of marketing his crop to—

(i) the local moneylender (*bania*),

(ii) the commission agent (*arhatia*),

(iii) the broker (*dalal*),

(iv) the wholesale grain merchant (*beopari*)?

(*b*) Do these charges vary with different crops, *e.g.*, wheat, cotton or sugarcane?

(*c*) Are there any other incidental charges?

4. (*a*) In what manner does the cultivator in your area or district store his grain? Can you make any suggestions for improving storage?

(*b*) In what manner is grain stored in the markets with which you are acquainted? Are there any defects in the system, and, if so, can you suggest any improvements?

5. How far is grain stored in the markets used as security for obtaining credit, *i.e.*, grain stored in *khattis*, *kothas*, bank godowns, etc.?

6. (*a*) Please see the note appended* on the system of licensed warehouses in the United States of America. Do you think that such a system could be worked in India?

(*b*) If so, would there be need of Government assistance in the matter?

7. Do you know of any instances where cultivators combine together to market particular crops? If not, do you regard such a combination as either possible or desirable?

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*See Annexure I.

8. Is the system of weighment satisfactory in the markets with which you are acquainted? If not, can you suggest any remedies?

9. (*a*) Are exporting firms and companies ever guilty of speculative dealings in agricultural produce? To what extent are they able to control prices of such produce?

(*b*) Is the cultivator's profit seriously affected by such dealings and such control?

(*c*) If it is, can you suggest any measures for his protection?

PART C.—*Extent and nature of agricultural indebtedness.*

1. (*a*) Do you know of any estimate of the existing indebtedness of the agricultural classes for either any particular village, any particular estate, any particular district, or the whole province?

(*b*) If you do not know of any such estimate, in what manner would you frame one?

(*c*) In such an estimate would it be possible to distinguish between—

(i) the amount of debt secured on land mortgages of various kinds (*a*) registered, (*b*) unregistered,

(ii) the amount of debt incurred against any other assets such as houses, ornaments, agricultural implements, crops, or against the assets generally?

(*d*) If you can, please frame such an estimate for any village, estate or district with which you are acquainted, or for the province as a whole.

2. (*a*) Who are the principal creditors of the agriculturists, *i.e.*, Government, banks, co-operative societies, indigenous bankers, professional moneylenders and grain dealers?

(*b*) To what extent does the richer agriculturist lend to the poorer?

(*c*) Can you estimate the amount of debt due to each class of creditor?

3. (*a*) Do you think that as the result of the enforced payment of debt land and the rights in land are passing in any marked degree from the possession of people who are efficient farmers into the hands of creditors who are not themselves efficient farmers?

(*b*) If this process is going on, does it cause the cultivator to produce less, or less efficiently?

3-A. Do you think that the operation of the Bundelkhand Land Alienation Act in the United Provinces has resulted in—

(*a*) any undue restriction of an agriculturist's credit, and

(*b*) the replacement of an ordinary *bania* by an agriculturist moneylender?

(*For landlords only.*)

4. Can you give an estimate of the indebtedness of the landowning classes in your area or district?

5. (*a*) Are there any special causes for the indebtedness of these classes? If so, what are they?

(*b*) Can you give an estimate of the amount of indebtedness due to different causes?

6. Do the landowning classes have to pay special charges or rates of interest in respect of their borrowings?

PART D.—*Credit facilities in respect of agricultural production and marketing.*

1. (*a*) What are the parts respectively played in providing agricultural credit in respect of crop production by Government, the Imperial Bank of India, the joint-stock banks, the co-operative banks, indigenous bankers, professional moneylenders, grain merchants and such organisations as companies trading in fertilizers, agricultural implements, etc.?

(*b*) Are the existing credit facilities adequate or not? If not, can you make any suggestions for increasing them?

(*c*) Are there any defects in the existing system of agricultural credit? If so, what is the cause of them? Can you suggest any remedies?

2. (*a*) What are the various parts played by the credit agencies mentioned above in respect of the marketing of crops?

(*b*) Are the existing credit facilities adequate or not? If not, can you make any suggestions for increasing them?

(*c*) Are there any defects in the existing system of agricultural credit? If so, what is the cause of them? Can you suggest any remedies?

NOTE.—In answering question 2 please distinguish between the following stages in the financing of Indian trade :—

(*a*) *Export trade*—(i) from the village to the *mandi*,

(ii) from the *mandi* to the distributing centres in the province, such as Cawnpore,

(iii) from the distributing centres to the exporting ports.

(*b*) *Import trade*—(i) from the importing ports to the distributing centres in the province, such as Cawnpore,

(ii) from the distributing centres to the consumer.

3. (*a*) Is there any co-ordination among the various credit agencies, and, if so, to what extent?

(*b*) Is there scope for improvement in this direction?

4. Is there any difference in the matter of credit facilities between internal and overseas trade?

5. (*a*) Is it possible to form an estimate of the total amount of capital required for agricultural finance generally in respect of your district or the whole province?

(*b*) If so, on what basis would you calculate such an estimate?

(*c*) If possible, give an estimate for your district or the province as a whole.

PART E.—*Land mortgage banks.*

1. To what extent are loans obtainable for long periods in your area or district by—

(*a*) landlords,

(*b*) tenants of various kinds?

2. (*a*) On what security are such long-period advances available?

(*b*) What are the special difficulties of long-period borrowers?

3. Does non-transferability in the case of tenants (other than fixed-rate tenants) act as an impediment to long-term credit and increase the rate of interest in your area?

4. (*a*) Does the occupancy right serve as an adequate security for long-term credit?

(*b*) Do you suggest any modifications of the law with the object of increasing the value of such security for long-term advances?

5. Please read the enclosed note* on land mortgage banks. Do you think that the establishment of such a bank or banks would solve the problem of long-term advances in this province?

6. If you approve of the institution of such a bank or banks, can you suggest the lines on which they should be organised, particularly with regard to the following:—

(*a*) Should there be only one land mortgage bank to provide long-term credit alike for farmers, small landowners and big landowners (including *zamindars* and *taluqdars*); or should there be two, one confining its business to farmers and small landowners, and the other to the big landowners?

(*b*) If you suggest two banks, should there be any connexion, working arrangement or other method of co-operation between the two?

(*c*) (i) Should the land mortgage banks have share capital of their own, or should there be a Government guarantee in lieu thereof? What should be the amount of such capital or guarantee?

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*See Annexure II.

(ii) To whom should the share capital be available for subscription?

(iii) In case the share capital is not taken up by the public, should the Government undertake the obligation of subscribing the balance?

(*d*) What suggestions have you to offer in connexion with the management of such a bank, its directorate, the rights and votes of shareholders, etc.?

(*e*) What should be the maximum period of the loans advanced by a land mortgage bank and the margin between the amount of loans and the value of mortgage?

(*f*) In what manner should land mortgage banks obtain working capital, *e.g.*, from (i) deposits, (ii) debentures, (iii) a central institution, or (iv) all of these?

(*g*) (i) Should debentures carry a Government guarantee, either for principal, or interest, or both?

(ii) If debentures are not taken up by the public within a certain time, should the Government take up the balance?

(iii) Should the debentures rank as trustee securities?

(*h*) If the Government are to undertake any financial obligations, how should it be safeguarded against loss?

(*i*) Do you suggest any changes of the existing law, or special arrangements, in favour of land mortgage banks, *e.g.*,—

(i) issue of certificates of encumbrances by the registration office, either free, or at a nominal charge,

(ii) abolition or reduction of stamp duty, registration charges and court-fees,

(iii) notification of proposed mortgages, with a view to avoid disputes and counter-claims by parties other than the clients of the bank.

(iv) simplification of the process of foreclosure and sale in the event of non-payment,

(v) power to manage defaulting estates.

(*j*) Should provincial land mortgage banks be co-ordinated under an all-India central institution, and, if so, what should be the constitution of such an institution?

7. (*a*) Since the value of land would be of special importance to a land mortgage bank, what method would you regard as suitable for calculating the value of land?

(*b*) In your district does the value of land per acre differ according to the crops grown on it? If not, on what basis is the value of different kinds of land calculated?

(*c*) What are the factors affecting such value?

(*d*) Is there any difference between the prices of land—

(i) obtained in sale by Government auction for non-payment of revenue,

(ii) obtained by sale on a court decree,

(iii) obtained by private negotiation?

If so, what is the cause of the difference?

(*e*) What is the proportion of the annual net yield of average quality land to its market value under normal conditions?

PART F.—*Co-operation.*

1. (*a*) What relations exist between the co-operative banks and other banks in the country, namely, the Imperial Bank of India, the joint-stock banks and the indigenous banks?

(*b*) Is there any competition in your district or province between the co-operative banks and the joint-stock banks? If so, what is its nature and extent?

2. Have co-operative societies any special difficulties in raising either short or long-term capital?

3. Is the amount of capital available for financing the co-operative movement in your district or province sufficient or not?

If it is not, can you estimate the additional amount of capital required, and suggest methods of raising it?

4. (*a*) Is it possible to stimulate the growth of the co-operative movement by financial concessions, such as the exemption from income-tax of genuine co-operative societies, or the inclusion of the debentures of provincial co-operative banks in the list of trustee securities?

(*b*) If such action is possible, do you regard it as desirable?

5. Would the establishment of the provincial co-operative bank stimulate the co-operative movement in this province?

PART G.—*Small industries allied to agriculture.*

1. Are there in your area or district any small subsidiary industries allied or supplemental to agriculture, *e.g.*, dairy farming, *gur*-making, cotton ginning, sericulture, tanning, sugar refining, hand-spinning, poultry farming, growth and manufacture of tobacco, vegetable, fruit, or flower growing, etc.?

2. What is the condition of such industries in your area or district? Can you suggest any means of improving them or enabling the producer to get a better return for his produce?

3. (*a*) Can you suggest any industrial or other enterprises which may give employment to a farmer during the off-season when he is not fully occupied in agriculture?

(*b*) Can you suggest any means of securing working capital for such enterprises?

PART H.—*Small urban industries.*

1. (*a*) How are the cottage or art industries of your area financed?

(*b*) How do the artisans get their supply of raw materials and implements?

(*c*) How are their wares disposed of?

(*d*) What part is played by middlemen and large dealers in these industries and trades?

2. (*a*) In what industries are *karkhanas*, where workers are employed under master artisans, to be found?

(*b*) What is the relation between (i) the *karkhanadars*, the middlemen of the trade and the consumers; (ii) the *karkhanadars* and the workers and apprentices?

(*c*) Is there a tendency in these industries for the artisans to drift from their homes to small workshops, or *vice versâ*?

3. (*a*) Are you aware of any instances of sweated labour, especially amongst men or women?

If so, can you give any specific instances?

(*b*) How would you organise home-workers to protect them against exploitation?

4. Are you acquainted with the working of any co-operative artisans' societies?

Would co-operative organisation remedy sweating and exploitation, or can you suggest any other suitable method of financing small industries in such a way as to give the workman a fair return for his labour?

5. (*a*) Would an industrial bank be a suitable method of improving the present system of financing small industries? If so, should it be a co-operative or a joint-stock bank?

(*b*) Should such a bank issue loans only to artisan societies or to individual artisans or firms?

6. Do you think that sales associations, dépôts or emporia can be of effective assistance in advertising and marketing art wares?

If so, how and by whom should they be organised, financed and managed?

PART J.—*Internal remittance and negotiable instruments.*

1. (*a*) What are the facilities available to the public, including banks and bankers, for internal remittance, *i.e.*, for obtaining cash when and where it is wanted?

(*b*) Are there any defects in the present system? If so, have you any suggestions for improving it?

2. What part is played by negotiable instruments in the internal trade of the province?

3. To what extent do supply bills facilitate internal remittance? Can you suggest any modification in the rules governing the issue of supply bills with a view to increasing their utility?

4. Is there any means possible of extending the use of bills of exchange, *e.g.*, by a reduction of duty?

5. Would you approve of the extension, cheapening and improvement of Post Office agency for handling internal remittances, *e.g.*, collection of bills and cheques, issue of travellers' letters of credit, reduction in money-order charges, etc.?

6. (*a*) What different classes of *hundis* are current in your district or province? What are the peculiarities of each? Please give examples of wording.

(*b*) Have you any suggestions for the better protection or benefit of persons handling *hundis*, either by amendment of the Negotiable Instruments Act or otherwise?

(*c*) Are *hundis* in your trade centre or district held by middlemen, merchants or commission agents, or do they pass freely from hand to hand?

(*d*) Are the *hundis* of your district or trade centre discounted only in that district or centre, or are they ever sent elsewhere, to be discounted or rediscounted?

7. (*a*) Is it possible to borrow money during the process of marketing on the security of any kind of instrument of ownership, for instance railway receipts, invoices, etc., and what are those instruments?

(*b*) Is any difficulty experienced in using such instruments in this manner? If so, can you suggest any method of removing those difficulties?

II.—INDIGENOUS BANKING.

[*Note* 1.—By indigenous banking is meant all banks and bankers other than the Imperial Bank of India, the exchange banks, joint-stock banks and co-operative banks. It includes any individual or private firm receiving deposits, dealing in *hundis* or lending money.

Note 2.—In answering these questions please avoid mention of any name. If it is desired to give information relating to a particular firm, be careful to refer to it by some vague description, such as Messrs. AB.]

A.—Organisation of indigenous banking.

1. (*a*) Please see the definition of indigenous banking given in the note at the head of this part of the questionnaire. How many classes of "indigenous bankers" are to be found in your district or province?

(*b*) What kind of business does each class transact, and on what system does it work?

(*c*) Do "indigenous bankers" combine other business with their own? If so, which is their principal and which their subsidiary business?

2. What part is played by the various classes of indigenous bankers in your district or province in financing—

(i) agriculture,

(ii) trade,

(iii) industry?

What are their various methods?

3. (*a*) Is it possible to arrive at an estimate of the resources of the indigenous bankers in your district or province?

(*b*) Can you give any information regarding—

(i) the capital of each class of indigenous bankers in your district,

(ii) the volume of their business,

(iii) their expenses?

[*Note.*—Where indigenous bankers combine banking with other business, please differentiate between the two.]

(*c*) Can you give an idea of the average net return of each class of indigenous bankers on their capital after making allowance for legal expenses, expenses of management, losses through bad debts, foreclosure, etc.?

4. Are there any financial houses in the province dealing solely in the provision of credit facilities by purchase and sale of *hundis* and other bills of exchange, similar to the Chettis of Madras and Rangoon, the Multani and Marwari shroffs of the presidency towns, or the bill-broking houses of Europe? If not, can you assign any cause for their absence?

5. What methods are pursued by indigenous bankers in keeping accounts? If possible, please give examples.

B.—Raising of funds by indigenous bankers.

1. (*a*) What are the various forms of *hundis* and other credit instruments used by the indigenous bankers in your district or area? To what extent is each used?

(*b*) Give samples of *hundis*, promissory notes, deposit receipts, *sarkhat*, etc., used by the indigenous bankers in your locality.

2. (*a*) What are the means by which the indigenous bankers provide themselves with funds to meet the demands upon them?

(*b*) To what extent and in what form do they obtain assistance from the Imperial Bank of India and the joint-stock banks when they are in need of funds?

(*c*) Are there and defects in the present system, and, if so, can you suggest any improvement?

3. (*a*) On what terms do indigenous bankers receive deposits of various kinds?

(*b*) What rates of interest do they allow on these deposits? Do these rates vary at different seasons?

C.—Advances by indigenous bankers.

1. (*a*) What are the various methods in which the indigenous bankers grant loans and allow cash credits?

(*b*) What are the terms and nature of these loans and cash credits?

(*c*) What type of security is accepted to cover them?

(*d*) What rate of interest is generally charged on each class of loan and cash credit?

2. (*a*) What rates of interest and other incidental charges has the agriculturist to pay to the indigenous banker in your locality—

(i) in money,
(ii) in kind?

(*b*) Is it possible to improve the organisation of banking in such a way as to reduce the present rates of interest?

(*c*) Would such reduction benefit the agricultural community, or would the benefit be intercepted by the village moneylenders?

3. What facilities have the clients of bankers in inspecting their accounts with them?

D.—Exchange and money market.

1. (*a*) Is there any local exchange and money market in your district?

(*b*) If so, where is it, and how does it work?

(*c*) How is it linked with such important money markets as Cawnpore, Calcutta, Bombay and Delhi?

2. What is the part played by brokers (*dalals*) in the exchange and money markets? How are they remunerated?

3. (*a*) At what rates are *hundis* purchased and sold—

(i) for internal remittance,
(ii) to obtain credit?

(*b*) Are there seasonal variations in these rates? If so, what are the causes of these variations?

(*c*) How does the Imperial Bank of India rate affect the bazar rate and *vice versâ*?

4. Is your local market influenced by an organisation such as the Panchayat Sarafa of Delhi or the Shroffs' Association of Bombay?

5. Is the trade of the markets in your area governed or affected by local usages? If so, what are they?

E.—Defects of indigenous banking.

1. What is the state of public opinion regarding each class of indigenous bankers in your locality?

2. Do indigenous bankers experience any legal or other difficulties in carrying on their business?

3. Are the indigenous bankers sufficiently protected in law, or do they require any additional safeguards or privileges?

4. Are there any defects in the dealings of indigenous bankers with their clientèle? If there are, what remedies can you suggest?

5. (*a*) Are indigenous bankers able to meet all acceptable demands for accommodation, or are they ever obliged to refuse such demands on account of insufficient working capital?

(*b*) Can you make any suggestions for extending the resources of indigenous bankers?

F.—Co-ordination.

1. (*a*) What relations exist between—

(i) indigenous bankers of the same class,

(ii) indigenous bankers of different classes,

(iii) indigenous bankers and other banks (*i.e.*, the Imperial Bank of India, the joint-stock banks, co-operative banks and small scale industrial banks)?

(*b*) To what extent do the Imperial Bank of India and joint-stock banks give the indigenous bankers preferential treatment over other customers?

2. (*a*) To what extent does co-ordination exist between indigenous bankers and other banks in the provision of credit to trade and industry generally?

(*b*) In what directions do you think that better co-ordination of this kind is desirable? Would you recommend the establishment of a provincial bankers' association, with branches in important trade centres?

3. (*a*) Is any difficulty experienced in the collection of cheques on indigenous bankers working in mufassil towns?

(*b*) What suggestions do you make for removing these difficulties?

G.—Consolidation of indigenous banks.

1. Can you suggest any means of consolidating and improving the indigenous banking system, by providing it with special facilities or otherwise, with a view to making it more serviceable to the community?

2. (*a*) Would indigenous banks secure an increased clientèle if they were recognised by Government, in the same way as certain joint-stock banks are recognised?

(*b*) What should be the conditions of such recognition?

2-A. Is it possible or desirable to set up a class of licensed or registered moneylenders with special facilities and privileges whose operations may be controlled by the State in the interests of agriculture, small scale trade and small scale industries? If so, what restrictions would you place on their business? Would you restrict their lending to productive purposes only?

3. What would be the attitude of the indigenous bankers towards the introduction of measures designed to regulate their operations and enforce the publication of their balance-sheets?

4. (*a*) Are there times of the year when money lies idle in the hands of indigenous bankers, and, if so, to what extent?

(*b*) What happens to this money at such times? Is there a tendency for it to be concentrated in important trade centres?

(*c*) Is it possible so to improve the organisation of lending and borrowing that these funds remain in the district, and find remunerative employment there?

5. (*a*) Is the indigenous banking system in your locality in any way connected with the principal money markets, whether within or without the province? If so, what is the nature of that connexion? If there is no such connexion, do you consider it (i) possible, (ii) desirable to create it?

(*b*) With the object of creating the connexion mentioned in the former question, which of the following methods would you prefer:—

(i) the establishment of a branch of some joint-stock bank in every district where at present one does not exist;

(ii) the establishment of a local joint-stock bank with a local directorate in every district where at present there is no branch of joint-stock bank:

(iii) the establishment of agencies of joint-stock banks or the Imperial Bank of India, held by local indigenous bankers:

(iv) the amalgamation of the business of the local indigenous bankers into a joint-stock bank owned and controlled by those local indigenous bankers;

(v) the establishment of a bank on what are known in Germany as "commandit" principles? (Set note appended.)

(*c*) In case you favour either the first or second of these proposals, how would you propose to avoid the following difficulties :—

(i) the danger that the new joint-stock bank would by competition swallow up the indigenous bankers,

(ii) the danger that the new joint-stock bank might fail to make adequate use of the local knowledge and experience of the indigenous bankers,

(iii) the danger that the new joint-stock bank might not inspire confidence in the depositing public of the locality,

(iv) the danger that the local branch of a joint-stock bank in a small centre might not invest its deposits in the locality, but transfer them to its headquarters for investment in a larger trade centre.

(*d*) If you favour the fourth proposal made in question 5(*b*), how would you avoid the following difficulties :—

(i) since most indigenous banks in practice belong to the members of a single Hindu joint family, the initial difficulty of getting two or more such firms to combine at all,

(ii) the danger of undue competition between such combinations.

(*e*) Would a joint-stock bank in any of the forms suggested be able to attract enough business to make its establishment profitable?

(*f*) (i) Assuming that it is possible to create a connexion between the indigenous banking system and the principal money markets in one or other of the manners described, would you regard it as desirable or essential that a Central Reserve Bank be established to create a bond of connexion between all the elements of the banking system?

(ii) If so, should the indigenous banks be linked directly with the Central Reserve Bank or through a joint-stock bank?

H.—Defects in statutory and customary law regarding recovery of debt.

1. "One of the chief difficulties in securing cheap credit is the operation of our judicial system. Admittedly, credit can never be cheap and banks, at all events, can never operate in the agricultural field for long-term loans so long as statutes and customary law make recovery of debt so difficult and the execution of decrees is surrounded by so many obstacles."

(*a*) How far do you consider this statement to be true?

(*b*) What are the principal difficulties that the creditor encounters when endeavouring to recover a debt by process of law, and whence they arise?

(*c*) What remedies do you suggest for the present state of affairs?

2. "An important feature of the Usurious Loans Act of 1918 is that the court, once seized of a case, may, of its own motion, re-open old transactions and enquire into the equity of the terms . . . The Act was amended in 1926 to include cases in which either party to a mortgage seeks relief. Where the debt is unsecured, the debtor can draw the creditor into court and, therefore, into the sphere of this Act, by the simple expedient of refusing to renew his loan. The evidence we received showed conclusively that the Act is practically a dead letter in all provinces."

(*a*) How far do you agree with the above conclusion of the Royal Commission on Agriculture in India?

(*b*) What are the principal defects of the Usurious Loans Act?

(*c*) What remedies do you suggest for the present state of affairs?

Note referred to in question no. 5 (*b*) (*v*).

Under this arrangement the indigenous banker or bankers become the chief controlling officers of the bank and also its partners. The liability of the shareholders is limited to the amount of their shares, but that of the partner-bankers is unlimited and extends to the whole of their private fortunes. To compensate them for this unlimited risk, they generally receive 20 per cent. of the profits of the bank. The advocates of this system argue that it takes the fullest advantage of local banking experience by ensuring that the prosperity of the banker is linked to the prosperity of the bank, and the principle of unlimited liability ensures cautious working and inspires confidence in depositors.

III.—Investment Habit and Attraction of Capital.

A.—Encouragement of saving and investment habit.

1. (*a*) What are the existing banking resources in your district or province?

(*b*) Do you consider that they are adequate?

(*c*) If not, what is the additional capital required?

2. (*a*) What are the existing means or institutions for encouraging the habits of saving and investment?

(*b*) Do they provide full facilities to the public for the investment of their savings?

(*c*) Do they require improvement or extension, especially outside the principal trade centres?

3. Are the people of your locality in the habit of investing in gold or silver? If so, to what extent?

4. (*a*) Are Postal Cash Certificates popular in your district or province?

(*b*) Can any steps be taken to encourage their popularity, *e.g.*, by—

(i) revision of the rate of interests, or

(ii) change of the existing terms of issue?

4-A. Do you think that anything similar to the national savings movement in England is possible in India? For the description of this movement please see note appended.*

5. (*a*) Do Post Office Savings Banks afford adequate facilities to the investing public?

(*b*) If not, what suggestions can you make to improve or extend those facilities?

(*c*) What classes at present take advantage of the various facilities for investment offered by the Post Office?

(*d*) What measures would you suggest to attract those classes that do not resort to this type of investment?

6. (*a*) It is often alleged that the rates of interest on Postal Cash Certificates and Treasury Bills are so favourable as to create competition between Government and banks in attracting money. Do you consider this allegation to be true?

(*b*) If it is true, do you regard such competition as healthy?

7. How far will the issue of gold cash certificates accelerate savings and investment habit as recommended by the Indian Currency Commission, 1925-26?

8. Would it promote savings habit if public bodies like municipalities were to afford savings bank facilities? If so, do you suggest any restrictions on the working and investment of such banks?

9. (*a*) What facilities for purchase and sale of Government securities are at present afforded by Government, the Imperial Bank of India, and other banks?

(*b*) Should any, and, if so, what, special facilities be granted to small agriculturists and small investors to take up some form of Government security?

10. What facilities are at present afforded by the various financial agencies for purchase and sale of securities other than those of Government?

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*See Annexure III.

11. (*a*) What are the habits of various classes of the people in your district or province in dealing with money surplus to their normal expenditure?

(*b*) Where do they keep such money?

(*c*) For what purposes do they use it?

12. (*a*) How do the farmers invest their surplus funds in a prosperous year?

(*b*) Do they lend to fellow agriculturists, and on what terms?

(*c*) Can you give any information regarding the amount of capital in the possession of the agricultural population in your area or district? How is it distributed? Is it growing or decreasing?

13. (*a*) It is often alleged that in India the banking and investment habit is of very slow growth. Do you agree with this view?

(*b*) If so, to what causes do you attribute it?

(*c*) Can you suggest any means of educating the people to invest their savings in productive undertakings (*i.e.*, propaganda by Government in regard to Government loans for capital expenditure, etc.)?

B.—Cheque habit.

1. Is the cheque habit growing in India?

2. Has the abolition of stamp duty on cheques led to—

(i) any increase in the use of cheques,

(ii) the opening of more accounts?

3. What classes of the population use cheques?

4. (*a*) Can you suggest any means of further promoting the cheque habit [*e.g.*, payment of Government servants and bank employees above Rs. 100 (or without limit) by cheques, freer receipt of cheques in payment of Government dues]?

(*b*) Should Post Offices open "cheque accounts," particularly at places where such facilities do not exist? If so, should there be any restrictions on such accounts, *e.g.*, interest, amount, operations, etc.?

[*Note.*—A "cheque account" is an account on which a depositor may draw by means of cheques, but cannot be allowed to overdraw.]

5. Can you devise any means of making it possible for the illiterate to use cheques?

C.—Vernacular scripts in banking.

1. Have you any suggestions to make regarding the use of vernacular scripts in banking?

2. If so, would you permit the use of the present script used by indigenous bankers and other merchants (*sarafi*), or insist on the use of the Nagri or Persian script?

D.—Imperial Bank of India.

1. What in your opinion has been the result of the opening in recent years of new branches of the Imperial Bank of India, especially with respect to the following matters :—

(i) the encouragement of the investment habit,

(ii) the promotion of internal trade and industry,

(iii) the encouragement and consolidation of the indigenous banking system,

(iv) the increase of facilities for agricultural credit,

(v) the reduction in the general price of money?

ANNEXURE I.

(Note referred to in Part I-B, question no. 6 of the questionnaire)

The American system of licensed warehouses.

In India, as elsewhere, when a merchant or manufacturer is in need of funds, one of the ways in which he can raise them is by hypothecating his material, goods or stock-in-trade to a bank which then allows him an overdraft or cash credit. But this system has certain defects :—

(1) A bank must keep a large proportion of its funds in a liquid form, i.e., cash or easily negotiable securities. A merchant's goods are not an asset of this kind, since they cannot be quickly turned into cash. The amount of finance of this kind that the banks are willing to offer is, therefore, strictly limited.

(2) When a merchant has hypothecated his goods he cannot afford to give credit to the customers who buy them, because when he sells them he must to the same extent reduce his overdraft, which can only be done with cash. But a cash price is usually lower than a credit price, and the merchant loses, whilst his customer also is often put to inconvenience. Further, a merchant who has to sell at a low price will only buy, if he possibly can, at a still lower price : and the producer then suffers too.

(3) The goods remain in the possession of the merchant : and this makes it possible for them to depreciate the bank's security by mismanagement, negligence or even fraud. To avoid this, banks often insist on the goods being stored in their own godowns,—which a big merchant will resent as derogatory to his self-respect,—or on the provision of some collateral security,—which the small merchant finds it difficult to furnish. Banks, therefore, are chary of this kind of transaction, and merchants cannot get all the credit facilities that they require.

In the United States the system till 1916 was much the same as it now is in India. An Act was then passed, which has been amended in 1919 and 1923, to establish and regulate licensed warehouses. These warehouses are licensed by the Government, under conditions relating to supervision and inspection which ensure that the storage facilities are satisfactory and adequate, and that there are suitable arrangements for grading all products according to quality. The person placing his goods in such a warehouse receives a warehouse receipt, giving full information regarding the goods themselves and the manner of their disposal. On presentation of such a receipt the warehouseman is bound to hand over the goods described in it to the person who presents it, subject to the discharge by the latter of certain liabilities.

A warehouse receipt of this kind is simply a negotiable instrument of title, which can be and is readily bought and sold like any other

similar instrument. It is, in fact, a liquid asset in which banks can safely invest, or accept as collateral for a loan, overdraft, or cash credit. Since the goods are in the hands of a third party, who has everything to lose and nothing to gain by mismanagement, they are entirely safe.

The possibility of improving the credit facilities of the country by means of licensed warehouses of the American type attracted the attention of the late Mr. B. F. Madan, who drew up a draft Bill on the model of the American Act. This Bill is reprinted below :—

Draft of a Bill to encourage the establishment of independent warehouses in India and provide for their proper supervision and control.

WHEREAS it is expedient to encourage the establishment of independent warehouses in India, and arrange for their proper supervision and control; it is hereby enacted as follows :—

1. (1) This Act may be called the Indian Licensed Warehouses Act.

(2) It shall extend to the whole of British India and shall come into force from

2. In this Act, unless there is anything repugnant to the subject or the context,—

(*a*) "warehouse" will mean every buildings, structure or other protected enclosure in which any raw produce or manufactures are stored,

(*b*) "person" will include two or more persons acting in partnership or a company registered under the Indian Companies Act, 1913,

(*c*) "warehouseman" means a person lawfully engaged in the business of storing goods and merchandise, including agricultural produce,

(*d*) "receipt" means receipt issued by the proprietor of a warehouse for goods entrusted to him for storage.

3. The Governor-General in Council may on application to him issue to any warehouseman a licence for the conduct of a warehouse or warehouses in accordance with this Act and such rules and regulations as may be made hereunder :

Provided that such warehouse is found suitable for the storage of the goods or merchandise named in the application for licence and the warehouseman agrees to comply with and abide by all the terms of this Act and the rules and regulations made in pursuance of the same :

Provided further that each such licence shall be on such terms and for such period as the Governor-General in Council may deem fit and such licence may be renewed, extended or modified from time to time at the discretion of the Governor-General in Council.

4. The Governor-General in Council is hereby authorised—

(*a*) upon application of any person for a licence to inspect or cause to be inspected the warehouse or warehouses contemplated in such application,

(*b*) at any time and from time to time order inspection of any warehouse or warehouses licensed under this Act,

(*c*) to determine whether warehouses already licensed or for which licences may have been applied for are suitable for the proper storage of the particular class of goods or merchandise contemplated in the licence or application for licence,

(*d*) to classify warehouses licensed under this Act according to ownership, location, construction, surroundings, capacity and other qualities,

(*e*) to prescribe within the limitations of this Act the duties of the warehouseman conducting warehouses licensed under this Act,

(*f*) to suspend and, if necessary, to revoke any licence granted under this Act for any breach of the provisions of this Act or of the rules and regulations made hereunder.

5. The Governor-General in Council shall be entitled to collect a reasonable fee for examination of or inspection of any warehouse that is the subject of an application for a licence under this Act and shall also be entitled to collect a fee of not exceeding Rs. per annum for each licence or renewal thereof under this Act.

6. The Governor-General in Council may upon presentation of satisfactory proof of competency issue to any person a licence to inspect sample and/or classify any agricultural product or products stored or to be stored in a warehouse licensed under this Act according to condition, grade or otherwise and to weigh the same and to certify the weight thereof upon condition that such person agrees to comply with and abide by the terms of this Act and of the rules and regulations prescribed hereunder so far as the same may relate to him.

7. The licence of any such person licensed under clause 6 may be suspended or revoked by the Governor-General in Council if he is satisfied that such licensee has failed to correctly inspect sample, classify or weigh any agricultural product or products or has violated any of the provisions of this Act or of the rules and regulations made hereunder or has used his licence or allowed it to be used for any improper purpose whatsoever.

8. Every warehouseman conducting a warehouse licensed under this Act shall receive for storage therein so far as its capacity permits any goods or merchandise of the kind customarily stored therein by him

which may be tendered to him in a suitable condition for warehousing in the usual manner in the ordinary course of business without making any discrimination between persons desiring to avail themselves of warehouse facilities.

9. Every person who deposits goods or merchandise including raw agricultural products in a warehouse licensed under this Act shall be deemed to have deposited the same subject to the terms of this Act and the rules and regulations prescribed hereunder.

10. For all goods and merchandise including agricultural products stored in a warehouse licensed under this Act original receipts shall be issued by the warehouseman conducting the same, but no receipt shall be issued for any such goods and merchandise or agricultural products unless the same are actually stored in the warehouse at the time of issuance thereof.

11. Every such receipt shall embody the following particulars, namely :—

(*a*) location of the warehouse,

(*b*) date of issue of receipt,

(*c*) consecutive serial number of receipt,

(*d*) statement whether the subject-matter of the receipt is deliverable to bearer or to a specified person or to his order,

(*e*) rate of storage charges,

(*f*) marks, number and weight of packages received, provided however that where it is some agricultural product in bulk the description and quantity thereof shall suffice,

(*g*) the class and grade of any agricultural product received for storage where the depositor wishes it to be shown on such receipt, in which case it shall be as certified by a person licensed under clause 6 of this Act,

(*h*) a statement that the receipt is issued subject to this Act and the rules and regulations made hereunder,

(*i*) if the warehouseman is owner or joint owner of any goods the subject-matter of such receipt a statement to that effect,

(*j*) a statement of the amount of advance made to the depositor or any other liability by the depositor due to the warehouseman for which he claims a lien, provided however that where the precise amount cannot be ascertained at date of issue of such receipt a statement that lien is claimed will suffice,

(*k*) such other terms and conditions as may be laid down by the Governor-General in Council in this behalf,

(*l*) signature of the warehouseman or of some person duly authorized by him and the number of his licence.

12. So long as an original receipt issued under this Act is outstanding and uncancelled by the warehouseman himself no other or further receipt shall be issued in respect of the same goods, merchandise or produce; provided, however, that in case a receipt is lost or destroyed a fresh receipt may be issued in identical terms and bearing the same date and number as the original on satisfactory security being given by the person asking for such duplicate on lines laid down in the rules and regulations made in pursuance of this Act.

13. Upon demand made by the holder of any such receipt and offer to surrender such receipt with such endorsement if negotiable as may be necessary and upon readiness to satisfy the warehouseman's lien and/or charges and give proper acknowledgement of discharge the warehouseman shall forthwith deliver the goods that may be the subject-matter of such receipt, provided, however, that all such receipts that come back into his hands duly discharged shall be forthwith cancelled by the warehouseman and preserved on his record for at least three calendar years from date of such discharge.

14. Every warehouseman licensed under this Act shall keep in a place of safety complete and correct records of all agricultural products stored therein and withdrawn therefrom and of all receipts issued by him and of receipts returned and cancelled and shall conduct the warehouse in all respects in compliance with this Act and the rules and regulations made thereunder.

15. Every licensed warehouseman shall report to the Governor-General in Council the condition of his warehouse or warehouses, and the contents, operation and business thereof in such form and at such times as the Governor-General in Council may require.

16. The Governor-General in Council may cause an inspection or examination to be made of any warehouse licensed hereunder and of the goods stored therein and of the books and records thereof at any time by person or persons appointed by him in that behalf.

17. Whenever as a result of such examination it is found that a warehouseman is not conducting his warehouse in accordance with this Act or the rules and regulations made hereunder or that he is charging unreasonable and exorbitant rates, the Governor-General in Council may order his licence to be suspended, and if satisfactory explanation of the breach of this Act or of the rules and regulations made hereunder is not forthcoming may order such licence to be revoked.

18. The Governor-General in Council may order to be published in the *Gazette of India* the result of any investigations under clause 3 or under clauses 16 and 17. There shall also be published in the *Gazette of India* the names and locations of warehouses licensed hereunder with the names and addresses of the licensees, as also a list of all licences revoked or terminated under this Act and the reasons therefor.

19. The Governor-General in Council shall from time to time make such rules and regulations as may appear to him advisable for the proper carrying out of the provisions of this Act.

20. Every person who shall forge, alter, counterfeit, simulate or falsely represent or otherwise unlawfully use any licence issued by the Governor-General in Council under this Act or shall issue or utter a false or fraudulent receipt or certificate and every person who shall without lawful authority convert to his own use or use for the purposes of securing a loan or remove from a licensed warehouse contrary to this Act or the rules and regulations made hereunder any goods or merchandise stored or to be stored in such warehouse and for which licensed receipts have been or are to be issued shall be deemed guilty of a misdemeanour and shall upon conviction be liable to a fine not exceeding ten thousand rupees or double the value of the goods or merchandise involved whichever is the greater or imprisonment for a period not exceeding twelve months or both at the discretion of the court and the owner of the goods or merchandise so converted, used or removed may in the discretion of the Governor-General in Council be reimbursed out of the fines so collected to the extent that he may not otherwise have been reimbursed.

21. Any person who shall with intent to deceive draw a false sample of or shall wilfully mutilate or falsely represent a sample drawn under this Act or shall classify grade or weigh fraudulently any agricultural products stored or to be stored under the provisions of this Act shall be deemed guilty of a misdemeanour and upon conviction be liable to a fine of rupees five hundred or imprisonment for three months or both in the discretion of the court.

22. It shall be open to the Governor-General in Council to offer an inducement to the establishment of licensed warehouses as contemplated in this Act by way of grant of land free or at a nominal rental or by a subsidy towards the cost of construction or by guarantee of a reasonable return on the total capital invested or in any other way that may appear most suitable to the Governor-General in Council in such place or places and on such terms and conditions as may appear desirable to the Governor-General in Council provided however that where the inducement to be offered is a guarantee of a reasonable return on capital it shall not exceed a return of more than five per cent. per annum and provided further that where any payment by the Governor-General in Council becomes necessary under any such guarantee a separate account shall be kept of the same and Government shall be entitled to one-half of all earnings of any warehouse so guaranteed in excess of a return of six per cent. on the capital invested until the amount paid to such warehouse in order to implement the guarantee given to it and standing at the debit of such separate account shall have been entirely wiped off.

ANNEXURE II.

(Note referred to in Part I-E, question no. 5 of the questionnaire.)

LAND MORTGAGE BANKS.

THE land mortgage banks, as their name implies, advance on mortgage of property, keeping sufficient margin for possible decrease in future value. These advances are restricted to productive purposes including repayment of previous debts. The loans are repaid usually by fixed instalment every year which includes principal and interest repayment. Advances are made for long periods, often for over fifty years, so as to make the annual instalment as small as possible and thus easy of payment. For example, if the loan be Rs. 1,000, the term of repayment thirty years, working expenses for managing the loan half per cent. per annum, and the rate of interest 5 per cent., the yearly instalment will be about Rs. 70 or 7 per cent. of the amount of loan.

The land mortgage banks obtain funds for advances by floating bonds in the market against the security of mortgages obtained by them in their favour. Limitation upon the total of such bonds is generally prescribed, which is usually fixed at twenty times the paid-up capital and reserve of the particular bank issuing the bonds. To ensure public confidence valuation of properties, mortgages of which are assigned as security for the bonds, is checked by a trustee, who further holds assignments of the mortgages on behalf of the bond-holders. The bonds of land mortgage banks rank as "trustee" securities in which trust funds can be invested. The land mortgage banks are sometimes permitted to carry on ordinary banking business also, but they are required not to mix up such business with the long-term advances. The maximum amount up to which they can accept deposits is generally 50 per cent. of their capital and reserve. Such deposits are restricted to be invested in liquid channels.

The land mortgage banks generally possess special powers as regards foreclosure, taking the properties in their hands for management, etc., in case annual instalments are not punctually paid by the borrowers. However, in view of the instalments being small, the experience of land mortgage banks is satisfactory and they are rarely called upon to foreclose or take the properties under their own management.

Before the War the German land mortgage banks usually fixed the annual instalment at only half per cent. above the rate of interest. The period of repayment was calculated on this basis. For example, if the rate of interest was 4 per cent., the annual annuity would be 4½ per cent., and the period of repayment would be 55 years. Besides the annual instalment the borrower had generally to pay 3 per cent. on the amount of the loan in the first year to cover necessary expenses in con-

nexion with the preparation and registration of the mortgage, the valuation of the properties and other incidental expenses. In some cases the initial expense was also distributed throughout the period of the mortgage. In Germany the land mortgage banks are of two kinds, one providing long-term credit facilities for small cultivators, and the other for big land and building owners. There is a Government officer who examines the value of properties, mortgages of which are being assigned as security for the bond-holders, and it is only when he approves the security as sufficient that he allows the issue of bonds. He also holds the assignment as a trustee for the benefit of the bond-holders. The maximum limit up to which a German land mortgage bank can issue bonds varies between ten to twenty times of its paid-up capital and reserve. The paid-up capital and reserve of one of the German land mortgage banks "Preusische Pfandbrief-Bank," at the end of 1924 were 4 million and 650,000 Reich marks respectively.

In France "Credit Foncier De France" provides long-term credit. It is a private company founded in 1852, but under sufficient State control. The Government gave it a subsidy of 10 million gold francs as soon as it came into existence. Like other land mortgage banks it advances on the security of mortgages and obtains necessary funds from the issue of bonds. The governor and two assistant governors are appointed by the State decree. To make "Foncier" bonds attractive the bank is permitted, with the previous consent of the Finance Member, to issue lottery or prize bonds.

The United States of America passed the Federal Farm Loan Act in 1916, which deals with the long-term credit. The Act created a Federal Farm Loan Board which has a general supervision of the system. The board possesses powers to organize land mortgage banks, to regulate interest rates and other charges on loans, to audit and examine the affairs of such land banks and to supervise the issue of farm loan bonds. The board consists of the Secretary of the Treasury (*ex officio*) and four other members appointed by the President with the approval of the Senate. The country is divided into twelve federal land bank districts and each district contains a federal farm loan bank. Each bank is managed by a board of nine directors, three of whom are appointed by the Federal Farm Loan Board. The capital stock which each bank was required to possess before commencing operations was fixed at 750,000 dollars, divided into shares of 5 dollars each, which was open to subscription by any person, farm, corporation, or State, or by the United States. If the capital could not be fully subscribed within thirty days of the commencement of business, the remainder was required to be subscribed by the United States. A number of borrowers requiring loan on the mortgage of their property join together to form an association, the association gets mortgage in its favour, and it endorses it over to the land bank. The land bank, whenever necessary, hands over these mortgages to the Farm Loan Board and receives in return bonds

of equal amount. The total amount of bonds to any bank does not exceed twenty times its capital and surplus. The bonds are exempt from national State or local taxes. In order to create public confidence in these bonds, the Government of the United States of America authorized the Secretary of the Treasury to purchase bonds to the extent of two hundred million dollars between the years 1918 to 1921. Besides the land banks under the Federal Farm Loan Act there is provision for the formation of ordinary joint-stock land banks. They enjoy a greater degree of freedom in taking mortgages and in matters like period of advance, purpose of advance, etc., but the maximum amount of bonds which they can issue should not be more than fifteen times their capital and surplus.

The German Landschaften and the Federal Farm Bank of America represent the co-operative type and the French "Credit Foncier," the joint-stock. Within the last ten years land mortgage banks have come into existence in some parts of India also, *e.g.*, the Punjab, Madras, Burma, Bombay, Mysore and Baroda. They have all a co-operative basis, for the simple reason that in this country the tenants to be dealt with are illiterate and the landlords extravagant.

The Jhang (Punjab) Co-operative Mortgage Bank was registered in 1920. The working capital of the bank has been obtained by the issue of shares of the value of Rs. 10 each, debentures and deposits from members and non-members. While all members are required to hold at least one share of the bank, the member who borrows from the bank must hold one share for every five hundred rupees he borrows. No member, however, is allowed to hold shares of a value exceeding one thousand rupees. The liability of the shareholders for any deficiencies in the assets of the bank on liquidation is unlimited (It is now proposed to make it limited.)

An important provision in connexion with the granting of loans is that the maximum amount shall not exceed fifteen times the estimated annual net income, after deducting land revenue of the land mortgaged as security. Besides the specific security, a borrower is required to mortgage all his immovable property as additional security, besides giving two personal reliable sureties. The bank has reserved to itself the right of recalling loans after six months' notice, if the mortgaged estate becomes subject to forced administration or forced sale, or if it is in danger of being swept away by river or floods. On the other hand, if it becomes depreciated in value, the bank can ask for a suitable partial repayment. But if a loan is not applied to the purpose for which it was taken, the bank can ask for full repayment immediately. The rate of interest on all loans is fixed at 8 per cent. and the maximum period for which loans are granted at twenty years. The borrower is at liberty to repay to the bank the whole or part of the amount borrowed at any

time, but in the event of his doing so he has to pay interest for six months on all bonds that have to be withdrawn in consequence of his premature payment. The bank can also make it a condition of any loan for redeeming mortgages or old debts that the borrower should use seeds, implements and methods of cultivation prescribed by the bank authorities on the advice of the Agricultural Department.

The bank is authorised to issue debentures of the value of Rs. 50 and multiples of that amount for varying periods, bearing interest at a rate not exceeding 6 per cent. The amount of the debentures issued should not be greater than the assets represented by mortgages held by the bank. The bank can redeem debentures before they are due for repayment on giving three months' notice. If the debentures are not presented for payment within one month of the prescribed date, after due notice has been given, the holder can have no claim on the bank for interest.

The borrower has to pay all expenses incurred for the valuation of the property offered for mortgage and also those in getting it redeemed from a previous mortgage if the bank undertakes this. The profits of the bank are indivisible and are credited to a reserve fund, which is invested outside the bank and maintained as security for the debenture-holders.

ANNEXURE III.

(Note referred to in Part III-A, question no. 4A of the questionnaire.)

THE NATIONAL SAVINGS MOVEMENT IN ENGLAND.

Co-operation is the driving force behind the savings movement in England and it works through the voluntary savings association or the co-operative savings club; the object of which is to enable its members to buy national savings certificates by instalments and on advantageous terms. The method of working is best explained by means of an illustration.

If a person not belonging to an association saves at the rate of 6*d.* per week, he can only obtain a savings certificate worth 16*s.* from a post office at the end of 32 weeks and only begins to profit by his savings (*i.e.*, to earn interest) after that period.

Suppose however that 32 persons, each of whom is saving 6*d.* a week, have formed an association or co-operative savings club, the association can buy for them a savings certificate worth 16*s.* every week; and every member begins to earn interest from the first week.

Thus co-operative investment brings definite pecuniary benefit to the co-operators. But that is not its only advantage. Co-operation acts as an incentive to saving: for the member of such an association as this knows that if in any week he fails to save, he will cause loss not only to himself but to his thirty-one associates.

There is nothing simpler than the formation of a savings association, so long as there are a few individuals desirous both to save and to invest their savings. It can be formed in a school, college, office, shop, village—anywhere. It elects its own honorary secretary, its own honorary treasurer and any other officers required; and being affiliated to the National Savings Committee, a body recognized by Government, it becomes subject to its supervision through audit, a fact which ensures safety and inspires confidence.

There are a number of recognised savings schemes and an association may adopt whichever suits its members best. Brief particulars of a few of them are given below.

SCHEME 2.

Weekly subscriptions are collected from members and invested in national savings certificates, a stock of which is thus accumulated. When a member's subscriptions amount to 16*s.* he receives a certificate from this stock and thus obtains the benefit of a pre-dated certificate.

Each member is supplied with a subscription book in which his payments are recorded and a detailed record of the transactions of each member is kept by the honorary secretary in the registers provided for the purpose.

Scheme 5.

The association is supplied on credit with six-penny coupons (Swastika design) to a fixed amount which is known as the association's standing imprest. The coupons are sold to members who affix them to special cards supplied for the purpose. Each week the proceeds are invested in savings certificates, a stock of which is thus accumulated. When a member's card bears 32 coupons it is exchanged for a certificate from this stock, and he thus obtains the benefit of a pre-dated certificate.

Scheme 7.

A six-penny savings stamp is given in exchange for each subscription of 6*d*. The stamps are affixed to a savings card which, when completed with 32 stamps, is exchanged by the honorary secretary of the association for a savings certificate at any money order post office.

Savings stamps can be bought at any money order post office, but, if desired, arrangements can be made for the issue of a credit stock of these stamps under guarantee. Such a credit stock is subject to inspection on behalf of the National Savings Committee.

[*Note.*—Besides, there are several schemes for employees for investment through a savings association, either with or without the co-operation of the employers.]

MINUTES OF EVIDENCE.

Lala HARCHARAN DAS SAHIB, Honorary Magistrate and Chairman, Municipal Board, Hathras.

Replies to the questionnaire.

II.—INDIGENOUS BANKING.

A.—Organisation of indigenous banking.

Question 1.—THERE are two classes of indigenous bankers in this part—one is called shroff and the other "*bohra*" or village moneylender.

The activities of the former are confined to trade matters, such as to sell and purchase *hundis*, receive deposits, and advance money on security of mercantile goods; the activities of the latter class consist in lending money at a high rate of interest to farmers, either on execution of pronotes or mortgage of landed properties or standing crops or on pledge of ornaments.

Sometimes shroffs are found to do other business, such as of grain, seed, cotton, etc. *Bohras* take seed-grains and *kapas* from farmers, stock them and sell them in a high market. They also sometimes sell them grain for seed for a high price. Their principal business is banking.

Question 2.—Shroffs render very little financial help to agriculturists; they finance trade in the shape of giving advances on security of mercantile goods. The *bohra* generally gives financial assistance to the farmers.

Industry is also benefited to some extent by the shroffs who, in some cases, are found to put up cotton ginning and pressing factories. The shroffs take the goods into their own godowns or custody and advance on them 70 to 75 per cent. of their value.

The *bohras* lend money at 60 per cent. on mortgage of landed properties. The other method of their lending is by *ruqqa* or promissory note, in some cases repayable in a fixed number of instalment payments.

B.—Raising of funds by indigenous bankers.

Question 1.—Demand *hundis* and *muddati hundis* of 60 and 90 days are the chief forms of *hundis*. Other instruments of credit are *ruqqas* (promissory notes). The 60 days' *hundi* is most popular and is largely used.

Samples of *hundis* and promissory notes used by indigenous bankers in our locality are given herewith.*

Question 2.—The work of the bankers in our locality is not of such a character as requires them to adopt means to meet demands on them. They only do business to that extent for which they can manage from their own funds. They advance money to others, take deposits from others and thus maintain a rotation of funds. In urgent cases they procure funds to meet demands on them by short loans or deposit from others in *bahikhatta*.

Very little assistance is rendered by the Imperial Bank of India or joint-stock banks.

Shroffs should receive money in time of their need from the Imperial Bank or other joint-stock banks simply by the easy means of pronotes in a free manner.

Question 3.—Indigenous bankers receive deposits returnable on call or as fixed deposits for three or six months.

In the slack season the rate of interest is from 3 to 4 per cent. In the busy season it goes up to 6 and even to 7½ per cent.

* Not printed.

LALA HARCHARAN DAS.

C.—Advances by indigenous bankers.

Question 1.—Six to 7½ per cent. interest is charged by indigenous bankers on trade loans, and 9 to 18 per cent. on agricultural loans.

Question 2.—In our locality agriculturists are generally required to pay heavy rates of interest, varying from 9 to 18 per cent., sometimes in money and sometimes in kind. Incidental charges are cost of stamp papers, and charges for writing deeds and documents.

The only means by which improvement can be made in the organisation of banking are (1) introduction of legislation prohibiting bankers from charging abnormally high rates of interest and fixing the maximum rate of interest allowable, and (2) opening co-operative or agricultural banks under Government control, with a head office at the district head-quarters and branches spread all over the district according to the unit of villages.

By reduction of the rates of interest both moneylenders and agriculturists will be benefited. Moneylenders will be benefited in this way that they will be charged at the reduced rate of interest for their borrowings from co-operative banks and agricultural banks to accommodate themselves with funds, and they, in return, will charge lower rates of interest to their clients who will generally consist of farmers having small means or small holdings of land; for the co-operative or agricultural bank will always prefer giving advance to substantial persons or those who have large holdings of landed properties, to small farmers or persons of low means. In other words, these village moneylenders will form the intermediaries to give loans to small farmers.

Question 3.—The shroffs render accounts in a proper way and furnish copy of account if required by their clients. The *bohras* do not allow any facility to their clients in inspecting the accounts. Secondly, farmers being generally illiterate, much undue advantage is taken of their illiteracy in respect of accounts by the *bohras*.

D.—Exchange and money market.

Question 1.—There is a money market on a small scale, worked by *dalals*.

It is linked with important money markets by means of demand *hundis* and government currency notes.

Question 2.—Brokers (*dalals*) are the chief medium for transacting business in *hundis* between a seller and a buyer of *hundis*; they get 6 pies per cent. as remuneration for *hundi* transactions, half from the seller and half from the buyer.

Question 3.—Rates for purchase and sale of *hundis* vary, sometimes at a premium and sometimes at a discount, up to two annas on either side.

There are seasonal variations in these rates, which vary with the demand combined with increase or decrease in import and export to and from one place to another.

The Imperial Bank governs the money market in India and hence its rate has great influence over the market. The market rate has very little effect here on the Imperial Bank rate.

III.—Investment habit and attraction of capital.

A.—Encouragement of saving and investment habit.

Question 2.—The existing means for encouraging the habits of saving and investment are postal saving banks, postal cash certificates, saving banks and fixed deposits in the joint-stock banks. They are not adequate and require improvement or extension, especially outside the principal trade centres.

Question 4.—Postal cash certificates are very popular among middle-class people who generally have a small saving to lay out.

If the rate of interest is increased, say to 6 per cent., and the condition of withdrawal without interest within one year be removed, it will make it more popular.

Question 11.—The agricultural class and people of low status lock up their surplus money in ornaments, such as gold and silver; middle-class and rich people keep their surplus in banks, government securities and postal saving banks and cash certificates.

Lala Harcharan Das.

Question 12.—The farmer uses his surplus funds to increase his land and cattle.

He does lend to fellow agriculturists (on high rate of interest) generally on the idea that ultimately their land will come to him in repayment of the loan, which becomes big with accumulation of interest.

Question 13.—I agree with the view that in India the banking and investment habit is of very slow growth.

B.—Cheque habit.

Question 1.—The cheque habit is growing among commercial class people and persons like vakils, doctors, and middle-class people.

Question 2.—The abolition of stamp duty on cheques has to some extent led to increase in the use of cheques and to the opening of more accounts.

Question 3.—The commercial class, high officers of the Government, people doing well in private service, pleaders, vakils, barristers, doctors and some middle-class people use cheques.

Question 4.—If banks give some interest on current accounts of small amount it may, to some extent, promote the cheque habit.

It would be very good and useful if post offices open cheque accounts. Even in big places where there are bank facilities post office cheque accounts should be opened, for people like dealing with the post office more than with banks.

C.—Vernacular scripts in banking.

Question 1.—Vernacular scripts of the province should be taken by banks.

Question 2.—Besides *sarafi*, Nagri script may be taken.

LALA HARCHARAN DAS.

Rai Bahadur SAHU JAGMANDAR DAS, Banker, Chairman, District Board, and Managing Director, District Co-operative Bank, Najibabad, district Bijnor.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—THE cultivator generally borrows from the moneylender, co-operative bank and, in the form of *taqavi*, from Government.

The purposes for which he generally borrows and the proportion of debt due to each object are as follows :—

Repayment of earlier debts	5 per cent.
Payment of accumulated interest	5 ,,
Marriage and other social functions	10 ,,
Famine and other kinds of distress	4 ,,
Payment of land revenue or rent	10 ,,
Seed	25 ,,
Agricultural implements	2 ,,
Litigation	10 ,,
Purchase of plough or other cattle	25 ,,
Sinking of wells	2 ,,
Subsistence	2 ,,

He borrows sometimes also for manure and expenses of cultivation, *e.g.*, wages of labour.

The debt is distributed between the lending agencies in the following proportion, viz. :—

Village moneylenders	75 per cent.
Co-operative bank	10 ,,
Taqavi	15 ,,

Of the total debt 25 per cent. is incurred in seed and 75 per cent. in cash, whilst 70 per cent. is incurred for long and 30 per cent. for short periods.

Question 2.—The rates of interest for cash advances range from 12 per cent. to 37½ per cent. Seed loans are generally taken on *sawai*. For other loans in kind the rate of interest is 12½ per cent. Both simple and compound interest are charged. In my opinion the rates of interest are exorbitant in some cases.

Question 3.—Generally the loans are given by private agencies on personal security and on the security of landed property, but the co-operative societies and the Government lend on joint security.

It is not necessarily correct to say that the indebtedness is greater where the title to land is better. The extent of indebtedness of the various classes is 25 per cent. in the case of *zamindars*, 40 per cent. in the case of occupancy tenants, and 70 per cent. in the case of non-occupancy (statutory) tenants.

The amount of debt secured on land mortgage is increasing. It compares with unsecured debt and debt otherwise secured in the proportion 60 : 40.

Question 5.—The cultivator does not take full advantage of the *taqavi* system. Sometimes he takes *taqavi* for seed, cattle or agriculture, but not for wells and tanks. The reason is his illiteracy and poverty. He takes four times as much *taqavi* in abnormal years than in normal years. *Taqavi* should be distributed through some non-official agency.

RAI BAHADUR SAHU JAGMANDAR DAS.

Question 6.—Cultivators do not combine for the production of particular crops. Such combination is both possible and desirable.

Question 7.—The defect in the present system of agricultural borrowing is that the moneylenders generally charge heavy rates of interest in abnormal times. This is due to illiteracy and poverty. There should be some check by means of legislation such as the Moneylenders Act as passed in the Punjab recently.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—The crops of this district (Bijnor) are generally brought to market by the agriculturists themselves in their bullock carts and by the petty traders.

Question 2.—The grain dealers arrange for the money from private moneylenders, banks and exporting firms. The co-operative bank in my area does not help. It should do so by organising co-operative stores.

Question 3.—A cultivator has to pay the following charges in the case of marketing his crop :—

(i) Local moneylender	...	*Barauti*, say one seer more in the rupee than the market rate.
(ii) Commission agent	...	*Arhat* and other *mandi* expenses.
(iii) Broker	...	Brokerage and weighing charges.
(iv) Wholesale grain merchant	...	Only weighing charges.

The charges are the same for all crops. In addition the cultivator sometimes has to pay octroi.

Question 4.—Cultivators store their grain generally in *kothas* and *khattis*. The present method is all right, being the cheapest. The application of preservatives will be an improvement.

In markets the grain is similarly stored in *kothas* and *khattis*. There is no defect in the system.

Question 6.—The system of licensed warehouses in the United States of America could be worked in India with the aid of legislation.

Question 7.—Cultivators do not combine in marketing crops. Combination is both possible and desirable, specially for small cultivators.

Part C.—Extent and nature of agricultural indebtedness.

Question 1.—Ninety per cent. of the cultivators of the United Provinces are in debt. An estimate of the indebtedness can be framed by taking the figures from co-operative societies and members of the district boards for their constituencies and then taking the average.

Question 2.—The principal creditors of the agriculturists and the proportion of debt due to each are : moneylenders, 55 per cent.; grain dealers, 20 per cent.; co-operative banks, 15 per cent.; and the Government, in the form of *taqavi*, 10 per cent. Richer agriculturists lend to their poorer brethren to the extent of 10 per cent.

Question 3.—Indebtedness of the cultivators has resulted in land passing from the possession of people who are efficient farmers into the hands of creditors who are not, thereby adversely affecting production.

Question 4.—Forty per cent. of the landowning classes in the Bijnor district are in debt.

Question 5.—The causes of their indebtedness are extravagance on marriages and festivals and lack of supervision over their farming. Fifty per cent. of their debts is due to their expenditure on marriages, 20 per cent. to festivals and 30 per cent. to other causes.

Question 6.—They pay a lower rate of interest on their borrowings because their credit is greater than that of cultivators.

RAI BAHADUR SAHU JAGMANDAR DAS.

Part D.—Credit facilities in respect of agricultural production and marketing.

Questions 1 *and* 2.—Agricultural credit in respect of crop production and marketing is provided by Government in the shape of *taqavi* to the extent of 10 per cent. of the total. Cash loans are made by the Imperial Bank of India (10 per cent.), the joint-stock banks (5 per cent.), the co-operative banks (15 per cent.), indigenous bankers (5 per cent.) and moneylenders (35 per cent.) Grain merchants make advances in the shape of grain and cash (15 per cent.); companies advance fertilizers and implements (5 per cent.).

The existing credit facilities are not adequate. More funds should be placed at the disposal of the co-operative banks for improvement in the existing seed stores, cattle-breeding and water-supply.

The defects in the existing system are due to lack of education and legislation.

Question 3.—There is very little co-operation among the various credit agencies. Every agency works in its own way. There is scope for improvement in this direction.

Question 5.—An estimate of the total amount of capital required for agricultural finance generally can be calculated on the basis of area under cultivation and nature of cultivation.

Part E.—Land mortgage banks.

Question 1.—Loans are obtainable by landlords for 12 years on the mortgage of landed property. Tenants of various classes are advanced on demand or for one year only.

Question 2.—Long-period advances are generally secured on land. The security demanded is generally double that otherwise required, while the interest is also a bit higher.

Question 3.—Non-transferability of tenure does act as an impediment to long-term credit and increases the rate of interest.

Question 4.—Occupancy rights serve as adequate security for long-term credit in many cases, but the law should be modified with the object of increasing the value of such security for long-term advances.

Question 5.—The establishment of land mortgage banks will solve the problem of long-term advances to a great extent. But the provisions outlined in the note appended to the questionnaire should be modified.

Question 6.—There ought to be two different land mortgage banks, one for farmers and small landowners and the other for big landowners. Some sort of co-operation between the two is necessary.

The banks should have their own share capital and also a Government guarantee. The share capital should be available for subscription to the public. If it is not fully taken up by the public the Government should subscribe the balance.

The management should be on the lines of that of the Imperial Bank of India.

The period of loans should be 40 to 60 years, and the value of the mortgage at least three times the amount of the loan.

The working capital should be obtained by means of fixed deposits and a central institution.

The debentures should carry no guarantee, nor should they rank as trustee securities.

The Government should be safeguarded against loss by looking after the management.

Question 7.—The value of land should be calculated on the basis of the average yield of production: productivity of the soil affects the value of land.

Land sold by Government auction for non-payment of revenue or on a court decree fetches a smaller price than land sold by private negotiation.

Part F.—Co-operation.

Question 1.—The relation between co-operative banks and the Imperial Bank of India and other joint-stock banks is merely that the co-operative banks keep their current accounts with these banks and some of these banks also allow cash credits to them and no more.

There is no competition at all between the co-operative and joint-stock banks in my district (Bijnor).

Question 2.—The co-operative societies have no special difficulties in this district in raising either short or long-term capital.

Question 3.—The amount of capital available is not adequate for financing the co-operative movement. The capital should be doubled at least.

Question 4.—Financial concessions such as exemption from income-tax will attract the public and so stimulate the growth of the co-operative movement.

Question 5.—The establishment of the provincial co-operative bank will stimulate the co-operative movement in many ways; it would finance the district banks and supervise them.

Part G.—Small industries allied to agriculture.

Question 1.—Some small subsidiary industries such as *gur* making, wheat grinding, tanning, spinning and weaving, exist in this district.

Question 2.—These industries require a great deal of improvement. They are still carried on in their primitive state. Very little tanning is done here. Almost all the hides are exported to outside places in the raw state. The handloom industry requires great attention for its improvement. *Gur* making and sugar refining can also be improved.

Question 3.—Cotton spinning and weaving can give a great deal of employment to a farmer during the off-season when he is not fully occupied in agriculture, thereby effecting a great saving in the importation of foreign cloth.

The capital for such enterprises can be secured through the help of the co-operative societies.

Part H.—Small urban industries.

Question 1.—This district is primarily an agricultural district. There are a few urban industries which are centered at Najibabad, Nagina and Chāmpur. They are financed by private sources and by the artisans themselves.

Julahas and others purchase raw materials such as yarn and ebony from the market either on credit or by cash payments, and prepare articles out of them on their own accord. They sell the finished products in the market with some profit to merchants and other individuals. These merchants export these products to other places and charge a small profit on them.

Question 2.—*Karkhanas* are not to be found in any industry so far as I am aware. There is a glass factory at Balswali.

Question 3.—I am not aware of any instances of sweated labour.

Question 5.—Industrial banks or co-operative banks will very easily finance the small industries of this district. The industrial banks should issue loans to both artisan societies as well as to individual artisans and firms.

Question 6.—Sales associations, dépôts and emporia, if organised, will be of immense use to the artisan societies. They should be organised on co-operative lines, financed by the industrial or co-operative banks and supervised by the Industries department.

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Part J.—Internal remittance and negotiable instruments.

Question 1.—There are many ways of making remittances, viz. :—

(i) *Hundis.*

(ii) Supply bills.

(iii) Telegraphic transfers.

(iv) Money-orders.

(v) Postal orders.

(vi) Cheques.

(viii) Bank drafts.

A joint-stock bank is needed in this district.

Question 2.—Negotiable instruments help in sending money and thus facilitate exchange.

Question 3.—Supply bills are generally used for government purposes. The rules regarding supply bills are very strict, *e.g.*, application has to be made for them beforehand. The rules must be relaxed and the public should be encouraged to utilise them.

Question 4.—The reduction of duty will encourage the use of bills of exchange to a certain extent.

Question 5.—The money-order system should be extended, and the rates lowered.

Question 7.—Money can be borrowed during the process of marketing on the security of railway receipts and sometimes on invoices. But people prefer the security of goods and property. The difficulty can be removed by the organisation of industrial banks and warehouses where goods can be deposited as security.

II.—Indigenous banking.

A.—Organisation of indigenous banking.

Question 1.—The chief class of indigenous bankers in this district are the Vaishyas (*banias*). They lend money and finance trade. They also take money on deposit and allow interest on it. They have combined moneylending and trade, but moneylending is their primary business.

Question 2.—They help agriculture by lending money to cultivators, finance trade by means of money and *hundis*, and assist industry by advancing raw materials and money to the artisans.

Question 3.—The resources of the indigenous bankers can be estimated by means of the land revenue and income-tax. Their average net return on their capital is 10 per cent.

Question 5.—As regards accounts, some keep *bahikhatas* and some utilise small diaries to serve as a record.

B.—Raising of funds by indigenous bankers.

Question 1.—There are two chief forms of *hundis* which are used in this district, *darshani* and *muddati*. Promissory notes are also used. They are more popular than the *hundis*. Sometimes deposits receipts are also given to the depositors.

Question 2.—Indigenous bankers provide themselves with funds from their own capital. They also take money on deposit and sometimes borrow from banks to meet their demands.

Question 3.—They take long deposits on a higher interest than small deposits. Generally they allow from 6 to 9 per cent. During the winter season the rate rises somewhat because of the briskness of trade.

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C.—Advances by indigenous bankers.

Question 1.—Indigenous bankers advance loans on ornaments, property, railway receipts and personal security. The terms depend upon the nature of the security. Property is generally demanded as security for long-term loans.

On loans secured on ornaments the rate of interest is 12 per cent.; on property it is 9 per cent.; and on personal security it is about 15 to 20 per cent. per annum.

Question 2.—Generally an agriculturist pays interest from 20 to 36 per cent. on loans in money. For loans in kind, the *sawai* and *deorhi* system is prevalent. The rates can be reduced by organising co-operative societies. The agriculturists will be benefited only when they are given loans from these banks and not moneylenders.

Question 3.—Clients of bankers have practically no facilities to inspect their accounts with them.

D.—Exchange and money market.

Question 1.—There is no local exchange or money market in this district.

Question 2.—*Dalals* (brokers) help in the exchange and money market by the purchase and sale of *hundis* and take their *dalali* (brokerage) for it.

Question 3.—Generally the sale of *hundis* depends upon the demand. If the demand increases the rates rise and *vice versâ* in the case of internal remittances. Generally they are obtainable at a higher rate, *i.e.*, they are sold for a lower price in case of obtaining credit. But much depends upon personal credit.

During the winter season the rates are higher because of the briskness of the trade: it is the harvest time and so the crops are moved from one place to another, hence the demand increases which consequently leads to a higher rate.

The Imperial Bank of India is a great financing corporation. It controls the money market to a large extent. Hence its rates are very effective in the money market. The demand of the bazar also affects the Imperial Bank's rate. They are inter-dependent.

Question 4.—The local market is not influenced by organisations such as the *panchayats sarafa* of Delhi or the Shroffs Association of Bombay. There is no association like that of Delhi or Bombay here.

Question 5.—The trade is affected by local usages. Here the credit system prevails to a great extent.

E.—Defects of indigenous banking.

Question 1.—The public have no great esteem for indigenous bankers because of their high rates of interest. They are considered very exacting.

Question 2.—Indigenous bankers do experience difficulties in carrying on their business. They are not helped by the courts properly in realising their money; and the court sometimes does not allow them proper rates of interest.

Question 3.—They are not sufficiently protected in law. More safeguards and privileges are required. Specially the law of insolvency requires some modification.

Question 4.—Defects do exist in the dealings of indigenous bankers with their clientèle. Something like the Punjab Moneylenders Act is necessary.

Question 5.—Indigenous bankers are not capable of meeting all the demands upon them for accommodation because of the lack of sufficient working capital. A joint-stock bank will be helpful in increasing the resources of the indigenous bankers and is a necessity for this district.

F.—Co-ordination.

Question 1.—Social but no business relations exist between indigenous bankers of the same class. Between indigenous bankers of different classes there are both social and business relations.

The Imperial Bank of India and joint-stock banks charge a lower rate of interest from indigenous bankers than from their other customers because of the greater security, and also with a view to help them in their business.

Question 2.—Co-ordination between indigenous bankers and other banks is desirable both in industry and trade. A provincial bankers' association will be useful as it would solve many problems which cannot be solved singly.

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G.—Consolidation of indigenous banks.

Question 1.—The indigenous banking system can be consolidated and improved by co-operation and finance. They can be made more useful and serviceable by giving them the facilities of credit and capital.

Question 2.—Recognition by Government would secure an increased clientèle to indigenous banks, because then they will not be able to charge exorbitant rates of interest. A condition of such recognition should be the framing of proper regulations for their accounts and capital.

Question 3.—Indigenous bankers would at first oppose measures designed to regulate their operation because of the loss of their income, but gradually they will realise its value.

Question 4.—During the rainy season about 50 per cent. of the indigenous bankers' capital lies idle. At such times generally it is sent to trade centres for investment at a very low rate of interest. These funds would remain in the district and find remunerative employment there by means of a bank.

Question 5.—There is no connexion between the indigenous banking system in my locality with the principal money markets. Such connexion is possible and it is desirable to create it. The German system is preferable in my opinion.

A joint-stock bank will attract the public and its business will be profitable because it would be very helpful in discounting *hundis* and railway receipts.

A Central Reserve Bank should be established to create a bond of connexion between all the elements of the banking system because the policy will be controlled by it. The indigenous banks should be linked directly with the Central Reserve Bank; no intermediary is required because it would be a cause of delay.

III.—Investment habit and attraction of capital.

A.—Encouragement of saving and investment habit.

Question 1.—The existing banking resources of the district consist of indigenous bankers and the co-operative banks. They are not adequate. At least 50 per cent. more of the present capital is required.

Question 2.—The existing means for encouraging the habits of saving and investment are the co-operative bank and savings banks. They are inadequate. Savings banks are not attached to all post offices and co-operative societies are not to be found in each and every village. They should be opened in each village. Moreover, the rate of interest is very low.

Question 3.—About 90 per cent. of the population of my locality are in the habit of investing in gold or silver

Question 4.—Postal cash certificates are not popular. Only educated people utilise them. Their popularity can be encouraged both by the revision of the interest and their existing terms of issue.

Question 5.—Post Office Savings Banks afford adequate facilities to the investing public; but they are not attached to every post office. The rate of interest should be increased and they should be opened in every village. Only literate classes utilise them. People should be educated, and the rates of interest should be increased to attract more people.

Question 6.—The allegation often made that the rates of interest on postal cash certificates and Treasury Bills are so favourable as to create competition between Government and banks in attracting money is true to some extent. Such competition is necessary and desirable from the public point of view.

Question 7.—As gold cash certificates would attract people because of the interest, they would be helpful in savings and investments. Moreover, they would be available in all quantities, so small savings and investments will be no bar in purchasing them.

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Question 8.—If public bodies like municipalities were to afford savings banks' facilities it would promote the savings habit. Their control should be vested in a board and the two funds should not be amalgamated. Investments should be only in government and other easily marketable securities, such as gold and silver.

Question 11.—The upper classes generally save their surplus money and invest it in loans or government securities, whilst the lower classes spend on their comforts and luxuries or in marriages, etc.

Question 12.—The farmers generally purchase gold and silver with their surplus funds in a prosperous year. Sometimes they lend to their fellow-agriculturists and charge interest.

Question 13.—The banking and investment habit is of very slow growth, because there are no surplus funds available for investment. Here the income is very low, so not much saving is possible. The causes are illiteracy and lack of industrial development of the country. The people can be educated to invest their savings by means of propaganda. But the most necessary thing is the increase of the income which would enable men to save.

B.—Cheque habit.

Question 1.—The cheque habit is growing in India.

Question 2.—The abolition of the stamp duty on cheques has increased the use of cheques and led to the opening of more accounts.

Question 3.—Cheques are generally used by businessmen and the people who are employed in government services.

Question 4.—Both methods suggested in the question, *viz.*, the payment of government servants and bank employees by cheques and the freer receipt of cheques in payment of government dues, will be helpful in increasing the use of cheques. The opening by post offices of cheque accounts will also be very helpful. Some restrictions will be necessary in the matter of interest and amounts.

Question 5.—It will be possible for the illiterate to use cheques if we introduce them like government notes.

C.—Vernacular scripts in banking.

Question 1.—Vernacular should be used in banking instead of English.

Question 2.—Nagri should be used instead of *sarafi* because it is very easy to read and write and there is no danger of confusion in its reading like Persian where confusion arises sometimes.

D.—Imperial Bank of India.

Question 1.—The opening of new branches of the Imperial Bank of India in recent years has increased the habit of investment, but only in the upper classes: the lower classes are not benefited in the least by its branches. It has promoted trade and industry to a large extent, but has not encouraged and consolidated the indigenous banking system to any degree. Agricultural credit has not been affected. The rate of interest has been lowered.

RAI BAHADUR SAHU JAGMANDAR DAS.

Lala PIAREY LAL, Chairman, Municipal Board, Atrauli, district Aligarh.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—Agriculturists in my area borrow from Government, village moneylenders and *zamindars*.

They borrow rarely for manure. For sinking of wells they borrow from Government nly when *taqavi* is distributed. They borrow for the following purposes :—

(i)	For repayment of earlier debts	20 per cent.
(ii)	Payment of accumulated interest	10 ,,
(iii)	Seed	5 ,,
(iv)	Subsistence	5 ,,
(v)	Marriage and other social functions	15 ,,
(vi)	Famine and other kinds of distress	5 ,,
(vii)	Payment of land revenue or rent	10 ,,
(viii)	Expenses of cultivation, *i.e.*, wages of labourers ...	10 ,,
(ix)	Litigation	10 ,,
(x)	Purchase of plough or other cattle	10 ,,

Ordinarily, when there is no famine or other kind of distress, 70 per cent. of money is lent by the village moneylenders and 30 per cent. by the *zamindars*. At the time of famine, 30 per cent. is borrowed from Government, 20 per cent. from *zamindars* and 50 per cent. from village moneylenders.

Question 2.—The rates of interest are—

(1) For cash advances, 1 per cent. to 2 per cent. per month.

(2) For loans for seed, 2 per cent.

(3) For other loans, 2 per cent. to 3 per cent.

Compound interest is charged half-yearly.

These rates are unnecessarily exorbitant.

Other charges are in the form of bribes to the servants of the party granting the loans.

Question 3.—All sorts of securities are given, excepting that of agricultural implements.

Petty landlords are mostly indebted to a great deal. The tenants are relatively more indebted than the landlords. Twenty per cent. of the landlords and 80 per cent. of the tenants are indebted.

The amount of debt secured on land mortgage is increasing : 30 per cent. secured debts and 70 per cent. unsecured debts. The rates of interest are higher in the latter.

Question 4.—The usual methods of enforcing payment of debt are by attachment of crops, cattle and imprisonment.

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The cultivator borrows at a higher rate and repays at a lower rate than those prevailing in the market. He has not the courage to inquire even if he could. He has to depend on the mercy of the moneylender and the rate fixed by him, but these means are quite enough.

Question 5.—He freely borrows *taqavi* (i) for seed and cattle. (ii) for building wells. (No tanks in our district.) He does not take fuller advantage of the *taqavi* system as he has no knowledge of the existence of the facilities offered.

There are defects in the present system. The *patwaris*, whose reports are given great weight in distributing *taqavi*, cause great havoc by accepting bribes and by leaving aside the needy. *Taqavi* should be distributed through the *panchayats* formed in every village. Moneylenders should be excluded from *panchayats*.

Question 6.—There is no case in our district where cultivators combine together to produce particular crops. Combination is desirable and at the same time possible if education in this respect is given to them.

Question 7.—The defects are many in the present system of agricultural borrowing. The rates of interest are exorbitant; loans are not advanced on due time; loans are not advanced on the need of the agricultural purposes but on the credit of the borrower; grain for seed purposes given to them is mostly of bad quality; the moneylender classes mostly do not possess sufficient money for the needs of the agriculturists, and thus they charge very high rates and cannot advance money at the proper time; there is no good market for the cattle; cultivators often purchase cattle from *banjaras*, *kasais*, and Punjabis on the instalment system; and they have to pay a very high price and interest and lose the cattle on failure to pay the instalment.

I suggest as remedies the establishment of banks and education of the agriculturists in respect of using good seed and up-to-date implements; good breeding system for producing good cattle; village industries for engaging the agriculturists in the idle period of the year; an agricultural superintendent to be appointed to a fixed number of villages to look after the crop and training of the agriculturists in the art; it should be made penal to use bad seed; seed should be supplied by some agency as *panchayats* or some other organised body.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—The principal crops are brought to market by—

(i) *banias* who visit the villages for the purpose;
(ii) moneylenders who purchase the crops in the villages for their debts;
(iii) agriculturists themselves;
(iv) commission agents of the markets.

Question 3.—In the case of marketing his crop the cultivator pays (i) 2 per cent. to 3 per cent. to the local moneylender; (ii) 1 per cent. to the commission agent; (iii) 4 annas per cent. to the broker; and (iv) 10 annas per cent. to the wholesale grain merchant.

These charges vary with different crops; they are the highest on sugarcane, less than that on cotton, and less again on wheat.

There are incidental charges, *e.g.*, for foreign material such as dust, etc.

Question 4.—The cultivator stores his grain in *khattis* and *khases*, *i.e.*, storerooms. The best would be *pakka khases*.

In markets it is stored in *khattis*, *khases*, and in bags; or it lies loose in rooms. *Pakka* godowns would be best.

LALA PIAREY LAL.

Rai Bahadur Thakur RAGHUNATH SINGH, B.A., LL.B., Chairman, District Board, Bara Banki.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—IN normal years the agriculturist borrows mostly from the village moneylenders. About 1 per cent. of the population may be borrowing from the Government or the co-operative societies.

He borrows for—

(i)	repayment of earlier debts	15 per cent.
(ii)	marriage and other social functions	10 ,,
(iii)	seed	5 ,,
(iv)	litigation	15 ,,
(v)	purchase of plough cattle	10 ,,
(vi)	maintenance	45 ,,

About 99 per cent. of the debt is borrowed from the village moneylenders, one per cent. being distributed among the co-operative societies and the Government.

Of the total debt 70 per cent. is incurred in cash and 30 per cent. in grain.

About 45 per cent. of the debt is borrowed for long periods and 55 per cent. for short periods.

Question 2.—The rates of interest ordinarily are—

(i) For cash advances, from 20 to 37½ per cent.
(ii) For loans in kind for seed, 50 per cent.
(iii) For other loans in kind, 50 per cent.

The methods of calculating the rates of interest may be one of the following :—

(1) For a debt of Rs. 8 the cultivator has to pay Rs. 10 in ten months, one rupee each month.
(2) For Rs. 10 he may have to pay Rs. 12 by monthly instalments of Re. 1.
(3) 6 pies per rupee per month.
(4) 3 pies per rupee per month.
(5) 1½ times the quantity of grain borrowed in six months.
(6) Rs. 2 per cent. per month.
(7) Rs. 1-8-0 per month per cent.

The rates of interest are in my opinion exorbitant.

Incidental charges are, for *ugahi* system in items (1) and (2) above, a charge of two annas per *ugahi* is made for writing. For big loans people have got to pay a commission varying from one to five per cent. according to the pressure of necessity on the borrower.

Question 3.—The security usually given is the personal security of the cultivator himself, land mortgage in cases of big loans is also common, houses are also mortgaged and ornaments are pawned. Agricultural implements are never given as security.

The more the fixity of tenure and the liberty of free transfers the greater is the indebtedness.

About 75 per cent. of the land-owning classes are in debt, and nearly 30 per cent. of them are inextricably interwoven in debt. The condition of the under-proprietors, occupancy, and other tenants with a fixity of tenure is still worse. About 90 per cent. of the cultivators remain in debt day in and day out.

The amount of debt secured on land mortgage is daily increasing. The money-lenders as a class have become too shrewd to advance loans without security, and in the absence of proper security, *e.g.*, land, houses, ornaments, cattle, etc., they charge very high rates of interest. In the land-owning class and among the people possessing a transferable right in land 75 per cent. of the debt is usually secured by land mortgage. Except where the loan advanced is very small, some sort of a security is, as a rule, demanded.

Question 4.—Moneylenders belonging to the higher castes, *e.g.*, Thakurs, Brahmans and Moghalias, etc., generally enforce payment of debt by physical force; those who are professional moneylenders and do not wield much influence have to seek their remedy in the law courts. In some cases money is also realised through village *panchayats*, the arbitrator or arbitrators being generally selected and appointed by the parties themselves.

There are two classes of loans in grain—(1) where the grain advanced is also returnable in kind, and (ii) where that advanced is at once converted and calculated in cash. In the former case the grain chargeable is 1½ times that advanced, irrespective of the market rates, and in the latter the rates charged are invariably higher than the market rate by from 10 to 12 per cent. There are no very good means of ascertaining the market rates : the borrower has to take the word of the moneylender as final.

Question 5.—The cultivator does not fully avail himself of the facilities provided by the Agriculturists Loans Act and the Land Improvement Act, and much less does he borrow *taqavi* for building tanks or wells. The reason lies in the innumerable difficulties that he has got to face before getting a *taqavi* loan. He has to pay at least 20 per cent. of his total borrowing as an illegal gratification to the various classes of persons through whom his application has to pass. He is also afraid of the hardships to which he is put in case of default in payment of the debt on account of the joint liability. Some portion of it also goes to the *zamindar* in the payment of rent.

The cultivator borrows 50 per cent. more in abnormal years than in ordinary years.

There are many defects in the present *taqavi* system. In the first place the provision for *taqavi* is hardly sufficient to cope with the necessities and the number of borrowers. Approximately speaking, it is one in sixty that can get the loan, and not more than 5 to 10 per cent. of the necessities are satisfied by the *taqavi* loan. The botheration to which the borrower is put, the almost inhuman treatment that he receives from the various persons with whom he has to deal, and above all the danger of all his resources being completely ransacked and himself being reduced to a state of pauperism in the case of default in payment, are all extremely painful factors. The laxity of control over the statements prepared for the advance of the *taqavi* loan, the indifferent attitude adopted by the higher officials towards this real need of the cultivator, put a premium upon the corrupt practices prevalent among the *patwaris* and the *qanungos*. The tahsil officials, tahsildar, naib-tahsildar and even the sub-divisional officers want to follow the path of least resistance, and it is not seldom that they ignore the real state of affairs and do not pay any heed to the actual needs of the peasant classes. The most potent factor, however, which makes *taqavi* a very unpopular form of borrowing lies in the fact of joint liability. The joint liability as practically enforced assumes the form of an easy means of the realisation of the loan by officials who do not take pains to explain to the needy cultivator the moral and the ethical aspect of joint liability. Therefore, the fundamental principle of invigorating a sense of responsibility, not only with regard to the individual cultivator himself but also to those of his class, is studiously violated. The cultivator never understands that by jointly pledging himself along with others he has got to exercise a healthy influence in the matter of regulating the expenditure, not only of himself but of others also, for productive purposes. Professional miscreants, who have a few rupees to tip the *patwari* or the qanungo, are generally instrumental in altogether devastating many a happy and peace-loving family. Sometimes it also happens that members of one family, by dint of underhand dealings, are able to secure *taqavi* for as many as ten of them, while other persons are falling victims to the merciless ravages of famine or other calamities.

The following improvements will be feasible :—

(i) The Government should keep a larger stock of funds to meet the *taqavi* demand.

(ii) Officers should not be allowed to entrust the entire responsibility of preparing the statements to the *patwaris* and *qanungos*. They should themselves receive applications and should direct the attestations to be made in their own presence.

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(iii) Joint liability should be completely abolished.

(iv) So far as possible it would be proper to classify the persons to whom the loan is advanced, and people of one status should be grouped together.

Question 6.—It is very seldom that cultivators combine to produce any particular crops. Such combination is extremely desirable in case of intensive cultivation when valuable crops, such as sugarcane, potato, tobacco, etc., are required to be produced. Such crops which require a large investment of capital and labour cannot yield very successful results without a combination which would not only solve the difficulties of inadequate capital but also of the paucity of labour. It is also possible if the benefits to be derived from such a combination are fully brought home to the cultivators and a sense of responsibility developed in them. The Co-operative and Agricultural departments should be directed to take effective measures in this direction.

Question 7.—There are several defects in agricultural borrowing of the present day—

(i) The *mahajans* who advance loans in grain generally try, and successfully too, to dispose of rotten stuff to the borrowers.

(ii) The rate of interest charged from the agriculturist is exorbitantly high, and it is not possible for him easily to pay off the amount while still providing for himself against a rainy day.

(iii) In the absence of adequate banking facilities, the borrower has to knock about from place to place, and it is not seldom that his actual needs are not satisfied.

(iv) The *mahajans* usually practice deception upon the ignorant borrower, and the result is that ultimately the land is passing out of the hands of agricultural to non-agricultural classes, which is fraught with serious danger of permanent deterioration in agricultural efficiency.

(v) The principal remedy lies in the spread of education and the expansion of co-operative activities with lots of propaganda. Enactments similar to the Punjab Usurious Loans Act and the Bundelkhand Land Alienation Act are highly desirable. It is also desirable that the village moneylenders should be heavily taxed.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—It is very seldom that there is direct dealing between the producer and the consumer. Middlemen always intervene. Generally, petty *mahajans* of the village purchase produce at the harvest time and sell it to *arhatias* who are either themselves the real purchasers or the agents of some bigger firm. The produce is also sometimes brought to the nearest village market (grain houses) and sold to the *arhatia* direct. Banks lend money to bigger *mahajans* or exporting firms at interest of from 8 to 10 per cent., and the petty *banias* generally get money from the *mahajans* and pay about 12 per cent. interest.

There is no marked variation in the methods of marketing according as the crop is one mainly for domestic consumption or one mainly sold in the market.

Question 2.—Money to finance the marketing of crops in the majority of cases comes from petty *mahajans* or grain merchants who either provide their own money or the money received from bigger *mahajans* or exporting firms. These big *mahajans* or firms have got dealings with commercial banks.

The co-operative societies that exist in the district do not do anything in this direction. It is very highly desirable that their activities should be directed to this end.

Question 3.—(i) The local moneylender purchases at least one seer a rupee above the market rate.

(ii) Commission agents charge one pice a rupee.

(iii) Brokers or *dalals* are not found in the district.

(iv) *Beoparis* very seldom deal direct with the cultivator, and if they do, they charge at least one pice a rupee.

Cotton is not produced in the district and there is no cotton market. There is no difference between charges for wheat and sugarcane.

There are no other incidental charges except when the produce is brought within the municipal limits when octroi duty has to be paid.

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Question 4.—Grain is generally stored in earthen pots, *kachcha* bins or in *tattar* granaries. The chief defect is that in all these systems of storage there is no arrangement for keeping the grain in an air-tight place and free from moisture,—and hence the danger of its being weavilled.

The line of improvement may be one of the following :—

(i) The grain should never be stored in *kachcha* bins as there are crevices in between the various parts of which it is made.

(ii) When the grain is to be stored in an earthen pot, the pot should be placed on a thick layer of sand and only three-fourths of it should be filled with grain over which a piece of sack or cloth should be spread, the remaining one-fourth to be filled up with sand or ash. If the grain stored is for seed purposes, powdered naphthaline may also be added with profit. The mouth of the pot should be covered with an earthen dish and sealed with a thick layer of earth and cow-dung.

(iii) The pot in which grain is to be stored should be filled with it only up to three-fourths of its capacity. Then a *diya* (earthen lamp) with a small quantity of organic oil should be put over the grain and lighted, the mouth of the pot to be sealed as above.

(iv) The grain should be thickly mixed with lime and stored.

(v) The flooring of the granaries (*bakharis*) should be *pakka* and their corners should be convex from inside. Coal-tar should be painted on the floor and up to a height of 4 or 5 feet. The grain before being stored should be carefully cleaned and some sulphur burnt inside the granary, the granary to be filled as usual and covered, some pieces of cloth soaked with carbon-di-sulphide to be introduced in the granary before covering it with grain chaff.

The grain stored in the market is heaped under some covered place or put in grain sacks. The improvements suggested above will all do good in such cases also. Iron granaries can with advantage be used in place of earthen ones.

Question 7.—Cultivators do not combine for marketing of the crops. But it is highly desirable that co-operative marketing should be introduced. It is quite possible.

RAI BAHADUR THAKUR RAGHUNATH SINGH.

Mr. BANWARI LAL, Chairman, Municipal Board, Gonda.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—THE agriculturists who borrow money may be divided into two classes—

(*a*) Petty agriculturists of generally low caste.
(*b*) Big agriculturists.

The first class generally borrows from the *zamindar* or tenant-in-chief from whom he holds as sub-tenant, the method of repaying being service. It may be noted that the high caste agriculturists do not till the land by their own hands. They have, therefore, to engage men of low caste to do the tilling for them. Therefore, in order to secure the services of these low caste tenants' money is offered to them in advance on execution of a bond carrying a very high rate of interest. The poor illiterate people, not knowing the consequence, willingly enter into the trap laid for them.

The second class generally borrows from the village moneylenders. Credit co-operative societies in this district are rare.

Agriculturists borrow for the following purposes :—

(i) Repayment of earlier debts (not generally).
(ii) Payment of accumulated interest (often).
(iii) Marriage and other social functions (25 per cent.).
(iv) Famine and other kinds of distress (25 per cent.).
(v) Payment of land revenue or rent (very often for the former if he is a proprietor of land).
(vi) Seed (not very often).
(vii) Manure (rarely).
(viii) Expenses of cultivation (often).
(ix) Agricultural implements (often).
(x) Litigation (25 per cent.).
(xi) Purchase of plough or other cattle (sometimes).
(xii) Sinking of wells (rarely).
(xiii) Other agricultural improvements (rarely).
(xiv) Subsistence (often).

The whole of the debt is taken from the village moneylenders or from the *zamindars*. Two-thirds are incurred in cash and one-third in grain. Two-thirds are taken for long periods and one-third for short periods.

Question 2.—The rates of interest are from 25 per cent. onwards on cash debts.

Grain debt is generally paid in grain—the percentage of interest is not less than indicated above.

The interest is compounded after a period specified in the bond or settled orally.

The rates of interest are certainly most exorbitant.

The first instalment of interest is generally deducted from the principal when the money is advanced. *Nazrana* is often taken by the lender, which varies from 5 to 2 per cent. The truth is that many of the low castes having once borrowed have to pay by serving for their lifetime. It is not easy to escape after having once entered into a loan.

Question 3.—Sometimes the money is borrowed on the security of standing crops or building or the tenancy land in the case of tenants. In the case of *zamindars* the money is generally advanced on the security of land. In the case of tenants money is generally advanced on the security of ornaments or their own personal service.

It is correct to say that the better the title to land the greater the amount of indebtedness.

Most of the debts of *zamindars* are on the security of land, *i.e.*, mortgage. Unsecured debts in the case of *zamindars* will be one-fifth of the secured debts.

Question 4.—The usual methods of enforcing payment of debt from tenants of low caste is service. They go on renewing the bonds. A suit is only brought when another has taken the man away in his service by making an advance. In other cases payment is enforced first by the attachment of movables, and then property, *i.e.*, standing crops, houses, etc.

There is certainly a difference in the rates at the time of borrowing grain and repaying it. The cultivators can always know the prevailing market rates through the persons who go out from the market into the villages to purchase.

Question 5.—Most certainly the cultivator does not take full advantage of the facilities provided by the Agriculturists Loans Act and the Land Improvement Act. The *patwari* is one reason and the collectors of *taqavi* another.

There are the following defects in the present *taqavi* system :

(i) no one takes the responsibility of the grain supplied for seed. The seeds in many cases do not germinate. It should bt provided that someone will be responsible for this.

(ii) Special officers should be deputed for the purpose. This should not be treated as an additional burden to the magisterial work of sub-divisional officers.

(iii) The *taqavi* should not be given unless it cannot be done without.

(iv) It should be notified to the public that nothing out of this should go to anyone. All is theirs.

(v) The *taqavi* officer should go to each village and distribute *taqavi* there.

(vi) If it be possible, where there are big *zamindars*, the *taqavi* should be given to the *zamindar*, so that he should distribute it to his tenants under the supervision of the officer specially deputed for the purpose. The *zamindar* and tenant should be held jointly responsible. This will produce the following good results :—

(*a*) Unless necessary the *zamindar* will not agree to taking *taqavi*.

(*b*) The whole amount will go to the tenant if a little supervision is kept.

(*c*) In realisation it will be easier for the Government, and the tenants will have to pay only what is due from them.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—The principal crops are brought to market generally by the village *sahukars* to be sold on commission, or by *banias* who, when the crops are ready, go to different villages and purchase the crop at the spot.

Question 3.—The cultivators generally sell their produce at the spot where they are promptly paid.

Question 4.—The cultivators, after reaping and threshing the grain, generally store it in big earthen *dehries* where it is generally safe from the attacks of rats. The system of village storage is quite satisfactory considering the meagre resources of Indian cultivators.

In the case of markets the grain is fetched in carts or in *gunny* bags on mules, and at the shop of the *bania* or the *mahajan* it is stored in jute *gunny* bags. The defect in this system lies in this that the grain is liable to deterioration, destruction, or at least reduction by the attacks of rats and insects. Moreover, the rooms in which these sacks are stored are dark and damp places which destroy the freshness of the grain and in many cases it is rendered unfit for human consumption. If they keep the grain in rooms specially constructed for the purpose or in cemented pits, or at least in *dehries*, the result would be marvellous.

Question 6.—The system of licensed warehouses would work admirably in India provided the local authorities can be made to take more practical interest in the general welfare. Government assistance would be necessary, first, in the shape of constructing model warehouses and demonstrating the utility of storage therein to the grain dealers, and, secondly, in enforcing the compulsory storage of all grain in such warehouses only.

Question 7.—The cultivators do not combine together to market their produce in this district. However, stray cases of co-operation are found when some of the cultivators join together in bringing their crops to the near-about markets in separate carts. This co-operation, as will be seen, merely amounts to association and companionship. Combination, though possible, is not desirable, as it is sure to lead to *fracas* and consequent litigation in the circumstances in which they live.

Part C.—Extent and nature of agricultural indebtedness.

Question 1.—The farmers are over head-and-ears in debt to the village *mahajans* or *zamindars* who are always on the lookout to derive any advantage they can therefrom. They take care that "once a debt, always a debt."

An estimate of indebtedness can be made by taking into consideration the following items which form the necessary expenses of the cultivators *plus* the high rate of interest which they have to pay to the moneylenders, and deducting therefrom the annual or monthly income of the cultivators :—

(1) Cost of production, including expenses for securing seed, manures, implements, wages of labourers, depreciation charges, interest, etc.

(2) Occasional expenses for ceremonial purposes.

(3) The standard of living of the cultivator and his family.

(4) All other illegal exactments by the *zamindar*, the police, and the *mahajan* and the *patwari*.

The above items are to be deducted from the proportionate net income of the cultivator, which will generally be less than the above expenses. The result will be a good estimate of the indebtedness of one agriculturist family for a particular period, and from such statements we can very well arrive at an approximately correct estimate of the indebtedness of one particular village or province.

It is possible to distinguish between debts secured on mortgage or otherwise, but here some debts are secured on personal service for a particular period though, in fact, such a debt is never repaid. The amount of debt secured on land mortgages is far greater than that secured on the assets of the debtor.

Question 2.—The principal creditors of the agriculturists are the village *mahajans*, the *banias*, who are in fact grain-dealers and who give loans in advance, and the village *zamindars*, specially the Brahmans.

There is no government or indigenous bank in this district. Even if such banks did exist, I doubt very much how far they would afford facilities to those poor cultivators who are in the habit of borrowing very small sums. The co-operative societies, however, have very recently begun to render some help to the cultivators, but it is insignificant.

The richer agriculturists are not generally in the habit of helping their poor fellow-brethren, and in cases where they do, the debt is mostly secured by mortgage of property.

Taking the village as a whole, I think the village *mahajan* or *sahukar* is responsible for 40 per cent. of the local debts incurred, and the grain dealers, the *banias*, for nearly 40 per cent., and the *zamindars*, for nearly 20 per cent. An individual cultivator, however, is not in the habit of borrowing from different people. He has one creditor from whom he always borrows.

Question 3.—The farmers in this province do not own the land themselves, and hence the enforced payment of debt does not affect the transfer of land from agriculturist to non-agriculturist.

In case land is transferred from the possession of efficient farmers to those who are inefficient, the natural result would be the reduction and deterioration of the produce due to the ignorance, inexperience and less skill of the new cultivators; but, as already pointed out, this state of affairs does not exist.

Question 4.—No true estimate of the indebtedness of the land-owning classes is possible, but it is a well-known fact that the bigger the *zamindars* the greater are they in debt. It has become a fashion with the big *zamindars* and *taluqdars* of Oudh to incur heavy debts for unnecessary and pompous purposes.

Question 5.—Their lack of education, their consequent lack of foresight, their luxurious habits, their conservative and conventional habits, their quarrelsome and litigious

nature, and, above all, their stupidity in heavily bribing the police and other government officers on even very small matters, are responsible for their heavy indebtedness.

No proper estimate of the indebtedness due to each of these causes can be given as the percentage due to each item varies with different individuals.

Question 6.—The land-owning classes are generally charged a lower rate of interest on the security of their land than the cultivators. The rate of interest generally varies from 12 to 21 per cent.

Part D.—Credit facilities in respect of agricultural production and marketing.

Question 1.—Agricultural credit is provided by the professional moneylenders, grain merchants, namely the *banias*, and to a very little extent by the co-operative banks.

The existing credit facilities are not adequate. The extension of co-operative societies on the Raiffiesen system on a very large scale, as well as the establishment of joint-stock banks lending capital in small sums and maintaining their branches in the suburbs and big villages, will, I hope, adequately meet the financial needs of the cultivators.

In the present state of things it is not possible for the village people to obtain money on loan to the extent required from any other source except the *bania* or the *mahajan*. The co-operative banks that have been established are too few to meet the requirements of the villagers. In fact, there is no real system of agricultural credit at present. The causes why credit facilities have failed in their objects are the strong hold of the *bania* or the *mahajan* over them, coupled with their ignorance which does not make them realise the benefits of co-operation. The want of faith in the success of the movement by those who possess and who can invest money, combined with the short-sighted policy of the co-operative banks in not allowing the cultivators to borrow money sufficient to pay off their prior debts to their *mahajan*, have only augmented the seriousness of the situation. The proper steps to be taken in this connexion have already been pointed out above.

Question 4.—There is a vast difference in the matter of credit facilities between internal and overseas trade. In overseas trade the exporter or importer can obtain a sufficients upply of cheap money through various agencies, *e.g.*, the joint-stock banks, the Imperial Bank, and many other private banks. The shroffs of the big cities and towns render valuable help in this direction. Moreover, the merchants can very well carry on their work without any credit facilities whatsoever, since by the device of bills of exchange the importer is not required to pay the price of the goods before some months, generally 93 days, have elapsed from the date he receives the bill of exchange, and the exporter, if he likes, can be promptly paid by many other firms doing banking business, even though the importer has not paid. But this is not possible in the internal trade as it exists in these districts where, in every transaction, payment has to be promptly made.

Part E.—Land-mortgage banks.

Question 1.—Nearly cent. per cent. of landlords can obtain loans for long periods. Tenants generally can get short-term loans.

Question 2.—Long-period advances are available on the security of land, houses, and shares in immovable property, coupled with personal security. The *mahajan* does not put much faith in their readiness to pay back their debts and would not, in any case, advance a sum for a long period unless some immovable property is forthcoming.

Question 3.—Non-transferability in the case of tenants acts as an imepdiment to long-term credit and increases the rate of interest.

Question 4.—The occupancy right does not serve as an adequate security for long-term credit.

Question 5.—The establishment of a land mortgage bank would solve the problem of long-term advances in this province.

Question 6.—Only one such bank will suffice.

The land mortgage banks should have both their own share capital as well as a government guarantee of a minimum interest on working capital for a fixed period.

MR. BANWARI LAL.

The latter is necessary in order to secure a sufficient amount of working capital in a province where people are very shy in investing their own funds in an enterprise. The amount of capital should be fixed by the method of investigation suggested in previous notes. The government guarantee should cover the whole amount.

The share capital should be available to all who may be willing to subscribe.

With a government guarantee there is no danger of the share capital not being taken up by the public, but if any such thing happens, the Government ought to subscribe the balance in the beginning and should withdraw their own funds gradually as private advances are forthcoming.

The management, etc., of a land mortgage bank should be the same as for other banks.

The maximum period of loans advanced by a land mortgage bank should not be more than 20 years, and the margin between the amount of loan and the value of a mortgage nearly 20 per cent.

Land mortgage banks should obtain working capital from (i) deposits, (ii) debentures, and (iii) a central institution.

Debentures shoud carry a government guarantee for both principal and interest.

If debentures are not taken up by the public within a certain time, Government should take up the balance.

Government should be safeguarded against loss by appointing its own manager and nominating at least half of the members on the Board of Directors.

The following changes in the existing law, or special arrangements, in favour of land mortgage banks are suggested :—

(i) issue of certificates of encumbrances by the registration offices either free or at a removal charge;

(ii) abolition or reduction of stamp duty, registration charges and court-fees;

(iii) notification of proposed mortgages;

(iv) simplification of the process of foreclosure and sale in the event of non-payment; and

(v) power to manage defaulting estates.

All the above proposals are very sound and should be adopted as early as possible.

The provincial land mortgage banks should be co-ordinated under a central mortgage bank whose constitution should be like that of the Imperial Bank of India.

Question 7.—The value of land can be estimated by looking into the previous sale deeds relating to the plots near about, as well as from the rent and the class of lands as laid down in the roster register.

The value of land per acre does not differ according to the crops grown on it. Land is divided into three classes, *goind*, *manjhar* and *palo*, and its value depends on the classification. The fertility of the soil and its situation also determines its value.

There is really no difference between the prices of land obtained in sale by Government for non-payment of revenue, by sale on a court-decree, or by private negotiation unless there is a suit framed or want of sufficient notice or proclamation.

The proportion of the annual net yield of average quality land to its market value under normal conditions is one-tenth.

Rai Sahib Babu PATHAK HAR SAHAI, Chairman, Municipal Board, Etawah.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—THE agriculturists in my district borrow from Government 15 per cent., co-operative societies 20 per cent., and from village moneylenders, 65 per cent. The debt is distributed among the following purposes in the proportion noted against each :—

(i) Repayment of earlier debts, 10 per cent.
(ii) Payment of accumulated interest, 10 per cent.
(iii) Marriage and other social functions, 15 per cent.
(iv) Famine and other kinds of distress, 30 per cent.
(v) Payment of land revenue or rent, 7 per cent.
(vi) Seed, 2 per cent.
(vii) Expenses of cultivation, *e.g.*, wages of labourers, 1 per cent.
(viii) Litigation, 5 per cent.
(ix) Subsistence, 20 per cent.

The total debt incurred in cash is 75 per cent.; and in grain 25 per cent.; and 25 per cent. of the debt is incurred for short periods and 75 per cent. for long periods.

Question 2.—The rates of interest charged in my district are—for cash advances 24 per cent.; for loans in kind for seed 50 per cent., and for other loans in kind 24 per cent.

The interest is calculated at compound interest half-yearly. The rates of interest in my opinion are exorbitant.

There are no other charges incidental to the grant.

Question 3.—In the case of borrowing for agricultural purposes security takes the shape of land mortgage, standing crops, and ornaments.

It is correct to say that the better the title to land the greater the amount of indebtedness.

The comparative extent of indebtedness of landlords and tenants is 35 and 65 per cent., respectively.

The amount of debt secured on land mortgage is increasing. Seventy-five per cent. of the debt is secured on land mortgage.

Question 4.—The usual method of enforcing repayment is by means of filing a suit in a civil court.

Generally, the tenants borrow grain in weight and they repay it in weight, along with interest of 50 per cent. in kind, and there is no difference in the market rates and the rates at which they take it. The farmers often go to the nearest market to ascertain the rates.

Question 5.—The cultivator does not take advantage of the facilities provided by the Agriculturists Loans Act and the Land Improvement Act.

He takes *taqavi* for seed and cattle in abnormal years; in normal years he does not freely take *taqavi*, and for tanks and wells very few of them do so, the reason being the fear of repayment at the fixed time, while to the village moneylender he pays in instalments if he fais to pay at a certain fixed time.

In abnormal years 75 per cent. of the cultivators borrow money and in ordinary years 25 per cent.

RAI SAHIB BABU PATHAK HAR SAHAI.

The defect, if it can be called a defect, in the *taqavi* system is that the cultivators are not leniently dealt with at the time of realisation. The system can be improved if *taqavi* were distributed through the *zamindars*, who better know the real condition of the tenants.

Question 6.—I do not know of any instance where cultivators combine together to produce particular crops. Combination is desirable and possible.

Question 7.—There are defects in the agricultural system of borrowing, as the village moneylenders charge very high rates of interest, the Government expects repayment at the fixed time, and the co-operative societies have not got enough to satisfy their wants.

Co-operative banks should be helped, and there should be leniency in the realization of *taqavi*.

Part B.—Agricultural borrowing for purposes of marketing.

Question 2.—The lenders obtain money to finance the marketing from banks at the rate of 7 per cent. and from the grain merchants at 9 per cent.

There is a co-operative society in my district, but so far as I know it never assists in marketing the crops, as it does not possess sufficient money for the purpose. I think it should help.

Question 3.—The cultivator gives to the *arhatia* on wheat 1¼ chhatak per rupee and on cotton 2 chhatak's per maund as *jhori*. There are other charges at the rate of 10 seers per bullock cart containing 20 maunds of grain.

Question 4.—The cultivators store their grain generally in *bakharis* and *kuthlas* (earthen pots big enough to contain 20 to 25 maunds of grain). *Khattis* are better than these because they are not damp, where water is not near.

In the markets the grain is stored in *khattis*. I think the present system is not defective.

Question 5.—Three-fourths of the value of the grain stored in the market is lent by the bank on credit.

Question 6.—If the American system of licensed warehouses were introduced here it would be bettter, but I think it would be difficult in India without Government help.

Question 7.—I do not know of any instance where cultivators combine together to market particular crops. The system is desirable and possible.

Question 8.—The system of weighment in the market with which I am acquainted is satisfactory, but not in villages.

Question 9.—Exporting firms and companies are guilty of speculative dealings in agricultural produce. To a great extent these firms and agencies control prices of such produce.

The cultivator's profit is seriously affected by such dealings and such control.

The condition of the cultivators, the majority of the Indian population, can be improved by the control of export of Indian grain by imposing high export duty.

Part C.—Extent and nature of agricultural indebtedness.

Question 2.—The principal creditors of the agriculturists are professional moneylenders and grain dealers.

The richer agriculturists lend to the poorer ones from Rs. 10 to Rs. 100, according to their ability to do so, while on land mortgage they lend even more.

Sixty per cent. of the debt is due to the village moneylenders and grain dealers, 25 per cent. to Government, and 15 per cent. to the banks.

Question 3.—I do not think that as the result of the enforced payment of debt, land and the rights in land are passing in any marked degree from the possession of people who are efficient farmers into the hands of creditors who are not themselves efficient farmers. The land of only such farmers as are not efficient farmers is going away from their possession.

RAI SAHIB BABU PATHAK HAR SAHAI.

Question 3A.—The operation of the Bundelkhand Land Alienation Act in the United Provinces has not resulted in any undue restriction of an agriculturist's credit. Nor has it resulted in any marked degree in the replacement of an ordinary *bania* by an agriculturist moneylender. Money is lent by agriculturist moneylenders on the *patta* system.

Question 4.—The big landlords borrow money by writing a *hundi*, so it is difficult to make an estimate of the total amount of debt of the *zamindars* of my district. But this much I can say that 70 per cent. of the *zamindars* are over head-and-ears in debt.

Question 5.—The causes of the indebtedness of the *zamindars* are famine, increase of expenditure in marriage and other social functions, dearness of grain even during normal years, and the payment of government revenue when they could not realise the arrears of rent from the agriculturist.

Generally 25 per cent. of the total debt is taken for marriage and other social functions, 40 per cent. for subsistence, and 35 per cent. to pay the government revenue.

Question 6.—At times the land-owning classes have to pay *dalali*. The *zamindars* have to pay less interest than the tenants.

Part D.—Credit facilities in respect of agricultural production and marketing.

Question 1.—The Government by means of giving *taqavi*, the Imperial Bank of India and co-operative banks by lending money in cash, and the professional moneylenders and grain merchants by lending money in cash and kind, help the agriculturists in crop production.

The existing credit facilities are not adequate, as the village moneylenders charge very high rates of interest. The position can be improved by laying down a certain fixed rate of interest, so that the village moneylenders may not exact too much interest.

Question 2.—In the marketing of crops the Imperial Bank of India and the co-operative banks lend money at the rate of 9 per cent.

The existing credit facilities are adequate, but they can be increased by reducing the rate of interest.

There are defects in the existing system of agricultural credit. These can be removed by making it a law that no one is legally entitled to take more than a certain fixed rate of interest.

Question 3.—There is very little co-ordination among the various credit agencies. There is scope for improvement.

Question 5.—It is possible to form an estimate of the total amount of capital required for agricultural finance for a district. I would calculate the amount on the basis of the requirements for seed and cattle and the number of labourers required. Roughly speaking, it would require about Rs. 2,00,00,000.

Part E.—Land-mortgage banks.

Question 1.—Loans are obtainable for long periods in my district by landlords and tenants of various kinds in the proportion of 75 to 25, respectively.

Question 2.—Such long-period advances are available on land security and on registered or unregistered documents and ornaments.

Question 3.—Non-transferability in the case of tenants (other than fixed-rate tenants) acts as an impediment to long-term credit and increases the rate of interest.

Question 4.—The occupancy right does serve as an adequate security for long-term credit.

Question 5.—The establishment of land mortgage banks would solve the problem of long-term advances in this province.

Question 6.—There should be two such banks, one confining its business to farmers and small landowners and the other to the big landlords.

The two banks should be on helping terms to each other, and there should be co-operation between the two.

RAI SAHIB BABU PATHAK HAR SAHAI.

In the land mortgage banks there should be a government guarantee. The amount should be according to the capacity of the bank.

The share capital should be available for subscription to the public.

In case the public does not take up the share capital, the Government should undertake the obligation of subscribing the balance.

The management of such a bank, its directors, etc., should be on the lines given in the brief note on land mortgage banks appended to the questionnaire.

In my opinion the maximum period of the loans advanced by a land mortgage bank should be about 30 years.

The land mortgage bank should obtain working capital from deposits, debentures, and a central institution.

The Government should guarantee such debentures.

If the debentures are not taken up by the public the Government should take up the balance.

Debentures should rank as trustee securities.

The Government should be safeguarded against loss by being empowered to enforce repayment of debts according to the rules of the bank.

There should be all the five changes given in the questionnaire and special arrangements should be made in favour of land mortgage.

Question 7.—The value of land should be calculated on the basis of fertility of the soil, its production, and its nearness to a canal or distributary.

In my district the value of land per acre varies according to the crops produced.

There is some difference between the prices of land (i) obtained in sale by government auction for non-payment of revenue, (ii) obtained by sale on court decree, and (iii) obtained by private negotiation.

The land which yields an annual net income of Rs. 6 is worth Rs. 100 under normal conditions.

Part G.—Small industries allied to agriculture.

Question 1.—There are the following subsidiary industries supplemental to agriculture such as *gur*-making, cotton-ginning, growth and manufacture of tobacco, vegetable and fruit growing.

Question 2.—The condition of the abovementioned industries in my district is not good as the method of working them is old and not refined, except in the case of vegetables.

The producers should be taught to produce them by refined methods, and institutions should be opened to train the cultivators, and the *zamindars* should be asked to help them by opening such farms.

Question 3.—The farmer, during the off-season when he is not fully occupied in agriculture, should learn some handicraft, the methods of agriculture, should make ropes, nets, mats, sacks and other useful things.

The working capital for such enterprises may be secured from banks, or funds should be opened by subscriptions.

Part H.—Small urban industries.

Question 1.—The agriculturists do not follow such trades that require a great amount of money: they simply keep cattle, such as cows, she-buffaloes, bullocks and goats, and to purchase them they borrow money from the village moneylenders. Generally, they take these cattle from cattle-dealers and gipsies and pay them by instalments.

The artisans are very few and they get their raw material from the villagers.

Shoes, ropes and earthen wares are disposed of in the market, and other things are consumed in the village.

The large dealers get a profit of about 1 to 5 per cent.

Question 2.—There are no *karkhanas* other than cotton mills.

There are no *karkhanas* where workers are employed under master artisans.

There is no tendency for the artisans to drift from their homes.

RAI SAHIB BABU PATHAK HAR SAHAI.

Question 4.—There is a co-operative society of cotton mills.

Question 5.—An industrial bank would be a suitable method of improving the present sytem of financing small industries, but a joint-stock bank would be better.
It should issue loans to individual artisans or firms.

Question 6.—Sales associations can be of effective assistance in advertising and marketing art wares.

II.—Indigenous banking.

A.—Organisation of indigenous banking.

Question 1.—There are several kinds of indigenous bankers (*kothiwals* and *mahajans*) in my district.
They follow different kinds of business.
Indigenous bankers combine other business with their own. Their principal business is moneylending, and their subsidiary business gold and silver transactions, to store grain, *ghi*, cotton and oilseeds.

Question 2.—Sixty per cent. of their money is invested in trade and 40 per cent. in industry; only the village moneylenders invest in agriculture.

D.—Exchange and money market.

Question 1.—There is a money market in the *ganj* in the city. It is linked with such important money markets as Cawnpore, Calcutta, Bombay and Delhi.

Question 2.—The brokers take *dalali* which varies according to the profit of the transaction. Sometimes they get six pies per rupee and sometimes more or less than that.

G.—Consolidation of indigenous banks.

Question 2-A.—It is possible and desirable to set up a class of licensed or registered moneylenders with special facilities and privileges whose operation may be controlled by the State in the interests of agriculture, small scale trade and small scale industries. They should be restricted to lend for productive purposes only and the rate of interest should be low.

III.—Investment habit and attraction of capital.

A.—Encouragement of saving and investment habit.

Question 1.—There are three banks in my district,—the Imperial Bank of India, the co-operative bank and the Allahabad Bank.
They are not adequate.

Question 2.—For encouraging the habits of saving and investment there are the following means :—
Savings banks, the Imperial Bank, War bonds, promissory notes, cash certificates, etc. They provide full facilities to the public for the investment of their savings but require improvement, specially outside the principal trade centres.

Question 3.—The people of my locality are in the habit of investing money in gold and silver; 25 per cent. of the money is invested in them.

Question 4.—Postal cash certificates are not very popular in my district.

Steps can be taken to encourage their popularity by revision of the rate of interest and by change of the existing terms of issue.

Question 4-A—In India it is possible to carry on the national savings movement as in England.

Question 5.—The post office savings banks afford adequate facilities to the investing public. The facilities can be etxended by keeping all the savings banks accounts in vernacular and by making the people familiar with them.

Rai Sahib Babu Pathak Har Sahai.

Question 6.—It is true that the rates of interest on postal cash certificates and treasury bills are so favourable as to create competition between Government and banks in attracting money. Such competition is healthy.

Question 7.—The issue of gold cash certificates will to a great extent increase the saving and investment habits of the people.

Question 8.—If public bodies like municipalities were to afford savings bank's facilities it will promote saving habits. But it is very difficult for the municipalities to carry on the work.

Question 9.—All facilities for purchase and sale of government securities are at present afforded by Government, the Imperial Bank of India and other banks.

Farmers should be given special facilities to take up some form of government security.

Question 10.—All the facilities that they can afford for purchase and sale of securities other than those of Government are given by the various financial agencies.

Question 11.—The farmers in my district deposit their surplus money in savings banks, or spend it on buying *zamindari* and storing grain.

Question 12.—They invest their surplus funds in a prosperous year in the purchase of ornaments and cattle, and lend money to the farmers on land mortgage. Their capital is not increasing, but is decreasing.

Question 13.—It is quite true that in India the banking and investment habit is of very slow growth. The habit can be improved by keeping all the bank accounts in vernacular and by Government carrying on propaganda.

B.—Cheque habit.

Question 1.—The cheque habit is increasing in India.

Question 2.—The abolition of stamp duty on cheques has led to increase in the use of cheques and the opening of more accounts.

Question 3.—*Thekadars*, share-holders of a bank, the municipal boards and district boards use cheques.

Question 4.—The habit of using cheques can be improved by paying government servants by cheque.

The post office should open cheque accounts in cities but not in villages.

Question 5.—If the *zamindars* are obliged to accept payment by cheques it is possible for the illiterate to use cheques.

C.—Vernacular scripts in banking.

Question 1.—There should be vernacular script in banking.

Question 2.—It would be better if Nagri or Urdu script were introduced in banking.

Rai Sahib CHAUBEY SUDERSHAN LAL, Chairman, Municipal Board, Firozabad, District Agra.

Replies to the questionnaire.

(*N.B.—These answers refer to conditions prevailing in parganas Firozabad and Etmadpur in Agra district.*)

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—THE agriculturist borrows from all classes, and also from the *zamindar*; and for all the purposes mentioned in the questionnaire except for building of tanks.

It is difficult to give the proportion, even roughly, of the distribution of the debt among these purposes. He borrows less for agricultural improvements and manure than for other purposes. Chiefly he borrows for marriage, subsistence, seed and cattle.

He borrows chiefly from the moneylender from whom he gets money with comparative ease and convenience.

Eighty-five per cent. of the debt is incurred in cash and the rest in grain.

Generally the debt is incurred for short periods, the next crop being the promised time of repayment.

Question 2.—The lowest rate of interest for cash loans is 2 per cent. per mensem; it is generally Rs. 3-2-0 per cent. per mensem, if not more. Loans in grain for seed are, as a general practice, repayable with an addition of one-fourth of it to the quantity advanced, or one-fourth of its price in cash. For other loans in kind the rate is slightly less.

Interest is invariably calculated at compound rates. The rates of interest are undoubtedly exorbitant.

Generally in grain loans the moneylender advances 15 annas for a rupee and takes back Re. 1-1-0 for a rupee.

Question 3.—Generally no security is demanded by the moneylender. For the risk that he takes he charges a high rate of interest. The Government and the co-operative banks bind all the borrowing tenants of a village for a loan advanced to any of them individually.

It is a fact that the better the title to land the greater the amount of indebtedness. Middleclass landlords and occupancy tenants are generally more indebted than others of their classes.

The amount of debt secured on land mortgage is increasing. Secured debts are increasing more than unsecured ones.

Question 4.—The Government and the co-operative banks realise their dues by attaching all the movable property of their debtors, even those which are exempted by the Civil Procedure Code. The private moneylender has to wait till the tenant pays or he has to go to the civil court; of course the *zamindar* moneylender gives preference to the loan money over rent and the debtor-tenant cannot help paying the debt and remaining in arrears for rent.

The cultivator has to borrow grain at a higher rate and to repay at a lower rate than prevails in the market for the time being. The tenants keep themselves in touch with the grain market in their towns and always know the prevailing market rate.

Question 5.—The cultivator does not, or rather he cannot, take full advantage of the facilities provided by the Agriculturists Loans Act and the Land Improvement Act.

The reason is that the money is insufficient. Either he gets no money when he wants it, or gets much less than what he actually requires.

RAI SAHIB CHAUBEY SUDERSHAN LAL.

Taqavi loans are advanced only in abnormal or famine years. It is very seldom that any loans for sinking *pakka* wells are advanced to agriculturists.

The first and patent defect in the present *taqavi* system is that the Government sanctions very little money for *taqavi* loans. The second defect is that the repayment is enforced very strictly, the tahsildar having to obey higher orders which are for realisation only: he has litle latitude to give any concessions in necessary cases. The third defect is that the borrower actually receives less than what he borrows. The Government should sanction sufficient money for *taqavi* loans, and especially for sinking *pacca* wells; repayment should be by instalments as in the case of loans for *pakka* wells; and distributing officers should take trouble to see that the whole borrowed amount goes to the borrower.

Question 6.—Sometimes the tenants combine to produce particular crops, as in the case of sugarcane and *zaid* crops (vegetables). Such combination is possible and desirable.

Question 7.—The one great defect in the present system of agricultural borrowing is the exorbitant rate of interest which the borrower has to pay. This is attributable to the absence of sympathetic lenders, and also to the insolvent condition of the borrowers. The debt once incurred often becomes difficult to get rid of. Until the economic condition of the agriculturists improves, the only remedy is the extension of the helping hand of the Government, which alone can be expected to be more helping than profiteering.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—The produce which is not taken in the village either by the *zamindar* in lieu of rent or by the moneylender in lieu of his principal and interest, or by both for storing purposes, is brought to the town and sold to the various dealers for cash. I do not think there is any difference of method in the case of a crop that is mainly used for domestic consumption and one mainly sold in the market.

Question 2.—There is no arrangement by which money is obtained to finance the marketing of crops. The produce is sold by the cultivator either for cash or in payment of dues.

I am not aware of any assistance that the co-operative bank gives in the marketing of crops. If the bank purchases the produce in the village, the cultivator will be saved the octroi, weighing and conveyance charges.

Question 3.—The cultivator ordinarily pays in the case of marketing his crop a weighing fee to the *bania*, weighing and commission fees to the *arhatia*, and the *dharmada* or charity charges, which is generally one anna per cent., to the *beopari*. In Firozabad he has to pay octroi duty for most of his imports in the town and he has to pay conveyance charges if he has no loading animals of his own.

Question 4.—The cultivator has got little to store. As soon as he reaps his crops demands for rent or for principal and interest are pressed on him, and he has to sell his produce fresh from his *khalian*. He simply keeps some coarse food-grains for his domestic consumption for a few months only.

In markets grain is stored either in bags or on the floor of some room kept by the grain merchant till he gets an early opportunity to sell it with profit. *Khattis* are used for storing grain for a long period.

I cannot think of any improvement in the method.

Question 5.—The stored grain is seldom used as security for a loan. It is not a general practice in this town.

Question 7.—I know of no instances where cultivators have combined together to market particular crops. I do not think such a combination will be of much use to the cultivators. They cannot afford to have such an arrangement.

Part C.—Extent and nature of agricultural indebtedness.

Question 2.—Professional moneylenders (including *zamindar* moneylenders) and grain dealers are the principal creditors of the agriculturists.

The richer agriculturist lends to the poorer to the extent of 20 per cent. at the most.

Question 3.—Land and the rights in land are not passing in any marked degree from the possession of people who are efficient farmers into the hands of creditors who are not themselves efficient farmers. It is seldom that *pattas* (short termed they are)

of agricultural lands are given to creditors who are non-agriculturists. The cultivatory rights are not transferable in the area to which the answers refer. Naturally the third cultivator or one on a short lease will not work so efficiently as the original cultivator.

Part D.—Credit facilities in respect of agricultural production and marketing.

Question 1.—For crop production the Government *taqavi*, the co-operative banks wherever they are, and the professional moneylenders all more or less help in providing credit. The existing credit facilities are however not adequate. The number of co-operative banks should be increased and more money given in *taqavi* than at present. The existing system has proved ruinous to the agriculturists. The chief cause of it is that the debtor has to pay high rates of interest, and the helping hand of the Government is the only remedy that suggests itself to me.

Question 2.—I do not think the credit agencies, mentioned above play any part in the marketing of crops. The existing credit facilities for this are almost *nil*. As there is no system of agricultural credit, there is no defect. The want of a system is the one patent defect.

Part E.—Land mortgage banks.

Question 1.—Landlords can obtain long-period loans to the extent of a few thousand rupees.

Tenants as a rule generally cannot obtain long-period loans, although their inability to repay prolongs the period even to generations.

Question 2.—The mortgage of land helps the landlord, but the tenant cannot give any security. Dearth of money and moneylenders is the special difficulty of long-period borrowers.

Question 3.—Non-transferability in the case of tenants is an impediment to long-term credit and increases the rate of interest.

Question 4.—The occupancy right being non-transferable is not adequate security, still the occupancy tenant being bound to the land and not expected easily to run away, his debt is believed to be more secured than that of other tenants. Occupancy tenants may be allowed to give *zar-i-peshgi* leases for a period of seven years at a time with an interval of three years between two such leases. This will help them much. Their right of cultivation need not be made transferable, for in that case, I fear, production will deteriorate.

Part G.—Small industries allied to agriculture.

Question 1.—Cotton-ginning, *gur*-making, hand-spinning, and vegetable growing are common in the villages as individual concerns. In the town of Firozabad there are several ginning factories employing hundreds of village people for the season.

Question 2.—These industries, wherever they are, are giving good results. The first three industries mentioned above can give better results, if the farmers join to work them on a big scale in their respective villages. They might collect their various products and work the three concerns together for gain according to the share of work done and material supplied.

Question 3.—Hand-spinning will, I think, be an easy, practicable and profitable industry for a farmer in the off-season if it is organised by the co-operative banks in the villages within their business area on pretty big scales. The co-operative banks can easily supply the little working capital required for this enterprise in every village.

RAI SAHIB CHAUBEY SUDERSHAN LAL.

The VILLAGE PANCHAYAT, Lalganj Bazar, district Rae Bareli.

Replies to the questionnaire,

I.—Agricultural credit and credit facilities.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturist in this area borrows from Government when the crops are not good : generally tenants take loans in the form of *taqavi*. Ordinarily, loans are taken from the village moneylenders. There are few co-operative banks; none near Lalganj. In some rare cases the agriculturist is lent money by Lalganj grain merchants.

He borrows for all the purposes mentioned in the questionnaire, but rarely for manure and never for construction of tanks. The proportion due to each object is as follows :—

(i) Repayment of earlier debts	2 per cent.
(ii) Payment of accumulated interest	1 ,,
(iii) Marriage and other social functions	17½ ,,
(iv) Famine and other kinds of distress	22 ,,
(v) Payment of land revenue or rent	9½ ,,
((vi) Seed	6 ,,
(vii) Expenses of cultivation	9½ ,,
(viii) Agricultural implements	6 ,,
(ix) Litigation	9½ ,,
(x) Purchase of plough or other cattle	7 ,,
(xi) Sinking of wells	2 ,,
(xii) Subsistence	8 ,,

The debt is distributed between the lending agencies in the following proportion :—

Government	10 per cent.
Village moneylenders	90 ,,

Of the total debt 75 per cent. is incurred in cash and 25 per cent. in grain, while 75 per cent. is taken for short periods and 25 per cent. for long terms.

Question 2.—The rates of interest are—for cash loans, 18 per cent. to 24 per cent. per annum; for loans in kind, 25 per cent. to 50 per cent. per annum.

Both simple and compound interest is charged as settled between the parties.

The rates of interest are exorbitant.

A charge incidental to the grant of loans is that for writing documents when incurred; no *dalali* is charged.

Question 3.—In this neighbourhood the security is only that of the borrower, his house property, and generalre putation. Generally the money is given to persons without documents on the entry of it in the *bahikhatas*. Sometimes ornaments and standing crops are pawned. Lands are also mortgaged.

The cultivator can only raise money according to his title in the land. The comparative extent of indebtedness is—

Taluqdars, 50 per cent., *zamindars*, 60 per cent., *matehatdars* 70 per cent., tenants (occupancy : *haqdar*), 75 per cent., non-occupancy tenants at will (*ghair haqdar*) 80 per cent.

The amount of debts secured on land mortgage is on the increase. It compares with unsecured debts in the ratio 1 : 3.

Question 4.—Repayment of debts is enforced by oral and written demands, and thereafter by suits in regular courts.

Village Panchayat, Lalganj Bazar.

The difference between the rate at which the cultivator borrows grain or repays it and the prevailing rate is 25 per cent. and 50 per cent.

There are no means by which the cultivator can ascertain what the prevailing rate in the market is.

Question 5.—Generally the cultivator does not take full advantage of the facilities provided by the Agriculturists Loans Act and the Land Improvement Act. He takes from Government in special times of difficulty.

The reason why full resort is not made to the *taqavi* system is that he thinks that the moneylenders' loan is easy to repay, whereas the Government money must be paid at the fixed time. When the agriculturist is unable to raise ordinary loans, he resorts to *taqavi* in ordinary times, but in famines and failure of crops he resorts to *taqavi* freely and primarily.

Prompt collections and enforced payment seem to be the drawbacks of *taqavi*. The ordinary moneylender is more liable. Some provision may be made to meet the case if the borrower is unable to pay at a certain time.

Question 7.—No doubt in the present system of agricultural borrowing the rate of interest is high, but it is there to guard against loss to the moneylender.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—Transactions relating to the marketing of crops are generally done through weighmen and *banias*.

Question 2.—Money is obtained to finance the marketing of crops from village moneylenders and grain merchants. No money is taken from exporting firms.

Question 3.—The charges the cultivator ordinarily pays in the case of marketing the crop are—

(*i*) To the *bania*, weighment charges ¼ seer per rupee.

(*ii*) To the *arhatia*, in addition to above, ½ pice per rupee.

(*iii*) To the *beopari*, 3 seers to 5 seers covers the whole cost per cart.

er cart.

There is practically no difference in these charges with different crops.

Incidental charges are 1¼ seer *zamindari* only and ¼ seer sweeping charges.

Question 4.—Cultivators store their grain in *kothis*, *nands* and earthen jars in *kothris*, *bokharis* and in *khattis* underground. They can store the grain in corrugated iron sheds, but the cost is too high. None of the people know of this here.

Grain is not kept in markets in Lalganj for a long time. It is kept in gunny bags and then sent out after a few days. No improvement is suggested.

The VILLAGE PANCHAYAT, Babai, district Rae Bareli.

Replies to the questionnaire,

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—THE agriculturist borrows from *mahajans*, *ugahi* from Lucknow moneylenders, and from Government as *taqavi*.

The purposes for which he borrows and the proportion of debt distributed between such purposes are given below—

(i) Repayment of earlier debts	10 per cent.
(ii) Payment of accumulated interest	5 ,,
(iii) Marriage and other social functions	20 ,,
(iv) Famine and other kinds of distress	15 ,,
(v) Payment of land revenue or rent	15 ,,
(vi) Seed	10 ,,
(vii) Expenses of cultivation	5 ,,
(viii) Agricultural implements	
(ix) Purchase of plough or other cattle	10 ,,
(x) Other agricultural improvements	5 ,,
(xi) Sinking of wells	
(xii) Building of tanks	5 ,,
(xiii) Subsistence	

Of the debt 75 per cent. is from local moneylenders and 25 per cent. from Government.

Seventy-five per cent. of the debt is incurred in grain and 25 per cent. in cash.

Eighty per cent. is taken for short periods and 20 per cent. for long periods.

Question 2.—The rate of interest is 24 per cent. per annum on small sums and 12 per cent. per annum on loans of Rs. 500 or exceeding Rs. 500.

For loans in kind for seed the rate is 1½ (*derhi*) and 1¼ (*sawai*); and for other loans in kind 1½ (*derhi*).

Interest is simple and compounded.

Question 3.—Personal security and ornaments are mortgaged and land too if the tenant is a decree-holder.

It is correct to say that the better the title to land the greater the amount of indebtedness.

The comparative extent of indebtedness is 80 per cent. landlords and 90 per cent. tenants.

The amount of debt secured on land mortgage is increasing.

Question 4.—Ninety per cent. of small debts are realised easily and 10 per cent. with the help of court of law.

The transactions in grain are made at the bazar rate; tenants go and enquire the market rate.

Question 5.—The cultivator does not take full advantage of the facilities provided by the Agriculturists Loans Act and the Land Improvement Act.

If tenants have got their own grain or money, they do not take *taqavi*.

If the crop is good 25 per cent. and if it is bad 75 per cent. of the agriculturists take *taqavi* loans.

Question 7.—The defect in the present system of agricultural borrowing is that the rate of interest charged by moneylenders is very high. If Government give loans on a reduced rate of interest the condition of tenants will be improved.

VILLAGE PANCHAYAT, BABAI.

The VILLAGE PANCHAYATS, Kilauli and Sultanpur, district Rae Bareli.

Replies to the questionnaire,

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—THE agriculturist borrows from village moneylenders, co-operative societies and in times of scarcity from Government.

The purposes for which he borrows and the proportion of the debt distributed among such purposes are given below—

(i) Repayment of earlier debts	10 per cent.
(ii) Marriage and other social functions..	20 ,,
(iii) Famine and other kinds of distress	15 ,,
(iv) Payment of land revenue or rent	10 ,,
(v) Seed	
(vi) Expenses of cultivation	5 ,,
(vii) Agricultural implements	
(viii) Litigation	15 ,,
(ix) Purchase of plough or other cattle	25 ,,
(x) Sinking of wells	
(xi) Building of tanks	
(xii) Subsistence	

Ninety per cent. of the debt is from local moneylenders and 10 per cent. from others; 35 per cent. in cash and 65 per cent. in grain; and 60 per cent. for short periods and 40 per cent. for long periods.

Question 2.—The rate of interest is from 20 to 24 per cent. per annum on small loans, and not less than 12 per cent. on loans exceeding Rs. 500.

In the case of loans in kind for seed 1¼ and 1½ seers is taken in return for one, while in the case of other loans in kind 1¼ seers is taken for one.

Interest is simple and compound: Rs. 12 for an advance of Rs. 10 by collecting Re. 1 in each month.

The rates of interest are exorbitant.

In case of big loans, in addition to the above interest *mahajans* take from 2 to 4 per cent. as commission or *nazrana*.

Question 3.—The security usually given and accepted is land mortgage, standing crops, house property, ornaments, personal security and cattle.

It is correct to say that the better the title to land the greater the indebtedness. Ninety per cent. of the landlords and 50 per cent. of the tenants are in debt. Debt secured on land mortgage is increasing. Seventy per cent. of the debt is secured with land mortgage and 30 per cent. unsecured or otherwise secured.

Question 4.—Seventy per cent. of small debts are realised easily; in the case of 30 per cent. the help of the law courts is taken.

Question 5.—Cultivators generally do not know how to get *taqavi* from Government, and hence do not take full advantage of the facilities offered by the Agriculturists Loans Act and the Land Improvement Act.

Even in abnormal years they can hardly get a loan.

There are no defects in the present *taqavi* system.

VILLAGE PANCHAYATS, KILAULI AND SULTANPUR.

Question 7.—The defect in the present system of agricultural borrowing is that the rate of interest charged by village moneylenders is very high. It can be remedied by fixing a compulsory low rate of interest or by liberal distribution of *taqavi*.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—Local *banias* purchase crops in the village and bring them to the market. Cultivators also bring their principal crops themselves to market.

Question 2.—Co-operative societies do not help in any way in the marketing of crops. They should do so.

Question 3.—The cultivator ordinarily pays from two pies to nine pies per rupee in marketing his crops to the *bania*, the *arhatia*, the *dalal* and the *beopari*.

Question 4.—Grain is stored by the cultivator in earthen *dehris* and *khatas* in the house; in markets grain is stored in sacks.

Question 6.—The system of licensed warehouses can hardly work here. Tenants want money for their grain urgently and any delay will make the system unpopular.

Question 8.—The system of weighment in the markets is satisfactory.

Mrs. A. K. ANSELL, Secretary, United Provinces Poultry Association, and Poultry Expert to Government, United Provinces.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part G.—Small industries allied to agriculture.

[NOTE.—The replies below are with reference to poultry-farming only.]

Question 1.—All districts that have roads and railways leading to big cities carry on a steady trade in poultry products.

The following districts of the United Provinces, in a recent partial egg survey of the province done by me, can supply weekly, outside their usual trade, surplus eggs for an overseas market :—

	Number of eggs.
Budaun	15,000
Farrukhabad	15,000
Gorakhpur	9,000
Aligarh	7,000
Shahjahanpur	7,000
Basti	6,000
Fatehpur	5,000
Sitapur	5,000
Bijnor	5,600

The districts of Saharanpur, Muzaffarnagar, Dehra Dun, Agra and neighbouring districts have a very large local trade, winter and summer—in the former season with Delhi and Meerut, and in the latter with Mussoorie and Chakrata hill stations; they therefore have no surplus stock to sell. The same is true of Lucknow, Bareilly and surrounding districts which supply these cities in the cold season, and Naini Tal, Ranikhet and Almora in the hot season. Further south, Allahabad, Fatehpur and Mirzapur have markets which draw their goods to feed Patna, Allahabad and even Calcutta. The egg market is an ever-expanding one, due largely to the good prices realized for such products, and due also to the increasing army of consumers. Indians, even orthodox ones, are daily joining the growing ranks of egg consumers. Allopathic Indian doctors are advising an egg diet to their patients.

As a rough guess I should say that the number of eggs marketed in the United Provinces was at least three lakhs daily and not less than half a lakh of head of table poultry. This represents an industry amounting in value to about a lakh of rupees daily at the lowest computation. It is therefore a subsidiary interest of no small importance.

Question 2.—The condition of the poultry industry in the province is an improving one, but there is still a large scope for progress. Many lakhs of poultry die in the province owing to the lamentable ignorance of the poultry-keepers. T birds die of entirely preventable diseases which a little knowledge could cure, and if the people were taught to house their birds in slightly larger and better-ventilated mud huts, in place of the unventilated *durbas* they now use, much disease would be prevented; also they should be taught the use of simple country indigenous medicines, which they do not yet know of.

There is plenty of natural food available for poultry and they pick up the greater part of their own diet in the fields and streets where they live; but poultry-keepers who are getting good markets for their produce do not grudge a few handfuls of grain to help their birds to lay more eggs and to keep them in a good condition.

The province could easily double and treble the present trade if the industry were assisted more liberally in the following ways :—

Firstly, by increased propaganda. The United Provinces Poultry Association at present strains every nerve to help the people by means of lantern lectures, demonstrations by road and by rail, the latter by means of their poultry demonstration car on

the East Indian Railway; by gifts of free vernacular books and leaflets; by constant visits, poultry shows and free advice; and we are undoubtedly building up a better and more prosperous industry. We are only hampered by lack of funds and absolute lack of staff. Our model poultry farm in Lucknow has spread good stock far and wide through the province and our training classes attract students from many parts. But only a fringe of the work has been done; much more is waiting for us to accomplish.

Secondly, by the distribution of improved settings of eggs and birds to poultry keepers. If the present country hens are bred with improved foreign cocks the production of the flock increases two-fold. The method is the same as in the case of the milch cow which is graded up to produce more milk by being mated to a selected bull. A great deal of such work is and has been done both by the United Provinces Poultry Association and by the Etah Mission farm aided in funds by the local Government, and the result to-day is that even in far away villages of the province cross-bred birds are to be found; and in the markets of Lucknow, Agra and other big cities the eggs brought from villages are at least ½ oz. larger per egg than the eggs of other provinces.

Thirdly, in the marketing of the produce. Improvements could be made in the present packing of eggs sent to market. Large numbers travel in baskets without any packing at all and many breakages with consequently heavy losses occur. If the peasants were taught to store up the rice husk at the end of the rice harvest and instead of burning it, could save it as a packing material for the eggs coming to market, the eggs embedded in this husk would travel safely and obviate heavy losses to the producers.

Fourthly, preservation of eggs. This could be taught the peasants, and as the preservation of eggs in lime is not a costly process, a great many eggs could be stored for disposal as cooking eggs at a time when the demand is heavy but the supply short.

Fifthly, by expansion of markets. India could grow enough eggs to feed the ever-increasing markets of the West if she made use of her spare land and resources. Not only inter-Empire trade could be done, but eggs could be exported to Germany, France and other European countries which import large quantities of eggs to feed their populations. Poultry raising can be largely done by women-folk and children, and the busiest time of the year when chickens should be hatched and reared is the time when agricultural work is not going on, for it is done after the *rabi* has been sown.

Lastly, by the co-operative collection and marketing of eggs. Egg circles and societies could be formed in connection with co-operative banks and members could market their eggs to their nearest markets to the best advantage. A small beginning has been made in the province and a few poultry societies formed under the supervision of the assistant registrars in certain centres. The United Provinces Poultry Association has distributed and are distributing free eggs and improved birds to such members and keeping in touch with results. Later on, co-operative marketing may be attempted. The Association has also a scheme of membership and is attracting a large band of followers in every district. Each member promises faithfully to abstain from breeding with country cocks but to replace the country cock with an improved bird which, as far as possible, we endeavour to supply from our Lucknow farm.

We are only hampered in this good work by being starved of funds and staff. We are forced to raise Rs. 10,000 annually by sales of poultry to keep the Lucknow farm going. We should like to distribute all our stock free or at low cost to the province, but alas, we can only give what we can earn over and above the Rs. 10,000 of income necessary to support the ever-expanding poultry farm at Lucknow. In spite, however, of all these hampering obstacles to progress, there are clear signs throughout the United Provinces of a very keen interest in poultry production; the poorer classes overhelm us with demands for help and you have only to visit any village or *mohalla* in or near Lucknow or any big United Provinces city to see the number of pure and cross-breed fowls to be found everywhere.

The Association is making a pioneer effort to start an overseas trade in eggs and many thousands of eggs are leaving this cold weather for London.

The improved size of eggs that is being supplied by the local *khatiks* is a healthy sign of the improvement that is going on in poultry production in this province.

Question 3.—I would suggest goat and rabbit breeding as most useful subsidiary industries to be undertaken by the ryot. The improvement of goats, by the importation of Toggenburg goats to mix with the country goat would help to solve the milk question; and the production of rabbits would be another source of income. The pelts of

MRS A. K. ANSELL.

the latter would sell well and the carcases could be sold as meat; there is quite a small sale for rabbits in the Lucknow market for table purposes. Both these branches of small animal husbandry could be undertaken by the ryot if he was guided and helped to keep them.

As regards working capital for poultry farming, the capital required is extremely small: a few eggs, a mud house and a few seers of grain to feed the resulting young chicken on, are all the capital that is required; as the poultry grow, they generally can find most of their own food.

To enable the Government or local bodies to assist a man with funds to build up a small farm, could not some small cess be levied on eggs that are marketed, if a co-operative marketing scheme is introduced? As marketing is done at present, the *beopari* or *khatik* only gives the producer half to three-fourths of the price he realizes eventually. If marketing is done co-operatively, this middleman's profit would be partly saved, on large quantities especially. Could not savings be utilised as reserve funds to finance would be poultry farmers? We think the scheme has only to be carefully considered and organised to be made workable. We attach some of our literature* in the hope and belief that the United Provinces Provincial Banking Enquiry Committee after reading facts will assist us and advise us as how best to develop further, what seems to us, a suitable rural industry for the poorest classes of the people.

*Not printed.

MRS. A. K. ANSELL.

The UPPER INDIA CHAMBER OF COMMERCE, Cawnpore.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part D.—Credit facilities in respect of agricultural production and marketing.

Question 1.—(*a*) Government plays no part in the provision of agricultural credit but it assists, *viâ* the Agricultural department, by demonstrating and encouraging improved agricultural methods and by providing good, improved seed. It also assists during or after periods of distress, *e.g.*, flood and drought, by making remissions of revenue and *taqavi* advances.

The Imperial Bank and joint-stock banks do not directly assist the cultivator during periods of production.

The co-operative movement being practically undeveloped in this part of the country, co-operative banks have played no part in assisting the cultivator. (This applies to the Cawnpore district.)

Indigenous bankers, particularly the village *mahajan*, are in close touch with the cultivator during the period of production, providing him with most of the necessary finance at this time.

Professional moneylenders, as distinct from *mahajans*, etc., coming under the head of indigenous bankers do not come in in providing agricultural credit except in an indirect way.

Grain merchants do, of recent years, provide some assistance to the cultivator during the period of production.

Organisations such as are mentioned in the question do not assist the cultivator to any known extent in providing agricultural credit.

In the absence of statistics the Committee are unable to answer the question whether the existing credit facilities are adequate or not.

Question 2.—In respect of marketing the crops the joint-stock banks and indigenous bankers do play a considerable part in advancing against produce and thus in providing merchants with a means of making further purchases from cultivators. The cultivator who grows the crops looks to the village *mahajan* or, to an increasing extent in recent years, to the *arhatia* or town commission agent, for his finance. The *mahajan* or *arhatia* in his turn, either through the *sahukar* or in some cases direct, looks to the local *sarraf* for finance, giving him bills and providing himself thus with sufficient funds for the cultivator's needs. The *sarraf*, in his turn, goes to the banks and re-discounts the bills under his signature.

Question 3.—There is co-ordination among the various credit agencies; the extent of this co-ordination will appear in the answers to certain of the later questions.

There is scope for improvement in this direction but the Committee are not prepared to gauge the extent to which this is necessary.

Question 4.—If by overseas trade it is intended to refer to the export trade, until the produce is shipped there is no difference in the matter of credit facilities between internal and overseas trade.

Part F.—Co-operation.

The Committee prefer to confine their remarks on this part to the opinion that while in the Punjab, where the co-operative movement is developed, the Imperial Bank makes advances to co-operative banks against their bills, here the co-operative system is not sufficiently developed to admit of this.

Part G.—Small industries allied to agriculture.

Question 1.—In these provinces the following subsidiary industries exist in a state of alliance or supplemental to agriculture, namely, dairy-farming, *gur*-making, sugar refining, oil pressing, hand spinning, poultry farming, the growth and manufacture of tobacco, fruit and flower growing, the production of vegetable dyes and rope making.

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Cotton ginning exists but it cannot be said to be allied to agriculture, as the ginning is done in central factories.

Nor can tanning be said to be supplemental to agriculture, but the collection and sale of tanning materials is in some cases undertaken by agriculturists as a supplemental occupation. Sericulture exists in certain parts, *e.g.*, the Benares district, where *tussar* silk is obtained from the cocoons of the *tussar* moth and *eri* silk from those of the *eri* moth, the latter in particular being cultivated. The mulberry silk worm is also cultivated in certain parts. There is no sericulture in the Cawnpore district as far as can be ascertained, but all the other small industries mentioned exist in this district.

Question 2.—All these industries mentioned, save perhaps the production of vegetable dyes, are understood in general to be progressing but they need detailed attention for their improvement.

The Committee are unable to put forward any suggestions either for their improvement or in the direction of obtaining for the producer a better return for his produce.

Part H.—Small urban industries.

Question 1.—To a certain extent cottage or art industries are financed by banks, and to a comparatively very small extent by Government in the direction of grants and loans by the Board of Loan Commissioners and the Board of Industries. The main sources of finance are, however, the mortgage of property to indigenous bankers and the execution of *tamassukhs* or bonds for small advances up to Rs. 100.

The artisans get their supply of raw materials and implements on credit within the trade, the manufacturer binding himself to hand over all his manufactured produce to his financier. He resorts to the *qistwala* for funds for his subsistence.

His wares are taken over by the person financing him who disposes of them as his own property in the market.

No important part is played by middlemen. Large dealers and oversea houses are now getting into direct touch with the producer and are financing him direct, but this development is still small and slow.

Question 2.—The Committee are unable to answer this question of industries in which *karkhanas* are found as it stands. Each kind of industry has its own specialised system and the Committee cannot pretend to enter into the various systems.

Question 3.—The Committee must content themselves by stating that the sweating of labour is believed to exist, but they cannot give instances of it or any idea as to its prevalence.

Question 4.—No co-operative artisans' societies are believed to exist. There are various *panchayats* which, however, are understood to function in the direction of settling internal disputes and maintaining internal discipline.

Question 5.—The Committee have grave doubts as to whether an industrial bank would be a suitable or feasible method of improving the present system of financing small industries. The existing systems are so deep, so ancient and in many directions so well organised that it would be difficult to displace them.

Question 6.—Sales associations, dépôts and emporia would, it is believed, be successful. It is understood that a certain measure of success has been obtained in government emporia, particularly in case of art wares, and recent exhibitions in England and elsewhere are understood to have had a certain measure of success, even though they have disappointed the anticipations with which exhibitors set out. To be really successful the organisation, finance and management should come from within the industry itself, although it is realised that competition, trade jealousy and mutual mistrust are heavy factors against this hope.

Part J.—Internal remittance and negotiable instruments.

Question 1.—The facilities available to the public for internal remittance are bank telegraphic transfer, bank demand drafts, government currency transfers, supply bills, demand (*darshani*) *hundis*, and government currency notes, although the latter method of remittance has been greatly discouraged by the recent amendments in the rules for currency note refunds.

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There is a progressive growth in the use of government currency notes even by small cultivators. Government revenue is now collected largely in government currency notes.

Few defects in the present system are reported.

Question 2.—As instanced by the answer to question 1, negotiable instruments play a very large part in the internal trade of the province. Indeed this is estimated to be as much as twelve annas in the rupee.

Question 3.—Supply bills are believed to facilitate internal remittance to a very small extent. This is understood to be due to the considerable delay in obtaining these Bills when wanted. A simplification of the rules to remove this complaint ought certainly to tend in the direction of increasing their utility.

Question 4.—There is no duty on demand bills. Usance bills are subject to a duty on a graduated scale. A reduction in the duty would tend towards extending their use.

Question 5.—The Committee would certainly not approve of the extension, cheapening and improvement of post office agency for handling internal remittances.

Question 6.—There are two classes of *hundis* current here, namely, *darshani* (or demand) *hundis* and *mitidar* or *muddati* (or usance) *hundis*. The Committee do not think it is necessary for the Chamber either to describe the peculiarities of these *hundis* or give examples of their wording : they are too well known.

The Committee have no suggestions of offer for the better protection or benefit of persons handling *hundis*, either by amendment of the Negotiable Instruments Act or otherwise.

Darshani hundis pass freely from hand to hand. *Muddati hundis* are held by *sarrafs*.

Cawnpore is a financial centre and bills drawn or handled by this market seldom go elsewhere. Where *hundis* are in the nature of accommodation bills they do pass to other markets.

Question 7.—It is possible very freely to borrow money during the process of marketing on drafts supported by railway receipts and invoices, and in some cases on delivery orders, although the latter securities are far less current here than in the presidency towns. No difficulty is experienced in this direction.

II.—Indigenous banking.

In dealing with this section the Committee feel reluctant entirely to adopt the definition of indigenous banking given in note 1 at the head of the questionnaire under this section. Their reluctance lies in the difficulty of accepting the inclusion of the term "banks" along with "bankers" as forming part of the system of indigenous banking. They would prefer to understand by banks all those institutions which freely receive money from the public in deposit and would include under the term "bankers" all others who do not freely accept money from the public on deposit. They would therefore prefer to exclude "banks" from within the meaning of the term "indigenous banking."

A.—Organisation of indigenous banking.

Question 1.—With the above reserved acceptance of the definition the Committee instance the following classes of indigenous bankers :—

(i) *Sarrafs.*
(ii) *Sahukars.*
(iii) Village *mahajans.*
(iv) *Qistwalas.*
(v) *Kabulis.*

The business done by each of these is as follows :—

(i) *Sarrafs.*—These are moneylenders in a large way. Many of them have now taken to the combination of commission agency business with moneylending. A large portion of their functions is to discount bills and make advances against bills or property in a larger way. The *sarraf* is open to accept deposits from elected and pre-arranged depositors, but actually these deposits are more in the nature of solicited loans than voluntarily offered deposits. Interest is paid on these deposits or loans at rates varying from 3 to 6 per cent. per annum according to season or demand. Latterly many *sarrafs* are becoming industrialists and in some cases this activity is superseding their original

function. It is understood that *sarrafi* business by itself does not now pay. There is a local class of *sarrafs* in Cawnpore known as *basnas*, but these are decreasing in numbers. In general their function does not differ materially from the functions of other *sarrafs*.

(ii) *Sahukar*.—This term literally means a solvent person." He is the connecting link between the *sarraf* and the village *mahajan*, that is to say, between the urban life and the rural life. The *sahukar* discounts no bills; he makes cash advances against property, both rural and urban, or ornaments. He looks to the *sarraf* for funds and himself finances the village *mahajan*.

Of late years a class of persons known as *arhatias* or town commission agents, whose original function it was to be the commission agent in the town of the village *mahajan*, is tending to usurp the functions of both the *sahukar* and the *mahajan* and to afford direct contact between the *sarraf* and the cultivator.

Peaceful conditions, improved communications, better roads and means of transport and improved banking facilities have made the interposition of the *arhatia* and the displacement of the *sahukar* and the *mahajan* possible. This tendency has its advantages as it substitutes one middleman for two as between the real financier, the *sarraf*, and the producer, the cultivator.

(iii) *The* village *mahajan* is a very useful institution to whom the cultivator looks immediately for assistance even when his credit is exhausted. Opinion as to the merits and demerits of the *mahajan* is, and must necessarily be, divided. A very useful note on the *mahajan* is extracted from a publication, "Indian Cotton," which is a report by Mr. Arno Schmidt, the Secretary of the International Federation of Master Cotton Spinners and Manufacturers Associations, Manchester, on his third visit to India in the winter of 1913-14. This is attached as an annexure.

The *mahajan* is a most desirable limb on the body of village life and, while opinions may differ with regard to him, of his importance there can be no doubt. Whether he will be efficiently replaced eventually by the *arhatia* is a matter for the future.

(iv) The *qistwala* (derived from *qist*, a method of repaying money on an instalment principle) functions to a small extent among the working classes. He is a moneylender in a very small way but has his useful functions.

(v) The *Kabuli* is so called because he is almost invariably a predatory visitor from Afghanistan or the frontier. He lends money to the unfortunate poor, either as an operation by itself or tempts his victims into buying his wares, generally cloth. In either case, having got them into his toils, he is a usurer of the worst type and is all the more dangerous by reason of his truculence and readiness to resort to force.

The Committee consider it necessary to note here that large buyers, who are themselves shippers overseas, are now developing a system of dealing direct with the producer, the cultivator, thus cutting out all middlemen. Their own representatives come into direct touch with the cultivator.

The fact that indigenous bankers do combine other business with their own, and that in certain cases, *e.g.*, where *sarrafs* become industrialists retaining their *sarrafi* business as a subsidiary function, has been touched on in the reply immediately preceding this.

Question 2.—The part played by the various classes of indigenous bankers in financing agriculture, trade and industry may be summarised as follows :—

(i) *Agriculture*.—A large part, through the village *mahajan* or the *arhatia*. The tendency, however, is towards the elimination of all middlemen and the establishment of direct relations between the shipper-buyer and the cultivator.

(ii) *Trade*.—The *arhatia* has an important function in the chain of finance.

(iii) *Industry*.—The *arhatia* plays a most important part in financing the smaller industrialists. The large industrialists deal, as a rule, directly with banks rather than with indigenous bankers.

The Committee feel that it is not necessary for the Chamber to describe the methods of finance.

Question 3.—The Committee consider that it would be grotesque for them to attempt to estimate the resources of indigenous bankers in any area. They doubt whether the necessary information could ever be elicited, though some estimate may eventually be formed when the Income-tax department is able to reach all assessable classes. The Committee, however, venture to state, as an approximation, that the entire trade, import and export, passing through Cawnpore is not less than 15 to 20 crores per annum and that three-quarters of this is financed by the credit systems described.

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The Committee are certainly not able to give any information regarding the capital, volume of business and expenses of any class of indigenous bankers, and they doubt whether accurate information on this point could ever be elicited.

Question 4.—There formerly were in Cawnpore financial houses such as are referred to in this question, but they have disappeared mainly by reason of the fine-cut rates for internal remittances, the increase of currency transfers, bank drafts, etc., and the establishment of very close relations between presidency towns and mufasil centres and the diminution, or even absence, of risk in sending actual money.

Question 5.—Only two main books are maintained by indigenous bankers in keeping their accounts, namely, the *rokar* (or cash book) and a *khata* (or ledger). Certain subsidiary books are, however, kept.

It does not seem necessary for the Chamber to give examples of these books as they will presumably be available from the bankers themselves.

B.—Raising of funds by indigenous bankers.

Question 1.—In Cawnpore there are two forms of *hundi* in use, namely, *darshani* and *mitidar* or *muddati.*

There is a progressive decline in the use of *mitidar hundis* and a progressive increase in the use of *darshani hundis.* The reason ascribed for this is that in this part of the country trade is coming to be more and more financed directly by large buyers (themselves shippers) in the seaports. These operate mainly by means of demand drafts or *darshani hundis.*

Question 2.—By re-discounting traders' bills among themselves or with banks, and by taking solicited deposits or loans through brokers (*dalals*), indigenous bankers provide themselves with funds to meet the demands upon them.

Assistance is obtained by indigenous bankers from the Imperial Bank of India and the joint-stock banks to a considerable, but now decreasing, extent. This decrease is due to trade conditions undergoing considerable changes by reason of closer relations between the producer and the shipper and direct finance of the former by the latter, the middlemen being cut out.

The Committee prefer not to answer part (*c*) of this question.

Question 3.—In Cawnpore deposits are received from selected and approved depositors for short-term periods, usually not exceeding sixty days. These are actually more in the nature of loans since a true deposit is a voluntary action on the part of the depositor, whereas these deposits are solicited, the *sarraf* making his necessities known through a broker.

The rates of interest vary according to season and demand from 3 to 6 per cent. The *sarrafi* rate of interest is uniformly, and throughout the year, 1 per cent. below the bank rate.

C.—Advances by indigenous bankers.

Question 1.—Previous answers will have given such information as is available and appropriate to the Chamber on the various methods in which the indigenous bankers grant loans and allow cash credits.

Question 2.—The *mahajan* functions in this importantly but, as has already been stated elsewhere, the *arhatia* is now usurping his functions elsewhere. The *arhatia* invariably charges a fixed rate of 9 per cent. per annum (12 annas per Rs. 100 per month) for loans made by him to his constituent on the security of the commodities delivered to him and up to 75 per cent. of their value. He also charges *godown* rent. When advances in kind are made the borrower is bound to bring his produce to the lender.

The rates of interest charged by indigenous bankers, having in view the general lack of adequate security and the risks involved, are not considered too high.

Question 3.—The clients of indigenous bankers have every facility accorded to them of inspecting their accounts; such inspection is not denied. When the interest account is made the possibility of errors and omissions having occurred is always covered by the remark inserted "*Bhul chuk lena dena.*"

D.—Exchange and money market.

Question 1.—There is a money market, which is also an exchange market in Cawnpore. The whole city is comprised in this market; there is no one centre. It is worked through *dalals*. It is linked with Calcutta, Bombay and Delhi by mutual interchange of business.

Question 2.—A very large and important part is played by brokers (*dalals*) in the exchange and money market. Their remuneration is, the case of *darshani hundis*, 3 pies per Rs. 100 or Re. 0-2-6 per thousand; in the case of *mitidar hundis*, 6 pies per Rs. 100 or 5 annas per Rs. 1,000. This brokerage is paid by the borrower in the case of transactions between *sarraf* and *sarraf* or merchants and *sarraf*, but in the case of usance bills (*mitidar hundis*) discounted by banks the brokerage is paid by the bank.

Question 3.—The rate at which *hundis* are purchased and sold varies according to the season and to supply and demand.

In the case of internal remittances, by means of bills on presidency towns, the rates are very fine, usually not exceeding one anna per hundred rupees, and in the case of Bombay bills these are usually at a premium. In the case of bills on mufasil towns the rates are higher and may vary between 2 and 3 annas per hundred rupees.

There are seasonal variations in these rates due to the fluctuation of imports and exports.

The Committee prefer not to answer part (c) of this question.

Question 4.—There is no organisation in Cawnpore similar to the organisations named in this question.

Question 5.—There are local usages in almost every item of trade in Cawnpore. These are innumerable and varying, old ones vanishing and new ones being introduced. In many instances there are customary levies in kind, devoted to various purposes, *e.g.*, a levy for the *Gowshala society*.

E.—Defects of indigenous banking.

Question 1.—Public opinion in regard to the various classes of indigenous bankers in this locality may be briefly stated as follows.—

(*i*) The *sarraf* is regarded with respect.

(*ii*) The *sahukar* is relied on and regarded with confidence.

(*iii*) The *arathia* is also relied on as a rule, and looked to by the *beopari* for guidance.

(*iv*) The village *mahajan* is regarded with somewhat mixed feelings as has been already indicated in the answer to question 1, part A of this section.

(*v*) The *qistwallah* though resorted to perforce, is detested because of his usury and grasping attitude.

(*vi*) The *Kabuli* is not only hated as an usurer but is detested because of his method of entrapping his victims and is feared because of his aggressiveness and readiness to resort to personal violence. He usually insinuates himself into his future debtor's household, in the absence of the men folk, as a hawker of cloth, and, playing on the vanity and credulity of the women, inveigles them into buying of his wares on credit and with ample time promised for payment. Once they are in his toils he comes openly, and with threats, to demand payment. This being impossible to make, the arrangement of a loan to pay for the previous purchase is only a matter of threat and cajolery and his victim is hopelessly entrapped.

Question 2.—Indigenous bankers do not experience any legal or other difficulty in carrying on their business to any degree worth noticing. Save in the case of the lowest classes of moneylenders' the business of indigenous bankers depends entirely on a certain code of ethics which, in spite of the changing times, holds fast.

Question 3.—Save as touched on by them above the Committee are unable to answer this question.

Question 5.—Indigenous bankers are usually able to meet all acceptable demands They are, however, sometimes obliged to refuse such demands on account of insufficient working capital.

F.—Co-ordination.

Queston 1.—(*i*) Among the better class of indigenous bankers of the same class relations are usually cordial with mutual assistance afforded on occasion.

Among *arathias* there is competition and trade jealousy and hence a certain degree of friction.

Among the lowest classes of moneylenders there is "envy, hatred and malice and all uncharitableness."

(*ii*) The co-ordination between the different links in the chain of Indian indigenous banking makes a large degree of cordial relationship between the touching links inevitable. But that there should be a certain friction at times of stress is also inevitable.

(*iii*) The relations between indigenous bankers and the banks are understood to be good.

The Committee prefer not to answer part (*b*) of this question.

Question 2.—The co-ordination is usually in the direction of, and to the extent of, rediscounting bills.

Question 3.—The cheque system is not current among indigenous bankers in Cawnpore.

G.—Consolidation of indigenous banks.

Question 1.—In the judgment of the Committee the indigenous banking system is, as a whole, already sufficiently serviceable to the community dependent on it.

Question 2.—The Committee are of opinion that indigenous bankers would not secure an increased clientèle if they were recognised by Government.

Question 2-A.—The Committee desire to invite the attention of the Banking Enquiry Committee to a letter, dated the 10th Otcober, 1913, addressed to the Local Government which contains opinions opposite to this and the succeeding question. While certain steps may have since then been taken in the directions suggested by the Chamber, the opinions then stated hold good to-day.

Question 3.—The attitude of indigenous bankers towards the introduction of measures designed to regulate their operations and enforce the publication of their balance sheets would be one of great resentment and resistance.

Question 4.—Money lies idle in the hands of indigenous bankers during the rains, but it is impossible to say to what extent; hence the recent success of 3 months' treasury bills.

Such money is either invested by indigenous bankers among themselves, or remitted to the sea-ports, or invested in the purchase of short-term treasury bills, or placed on short-term deposit in the banks. There is a tendency to concentrate it in the sea-port trade centres.

Question 5.—Most of the *sarrafs* working in Cawnpore have their branches in presidency towns. These branches operate entirely in line with the conditions prevailing in these sea-port towns, where the markets offer many of the facilities mentioned in the question.

The Committee prefer to offer no opinion on the very vexed question of the establishment of a Central Reserve Bank.

III.—Investment habit and attraction of capital.

A.—Encouragement of saving and investment habit.

Question 2.—Banks, Post Office saving banks, Post Office certificates, Government and other securities, companies stocks and shares are the existing means for encouraging the habits of saving and investment.

Question 8.—To afford savings bank facilities would be of very doubtful advantage and hardly appropriate to the functions of a municipality. The financial stability of many municipalities is so insecure, in other cases so entirely dependent on government assistance, and always so dependent on the whims and vagaries of members that the wisdom of such a proposal is very doubtful.

Question 13.—The Committee agree with the view that in India the banking and investment habit is of very slow growth. It is due to lack of education.

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B.—Cheque habit.

Question 1.—The cheque habit is growing in India.

Question 2.—The abolition of stamp duty in cheques has led to an increase in the use of cheques, but not in the opening of more accounts.

Question 3.—Merchants, government servants, the professional classes, local bodies and institutions use cheques.

Question 4.—The cheque habit could be promoted by permitting and encouraging to a greater extent than at present the payment of government dues by cheque. This would be likely to lead to the adoption of the cheque habit by many Indians who do not at present find it of advantage.

The denial of these facilities is a hindrance to all.

The Committee doubt entirely if the Post Office could be competent to deal with cheque accounts, save in very large centres, and even then without a considerable increase in staff In large centres, however other facilities exist.

Question 5.—The use of cheques by the "illiterate" seems a contradiction in terms. The removal of illiteracy ought, surely among its other and more obvious advantages, to be an encouragement to the growth of the cheque habit among that small proportion of illiterates as are in a position to have bank accounts.

(For supplementary written evidence, see pages 49—53.)

APPENDIX.

Extract from "Indian Cotton," being a report by Arno Schmidt, Secretary, International Federation, Manchester, on his third visit to India, 1913-14.

THE moneylender, who is usually also a whole grain merchant, is a very important member of the village community. The services of the artisan are very often paid for in kind, and the moneylender performs the important function of exchanging the different products.

The following is the opinion of the moneylender expressed by a high official of the Government :—

"A great number of the agricultural community appear to have a kind of running account with the *mahajan* : he advances them seed, giving one seer less than the market price. In other instances the advance is made at seed time on the *sawai* principle, which means a return at harvest of one-fourth more than the quantity borrowed at seed time. He lends money, moreover, for the inevitable marriage and for the inevitable lawsuit When the tenant falls on evil days, he would advance him rent to save him from ejectment. He is, in fact, at all times, the resource to which the needy agriculturist goes for relief; and the consequence is that a large proportion of the cultivating community is seldom free from the *mahajan's* influence. When the crops are reaped, the greater portion finds its way to his granary; the tenant retains a share for his immediate use, which is seldom sufficient for the consumption of his household until the following seed time. Long before the next harvest approaches he has, as a rule, to have recourse to the *mahajan*. The system is not without its advantages in hard times; it is to the interest of the creditor as well as the debtor that the latter should live; there is a community of interest which secures him from starvation."

Sir F. H. Nicholson says about the moneylender : "On this subject there are two opinions, one of which regards him as on the whole rather beneficent and friendly, as a sort of partner with the ryot, supplying the needs of the latter, maintaining him in times of misfortune. Others, again, regard him as a beast of prey seeking everywhere whom he may devour. The truth, as usual, probably lies near the middle. As society and credit are at present constituted, he fills an absolute gap, and is a rural necessity. On the other hand he is most undoubtedly an expensive and dangerous necessity. He has been found in India from time immemorial."

Supplementary evidence.

Question 1.—*To what do you ascribe the progressive growth in the use of government currency notes by small cultivators? Has the drop in the value of silver anything to do with this?*

Answer: It is ascribable, in the main, to the curtailment of the supply of silver during the War: thereafter followed an appreciation by the cultivators of the convenience of government currency notes. Further causes may be found in the better communications provided and the better facilities made available for the conversion of government currency notes. Perhaps an additional cause may be found, though this can only be to a small extent, in the slight increase in literacy in rural areas.

Question 2.—*It is stated in your memorandum that there are few defects in the present system of internal remittances. Will you kindly describe these defects and how far and in what manner can they be remedied?*

Answer: In stating that "Few defects are reported," the expression was intended to indicate that these defects were so few as to be of no material consequence. The Committee do not propose to describe the minor defects that do exist.

Question 3.—*Are the indigenous bankers getting a reasonable proportion of the internal remittance business at present? If not, why not? What modifications would you suggest so that they may get their fair share?*

Answer: The *sarraf* gets a fair portion of the internal remittance business according to his needs and capacity. The surplus goes to the banks.

Question 4.—*It is suggested in your memorandum that a simplification of the rules governing the supply bills would remove the present inconvenience experienced by the public. Will you kindly suggest what simplifications should be introduced in the present system?*

Answer: It is understood that before the Treasury Officer can issue a supply bill he has to obtain sanction from higher authority. This means a delay of at least two days which causes considerable inconvenience to the persons requiring these bills. This is perhaps the one main impediment to the extended use of these bills.

Question 5.—*In reply to the question regarding the extension, cheapening and improvement of post office agency for handling internal remittances, you suggest that no such extension, etc., should be allowed. Will you please give your reasons for this?*

Answer: The principal objection lies in the realization of the fact that the Post Office could not carry out the instructions and procedure necessary in the collection of bills and cheques in the manner they are dealt with by banks. This requires a special training in banking which could not be expected of the Post Office staff.

A reduction of charges for money-order remittances would increase the usefulness of the Post Office in this direction, but this would bring about a competition with banks and bankers which might quite reasonably be regarded as unfair.

Question 6.—*Would it not lead to the increase in the use of and better protection to the* hundis *if the present commercial practices in connection with them are legalized and incorporated in the Negotiable Instruments Act, e.g., legalizing* shah jog nakraie sakraie, *limitation of delay in the payment of demand bills, etc.*

Answer: The present practices are understood to be already sufficiently covered by the Negotiable Instruments Act, which is considered to be sufficient to afford all necessary protection.

Question 7.—*Do you think the establishment of warehouses will lead to the creation of easily marketable instruments of ownership, which in turn would mean easy pledge and greater convenience for credit? If so, by what agency should warehouses be established and conducted? Do you think Railways on account of their large transport business are the most suitable agency to be entrusted with warehousing business (assuming of course that they are properly equipped and engage necessary staff)?*

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Answer: The purport of this question is not very clearly understood. If it is intended that the warehouses referred to should be similar to port warehouses at the ports, their establishment—if found feasible—might assist in the direction indicated. But there is, on the other hand, an apprehension that the lack of privacy, which would of necessity prevail in a public warehouse, would be repellant to borrowers.

It is not understood how it could be made compatible with a Railway's responsibilities as a bailee and its functions as a public carrier, who is required to, and desires to, convey and deliver goods with the utmost despatched, to expect the Railway to act as an agency for the retention of the goods in their possession.

It is understood that the purpose of such warehouses—as far as it is apparent to the Committee—is at present being discharged both efficiently and sufficiently by commission agents, with the added advantage of privacy.

Question 8.—*Do you think, if the present scale of remittance charges prescribed by the Imperial Bank of India and the Currency department is reduced, that it will result in economy in the movement of currency and thus increase supply of credit?*

Answer: These charges are considered to be already so sufficiently low that a further reduction would be uneconomic.

Question 9.—*Will you kindly mention why* sarrafi *business by itself does not pay? What remedies would you suggest, e.g., special facilities, etc., in order that* sarrafs *may occupy their proper place in the banking system of the country?*

Answer: There are many reasons why *sarrafi* business by itself does not pay. Principal among these is the fact that the cheapening of rates has made it uneconomic. It may be instanced that there are no longer any transactions from mufassil centres in accommodation bills from the ports. This is due to the fact that mufassil *sarrafs* can no longer offer the competitive rates which used to attract this business.

Question 10.—*What is the distinction between* sarrafs *and* basnas?

Answer: There is no real distinction between *sarrafs* and *basnas;* the latter is merely a local synonym for the former.

Question 11.—*You mention in your memorandum that the* sahukar *is a link between the* sarraf *and the village* mahajan. *Is this practice prevalent only at Cawnpore or in the other parts of the province as well? Do you think it is possible to connect the* mahajan *directly with the* sarraf? *How far will such a connection cheapen the cost of credit to the cultivator? Will the benefit be intercepted by the* mahajan?

Answer: The word *sahukar* was used for want of a better term. The *sarraf* operates entirely in the large towns; the *mahajan* in the villages. There is a class of men—who might probably be described as being in some sort financial solicitors—who borrow from the *sarraf* and lend to the *mahajan*, being thus a connecting link between the two.

This practice is widely prevalent.

The Committee do not see how it could be possible directly to connect the *sarraf* with the *mahajan.*

Question 12.—*Opinion as to the merits and demerits of the* mahajan, *as you say, must necessarily be divided. He is according to you the most desirable limb in the body of village life. Would it improve matters and be in the interests of farmer, traders and artisans if a system of licensing moneylenders with restrictions on their business and business methods is introduced? If so, what restrictions would you place on their business and methods? Would you restrict their lending to productive purposes only?*

Answer: The Committee have no suggestions to offer. It seems to them that the *mahajan* is an immemorial institution and must, of necessity, continue, at least for the present.

Question 13.—*Do you favour the stopping of evils of moneylending by* Kabulis *by legal enactment?*

Answer: Yes: if this can be contrived.

Question 14.—*Dou you recommend limitation on the rates of interest charged by* qistwalas?

Answer: The limitation of the rates of interest would not circumvent the *qistwala.*

UPPER INDIA CHAMBER OF COMMERCE.

Question 15.—*When and why did the practice of large buyers dealing directly with the producer come into existence? How far has this system developed and what are its future possibilities? Whom does the system benefit more—the buyer or the producer? It is alleged that the producer gets the same price as he was getting before the introduction of this practice, and that the advantage is entirely on the side of purchaser. How far do you agree with this view?*

Answer: Since after the War and on account of the invasion by shipper-dealers established at the ports of up-country markets, by means of local agencies there established. This system has developed considerably and is steadily developing further. The future possibilities are the entire elimination of the commission agent and of the broker. The system benefits the producer even more than the buyer. The Committee do not agree with the allegation that the producer gets the same price as he got before the introduction of this practice. The elimination of the middleman is distinctly of benefit to the producer.

Question 16.—*It is mentioned in your memorandum that the value of trade passing through Cawnpore is between* 15 *to* 20 *crores per annum, and three-fourths of this is financed by the credit system described by you. Will you please apportion this amount between the various members of the credit system? Who finance the remaining one-fourth of the trade?*

Answer: The Committee are unable to apportion, as between the various indigenous members of the credit system, the three-fourths of the value of the trade financed by credit. The banks finance the remaining one-fourth.

Question 17.—*Will you please make your reply to question* 1 *of Section II, Part B, more clear? The function of* mitidar hundis *is to provide credit for a certain period, whereas the importance of* dharshani hundis *lies in getting funds as soon as goods are railed. The purport of these two bills is quite different and how can increase in the one be regarded as a substitute for the other?*

Answer: It was not suggested that *darshani hundis* are coming in as substitutes for *mitidar hundis*. A "substitute" implies something used for the same purpose. The *darshani hundi* is replacing the *mitidar hundi* for its own purpose, by reason of the changing policy of finance. There is an increasing want of confidence in the stability of prices and for this reason, and perhaps also owing to better facilities for prompt despatch and quick transport, there is no longer the same incentive as formerly for up-country dealers to hold large stocks, financed by means of *mitidar hundis*. They now buy forward, and the *darshani hundi* is utilised. In short, as the necessities and the opportunities for the use of *mitidar hundis* decrease, those for the use of *darshani hundis* increase.

Question 18.—*It is alleged that the policy of the Imperial Bank of India and the major commercial banks is tending towards concentration of funds in the port towns, thus making less money available for credit facilities in the internal centres of trade, and that this policy is, to a very great extent, responsible for the decrease in the use of* mitidar hundis *and their discount and rediscount. Do you agree with this view, and, if so, what measures do you suggest to remove the defect?*

Answer: This tendency is recognised. But the facilities for moving funds readily from ports to up-country centres have been so improved recently that this policy does not result in higher money rates up-country. It is, therefore, not admitted to be a defect.

Question 19.—*It is mentioned in the memorandum that a closer relationship is developing between the producer and the shipper and that the former is financed by the latter, Will you kindly fully explain what is this method of direct finance?*

Answer: The system of financing is direct, by means of the actual payment of cash by the shipper's up-country agent to the producer, the cultivator.

Question 20.—*Please state whether your answer to the question regarding facilities for inspection of accounts by borrowers relates to big firms and big cities or is applicable to every borrower and lender, even in small places?*

Answer: The Chamber's answers to question 3, Section II, Part C, was applicable to such indigenous bankers as the Committee, obviously, cannot say if *every* small lender permits inspection of his account by the borrower.

UPPER INDIA CHAMBER OF COMMERCE.

Question 21.—*Please state whether the brokerage rate of five annas per thousand in the case of* mitidar hundis *applies to any particular usance or is independent of it?*

Answer: The brokerage rate does not apply to any particular usance. It is the general practice.

Question 22.—*Will you please state to whom is the brokerage for discounting* hundis *paid by banks and why the practice differs in the case of banks and sarrafs? Is such brokerage on* hundis *paid only by the Imperial Bank of India and not by the other banks? If so, does the Imperial Bank pay such brokerage in the same sense as is paid by* sarrafs, *viz., to procure business, or only to their* khazanchis *for guaranteeing the signature of the parties to the* hundis? *In the latter case would it not be more in the nature of establishment costs?*

Answer: The brokerage is paid by the bank to the broker. It should have been made clear in the latter portion of the answer to question 2, Section II, Part D, that although the bank actually pays the brokerage to the broker, it recovers it from the borrower in the rate charged. There is thus actually no difference in practice and between the payment of brokerage by banks and by *sarrafs*.

The brokerage is paid by all banks. The subsequent portions of the question do not, therefore, arise.

Question 23.—*Please state whether the rates for internal remittance referred to in your reply refer to large remittances or are they applicable in the case of small amounts also. If not, what is the difference in rates?*

Answer: The fine rates referred to apply to large amounts. The rates for small amounts vary according to the amount and/or the place on which the bills are drawn. They do not, in any event, exceed four annas per cent. even for such small amounts as Rs. 100.

Question 24.—*Do you think it will be in the interest of both producer and consumer if the charges levied by the arhatia and middleman, as well as incidental charges paid when buying on selling commodities, are brought under law and properly regulated? Should the levy for* gaushala *and other charitable purposes generally levied in markets be brought under State control both as regards the maintenance of such funds as well as their expenditure?*

Answer: There is no necessity for the regulation of these charges by law. Competition among *arhatias* keeps the rates at a reasonable level.

The instant the State stepped in to control the levy for *gaushalas* and other charitable purposes, these levies would be abolished to the disadvantage of the charities now benefiting by them.

Question 25.—*How would it be possible for people in the mufassil where modern banking facilities do not exist to pay or receive their dues by cheque? Do you think this gap can be suitably filled in by having registered and licensed indigenous bankers whose cheques could be accepted in payment of government dues?*

Answer: The answer to question 4(*a*), Section III, Part B, was based on the presumption that the persons who would resort to the use of cheques would have accounts in banking centres.

The Committee do not propose to answer the question now put.

Question 26.—*The postal cheque system was found to be one of the quickest methods of mobilizing monetary resources in Germany. In view of the fact that the postal system is sufficiently spread throughout the length and breadth of India, would not the keeping of cheque accounts by the post offices lead to the same result as in Germany as well as fill up the gap of the nature referred to in the preceding question, assuming of course that the staff would be suitably trained and the system suitably organised?*

Answer: It is not accepted that a system which has been found to work satisfactorily in Germany could be worked equally satisfactorily in India.

UPPER INDIA CHAMBER OF COMMERCE.

Question 27.—*Are the interests of depositors of joint-stock banks sufficiently safeguarded under the present law?*

Answer: It seems to the Committee that this is a question which the Banking Enquiry Committees alone will be able to answer—on the conclusion of their inquiries.

Question 28.—*If some means could be devised to stimulate confidence in the joint-stock banks, do you think that would increase the saving and banking habit and bank deposits? If so, could you suggest some such means?*

Answer: This is a hypothetical question which the Committee prefer not to attempt to answer.

Lala GIRWARDHARI LALL, Secretary, Glass and Bangles Industrial Association, Firozabad, district Agra.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part G.—Small industries allied to agriculture.

Question 1.—The industries allied to agriculture in this area are cotton hand spinning, growth and manufacture of tobacco and vegetables.

Question 2.—In general the condition of these industries is depressed. The best method of improving their condition seems to be to free them from the clutches of the moneylenders and middlemen by encouraging the well-known movement of co-operation and assisting such industries financially.

Question 3.—Hand spinning and weaving are the only economical employments which can bring relief and contentment to the farmer during the off-season, because these products can find a market easily within the four walls of their own villages. Working capital for such enterprises can only be secured by co-operation.

Part H.—Small urban industries.

Question 1.—The glass and bangle industry in general is financed by private enterprise. In some cases loans at very high rates of interest are arranged from local moneylenders. The contract system is also employed in the case of the glass and bangles' manufacturers.

Raw materials and implements are generally bought on credit. Such credits are given with no stipulation of interest. A fair margin by way of profit goes to such dealers.

Wares are disposed of through wholesalers and middlemen.

Middlemen and large dealers are the only persons who can take the product and thus save the difficulties of finance notwithstanding that the major portion of the labour is lost in paying to these middlemen.

Question 2.—The glass factories generally employ smelters who could be brought under the category of master artisans. Similarly in the case of bangle decorating and bangle manufacture there are skilled persons to make out new designs. But such men are rare.

With the financial help of the *karkhanadars* the middlemen find the market, *i.e.*, consumers. A fair portion of the profit without any expense on their part goes into the pockets of the middlemen. This is due to the unsatisfactory condition of the banking facilities available at Firozabad. No apprentices are employed. The workers mostly are under the contract system.

The majority of the workers employed in this trade are known as *shishgars* and have drifted here from various places.

Question 3.—I am not aware of any instances of sweated labour. On the other hand the labourers in this trade are more content than those employed elsewhere. The difficulty of exploitation has never risen here.

Question 4.—We are not aware of any co-operative artisans' society but the need for one is keenly felt. Co-operative organisation is the only remedy to find finance for small industries and to save them from the clutches of middlemen. Neither a co-operative nor a joint-stock bank would be of any avail until the policy behind it is changed and this is really desired.

Question 5.—We would strongly recommend a Government-aided co-operative movement for the protection of these industries instead of a joint-stock bank. The bank should issue loans to persons or firms interested in the trade and who deserve assistance. We are not of opinion that loans should be granted to individual artisans until it has been established that the aid so given will be fully secured.

Question 6.—Sales associations, dépôts or emporia can, by co-operation, be of effective assistance in advertising and marketing wares.

LALA GIRWARDHARI LALL.

II.—Indigenous banking.

A.—Organisation of indigenous banking.

Question 1.—Although Firozabad is a big trading centre unfortunately there are no indigenous bankers. Of course there is a class whom we call moneylenders; these are only private persons dealing in lending money, charging a high rate of interest thereupon. In Hindustani they are termed *sahukars*. The only business transacted by these moneylenders is to give money on loan. The system by which they lend money is by getting bonds, *hundis*, promissory notes or simple mortgages executed in their favour by the debtors.

Of course there are some moneylenders who deal in moneylending as well as in trade, and there are some who deal in the former alone. There are some whose principal business is dealing in corn, cloth or *ghi* and whose subsidiary trade is moneylending; while there are some whose principal business is moneylending and subsidiary trade, for example, shares in a company or glass bangle or cloth shops, kept by other members of the family.

Question 2.—The said moneylenders undoubtedly advance a great deal to the agriculturists but that is very detrimental to the interest of the tenants because they charge a high rate of interest from them and thus never leave the tenants unburdened from the loans. The interest itself becomes a lump sum too difficult to be paid and the debt thus becomes a constant source of anxiety and poverty throughout their life. At present there is a co-operative bank working in this tahsil which has to some extent done some work towards financing them, but that too has not proved very useful to them.

The moneylenders have not got sufficient money to finance trade. As mentioned above Firozabad is the biggest trading centre for glass and bangles in India and therefore requires much more financial help than is afforded by the moneylenders. They can only give loans and that too on high rates of interest which instead of being useful becomes harmful to the advancement of trade. So towards trade financial help amounts to nil.

The industry here also meets the same fate as trade because the moneylenders cannot finance it. There are so many glass manufacturers and glass bangles firms or factories that they cannot be financed by petty moneylenders.

Agriculture is financed by giving the tenants money in instalments for their seed, purchasing bullocks, for wells and harvesting purposes. Sometimes they pawn their ornaments with the said *sahukars* and thus serve their purpose. But that enhances their difficulty all the more, because they are victimised by the galloping compound interest which reaches a very high climax. When these moneylenders realise their advances with interest the poor tenants are forced to sell their produce or to pay in kind.

Trade and industry are financed on the execution of bonds, promissory notes, *hundis*, and pawning the goods with *sahukars*.

Question 4.—There are no financial houses dealing solely with the provision of credit facilities by purchase and sale of *hundis* and other bills of exchange. The chief cause is lack of money and enterprising spirit.

Question 5.—The *mahajani* system of book-keeping is the method generally adopted by indigenous bankers in keeping accounts.

B.—Raising of funds by indigenous bankers.

Question 1.—The forms of *hundis* are—

(i) *Hundis* payable on sight.
(ii) *Hundis* payable after 31, 51, 61 and 91 days.

Other credit instruments used by indigenous bankers are :—

(*a*) Bonds, registered and unregistered.
(*b*) Pro-notes.
(*c*) Simple mortgage.

If a lump sum is given the debtor has to execute a simple mortgage. Otherwise ordinary pro-notes are more prevalent.

Question 2.—The bankers here have their own capital. That sum goes on increasing. Some of them have got their *zamindari* which increases their resources.

The Imperial Bank of India and joint-stock banks are reluctant to render any help whatsoever to the moneylenders.

Lala Gurwardhari Lall.

The present banking system is so very intricate that instead of creating any facilities it puts difficulties in advancing or granting loans. Sometimes the bankers require an introduction before they advance money, which is a difficult task for the trading people. Besides, their aim is not to aid industrial institutions. There are no local bankers, but those at Bombay or Agra are not willing to advance money even on pawning chemicals or other goods. There can be some improvement if a regular industrial bank or a branch of the Imperial Bank of India be opened here.

Question 3.—The system of receiving deposits does not prevail amongst indigenous bankers here.

C.—Advances by indigenous bankers.

Question 1.—The moneylenders lend money on *hundis*, pro-notes, etc., mentioned above. The question of cash credits does not arise here.

Loans granted have to be paid back within a fixed period and that too subject to the Limitation Act.

The security taken is personal security and sometimes mortgage on a property. The rates of interest range from 12 to 36 per cent. per annum.

Question 2.—The prevalent rate that the poor agriculturist has to pay to the indigenous bankers in my area is 37½ per cent. per annum, while in kind he has to pay 50 per cent. per annum. If the present co-operative banks are financed sufficiently by the Government, so as to enable them to advance money in every village the present rates of interest will be reduced.

If by organising the co-operative banks on a large scale the rate of interest be reduced and facilities for supplying seed and agricultural necessities created, it would certainly be beneficial to the agricultural community, and the benefits would not be intercepted by the moneylenders if the bank is alert on realising its money.

Question 3.—As regards the facilities enjoyed by clients in inspecting their accounts with bankers, the agriculturists here are firstly uneducated, and even if they be educated it depends on the sweet will of the moneylenders either to show the accounts or refuse to do so.

D.—Exchange and money market.

Question 1.—There is no money market here, but for local exchange it is sometimes possible to purchase *hundis* (on a very meagre scale) from some big firm. These big firms either have their branches at Cawnpore, Calcutta and Bombay or have their connections with commission agents at these places, and so their *hundis* after being purchased from them can be sent to those places and there they can easily be cashed.

Question 2.—Brokers alone do the exchange work. They get one pice per cent. from the drawer and one pice per cent. from the purchaser.

Question 3.—The rate at which *hundis* are purchased and sold depends on the demand and supply of the *hundis* or say the market rates prevalent at that time.

For obtaining credit the interest ranges from one to two per cent. per month.

During the dull season the money is left idle and there is no demand, and the rates are accordingly low. When the market is higher the rate goes up. The rate of interest of the Imperial Bank of India has no effect on the local market.

Question 4.—The market is not influenced by any organisation such as the Panchayat Sarafa at Delhi.

Question 5.—The local market is not governed by local usages.

E.—Defects of indigenous banking.

Question 1.—The moneylender is seen with an eye of contempt by the public because the rate of interest charged by him is excessive.

Question 3.—Indigenous bankers have some difficulty in realising their sums because they are the last to be paid. First comes the *zamindar*, next the co-operative bank and then the *sahukars*. As regards legal protection the law is sufficient and in my opinion they do not require any special protection.

Question 4.—The chief defect in these moneylenders is that they do not give any receipt or generally do not allow any *sarkhat* with the debtors in order to prove their payments. Besides, in the case of bonds, they take the thumb-impression of the executor on blank non-judicial paper and get it written up to the margin allowed by the stamp

value. The creditor should be required to keep a regular account of the transaction and give a *sarkhat* or regular receipt on payments.

Question 5.—Indigenous bankers are not able to meet all demands for want of capital. The Bank or the Government should meet the demands by advancing money at cheap rates.

III.—INVESTMENT HABIT AND ATTRACTION OF CAPITAL.

A.—Encouragement of saving and investment habit.

Question 1.—There is no bank here. The moneylenders alone deal in the business of lending money.

The banking resources are not sufficient. Here in Firozabad the glass industry is being carried on on a large scale and requires a big sum; hence a bank is badly needed; and that bank should be capable of lending at least six lakhs rupees.

Question 2.—There are no means for encouraging the habits of saving and investment except the post office savings bank. This is not sufficient.

Question 3.—The people in general do not invest in gold and silver but when there is a surplus amount they invest the money in having ornaments made; they do so to the extent allowed by surplus. Tradesmen do not generally invest in gold and silver.

Question 4.—Postal cash certificates are not popular here. If the rates of interest be increased naturally there would be more attraction. Further, the present terms do not allow any interest if the certificates are encashed within a year: if some interest is allowed people would be inclined to purchase them. Other terms do not require to be altered.

Question 5.—Post office savings banks do not afford adequate facilities to the investing public. First of all they should be popularised by various sorts of advertisement and should easily be obtainable at any place. Their popularity can also be increased if brokers be employed and some commission be granted to them.

Generally educated persons take advantage of these facilities. Many educated persons however do not understand even the importance of saving. The investment department should be a separate one and easily accessible to the vernacular classes. The records and the forms should be in Hindi and Urdu.

Question 6.—I do not agree that the rates of interest on postal cash certificates and treasury bills are so favourable as to create unhealthy competition between Government and banks in attracting money. The issue of gold cash certificates would not be of much use in accelerating the savings and investment habit.

Question 8.—It would promote the savings habit if public bodies like municipalities were to afford savings bank facilities, provided that the Government check their accounts and keep them under their control and assure the public as regards security.

Question 11.—The agricultural class are generally in debt and even if in a prosperous year they get some surplus they invest it in ornaments. They are generally uneducated and illiterate; they do not know how to invest money. As regards traders here they do not possess sufficient money even to carry on their business smoothly. Some persons who can save money invest in ornaments or keep it with them or give it on loan.

Question 12.—As mentioned above farmers spend their surplus in ornaments; or they spend on the occasion of some marriage or other festivals. There are one or two persons in the village who lend their surplus money on interest, and that interest is always high. Finally it may be said that they are so foolish that they spend their surplus lavishly.

The amount of capital in the possession of the agricultural population of the pargana cannot be estimated. It is certain that it is decreasing daily. The tenants are in utter poverty and ruined condition.

Question 13.—I agree that the banking and investment habit in India is of very slow growth. It is due to lack of education and lack of money. The people can be encouraged to invest their savings in profitable undertakings if safe profitable industrial institutions be opened and the Government patronize them.

(For oral evidence, see pages 60—64.)

LALA GIRWARDHARI LALL.

Note on the glass and bangles industry of Firozabad, district Agra.

Short history of the industry.—The industry of making glass and glass bangles was carried on here on cottage lines since very early times. But during the memorable days of the Great War, the industry received a very great impetus, and a number of large glass factories was established here. The depression which followed the closing of the war resulted in the closing of some of these factories, but the rest successfully tided over the crisis. Since then, the industry has undergone marvellous improvement till the Firozabad product to-day compares favourably with foreign makes. Firozabad now occupies a unique position in the industrial life of the country as the only place throughout India where glass or glass bangles are manufactured in any large quantities.

Present position.—There are at present five big factories producing on an average 400 maunds of glass every day, valued roughly at Rs. 1,800, and one factory which manufactures globes, bottles and electric shades. Besides this there is a very large number (above 100) of small furnaces where all sorts of glass bangles are made. Besides being a manufacturing town, Firozabad is an important distributing centre for foreign glass bangles and there is a large number of middlemen who either purchase bangles from the local *shishgars* (bangles makers) or import them from foreign countries like Japan, Czechoslovakia and Austria, and then distribute them all over the country. There is also another class of merchants who deal in chemicals (like Selenium, Cadmium sulphide, Cobalt oxide) required for giving colour to glass. The chemicals are imported from foreign countries and sold over to the factory owners. Roughly speaking, it requires a capital of Rs. 50,000 to one lakh to set up a glass factory and from Rs. 200 to Rs. 500 to have a furnace for making bangles. The total amount of the capital invested in the industry here may roughly be taken to be above 20 lakhs of rupees.

How industry is financed.—There being absolutely no banking facility, the owners either provide their own capital, or as happens in most cases, borrow that at a rate of interest varying from 9 per cent. to 15 per cent. The local furnace owners are generally poor persons and they can only get glass on credit from the factory owners; and after disposing of the bangles which they make out of the glass so provided to them, they pay up the money and get glass for the next day's work.

The middlemen dealing in bangles locally made have to invest comparatively a small capital, while those selling foreign bangles or chemicals generally borrow money from local moneylenders at current rates of interest. The total approximate value of foreign glass bangles and chemicals comes to about 20 lakhs. All these imports are made through exchange banks at Delhi or Bombay.

Difficulties.—After all that we have said about the flourishing condition of the industry and the vast improvements made therein, it remains to be said that the germs of decadence have set in, and during recent years there have been clear indications that the industry is on the decay which, if not arrested in good time, may soon lead to very unhappy consequences. Various causes have contributed to bring about this unfortunate change but the lack of adequate banking facilities has been a very important factor, in not only retarding its progress but, what is still more important, in forcing its growth along very unhealthy lines. We beg to illustrate this point with reference to large factory owners. Every factory owner uses something like Rs. 300 per day on materials like soda, sand, coal and chemicals, besides labour, etc. If this money is not forthcoming, the glass furnace is kept on going without any material in the pots, and this means a net expense of Rs. 100 on coal and labour etc. because if it is not heated all the pots may get broken due to cooling. A new furnace may mean an expenditure of Rs. 4,000. What generally happens is that in slack seasons these factory owners borrow money for short terms on very exorbitant rates. When the glass is prepared such factory owners have perforce to sell them at reduced rates. In this way very acute internal competition has been the consequence. The prices have gone down abnormally and very little margin has been left for profit. Our submission is that if proper banking facilities be made available much of the competition will be eliminated. The other difficulty is of course patent. Persons dealing in foreign glass bangles and chemicals have to keep their accounts in banks at distant places like Delhi and Bombay which necessarily involves much delay, inconvenience and extra charges. As we have already pointed out the imports amount to about 20 lakhs which is in no case a negligible sum.

Remedies suggested.—In order to have all the difficulties removed we submit that something in the nature of the following arrangement be made—

(1) A branch of some bank carrying on exchange work should be opened here.

(2) In this connection we submit that these foreign banks are very reluctant to allow us the facilities which they allow to merchants at home.

(3) Industrial banks to be established which may—

(i) give loans for long terms to finance sound schemes of trade.

(ii) give money for short terms on the credit of our goods.

(For oral evidence, see pages 60—64.)

ORAL EVIDENCE.

Lucknow, January 30, 1930.

Present :

Mr. E. A. H. Blunt, c.i.e., o.b.e., i.c.s., m.l.c.	...	*Chairman.*
Dr. Radhakamal Mukerjee, m.a., ph.d.	...	}
Rai Bahadur Babu Mohan Lal, m.a., ll.b., m.l.c.	...	} *Members.*
Mr. Mohan Lal Sah, m.a., ll.b.	...	}
Rai Bahadur Pandit G. S. Upadhya, b.a.	...	}
Dr. L. C. Jain, m.a., ll.b., ph.d.	...	*Secretary.*

(*Witnesses* : Mr. Ganga Prasad Jain, *accompanied by* Lala Girwardhari Lall, *Secretary, Glass and Banges' Industrial Association, Firozabad, district Agra.*)

The Chairman : It is a long time since I have seen the correspondence about the Firozabad industry, that was as far back as Mr. Silver's time. I understood that it had been in the past quite successful, and that it is so still, to a certain extent, though not as much as before. What you say here (written statement) is true of a good many industries. They are going on, but not as well as they used to. There are of course general causes, namely, that there is a slump in trade all over the world. You have trade difficulties owing to lack of credit on the spot?—Exactly.

Firozabad is not a big place?—No.

You have comparatively few moneylenders in the big sense—*mahajans*, *sahukars*?—Yes.

Practically you have to finance yourself?—We have certain moneylenders. They give credit to the agriculturists and they are reluctant to lend us their money. Then they charge a very high rate of interest and pawn ornaments and other things. They give preference to agriculturists and they do not advance money for industries and such other things.

Do you have dealings with Agra Seths?—No.

Obviously when you cannot get money on the spot you should look for it further away?—We get it at a high rate of interest. We also have to adopt other means, that is, we under-sell our goods.

It is a very unfortunate thing to have to do.—(*Witness*) : Yes.

As far as I can make out, what you really want is working capital. You want to be able to finance your operations from day to day as they go on.—(*Witness*) : We are under peculiar conditions. Daily we require Rs. 300 for every factory. We have to pay for coal, sand and soda. It is not possible to have such a big working capital. When there are payments to be made and we have not sufficient money, either we borrow at a high rate of interest or under-sell our goods.

This means that each factory wants a lakh of rupees as a working capital?—Not one lakh exactly, but, say, from Rs. 50,000 to one lakh.

What does your income come to?—Income daily or monthly?

You have to spend Rs. 300 daily. How much comes back to you by the sale of goods every day?—It comes to Rs. 350.

A day?—Not daily. That is the trouble, because sometimes the market is dull. We produce daily 80 maunds of glass of different colours (samples shown), and when we are not able to sell it, the difficulty arises.

You have always stock as your income to cover your outgoings, but you have not got it in cash. I think you have cash or stock enough to balance your expenses?—Yes. At times when we want more money to enlarge the factories, we do not get it.

That is a fresh point. Let us take one thing at a time.—(*Witness*) : All the capital that we have invested is not ours : we have borrowed certain sums. Suppose we require Rs. 40,000 for a factory : generally we spend Rs. 20,000 from our own pocket and borrow the remaining Rs. 20,000.

Let us leave out that question. We will come to it later. We should merely restrict ourselves for the present to your day-to-day operations. I understand that you have almost a regular outgoing of Rs. 300 a day and that you have an income of Rs. 350 a day, which gives you a profit of Rs. 50; but that Rs. 350 is not regular. You may have to spend thirty or forty times Rs. 300 before you get back the money. If you were in Cawnpore and had a cash credit with a bank, then I think there would be no difficulty about working capital?—We borrow money and for that we have to pay large sums as interest.

At a high rate of interest?—Yes, 9 to 15 per cent.

To put the thing briefly—so far as the running position is concerned, you have the capital, partly borrowed and partly yours?—Yes.

What you really want is to be able to get borrowed capital at a cheaper rate of interest?—Yes

I think if you were in Cawnpore, there would always be people available who would lend you at a reasonable rate.—(*Witness*) : I do not think so.

I say that if you were in Cawnpore, you could. It is the locality for this purpose.—(*Witness*) : Yes.

If you want to get cheap working capital, a bank has got to come to you?—We want a bank which may be able to give credit for a long term.

You want both long-term and short-term loans?—Yes.

Before that is going to happen, the bank will have to satisfy itself that there is sufficient business to make it worth its while to go to Firozabad.—(*Witness*) : The business is sufficient there and there is this local glass bangles business worth about 20 lakhs. Then, it is the chief distributing centre of bangles. Eighty lakhs or one crore worth of bangles are imported in India and most of these are distributed from Firozabad. We purchase these things from Bombay merchants on credit. If there is a bank at Firozabad, we will import direct.

Dr. Radhakamal Mukerjee : You make bangles?—We make bangles and also import them.

Rai Bahadur Pandit G. S. Upadhya : Why should there be any necessity for importing them? Can you not manufacture in sufficient quantity and of the quality required?—We purchase these things from Bombay merchants on credt. If there is a bank at they are now less. Further, we have not been able to produce bangles of a very high quality.

Dr. Radhakamal Mukerjee : If there be an industrial bank, it will be to help you to manufacture bangles and not to import?—Both.

The Chairman : What you want is better trading facilities, preferably in the shape of a bank?—Yes.

I cannot say we will be able to produce one—at all events we know what you exactly want and how to cure.—(*Witness*) : Yes.

Now, we come to long-term loans for expansion.—(*Witness*) : Not for expansion alone. We have still borrowed capital and we are being pressed to pay it off. Moreover, we want to replace it by cheaper capital.

What we suggest is an industrial bank which is designed for long-term loans. For short-term loans you may have to go to somebody else. I am however not sure; this bank might do both.—(*Witness*) : We want both these things.

We were talking of an industrial bank yesterday and came to the conclusion that it would be a great advantage to the province. We thought that it should exist in a single place, for instance, in Benares. It would not be in Firozabad although it may

open a branch there and at other places later on. We also came to the conclusion that we should have a lot of restrictions, but Government can assist in various ways. What sort of assistance have you received from them?—At present we do not get any assistance from Government. There is one factory which got some Rs. 10,000 or so from them. No other factory has been able to get anything.

Did they apply?—Yes, they did apply but their applications were refused. There were so many factories which failed because they could not get financial help in time and the moneylenders would not come to their rescue.

An industrial bank on the spot would solve the difficulty?—Yes.

Dr. Radhakamal Mukerjee : We are concerned as much with the cottage *shishgar* as with the workshop. What kind of credit and for how long would the cottage *shishgar* need and how would an industrial bank, or any other organisation, help him?—*Shishgars* get credit from factory owners. They are very poor, but also extravagant. All the same they are very helpless. They go to the factory owners who give credit. They take advances, that is, they take the glass and manufacture bangles and then they sell them. They pay this money to the factory owners and take glass again from them on credit.

So the factories do not manufacture bangles?—The factories make glass (sample shown) and *shishgars* make bangles from them. They are independent persons and they have no concern with factories except that they purchase glass from them.

If a bank is started in your place, should its object be to supply glass, that is, the raw material to *shishgars*?—Their cases deserve consideration. They earn Rs. 2 or so. If some co-operative society is established their credit will be enhanced : at present whatever is advanced to them is a bad debt.

There is another line of solution. You might have a co-operative society of *shishgars*. If a branch of an industrial bank is opened it would supply either money or glass to this co-operative society and then it will deal directly with the *shishgars*.—(*Witness*) : It will certainly be better to have some sort of co-operative arrangement with these *shishgars*. It will be beneficial to them as well as to factory owners. At present we have no hope of getting back the original amount which we advance.

The Chairman : The position is like this. You make glass, or raw material. You sell it to bangle-makers all over the place. They purchase it or rather take it on credit. They make bangles and sell them to somebody else and then they pay you back, or, are supposed to pay you back. In spite of this payment they are always one instalment behind. You never get back your original principal?—We get profit out of this transaction but we do not get the original money lent.

You want to have on the one side any sort of bank and on the other an industrial one for long and short-term loans and you want to have a co-operative society to deal with it as a whole leaving it to the society to distribute glass to bangle makers?—Yes.

What you want is consolidation?—Yes.

Rai Bahadur Pandit G. S. Upadhya : In that connection you will also like that the sale of the bangles should not be through middlemen but perhaps through you or somebody else?—At present the condition is that there are middlemen who purchase these bangles from *shishgars* and then they sell it. These middlemen get profits for nothing. They do not invest any money. They ask *shishgars* to sell them bangles. We have to advance glass to them.

You want that these middlemen be done away with. Will your factory be prepared to take the manufactured produce in your possession for sale?—No. We do not want that. We want that some sort of co-operation must be there to effect that sale also. We are not going to burden ourselves.

The Chairman : What you want is another co-operative arrangement for sale?—The same arrangement of co-operation will do for one or both.

Yes, this can be for one or both. You make bangles at Firozabad and you want a central organisation for sale. Would it not be better to have it in a place like Agra?—Firozabad is a centre for this industry and merchants from outside come here.

You may have it both at Agra and Firozabad.—(*Witness*) : Nobody will go to Agra. People come to Firozabad from far places like Madras for this purpose.

MR. GANGA PRASAD JAIN AND LALA GIRWARDHARI LALL.

Do you have any sale abroad?—That we have.

England?—We have not got overseas custom.

Dr. Radhakamal Mukerjee : Is there octroi or terminal tax which affects your industry?—We have got to pay octroi duty on those chemicals and glass bangles which we import : 15 per cent. on chemicals and 30 per cent. on bangles.

Do you pay any duty on your export?—The municipality charges six annas per packet. But we have no export.

The Chairman : Have you ever attempted to make plate glass?—That requires a lot of capital. Many people are trying to do that. Our difficulty is that we have no limited concerns. All are private concerns. In the beginning we had certain limited concerns but they failed anyhow. People are more diffident about these concerns. They will not advance money.

Dr. Radhakamal Mukerjee : Is there any tendency among the *shishgars* to drift from their homes to small shops?—They are doing so.

Quite a number of them?—Yes. Suppose a *shishgar* is rich enough. He will collect three or four men and start a workshop and will invest say Rs. 100 or Rs. 200. They manufacture *reshmi* bangles.

How many small workshops are there?—More than 50.

Is the tendency increasing?—That depends on the market. The whole thing is like this. These *reshmi shishgars* do not work independently. They will combine and set up a furnace, which will employ a larger number of men. If a smaller number is employed there is waste of fuel. Isolated workers make rough bangles. These small *karkhanadars* make *reshmi* bangles.

Then you have got a very successful cottage industry. You have got a small *karkhana* and a big *karkhana* and then a factory to manufacture raw material—glass—for making ordinary bangles. Some of them make *reshmi* bangles. Cannot the smallest unit of family of *shishgars* do this without outside help?—That is possible.

The Chairman : Can they make rough and *reshmi* bangles? And how big a family would it have to be?—If they make rough bangles they must be ten or twelve. But in *reshmi* they do not require more than six. These decorations (showing some bangles) are made by the ladies at home. Nearly half of the population of Firozabad is connected with this industry.

Rai Bahadur Pandit G. S. Upadhya : There are certain merchants perhaps who get these bangles from the *banglewala* and they sell them?—The class of persons who sell bangles is different from the persons who manufacture them.

Is there any difficulty about financing merchants to sell these things?—I have already said there is difficulty there. These middlemen have practically nothing to invest. I am talking of middlemen to whom they take things for sale. These middlemen sell these things to outsiders and for this purpose they require capital. They require a large capital, say Rs. 15,000 or Rs. 20,000, to deal with foreign countries. They borrow at the same rate as these *karkhanadars*.

The Chairman : From where do these foreign goods come?—From Australia, Japan, etc.

Rai Bahadur Pandit G. S. Upadhya : I understand that there are rich people in Agra and round about who would like to have a limited society with you as partners who are experts. Have you any objection to that? Suppose you have no bank for some years to come, if you have partners as shareholders of a limited company will not that serve your purpose?—I do not think it would be possible. We want a loan for a long term and then we want facilities for exchange purposes and import purposes. Our difficulty is that these banks do not give any credit.

Why should it not be possible to have a limited company? There are persons for instance in Agra who are prepared to advance you, if they get a share in the profits?—Profits they will get if they are in a position to advance.

They want partnership, if you want to have their money as your working capital. You should consider this, because suppose this bank may not come for another 50 years.

The Chairman : You should come into touch with them and consider the possibilities.

MR. GANGA PRASAD JAIN AND LALA GIRWARDHARI LALL.

The Witness : Our difficulty is about finance. We are going to be ruined unless a bank is established there.

Mr. Sah : What do you call a cheap rate of interest? It must be between 4, 5 or 6 per cent.?—At present we pay 9 per cent. Very often we have to pay from 9 to 15 per cent. and even more according to our requirements.

What security is there behind the loan?—The security is our business, factory and other things.

The Chairman : And your stocks?—Personal, stocks and all that.

(The Chairman thanked the witnesses, who withdrew.)

Babu PARSHOTAMDAS SINGHANIA, of Messrs. Seth Amritlal Gulzarilal, Firozabad, district Agra.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part J.—Internal remittance and negotiable instruments.

Question 1.—There is no bank at Firozabad. Though some of the firms call or designate themselves bankers, they cannot come under the category of indigenous bankers, being mere merchants employed in trade. They have no interest in discounting *hundis* of the bazar other than what is necessary for their own trade. Cash is brought to this place by these merchants after getting *hundis* (demand drafts) discounted at centres like Cawnpore, Agra and Delhi. Money is also borrowed at these places against goods and is brought to this place. In spite of there being banking facilities at Cawnpore, Agra and Delhi, the people generally employ the services of commission houses or what may be termed as "*arhatdars*," and do not like to deal with the banks. The reasons for this are—

(1) The banks' rate of discount generally rules higher in the case of demand drafts than the rates prevailing in the market of its locality.

(2) The refusal of the bank to deal direct with persons on account of lack of introduction.

(3) The banks are useless to Indians. There is great difficulty in the way of introduction. Such banks never care to advance money against marketable goods such as cotton, grain, etc., even if the borrower leaves a fair margin, say of 30 per cent., in the hands of the bank to meet any risk that may arise.

The present system is most defective. It requires a thorough overhauling. I have the following suggestions to make to meet the defects :—

(1) The banks' rate of discount for demand drafts should rule in sympathy with the prevailing market rates of its locality.

(2) The banks should establish more direct connections with the public, particularly with parties having no branches in their locality. For this purpose information bureaux should be established so that the banks may be kept well informed of the status of various tradesmen—even of those who have connections with the bank. The present system employed by the bank of getting information through *khazanchis* is defective. No interested parties should be allowed to carry out this part of a bank's function, and there should be a separate agency or department by way of an information bureau for the purpose. Advisory boards should also be appointed, comprising respectable traders of the place, to guide the bank officials in the various transactions.

(3) At present the yearly accounts and balance sheet of a bank are published in English. The form prescribed for such a balance sheet under the Indian Companies Act is such as only highly educated persons can understand. Translation of these in vernacular should also be published, and the form of balance sheet should be so constructed as to disclose to a layman the real financial position of the bank.

(4) Propaganda work should be carried on by the bank to get the public accustomed to the habit of banking. The present stipulation of a very high minimum sum for opening a current account is a great drawback in a poor country like India and discourages the banking habit in the people. In England this amount is £5 only. The minimum sum should therefore be brought down to Rs. 100.

(5) Other banks do allow a certain percentage by way of interest on current accounts. The Imperial Bank of India, which is supported by the State, is most rigid in not allowing any interest. This also discourages the

banking habit in the people. Large sums of money remain idle in the hands of traders at off times which could be sent to a bank for being so credited.

(6) Better facilities are necessary to avoid discount in exchanging government currency notes for coins and *vice versâ*. The banks generally refuse to entertain such exchange. In any case the Imperial Bank of India should be made to make such exchanges freely where no currency office exists.

(7) In important places like Firozabad, which is the centre of the glass and glass-bangle industry in India, as also in the import and sale of foreign made glass bangles, the State should get branches opened of banks, or, if this is not feasible, the treasuries or sub-treasuries should grant demand drafts on other treasuries of sub-treasuries, or on the Imperial Bank of India as the case may be, at a uniform rate of discount which should not exceed two annas per cent. A rate over this would be unworkable because in that event government currency notes can be forwarded under insured cover.

(8) The Imperial Bank of India should be more liberal in the grant of loans against marketable goods such as cotton, grain and other produce. This will be a source of great help and is necessary both for the uplift of industry and agriculture. The present racial policy which is followed by the banks should be done away with.

(9) The restrictions in the booking of silver imposed by the railway should be removed. The maximum of one maund of coin per passenger is too low to meet the demands of a small place like Firozabad alone.

Question 2.—A negligible part is played by negotiable instruments in the internal trade of Firozabad except the discounting of demand drafts and exchange bills. The latter are almost none when accounted.

Question 3.—The system of supply bills is not at all prevalent in this tahsil. Reform in the existing state of affairs would be more beneficial if the bills are easily obtainable at sub-treasuries without the permission of higher authorities.

Question 4.—The reduction of duty without a liberal policy of the bank cannot extend the use of exchange bills.

Question 5.—No doubt, any extension, cheapening and improvement in the post office agency for handling internal remittance would be a source of great help to the small traders of places like Firozabad. I would suggest post offices—where no banks exist—should be made to issue drafts on other post offices, and where the sum exceeds Rs. 1,000 the commission should be not more than two annas per cent. The traders of this place have no other facility but to send R/Rs. per V. P. P., and an improvement in this will no doubt facilitate internal remittances.

Question 6.—The *hundis* current in our district are (1) demand drafts payable at sight, (2) exchange bills or *mudatti hundis* payable in certain periods, mostly 51, 61 and 91 days from date of execution. The wordings are what is generally used in *mahajani hundis*.

The existing system has worked smoothly for a very long-period and any change, though it may benefit the person who discounts the same, will bring a further obstacle in the way of the executor. As a matter of fact the banks are sufficiently protected inasmuch as they never agree to negotiate any *hundi* until there are two respectable unconnected parties concerned therein, *viz.*, the drawer and the drawee. Sometimes the bank also takes guarantee from the *khazanchis*. The result is that the banks are securely covered. I would suggest withdrawal of guarantees by *khazanchis* and the introduction of a sinking fund in banks to meet contingencies.

Hundis are generally held by banks, sometimes by parties not known to the bank, on the mere endorsement of a shroff or firm of bankers known to the bank whom I may call middlemen. But also a very large extent of *hundis* are generally held by indigenous bankers who are only accustomed to short-notice investments.

Hundis are generally discounted in the district but sometimes also in important centres such as Cawnpore, Calcutta, Bombay and Delhi.

Question 7.—Though the necessity of borrowing money during the process of marketing is badly felt in Firozabad, it is impossible to borrow money on the security of any kind of instrument of ownership here. Facilities are of course available in district

head-quarters where certain indigenous bankers and also some banks undertake such business, but an extension of this to important industrial towns will be beneficial both to the banking and trading public.

Difficulties are felt in negotiating R/Rs. when at owners' risk. The goods are then required to be insured, but I would suggest that the policy of the railway in not accepting goods at railway risk is highly objectionable. For instance, in F. P. bales of cotton there is no ground for the railway to demand risk note form "A". The packing of the bales cannot be said to be of bad condition. The beauty of the thing is that while one administration accepts the same at railway risk, another refuses. The instruments so negotiated are very few and it is necessary that the banks should adopt a liberal policy to negotiate such instruments.

In conclusion, I would state that the small industrialists in India as also the traders are often in want of capital. The big banks are useless for their purposes because of the difficulties of introductions. Such investments are considered to be insecure. The result is that the borrower has to approach the "*sowcars*" who charge a very high rate of interest which in some cases exceeds 37 per cent. per annum. The consequence is that the industry or the trader collapses.

(For oral evidence pages 68 to 74.)

BABU PARSHOTAMDAS SINGHANIA.

ORAL EVIDENCE.

Lucknow, February 1, 1930.

Present:

MR. E. A. H. BLUNT, C.I.E., O.B.E., I.C.S., M.L.C. ... ... *Chairman.*

MR. MOHAN LAL SAH, M.A., LL.B. ... ... *Member.*

DR. L. C. JAIN, M.A., LL.B., PH.D. ... ... *Secretary.*

Witness—BABU PARSHOTAMDAS SINGHANIA, *of Messrs. Seth Amritlal Gulzarilal, Firozabad, district Agra.*)

The Chairman: What is your business?—Generally we do banking business, but we also deal in glass goods and are owners of a glass factory at Firozabad.

Do you discount *hundis*?—Yes. When there is ample money left with us, and, if it is not required for immediate use, we do buy *hundis* to some extent.

So you finance your own glass business in the first place?—Yes. So far as our business itself is concerned, we do not take any outside finance.

You refer in your written evidence to "the bank." What do you mean by it? Do you mean to refer to any particular bank?—No. I refer to all the joint-stock banks.

Have you got any bank at Firozabad?—No, but we have got connexions at Agra.

Will you like to have a bank there?—Yes, we would certainly like to have a bank there if possible.

What type of a bank do you want?—We want a bank which can do all kinds of banking business, that is to say, advancing money and doing exchange business, and everything like that.

Dealing with foreign exchange also?—Yes. Foreign exchange is also one of the particular things that concerns Firozabad.

Would you like a branch of any of the existing banks or a new bank altogether?—What I suggest is entirely an industrial type of bank aided by Government.

In what way would you have it aided by Government?—Government must assist the bank financially.

Do you want Government to purchase shares of the bank?—Yes.

Or would you prefer that Government should give a guarantee of some kind?—If Government takes shares I think it will be very good.

Other places also want industrial banks. Do you think that Government should invest in all these banks?—In big places where there is the Imperial Bank or some other bank there is no need for an industrial bank, but in a small place where there is a particular industry, there is great need for it.

You want a small industrial bank in a small place? Would a co-operative bank not do?—I do not think that a co-operative bank would be able to stand, in view of keen competition among indigenous bankers themselves. An industrial bank, however, has a better chance of success, because its share capital will be subscribed by the people in the industry as well as by Government.

There are quite a number of indigenous bankers. Would they not start an industrial bank?—They have not got sufficient funds to start a bank

Why could they not induce other people to come in?—Of course, people will be there but without resources.

Whenever any bank is started it invites capital by means of shares.—(*Witness*) So far as Firozabad is concerned I do not think that anybody can succeed in getting sufficient finance for the bank.

Could you not take any outside people?—I am keeping myself confined to Firozabad itself.

There is no particular reason why you should. There may be other people who will take shares.—(*Witness*) There may be one or two instances, but generally my point is that no interest has been taken by any outsider so far.

In other words, you want Government to invest in it in order to get the bank going?—That is my point.

The usual theory is that banks may not be started by Government. A State bank is the only bank which is in any sense a government institution and we keep it also free from government control as much as we can.—(*Witness*) I think you will agree with me that the best thing would be to start a bank there with Government aid. People have got no resources to start a bank.

So you want Government to take the first step of putting banking facilities in working order? The type of bank you want is an industrial bank, *i.e.*, a bank which will chiefly deal with industries and advance loans, both long-term and short-term, and do other forms of banking business as a side line?—Yes.

Do you realize that there is great danger and risk in the case of an industrial bank?—Yes, but there ought to be no risk if money is safely invested. My point is that if banks are well managed, and if there are advisory boards in each place, there is no reason why they should not be able to work with advantage.

I could suggest possible dangers. You say that banks should have more direct connexion with the public. For this purpose you want information bureaux to act, as I understand, as a sort of means of introducing the client to the bank? No not for those who are already clients of the bank.

Possible clients of the bank?—My point is this. I am not a client of the Imperial Bank, and if I go to the bank and tell them that I want to discount a *hundi* for Rs. 10,000 they will immediately reject my request or they will depend upon the *khazanchi* for report. In many cases the report of the *khazanchi* is not true. Firozabad belongs to the district of Agra, and the Agra branch of the Imperial Bank should be in possession of full particulars of such persons, who live in the same district though actually outside Agra, and, when such a person goes to the bank, they should be able to deal directly with him.

So you want these information bureaux to take the place of *khazanchis* for this purpose, and also that the bureaux should be in a position to inform the bank of the status, *haisiyat*, and financial position of any person who wants to deal with the Imperial Bank. In other words, you want the bureaux to introduce him to the bank?—No. Introduction is a different thing and the report of the *khazanchi* is quite a different thing. An introduction is necessary only when a client goes to the bank for the first time, but I want the bureau to keep the bank fully informed in regard to the clients of the bank.

You want the bureau to keep the bank informed from time to time as regards his financial position?—Yes, the bureau should furnish up-to-date information to the bank.

What makes you say that the present system of obtaining information from the *khazanchis* is defective?—*Khazanchis*, as a matter of fact, are themselves interested either directly or indirectly, in the matter. Take the case of *hundis* that are discounted. *Khazanchis* get a certain percentage by way of their remuneration as guarantor. I think they should be done away with and there should be altogether independent agencies to furnish information to the bank.

Would you have an independent bureau for each bank or a bureau for all the banks taken together in the locality?—That is a matter for the banks to decide for themselves. It will be much better if they have one bureau.

BABU PARSHOTAMDAS SINGHANIA.

This you want in regard to every joint-stock bank.—Yes, including the Imperial Bank of India.

What banks are there in Agra?—There is a branch of the Imperial Bank and there is another firm. They are indigenous bankers. They also say that they are representatives of a large English bank (naming it), but I do not know what arrangements they have got with this bank.

Is there no branch of the Bank (naming it)?—Yes, they have just opened a branch.

You object to the present form of the balance-sheet and say that the accounts are so presented that no layman can understand them?—Of course, it is so. An ordinary man cannot understand the balance-sheet.

I quite admit that they are occasionally puzzling and that some sometimes try to hide the true position of the bank. Do you want details of some particular items—Yes. Loans given to directors and managers should be shown clearly. There has been a lot of *golmal* in the balance-sheets of these banks. Recently it was found in the case of the—Bank (naming it.) All this have made people very cautious in their dealings with banks.

Is it not a fact that shareholders have a right to examine any books they want?—So long as a shareholder continues to get his dividend he does not care anything about the balance-sheet. He thinks that he gets his dividend all right. It is the depositors who are always the victims.

What do you want them to show exactly in the balance-sheet?—At present the balance-sheet is so ambiguous that no one can understand it. It should be framed in a way that will be intelligible to the outside public.

In a decently-managed bank no director or managing agent will be allowed to take a loan.—(*Witness*) I have not got a balance-sheet before me; otherwise I would have shown you what exactly I want them to show. For example, we do not know whether they have a sinking fund for their deposits or what they provide to cover depreciation of their securities.

Do you mean reserve?—Yes. They do not show that so much money has been put down in reserve against deposits and depreciation. That position should be made clear in the balance-sheet.

But every bank has, I think, got a reserve fund.—(*Witness*) But an ordinary man cannot understand how they mix these things up.

Do you want, in the case of reserve, that its nature should be defined, *i.e.*, whether it is composed of securities or cash?—Yes, that is the thing.

There are various other points, but this is certainly an important one. Do you consider that this should be prescribed under the Indian Companies Act?—Yes.

Will you have the balance-sheet translated in vernaculars?—Yes. That is most essential.

You will also realize that it is possible for the authorities of the bank to prepare their balance-sheet on a day when the figures are likely to be more favourable because of the payments that may be taking place, so that their position as shown in the balance-sheet looks better than it really is.—(*Witness*) But there are auditors at the same time to look into that.

There is nothing to prevent them from doing that. They can let out their money again afer calling it back for a short time—(*Witness*) it should be so ruled that the bank may not be able to do that.

I am not talking of India, I am speaking of England; and, if they can get round the law there, probably they will be able to do so here more easily. I merely want to suggest to you that banks cannot be made perfect solely by legislation.—(*Witness*) I admit that if a man is bent on doing mischief it is rather difficult to prevent him, but precautions are always advisable.

You say that Rs. 100 should be the minimum amount with which a current account could be started. What is the present minimum?—So far as the Imperial Bank is

concerned, it is Rs. 1,000 in Calcutta. In England it is generally at £5. I have read that in some book; I have no personal knowledge. We want that people should cultivate habits of banking with joint-stock banks instead of with indigenous bankers, and this is one of the things that comes in the way of Indians generally. I, therefore, suggest that the minimum should be fixed at a small amount.

If we are to get down to people who will deal with sums as small as you suggest, is a bank of the type of savings bank not desirable?—It is quite a different thing. My point is that facilities should be given to business people to open current accounts.

Do you wish to restrict this small minimum to business people?—Yes.

Would you offer the same terms to the general public as well?—I have no objection to that.

If the minimum is too low, many small accounts will be opened and an enormous amount of work will be imposed on the bank staff. Here are so many balance-sheets (handing over a copy of the "Indian Finance"). Will you tell me what you want? You wish to be shown in what shape reserves are held, whether in securities or coin?—I wish that reserves should be earmarked for each deposit. They simply say that so much is their reserve fund, but they do not give any details.

Mr. Sah : Does not the auditor certify that the balance-sheet is true?—In many cases we have seen how far those certificates hold good.

Suppose the auditor is a respectable person.—(*Witness*) They are all respectable, but people are losing faith in these banks every day.

The Chairman : The point that he was making was that they might conceal undesirable transactions like loans to directors, etc.

Mr. Sah : Under the Companies Act loans to directors have to be shown separately. Even those loans which are advanced on the security of directors have to be shown separately.—(*Witness*) That is so, but it still requires to be more clear.

The Chairman : You were talking of reserves.—(*Witness*) My point is this that reserves should be earmarked against deposits in case a contingency arises.

Mr. Sah : Reserves are never meant to cover deposits.—(*Witness*) Suppose a bank holds two crores of rupees as deposits, should not that bank hold a certain amount in reserve against deposits?

That is shown in cash. Do you want to limit the amount of cash and gilt-edged securities?—Yes.

Have you any idea of the proportion that you will like to fix for this purpose?—At least 25 per cent.

The Chairman : Do you mean to say that the bank should keep in reserve cash and liquid assets to the extent of 25 per cent?—Yes. That information should be given in the balance-sheet.

Do you also want the position of the reserve to be shown?—Yes.

Mr. Sah : You complain that the bank's discount rate is higher in the case of demand drafts than the rate that prevails in the market. To what bank do you refer?—To all banks.

Do you mean that you can purchase *hundis* cheaper in the market?—That is what happens every day.

At what rate do you generally obtain *hundis* in the market?—I will just give you the example of my own case. I had to send a remittance of Rs. 3,000 and wanted to purchase a demand draft. No bank agreed to charge below four annas per cent.

Are you aware of the fact that the Imperial Bank does issue *hundis* at any time at a very cheap rate?—I do not think they do so at present.

The present rules are that the bank issues *hundis* up to Rs. 10,000 at a rate of two annas per cent. and over Rs. 10,000 at a rate of one anna per cent.—(*Witness*) The case that I mentioned just now relates to another bank (naming it).

Where did it happen?—At Cawnpore. In the *bazar* I was able to get a *hundi* at the rate of one anna per cent. only.

BABU PARSHOTAMDAS SINGHANIA.

Were you asked by the bank to pay four annas per cent?—Yes.

Is not the *bazar* rate always fluctuating?—It does fluctuate.

Is not the bank rate fixed?—No. It also fluctuates according to the rate in the market.

Can you assign any cause why the bank rate is higher than the rate in the market?—I do not know, but this much is certain that the bank rate is generally higher than the rate in the market.

Is it because of the fact that in the open market you can get it cheaper?—It may be so, but as a matter of fact the *bazar* people also sometimes go to the bank to fulfil their contracts.

Is it because the holder must sell his *hundi*? If he goes to the bank he has to sell it at a lower rate: that is to say, he has to sell it at a discount at the bank. By selling to you he sells at par.—(*Witness*) Sometimes it so happens.

You complain against the bank's asking for introduction on opening accounts. How should a bank be safeguarded against misuse of cross-cheques for which all banks have special obligations under the Negotiable Instruments Act?—That is not my point. As I have just explained to the Chairman, my point is that banks should have full information of business men in their locality and in the district.

How is it possible for the bank to have all the information and to serve as an encyclopædia of the business men?—If you appoint an advisory board it will be of help.

What will be the composition of the advisory boards?—Just as in Calcutta they have advisory boards.

In Calcutta the advisory boards are mostly of the directors of the banks.—(*Witness*) Take the case of the—Bank (naming it) which is constituted in Bombay: they have got an advisory board in Calcutta.

They might be local boards of the banks.—(*Witness*) Just like advisory boards or local boards, some such thing should be adopted in the mofussil towns also.

In presidency towns the standard of business is different.—(*Witness*) The only difference is that the volume of business there is more * * * *

Have you any concrete instances that wrong information was supplied by the *khazanchi*?—I never said that anything was misrepresented to the bank. My point is, the *khazanchi* is an interested party either directly or indirectly. He takes some commission for guaranteeing *hundis*.

Does he guarantee the payment of the *hundi*, or does he guarantee as to the credit of the person? If he guarantees the payment without knowing the credit of the person, how will he recover the loss if it happens? You cannot expect him to make the payment of the *hundis* without knowing the party?—That may be so. But suppose I am a party and I have got some personal misunderstanding with the *khazanchi*. That comes in the way. The *khazanchi* takes a certain amount for guaranteeship from the bank and that goes on the shoulders of the borrower.

Do you mean to say that there should be an agency that should do the work honorarily for you?—The bank should employ a separate agency.

Whether it is paid something by way of commission or salary, the burden will have to be borne by the borrower.—(*Witness*) It will be so: but it will be more feasible if there is a separate agency altogether. At the same time, it will be good from the bank's point of view also. Many cases have lately happened where *khazanchis* have taken advances in the name of their relations and discounted *hundis* and they have at last failed. If there is a separate agency altogether, this will not happen.

Will this separate agency guarantee these losses?—There will be a separate sinking fund.

Supposing the bank's profits are one lakh, and out of that Rs. 10,000 are placed in a separate sinking fund. Will not that entail an increase in interest?—I do not believe it will increase the interest.

Where will that come from?—It will come from the borrower. Whatever he pays to the *khazanchi*, out of that they may form a sinking fund.

BABU PARSHOTAMDAS SINGHANIA.

Can you give me an idea of the amount that is paid to the *khazanchi*?—A reasonable sum, I think.

They get a salary and over and above that, they get a small commission.—(*Witness*) I do not know what is the extent of that commission. I think it is a very small commission.

Yes. If that commission is calculated how much does a *khazanchi* get?—It all depends on the amount of business he takes to the bank.

In a place like Cawnpore it will be a good amount. Can you give me an idea of the amount in Cawnpore?—The bank can give you this information.

You recommend that advisory boards should be appointed by banks? On what lines should these advisory boards be constituted?—I may take the case of Agra. The president of the advisory board will be the Agent of the Imperial Bank. There will be six or seven other men. Out of them two may be of Agra, two may be of Firozabad, and two of some important industrial places. They may all form an advisory board and any one of the people can approach them for help. These numbers will serve their purpose and they will introduce them to the bank.

Should such members hold any stake in the bank?—Not necessarily.

If there is no such thing, how would the lack of interest in the bank make them responsible in recommending credit: that is to say, supposing I am worth Rs. 500 and they recommend Rs. 10,000 to me, will not that mean a loss? If they have a share in the bank they will themselves have to bear a loss.—(*Witness*) I will explain that thing. The Agent of the Imperial Bank is a member of the board himself. There will be other prominent people on the board and there is no reason why they will recommend loans recklessly.

You want that these advisory boards should recommend loans?—Their recommendations will not be more reckless than those of the *khazanchis*.

Don't you think that they may make recommendations in consideration of their relationship with the borrowers?—If *khazanchis* will not, they will not.

Should their recommendations be binding or advisory?—Only advisory, just as it is in Calcutta.

You recommend that restrictions on the booking of silver imposed by the railway, should be removed. To what restrictions do you refer, whether to carrying silver by the passengers themselves in their compartments or with the guard in the brake-van?—They do not book more than one maund of coin with passengers.

Did they refuse to book more than one maund?—As a matter of fact they did refuse last year.

The Chairman: They refused to allow you to carry more than one maund of silver?—Yes.

Mr. Sah: If no restrictions on the carrying of coin by the passenger in his compartment are imposed, would it not interfere with the convenience of his other fellow-passengers?—I do not think so.

The Chairman: What is the reason for this refusal?—I do not know: the railway people do not give any reason.

Who has fixed this limit of one maund?—The railway authorities.

Mr. Sah: On what do you base the fixing of two annas per cent. commission in the case of demand drafts issued by post offices for sums over Rs. 1,000? Do you think that this charge would be sufficient to compensate to post offices for the risk and transmission of money from one place to another?—This is a very difficult question. Here we are concerned to give assistance to the small industries as well as to the indigenous bankers. I suppose where there is a bank there are other facilities, but where there is no bank, then the people are in an awkward position. If I go to the post office and tell them that I want to remit Rs. 1,000, they will charge Re. 1 per cent. money-order commission. That means a charge of Rs. 10. What will I do then? I will try to get G. C. notes for Rs. 1,000; but there is no currency office nor any treasury: where can I get G. C. notes? Why all this trouble to me? We should be charged two annas per cent. The Government has got a sub-treasury at Firozabad.

BABU PARSHOTAMDAS SINGHANIA.

Your objection would be met if the Government would issue supply bills at Firozabad?—That makes no difference at all.

The Chairman: As a matter of fact the issue of supply bills from sub-treasuries is purely a practical question, which depends how much money they have got in the currency chest, what facilities they have got for handling the supply bills and whether they have an adequate staff. There is no principle involved in handling supply bills: that is only a matter of practical difficulties.

Mr. Sah: Do you recommend that all the market practices and customs in connection with *hundis* should be incorporated in the Negotiable Instruments Act?—Yes. I think that will be much better. It will not be necessary to prove those market practices and customs in court.

Can you give me any idea of the important market usages and customs which you would like to be incorporated in the Act?—One is what you call *mitidar hundi*, and the secon is what are called pro-notes, and then the demand drafts.

We do not want the *hundis* that exist, but we want market practices and customs.

The Chairman: You want those to be incorporated in the Act?—Yes.

Mr. Sah: You say the bank's rate of discount generally rules higher in the case of demand drafts than the rates prevailing in the market. Will you please state on what factors is the exchange rate to be determined?—There are no factors. It all depends upon the volume of work that is to be done. On these demand drafts the rate should not exceed two annas per cent. As a matter of fact according to the present contract of the Government with the Imperial Bank of India they must issue demand drafts above Rs. 1,000 at two annas per cent. I just want to say one thing more. The Government for some time has been selling Treasury Bills in the market for two or three months. The minimum amount fixed is Rs. 10,000. I suggest that this sum should be brought down to Rs. 2,500.

What will be the advantage?—The advantage is that those who have got less money can invest.

Do you know that the Government pays a very small rate and those who have more money, can purchase cash certificates?—Suppose there is a man at Firozabad and he has to deposit with the bank a sum of Rs. 2,500. He has to get certain letters of credit upon any firm in England or in America, and either the bank will give him no interest or, if it is a deposit for three or four months, the highest rate of interest is 4 per cent. Now, if they can buy a Treasury Bill from the Government and deposit for this letter of credit, that means they get a higher rate of interest.

Do you believe that Government will pay you a higher rate of interest?—I think so; they had been so paying.

At present the banks are complaining that the Government rates are too high and so they should lower the rates.—(*Witness*) That should not be done. The bank's suggestion may be good from their point of view, but what I suggest would be a great help to the small investors.

(The Chairman thanked the witness, who withdrew).

Messrs. GAYA PRASAD SHAMBHOO NATH, Dealers in old coins, Chauk, Lucknow.

Replies to the questionnaire.

II.—INDIGENOUS BANKING.

A.—*Organisation of indigenous banking.*

Question 1.—THERE are many classes of indigenous bankers in the district as well as in the province. Some advance money to lower castes and villagers, some to great *zamindars* and to the traders only; some deal only in *ugahis*.

Most of the bankers do other business when they consider it more profitable.

Question 3.—It is not possible to arrive at the resources of the indigenous bankers and to find out their assets exactly.

The *ugahi* bankers are prosperous in the city.

The business expenses of the indigenous bankers are about 25 per cent. of their income.

Those indigenous bankers who do business with large capital make a profit of about 6 per cent. per annum; those with smaller capital make about 25 per cent. per annum.

Question 4.—There is no principal financial house similar to those in Rangoon and Madras; only the bankers and banks or firms, when they have extra money—that is, when they have no need to invest money in their own principal business—purchase *hundis* and advance money. The cause of the absence of financial houses is that there is no association of bankers.

Question 5.—Indigenous bankers keep their accounts in *bahis*, *roznamcha*, *khata*, *jakar*, etc., also in *kachha chithas*. Bankers who do trade keep their accounts in *roznama*. Bankers who do *ugahis* keep monthly *khatas*—that is, they close their day book after a month.

B.—*Raising of funds by indigenous bankers.*

Question 1.—The credit instrument mainly used by the bankers are promissory *hundis*, *sarkhats* and *hundis* on demand.

Question 2.—Indigenous bankers provide themselves with funds by means of drawing *hundis* on demand, by promissory *hundis*, by *sarkhats* or, if they have no credit in the market, then by mortgaging their articles.

There is no proper assistance available to the indigenous bankers from the Imperial Bank of India. In rare cases they are assisted only by the recommendation of the *khazanchi* who has no interest in the matter.

If there is appointed a special enquiring officer or an enquiry committee to enquire into the credit of the indigenous bankers there can be improvement.

Question 3.—The indigenous bankers receive deposits for different periods—a month, two months and three moiths' promise, as may be settled among the parties.

They allow interest from 3 per cent. to 7½ per cent. according to the credit of the parties. The rate varies in different seasons, specially from December to June.

C.—*Advances by indigenous bankers.*

Question 1.—The indigenous bankers allow loans on pronotes, by debiting in the *bahikhata*, sometimes taking signatures or thumb-impressions in the *bahikhata*.

MESSRS. GAYA PRASAD SHAMBHOO NATH.

No spcial security is taken in advancing money on pronotes, on *hundis* and on *bahikhata*; personal security is sufficient.

The rate of interest on *hundis* ranges from 5 per cent. per annum to 9 per cent. per annum, on pronotes from 9 per cent. to 18 per cent. per annum. On *ugahis* the interest charge is Rs. 2 on a ten-rupee loan as illustrated below :—

Suppose a man takes a loan of Rs. 10 from a banker with a promise to pay one rupee a month for twelve months. If he fails to pay monthly they are again charged with interest at the same rate on the amount he failed to pay.

Question 2.—They often take *ugahis* and the rate of interest is the same as above. If banking is organised a reduction of interest is possible.

Reduction of interest would benefit the agricultural community, though it is feared that the village moneylenders would intercept the benefit if the banking system is not properly organised.

Question 3.—The bankers give an account of the loans when required by their clients.

D.—*Exchange and money market.*

Question 1.—There is a local exchange and money market called *saraffa bazar*, in chauk, Lucknow.

Question 2.—*Dalals* do transactions between parties in demand *hundis*, promissory *hundis* and *sarkhats*, and get remuneration at one anna per cent. on demand *hundis* and one anna per cent. per month on promissory *hundis* and *sarkhats*.

Question 3.—For internal remittance demand *hundis* of Bombay, Calcutta, and Cawnpore the rate varies between a discount of 2 annas and a premium of 2 annas on a *hundi* of Rs. 100.

On credit promissory *hundis* the rate of interest is from 5 per cent. to 9 per cent per annum.

There are seasonal variations in these rates. In the grain and *gur* season the demand *hundi* goes down to Rs. 99-14 and the promissory *hundi* rises up to 9 per cent. per annum.

The Imperial Bank of India rate has no effect on the Lucknow chauk bazar rates.

Question 4.—There is no association at Lucknow like the Bombay Shroffs' Association.

E.—*Defects of indigenous banking.*

Question 2.—The bankers have great difficulty when they file any suit. They have to spend, besides the stamp duty and legal expenses, double of the said amount.

Question 5.—The bankers cannot meet the demands at all times when they are short of money. The extending of their resources can be done through the Imperial Bank or by some other banks by establishing an association.

F.—*Co-ordination.*

Question 1.—Between the same class of bankers the rate of interest charged is usually from 6 to 7½ per cent. per annum, but with different classes it varies from 9 to 12 per cent.

No concession or preferential treatment is allowed by the Imperial Bank to the indigenous bankers.

Question 2.—Co-ordination exists between banks and bankers in trade according to their requirements.

A bankers' association is very necessary with branches in important trade centres.

Question 3.—No difficulty is experienced in the collection of cheques on indigenous bankers in mofussil towns.

G.—*Consolidation of indigenous banks.*

Question 1.—The indigenous banking system can be more serviceable to the community by framing good rules for the conduct of business.

Question 2.—Indigenous bankers will secure an increased clientéle if they are recognised by the Government. By recognition they will get financial help by other banks and bankers.

MESSRS. GAYA PRASAD SHAMBHOO NATH.

Question 4.— Money does lie idle in the hands of bankers during the rainy season. At such times it is concentrated locally and in important trade centres on very low rates. It is not possible to utilise these funds in lending and borrowing in the district as the money is required by them in the season.

It is better to establish a central reserve bank to create a bond of connection between all the elements of the banking system.

MESSRS. GAYA PRASAD SHIMBHOO NATH.

A LOCAL TRADER OF GORAKHPUR.

Memorandum on trade with Nepal.

THE system of trade with Nepal consists mainly of (1) the taking of contracts from the Nepal Government and (2) keeping shops for the sale of various commodities, chiefly textiles, soaps and other fancy goods, etc.

2. A contract is taken of a certain area consisting of one district or more of the Nepal Raj for a certain fixed annual sum for a period of three years. This entitles the contractor to appropriate all the hides of dead cattle for sale at Cawnpore, Calcutta or any other place, sell or grant licences for the sale of all excisable articles such as liquor, *charas*, *ganja*, *bhang*, bones, horns, honey, etc., and to realise grazing charges for all the cattle which go to the Nepal territory from British India. The annual sum for a contract is determined by open bidding in all the district courts in the Nepal Raj. The hides of the Nepal Raj are good in quality and comprise about 30 per cent. of the hides in the Indian raw hide markets. The contractors are almost all British subjects and chiefly residents of the Gorakhpur district. Previously the bidding for a hide contract was open to all persons without distinction of caste or creed, but about two years ago an embargo was placed on Muhammadans, with the result that it is feared that the hide trade in which the Muhammadans have specialised for several generations will be lost to them and thus the flow of hides, which is an important commodity, from Nepal to British India, will stop to the great detriment of the British India trade and the prosperity of British Indian subjects. If the same condition continues the British Indian Muhammadans will suffer a great loss : the Muslim residents of Gorakhpur district particularly have been carrying on this trade for generations.

3. The small traders of textiles, soaps and fancy goods, etc., have their shops chiefly at Butwal and Katmandu, which are the two important commercial stations, as well as in a few other stations. The piece-goods sold there are both of Indian and British manufacture. Indian manufactured cloths are dyed and prepared into chintz at Tanda in the Fyzabad district. The soaps are manufactured at Lar and Ramnagar (Gorakhpur). All these commodities are sent from Calcutta, Cawnpore and Tanda by railway to Nautanwan station and from there they are carried by bullock cart to Butwal Bazar. As for Katmandu these goods are sent from Calcutta, Cawnpore, Tanda and Lar by railway up to Raksaul, district Champaran. From Raksaul viâ Nepal Railway these goods are taken to Amlaikganj. From Amlaikganj these are sent to Katmandu viâ the loop line or by means of coolies.

4. One hundred British rupees are equal to one hundred and twenty-five Nepalese coins, of course subject to a little fluctuation. British currency notes are held in great esteem in the Nepal Raj. Notes worth Rs. 100 generally fetch 128 Nepalese silver coins instead of 125. The Treasury Officer at Katmandu accepts currency notes and British coin in preference to Nepalese coin from the traders, contractors and zamindars. In the Nepal Raj the currency notes of Cawnpore and Calcutta only are accepted; those of Lahore, Madras and Bombay are rejected.

Almost no difficulty is experienced in getting British India coins exchanged.

5. The small traders obtain credit in three ways. Firstly, they get the commodities generally at Butwal and sometimes at Katmandu, as well as from wholesale dealers on the spot, on credit for a few months and after getting them sold, they pay the fixed prices, which are naturally a bit higher than the cash prices, to cover interest. Secondly, those traders who get their goods direct from Cawnpore, Calcutta and Tanda purchase the goods partly on cash and partly on credit. The difficulty which the British traders feel in Nepal lies in bringing their money safely to their homes when they have sold their goods, for licences for firearms are not granted to them as protection against robbers and dacoits who are numerous. Nepalese subjects, on the contrary, can

obtain licences without any difficulty from the British Envoy. As regards the business of British made cigarettes, the Nepal Government gives annual contracts and charges one lakh of rupees. Previously no on was allowed to keep a single cigarette, but permission has now been given to keep three packets. The possession of more is punishable with heavy fines.

6. The rate of interest is 10 per cent. per annum. One can have Rs. 50 cash on depositing silver or gold material worth Rs. 100. The shop-keepers have also to pay *gharduari*, i.e., shop tax, of Rs. 3 per year for each shop. The traders have also to pay octroi charges the rate of which varies for different things; the average comes to Re. 1-8 per cent. The extension of credit facilities and the reduction of the rate of interest chiefly depend upon the fair dealings of the debtor and the strength of his credit and solvency. One more difficulty which one feels is that he cannot purchase new land in the Nepal Raj, although he may be holding land there, simply because he has connections with Brtish India, although he might be in Nepal territory. This law has been recently introduced. No land can also be purchased for building a house, however cheap the land may be or however much it may be required.

7. The contractor traders have to give either landed property in security to the Nepal Government or cash. The law also allows the giving of security in promissory notes, but this has not yet been acted upon.

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A LOCAL TRADER OF GORAKHPUR.

THE SECRETARY AND TREASURER, IMPERIAL BANK OF INDIA, CALCUTTA.

Replies to the questionnaire.

[N.B.—*These replies are an expression of the personal views and opinions of the Secretary and Treasurer and are not to be treated as the evidence of the Imperial Bank of India itself.*]

I.—Agricultural credit and credit facilities.

Part B.—Agricultural borrowing for purposes of marketing.

Question 2(*a*).—The Imperial Bank of India and other banks advance freely against produce stored at *mandis;* but, generally speaking, such advances are made to commission agents and dealers. The agriculturist himself does not store produce in *mandis*, and where he stores it in his village he cannot use it as security for obtaining credit from banks as individual stocks are usually so small that the cost of supervision would be too high in proportion to interest earned to make the business a paying proposition; and, moreover, the agriculturist is usually too small a man to have direct dealings with.

Advances against grain and seeds stored in *khattis* and *kothas* are made by the Imperial Bank of India at places where it is established, at rates varying from 7 to 7½ per cent.

Question 6.—Licensed warehouses on the lines of the system which exists in the United States of America would provide a negotiable instrument, in the form of a warehouse certificate, which would undoubtedly facilitate the financing of the produce stored in such warehouses.

In my opinion the following fundamental principles would have to be observed in the operation of any such scheme :—

(1) The warehouseman, or manager appointed by a warehousing company, would have to be of high moral character and be entirely independent of the local parties who would store their produce in the warehouse.

(2) His fees or salary would have to be fixed on a fairly generous scale.

(3) Government supervision as provided for in the U. S. Act would be necessary, and, in addition, a security deposit, based on the capacity of the warehouse, would have to be taken from the warehouseman or warehousing company.

(4) Produce in respect of which a receipt is issued would have to be kept separate from other deposits, and in such a manner as to be easily identifiable, and the *holder* of a warehouse receipt would be given every reasonable opportunity of inspecting the relative produce.

If the above principles are observed the overhead charges of a warehouse are bound to be high, even if existing godowns are utilised, and only by storage on a large scale could the incidence of such charges be reduced to a level comparable with the existing cost of storage. I do not think there is any market in the United Provinces where the storage of produce is sufficiently large to enable a warehousing company's charges to be reduced to such a level, and I am of opinion that this objection would hold good at most up-country markets.

A further objection to such a scheme is that warehouse receipts would most likely be used as a medium for gambling transactions, with the inevitable result that the price of the produce being dealt in would be subject to violent fluctuations. This would render the operations of genuine traders more difficult and would adversely after the financing of such product by banks.

The Secretary and Treasurer, Imperial Bank of India, Calcutta.

Part D.—Credit facilities in respect of agricultural production and marketing.

Question 1.—The Imperial Bank of India has in recent years introduced the system of loans against gold ornaments. These loans are granted at a moderate rate of interest, viz., 7 per cent., and have, in certain provinces, been exceedingly popular among agriculturists. These loans to the agriculturist in the United Provinces have been of slow growth, but should, as the system becomes better known, prove very attractive to him as it affords him a ready means of meeting expenses during cultivation and other needs at a moderate rate of interest.

This is the only method at present by which the Imperial Bank of India comes into direct contact with the agriculturist, but it assists him indirectly by its loans to indigenous bankers, merchants and dealers.

Question 2.—So far as the Imperial Bank of India is concerned it plays no direct part in financing export trade (*i*) from the village to the *mandi*. For the finance of the crop from the village to the *mandi* the cultivator looks to the indigenous banker and the commission agent who, if in need of more finance than they can supply, usually fall back on the Imperial Bank or joint-stock banks.

(*ii*) The Imperial Bank of India and other banks at places where such banks are established provide finance for movement of produce chiefly by means of purchasing the demand drafts of dealers representing produce despatched to consuming centres, thus enabling dealers to turn over their capital more quickly than would otherwise be possible and keeping the market in funds wherewith to pay the agriculturist for his produce.

Competition amongst the banks for this business is very keen, and such funds as are required can always be obtained at places where the Imperial Bank of India is established at a very low cost. At places where the Imperial Bank of India is not represented rates rule much higher, and it is probable that the cost of funds is passed on to the agriculturist.

(*iii*) From the distributing centres to the exporting ports the Imperial Bank of India finances the movement of produce by purchasing freely drafts and telegraphic transfers drawn on port towns by (*i*) the exporting firms, and (*ii*) firms who rail produce to the ports for sale there to exporting firms. Such business is put through at competitive rates which provides little more than interest at a reasonable rate for the period the bank is out of its money; and, although under our agreement with Government we obtain the facility of free transfer of funds, this benefit is, to a very great extent, passed on to the business community.

With regard to import trade the Imperial Bank of India takes little part therein as such business is usually financed through from the place of export to the distributing centres up-country by means of foreign bills, which business the bank is precluded by statute from undertaking, but it provides cheap remittance facilities to the exchange and other banks engaged in the trade for the return of their funds to the port towns.

Question 4.—Overseas trade with regard to agriculture in this country may be taken to refer to export only. Until produce is actually shipped there is no difference between credit facilities available to internal and overseas trade. At this stage the exchange banks negotiate drafts drawn against shipments.

Part F.—Co-operation.

Question 1.—In other parts of India the Imperial Bank of India makes considerable advances to co-operative banks for their seasonal finance of the agriculturist, but in the United Provinces where the co-operative movement is backward this relationship between the Imperial Bank of India and the co-operative banks has not developed to the same extent as it has elsewhere.

I am not aware of any competition existing between the co-operative banks and the joint-stock banks.

Part J.—Internal remittance and negotiable instruments.

Question 1.—The facilities available for internal remittance are:—

Cheques.
Bank Demand Drafts.
Bank Telegraphic Transfers.
Government Supply Bills.
Demand *hundis* drawn by shroffs and merchants.

THE SECRETARY AND TREASURER, IMPERIAL BANK OF INDIA, CALCUTTA.

Question 2.—The larger portion of internal remittances is probably made by means of bank drafts and telegraphic transfers and demand *hundis*, though government currency notes are still used to a large extent.

Consignments of goods are paid for in the majority of cases either (1) by the consignor drawing a *hundi* on the consignee and selling it in the bazar or to a banker; (2) by the consignee purchasing a bank draft or bazar *hundi* on the place where the consignor lives and despatching it to him.

Question 3.—Where there is a branch of the Imperial Bank of India the treasury officer may issue a supply bill on another treasury where there is no branch of the bank after obtaining the sanction of the Deputy Controller of the Currency.

At places where there is no branch of the Imperial Bank of India a treasury officer may issue a supply bill on Calcutta, Bombay, Madras, Rangoon, Cawnpore, Lahore or Karachi without obtaining sanction. For issue of a supply bill on another treasury sanction must be obtained. Please see chapter VII of the Resource Manual. To a limited degree supply bills fill the place of drafts issued by banks, but there are the following drawbacks :—

(*a*) Sanction must, in most cases, be obtained from the Deputy Controller of the Currency;

(*b*) the bills are only issued in even hundreds of rupees with a minimum of Rs. 1,000.

It would be helpful if a maximum limit were fixed up to which supply bills might be issued without reference, and they might also be issued for odd amounts, retaining the minimum of Rs. 1,000.

Question 4.—To overcome the cost of duty a system has been evolved in the bazar which in fact, does away with bills. A bill has to be met at a certain date, and it has, to a large extent, been ousted by *purja*, which can be paid at any time. From the point of view of the bank a bill is the more satisfactory instrument, the disadvantage of the *purja* being that it is not a negotiable instrument, and for this reason it is possible that a reduction in the duty on bills might possibly lead to their more extensive use, but it is not easy to affirm definitely that it would be so.

Question 5.—The suggested extension of activities by the Post Office in handling internal remittances, e.g., collection of bills and cheques, issue of travellers' letters of credit, reduction in money order charges, etc., appears to me to be open to objection as an invasion by Government into the field of private enterprise.

Question 6.—There is one form of *hundi* in general use in the province worded thus :—

"From (drawer's name) to (drawee's name) Greeting—I have to-day drawn upon you a *hundi* for Rs. half of which is Rs. double of which is Rs. payable to days after to-day this 19 , which please pay in Company's current coin at the proper address."

The signature is made either at the top or at the foot.

The same is transformed into a promissory note by the simple substitution of the borrower's name for that of the drawee.

These bills are not usually accepted unless they are passed on to a third party, in which case acceptance is required.

Usance bills taken by shroffs are generally held by them unless they require further funds when the shroff's endorsement is added and they are rediscounted with banks.

Demand *hundis* frequently pass through several hands before presentation for payment.

The *hundis* rarely go outside the province to be discounted or rediscounted as far as my experience goes.

Question 7.—In view of the fact that railway receipts are not a good document of title direct advances are not made against them, but they are accepted by the Imperial Bank of India as collateral security when purchasing or discounting approved drafts to which they are attached.

THE SECRETARY AND TREASURER, IMPERIAL BANK OF INDIA, CALCUTTA.

II.—Indigenous Banking.

A.—Organisation of indigenous banking.

Question 1.—As far as I am aware there are only four classes of indigenous bankers in the province :—

(1) The shroff.
(2) The *sahukar* (urban moneylender).
(3) The *mahajan* (country moneylender).
(4) The *kistwala*.

The last is a moneylender in a very small way operating among the working classes.

The shroff is the class of indigenous banker with whom the bank comes most in contact. Shroffs trade on their own capital and do not, as a general rule, accept deposits from the public. Any deposits received by them are usually from relatives or from friends by private arrangement.

The shroff does not confine himself now-a-days strictly to banking; but, as a rule, carries on a commission agency business in addition to his banking activities. The shroff discounts traders' bills and makes loans on the security of demand promissory notes, pledge of goods and ornaments and mortgage of immovable property and documents of title to goods.

He finances agriculture, trade and industry by the foregoing methods and assists the movement of crops by the purchase of demand drafts.

Question 4.—It would appear that financial houses dealing solely in the provision of credit facilities by purchase and sale of *hundis* and other Bills of Exchange similar to the *Chettis* of Madras and Rangoon, the Multani and Marwari shroffs of the presidency towns or the bill-broking houses of Europe did at one time exist in the bigger financial centres in the United Provinces, but have now disappeared or, better, have added other activities to their original business and have thus lost their original identity. This may be due to the increase of other banking facilities and the consequent cutting of rates.

B.—Raising of funds by indigenous bankers.

Question 1.—Examples of *hundis* in general use have been given in answer to Part I—J, question 6.

The only form of deposit receipt in general use would appear to be the *purja*, which is worded as follows :—

To (name of lender or depositor) from (name of banker/borrower) Greeting.—
We have to-day received from you Rs. (figures and words)
which we have placed to credit of your account.

Signature.....

(Any stipulation as regards repayment or interest is entered in the cash book and ledger—not on the receipt.)

Demand promissory notes are often worded in the same way as *purjas*, with the addition "On demand we shall pay."

A *Sarkhat* is only used, as far as I am aware, by *kistwalas* in connection with very small advances and do not come within my purview.

Question 2.—Indigenous bankers usually trade on their own capital, accept deposits from relatives, and in some cases from their friends by special arrangement, but do not generally accept deposits from the general public. They also inter-borrow, and at places where the Imperial Bank of India and joint-stock banks are established rediscount bills in their portfolio. They also at times borrow from banks on the deposit of Government and other securities and by mortgaging their property. The facilities afforded to them are in keeping with their individual means and standing.

C.—Advances by indigenous bankers.

Question 1.—The methods by which the indigenous bankers grant loans and cash credits and the security taken by them has already been described in my answers to A and B.

D.—Exchange and money market.

Question 1.—Exchange and money markets may be said to exist at all centres in the province, but are more defined in the larger financial centres. Buying and selling

of *hundis* and borrowing and lending between shroffs is general and usually brokers are employed as intermediaries in these transactions.

Question 3.—It has already been pointed out that the indigenous banker trades on his own funds, and it is only when these funds have been exhausted, and the necessity of rediscounting his bills with the Imperial Bank of India arises, that the Imperial Bank of India *hundi* rate comes into operation—the effect the rate generally has is to prevent bazar rates from soaring, which would be the case were funds not made available by the above means to the bazar.

The extent to which such funds are required by the bazar from the bank must necessarily influence the Imperial Bank of India *hundi* rate. Any purely *local* demand for funds would not, however, affect the rate adversely.

The indigenous banker is linked with the central money markets by the facility afforded to him by the Imperial Bank of India and joint-stock banks by the rediscount of his trade bills and by discount of accommodation bills drawn by one shroff on another, and by the other facilities he can obtain from the Imperial Bank such as cheap transfer of funds.

Question 4.—As far as I am aware there are no shroff associations in the United Provinces.

E.—Defects of indigenous banking.

As far as I am aware there is no prejudice against the indigenous banker. On the contrary he is usually regarded with respect, and I am also of the opinion that he is sufficiently protected by law.

Under normal conditions they are able to meet all demands for accommodation from their own working capital and the facilities that are offered to them by the Imperial Bank of India and joint-stock banks for the rediscount of their bills and the discount of their accommodation bills drawn by one shroff on another. It would appear that, in common with other banks, they are obliged at times to refuse accommodation owing to the decline in the credit of their borrowers, and the security offered may not always be acceptable to them.

F.—Co-ordination.

Indigenous bankers of the same class buy and sell freely between each other, also arrange temporary loans.

These bankers generally keep accounts with established banks and are able to rediscount *hundis* in case of need to an extent dependent on their credit

It cannot be said that the Imperial Bank of India, or for that matter a joint-stock bank, gives any preferential treatment to indigenous bankers over other customers, the credit afforded to them being purely regulated by their means and standing.

G.—Consolidation of indigenous banks.

Questions 2 *and* 3.—It is doubtful whether indigenous banks would appreciably increase their clientèle if they were recognised by Government, and they would naturally resent the introduction of any measures for regulating their operations and for giving publicity to these.

Question 4.—There is normally a slack season in the United Provinces, roughly July/September. No crops are being gathered during this period, and the demand for money is small. As the financial requirements of districts are purely seasonal money is bound to flow to the provincial centres when it can no longer be employed remuneratively in the districts, and in these circumstances it is not possible, in my opinion, to devise any method by which it could be retained in the districts; this matter is regulated purely by demand.

With the existing facilities afforded for remittance I do not think that there are in the hands of the indigenous banker funds which do not find employment throughout the year. Temporary surplus funds are remitted to centres for employment and are often placed with joint-stock banks there on short-term deposits.

The indigenous banker may safely be left to see that his money is not lying fallow.

Question 5.—Generally speaking, the indigenous banker invests his funds locally, but if he finds he can either lend to a greater extent than his resources will permit or has surplus funds for which he is unable to find employment he has recourse to one of the joint-stock banks, exchange banks, or the Imperial Bank, and through them is

linked up with the central money market and the provincial capitals. A branch of the Imperial Bank or a joint-stock bank is already established at all larger centres in the United Provinces, and those banks can be relied upon to open a branch at any place where there is a reasonable prospect of making a profit.

III.—Investment habit and attraction of capital.

A.—Encouragement of saving and investment habit.

Question 2.—Means for encouraging the habits of saving and investment are provided by the Imperial and joint-stock banks and co-operative banks and by the post office through their savings banks departments and postal cash certificates; and government securities may be purchased through the post office or the banks.

Facilities appear adequate, but perhaps are not sufficiently well known in the mofussil. Investment could probably be further encouraged by simplifying the post office cash certificates system and procedure.

Question 3.—The poorer and uneducated classes in the districts follow the general practice of investing their savings in gold and silver ornaments; the middle and educated classes take advantage of the facilities for investment above referred to or purchase immovable property.

Question 4.—Postal cash certificates are popular as far as I know, and the rate of interest is sufficiently attractive and does not require revision in that respect. The present return on postal cash certificates if held for the full period of five years is about 5¼ per cent. simple and well over 5 per cent. compound interest. This is a higher rate than banks can in normal times afford to pay for deposits and has probably attracted money which otherwise would have gone to them. It is doubtful whether certificates repayable in gold would be likely to attract a great deal of fresh money. I do not think the middle and educated classes require a further inducement of this nature, whilst it would have no effect upon the poorer and less educated classes who, as a rule, do not invest in this class of security, but prefer to see their savings in solid and indestructible form.

Questions 9 *and* 10.—Government securities of small or large amounts may be purchased through the post office, the Imperial Bank of India and other banks, and the facilities afforded appear to be adequate; whilst securities other than government securities may also be purchased through the agency of banks.

Questions 11 *and* 12.—These are matters on which the district authorities alone can express an opinion, but owing to the lack of education hoarding is indulged in to a very large extent in rural districts.

Question 13.—The banking and investment habit in India has, however, of recent years, in my opinion, shown steady growth. This may be attributed to the spread of education and confidence in established Government.

B.—Cheque habit.

Questions 1 *and* 2.—Cheques are now used for the payment of smaller amounts than formerly, and they are thus becoming more familiar to the population as a whole; this may be attributed to a great extent to the abolition of the stamp duty on cheques. On the whole I would say that the cheque habit is growing very slowly.

Questions 3 *and* 4.—Cheques are used by merchants, the larger shop-keepers, professional men such as lawyers and doctors, and by educated men of fair means.

The use of cheques is, however, mainly confined to towns where banks are established. In mofussil districts, where there is no bank within easy reach, cheques are of little use as a means of payment—the main factor in increasing their use is, in my opinion, the extension of branch banking by established banks.

It is doubtful whether the payment of government servants and bank employees over Rs. 100 by cheque would further promote the cheque habit. This presumes the opening of petty accounts at banks which are, as a rule, unremunerative and such as no banker would care to have on his books. It is, however, noticeable that there is a tendency for persons in government and other service on comparatively small pay who did not previously maintain banking accounts now to do so.

The Secretary and Treasurer, Imperial Bank of India, Calcutta.

Question 5.—I am unable to suggest any means of making it possible for the illiterate to use cheques.

C.—Vernacular scripts in banking.

I am not in favour of the use of Vernacular scripts in banking.

D.—Imperial Bank of India.

The opening in recent years of new branches of the Imperial Bank of India has undoubtedly tapped much money formerly lying fallow and released it for productive purposes. It has also given encouragement to the banking habit, has facilitated the movement of funds, been a means of further linking up the indigenous banking system with central money markets of India, and in districts where they have been established reduced the price of money.

THE SECRETARY AND TREASURER, IMPERIAL BANK OF INDIA, CALCUTTA.

Mr. E. A. NUTTAL, Agent, Imperial Bank of India, Cawnpore.

Replies to the questionnaire.

[N.B.—*These replies are an expression of Mr. Nuttal's personal views and are not to be regarded as those of the Imperial Bank of India.*]

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part D.—Credit facilities in respect of agricultural production and marketing.

Question 1.—*Government* plays no part in the provision of agricultural credit in respect of crop production, but confines itself to the improvement of methods, provision of better quality seeds, etc. After bad seasons, however, it assists in cases of necessity by making *taqavi* advances for building of wells, etc.

Joint-stock banks do not directly assist the cultivator during the period of production.

Co-operative banks, being undeveloped in these provinces, take a very small share.

Indigenous bankers, particularly the village *mahajan*, are in closest touch with the cultivator and provide most of the finance required during the period of production.

Present facilities require considerable development, particularly the co-operative movement.

Question 2.—In respect of the marketing of crops joint-stock and indigenous bankers make advances against produce, thus providing merchants with further means of purchasing from cultivators. Grain merchants themselves do not always buy outright, but frequently accept stocks for sale on commission, advancing at once up to 75 per cent. of the market value of the goods.

Question 3.—The cultivator looks for assistance to the village *mahajan* or to the commission agent. The latter, if he is in need of more finance than he can himself supply, can usually obtain, funds from the shroffs, who in his turn can fall back upon the joint-stock bank.

Question 4.—Overseas trade with regard to agriculture in this country may be taken to refer to export only. Until produce is actually shipped there is no difference between credit facilities available to internal and overseas trade. At this stage the exchange banks negotiate drafts drawn against shipments.

Part F.—Co-operation.

Question 1.—Apart from their relations with the Imperial Bank of India, co-operative banks appear to have no relation with other banks.

The co-operative movement in this province is of such feeble growth that the competition between it and the joint-stock banks may be considered negligible.

Question 2.—In view of the past history of the co-operative movement it is necessary for co-operative banks to offer high rates for deposits. Rates offered locally are :—

6 per cent. per annum for deposits fixed for 1 year.
5 per cent. per annum for deposits fixed for 6 months.
4 per cent. per annum on savings bank accounts.

Question 5.—The functions of a Provincial Co-operative Bank would appear to begin when the co-operative movement is in full running order and a central institution is required to co-ordinate the various units in the province. I do not think such an institution would stimulate growth.

Part J.—Internal remittance and negotiable instruments.

Question 1.—Facilities available for internal remittance are :—

Bank Telegraphic Transfers.
Bank Demand Drafts.
Government Currency Transfers.
Bank Supply Bills.
Demand *hundis* drawn by shroffs and merchants.

Question 2.—Though government currency notes are still used to a large extent, the larger portion of internal remittances is probably made by means of bank drafts and telegraphic transfers and demand *hundis*. Consignments of goods are paid for in the majority of cases either (1) by the consignor drawing a *hundi* on the consignee and selling it in the bazar or (2) by the consignee purchasing a bank draft or bazar *hundi* on the place where the consignor lives and despatching it to him. No. (1) is the method usually adopted.

Question 3.—Where there is a branch of the Imperial Bank of India the treasury officer may issue a supply bill on another treasury where there is no branch of the bank after obtaining the sanction of the Deputy Controller of the Currency.

At places where there is no branch of the Imperial Bank of India a treasury officer may issue a supply bill on Calcutta, Bombay, Madras, Rangoon, Cawnpore, Lahore or Karachi without obtaining sanction. For issue of a supply bill on another treasury sanction must be obtained.

To a limited degree supply bills fill the place of drafts issued by banks, but there are the following drawbacks :—

(*a*) Sanction must in most cases be obtained from the Deputy Controller of the Currency.

(*b*) The bills are only issued in even hundreds of rupees with a minimum of Rs. 1,000.

It would be helpful if a maximum limit (say Rs. 5,000) were fixed up to which bills might be issued without reference, and they might also be issued for odd amounts, retaining the minimum of Rs. 1,000.

Question 4.—Demand *hundis*, which already play an important part in internal remittance, are free of stamp duty. Usance bills are subject to duty on a graduated scale. I do not consider that a reduction of duty would result in an increase in such bills.

Question 5.—I am not in favour of entrusting the post office with the collection of bills and cheques and the issue of letters of credit. This work would necessitate a specially trained staff.

Question 6.—There is one form of *hundi* in general use in this district, worded thus :—

"From (borrower's/drawer's name) to (drawee's name) Greeting—I have to-day drawn upon you a *hundi* for Rs. half of which is Rs. double of which is Rs. payable to (lender's name) days after to-day this 19 , which please pay in Company's current coin at the proper address."

The signature is made either at the top or at the foot.

The same form is transformed into a promissory note by the simple substitution of the borrower's name in the place of the drawee's.

These bills are not usually accepted unless they are passed on to a third party, in which case acceptance is required.

Usance bills taken by shroffs are generally held by them. In case of rediscount the shroff's endorsement is added.

Demand *hundis* frequently pass through several hands before presentation for payment.

Cawnpore being a financial centre, *hundis* of this district rarely go outside for discount.

Question 7.—Demand *hundis* drawn on consignees are freely discounted when covered by a railway receipt endorsed to the discounter. In this district there are no other instruments or ownership against which, as far as I am aware, advances are given.

There is no difficulty in using railway receipts attached to demand drafts to obtain temporary accommodation during marketing of agricultural produce.

Part II.—Indigenous banking.

A.—Organisation of indigenous banking.

Question 1.—There are only four classes of bankers or moneylenders in this district—the shroff, the *sahukar* (urban moneylender), the *mahajan* (country moneylender) and the *kistwala*.

The last is a moneylender in a very small way operating among the working classes. His usual procedure is to lend on the basis of a loan of Rs. 9 to be repaid by 12 monthly instalments of Re. 1 each.

The shroff discounts bills and makes loans on the security of the promissory notes of *sahukars* and commission agents at interest averaging about 7½ per cent. He also accepts deposits, but in each case by special arrangement. The rate of interest usually paid on such deposits is understood to be about 6 per cent.

The *sahukar* does no discounting. He confines himself to advancing money against property, urban or rural.

The *mahajan* makes cash advances to cultivators in proportion to the extent of their holding of lands. The security is generally ornaments, cattle, tenant rights or the coming crop.

The shroff frequently also carries on a commission agency business subsidiary to his banking activities. In this department he provides with finance *beoparis* who have come into the district from other centres to purchase agricultural produce. Funds are provided by the negotiation of demand drafts drawn by the *beoparis* on the firms which they represent, and more rarely by the discount of usance bills. More generally, however, the shroff will advance 75 per cent. of the cost of goods which are left with him until delivery is required.

Question 2.—Indigenous bankers largely assist agriculture by the methods described in the answer to question no. 1.

They assist trade to a much smaller extent by the purchase of small usance bills from shop-keepers.

Proprietors of industrial concerns who are in good credit can always obtain the assistance of shroffs when required.

Question 4.—There were one or two local financial houses dealing solely in the purchase and sale of *hundis*, etc., but these have disappeared of late years owing, I am informed, to the cutting down of rates consequent on the increase of joint-stock banking facilities.

Question 5.—Local indigenous bankers keep two main books—a cash book (*rokar*) and a ledger (*khata*).

In the former all details of each day's transactions are entered on the credit or debit side, as the case may be. The balance is struck and carried forward daily. From the cash book each item is posted into its individual account in the ledger, which is generally arranged thus :—

Index.
Abstract of old ledger balances.
Charity account.
Capital account.
Individual accounts (each on a separate page).

These books are in the form of *bahis* which are not ruled in any way, but this is no bar to their clearness and accuracy. The double entry system is used.

B.—Raising of funds by indigenous bankers.

Question 1.—Examples of *hundis* in general use in this district have been given in the answer to part I J, question no. 6.

The only form of deposit receipt used locally is known as a *purja* and is worded thus :—

"To (name of lender or depositor) from (name of borrower) Greeting—We have to-day received from you Rs. (figures and words) which we have placed to credit of your account."

(*Signature of banker.*)

Any stipulation as regards repayment or interest is entered in the cash book and ledger, not on the receipt.

Demand promissory notes are worded in the same way as *purjas*, with the addition "On demand we shall pay".

A *sarkhat* is only used by *kistwalas* in connection with very small advances, generally Rs. 9 repayable by instalments of Re. 1 per month. It is a statement of account showing the original loan. The borrower keeps it and has the instalments entered as they are paid.

Question 2.—Indigenous bankers provide themselves with funds by the discount of *hundis* with other shroffs or with banks, or by the pledge of stocks with the latter. They do not as a rule keep large cash balances.

Question 3.—There are no indigenous bankers in this district who receive deposits from all and sundry. Each case is subject to arrangement.

Interest rates vary with amount, period and season, and range from 3 to 6 per cent.

C.—Advances by indigenous bankers.

Question 1.—Advances are made by indigenous bankers—

(*a*) By discount of *hundis* for varying terms without any security if the borrower's credit is good.

(*b*) Simple receipt and entry of the transaction in a ledger to debit of the borrower. The receipt in such transactions is known as a "*purja.*"

(*c*) Demand promissory note and mortgage of property.

(*d*) When acting in the capacity of a commission agent the shroff advances against produce placed in his possession up to the extent of 75 per cent. of the value of the goods.

Interest on (*a*) averages about 7½ per cent. for traders' bills. Method (*b*) is only used where the borrower is in very good credit, and generally another shroff. Interest is usually about 6 per cent. per annum. Interest in cases (*c*) and (*d*) is charged at about 9 per cent. and 7½ per cent. per annum respectively.

Question 2.—The small agriculturist deals with the village *mahajan.* The larger scale grower can deal direct with the commission agent. The charges on advances made by the latter are about 9 per cent. plus godown rent. The buyer pays commission on the sale when effected.

I do not consider present rates are unduly high in cases where security is available. They necessarily vary in proportion to the risk involved.

D.—Exchange and money market.

Question 1.—There is a local money market at Cawnpore. Buying and selling of drafts and borrowing and lending between shroffs is general.

Question 2.—Brokers visit the various big shroffs daily and ascertain their requirements, which they endeavour to fill at other *kothis.* Their remuneration is generally 2½ annas per Rs. 1,000, paid by the seller.

Question 3.—Rates for purchase of *hundis* for remittance on Bombay and Calcutta range from Rs. 99-15 to Rs. 100-1 per cent. in accordance with the supply of *hundis* available on each place. Quotations are higher for other places to which exports are on a smaller scale and drawings fewer.

Usance *hundis* are purchased at rates in accordance with the credit of the borrower and the demand for money at the time.

Offerings of demand *hundis* on large centres are heavy from about the beginning of April to the end of May and from early October to the end of December, when crops are coming into the towns. Rates are then at the lower levels.

Question 4.—There is no shroffs' association in Cawnpore.

E.—Defects of indigenous banking.

Question 1.—The shroff, the *sahukar* and the village *mahajan* undoubtedly perform very useful functions and are regarded with respect.

F.—Co-ordination.

Question 1.—The shroff, the *sahukar* and the village *mahajan* undoubtedly perform each other and also arrange temporary loans. These bankers generally keep accounts with established banks and are able to rediscount *hundis* in case of need to an extent dependant on their credit.

Indigenous bankers are given preferential treatment by the joint-stock banks in proportion to their credit.

Question 3.—There are very few indigenous bankers on whom cheques are drawn and they are usually in or near large centres where collection is not difficult.

G.—Consolidation of indigenous banks.

Question 2.—It is doubtful whether indigenous banks would appreciably increase their clientèle if they were recognised by Government.

If any such recognition were granted it would be necessary to impose safeguards to protect the public. Foremost among these safeguards should be the periodical publication of a properly audited balance-sheet.

Question 3.—Indigenous bankers would probably resent any restriction or publicity.

Question 4.—There is one really slack season in the year, roughly from July/September. No crops are being gathered during this period and demand for money is small. *Hundis* are then paid off and loans return to bankers.

When large amounts of money are lying idle in trade centres it is difficult to see that any method could be devised for its remunerative employment in the districts.

III.—INVESTMENT HABIT AND ATTRACTION OF CAPITAL.

A.—Encouragement of saving and investment habit.

Question 2.—Means for encouraging the habits of savings and investment are provided by the Imperial and joint-stock banks and by the post office through its savings bank department and postal cash certificates. Government securities may be purchased through the post office or the banks.

The facilities appear adequate, but perhaps are not sufficiently well known in the mofussil.

Question 3.—People of this district follow the general practice of investing their savings in gold and silver ornaments. The proportion among the poorer and uneducated classes probably approximates to 100 per cent. progressively declining among the wealthier and more educated classes.

Question 4.—Postal cash certificates are fairly popular in this district.

Question 5.—No increase in the rate of interest or change in the terms of issue appears necessary.

Question 6.—The present return on postal cash certificates, if held for the full period of five years, is about 5½ per cent. simple and well over 5 per cent. compound interest. This is a higher rate than banks can afford to pay for deposits, and undoubtedly has attracted money which would otherwise have gone to them.

Treasury bills are issued by Government to provide themselves with temporary funds or in pursuit of a definite policy looking to the general state of the money market or the position of exchange. Their effect cannot be viewed in the same light as that of a more or less permanent method of investment which is open to small savings.

Question 7.—It is doubtful whether certificates repayable in gold would be likely to attract a great deal of fresh money. The poorer and less educated classes prefer to see their savings in solid and indestructible form.

Question 8.—The post office savings bank would appear to afford sufficient facilities without the establishment of such banks by municipalities, which would require very special arrangements for audit and inspection.

Question 9.—Government securities of small or large amount may be purchased through the post office and banks without difficulty.

Special facilities do not appear to be required by small investors.

Question 10.—Securities other than those of Government may also be purchased through the agency of banks.

Question 11.—The poorer classes invest their savings in ornaments. The middle and educated classes invest any surplus income partly in savings banks, whether of the post office or joint-stock banks, to some small extent in government securities, and also in land and houses.

Question 12.—Farmers in a prosperous year generally utilise their savings in the purchase of ornaments and cattle.

MR. E. A. NUTTAL.

Question 13.—While I consider the banking and investment habit in India to be of slow growth, yet the pace of growth is undoubtedly increasing.

The main reason of the tardy growth is probably ignorance leading to suspicion.

It is possible that further advertisement in the mofussil of the advantages of postal cash certificates would produce satisfactory results.

B.—Cheque habit.

Question 1.—Cheques are now used for the payment of smaller amounts than formerly and they are thus becoming more familiar to the population as a whole, but I should say that the cheque habit is growing very slowly.

Question 2.—The abolition of the stamp duty on cheques has undoubtedly led to their increased use, but it is doubtful whether the concession has been responsible for the opening of very many more accounts.

Question 3.—Cheques are used by—

(*a*) merchants,
(*b*) the larger shop-keepers,
(*c*) professional men, viz., lawyers and doctors,
(*d*) educated men of fair means.

Question 4.—The use of cheques is mainly confined to towns where banks are established. In country districts, where there is no bank within easy reach cheques are of little use as a means of payment. In my opinion the gradual opening of small branch banks is the only remedy. The process must of necessity be slow, as no bank can fairly be expected to open unless there is a prospect of profit in the near future. I do not think that the payment by cheques of employees would promote the cheque habit, and as far as I am aware there is at present no impediment to the payment of government dues by cheques where there is a branch of the Imperial Bank and the difficulty in collection does not arise.

Question 5.—In my opinion it is impossible to arrange satisfactorily for the use of cheques by illiterate persons.

C.—Vernacular scripts in banking.

Question 1.—From the banker's point of view there would appear to be no objection to the opening of accounts for persons using any Vernacular script in *general* use at the place where the account is opened.

(For supplementary written evidence see pages 93—95.)

Supplementary written evidence.

Question 1.—*Do you think the establishment of warehouses would bring into existence sufficient amount of easily acceptable instruments of ownership which would make it easier for people to borrow on the security of such paper from banks? If so, please say on what lines should warehouses be established?*

Answer: In this question the establishment of *public* warehouses or godowns is presumably contemplated, where goods might be stored against receipts which would be negotiable instruments.

In present circumstances banks make advances against goods stored either in the borrowers' own godowns, in which case the bank's locks are placed on the doors, or in the bank's warehouses. In either case the goods are inspected by an officer of the bank both before advances are made and similarly from time to time until the loan is repaid.

In making advances against public warehouse receipts no such inspection would be possible, and it would be necessary to place entire reliance upon the warehouse-keeper as regards quality and quantity of the goods detailed in the receipt. Consequently the credit and standing of the borrowers would require strict scrutiny. This system would therefore make it no easier for the small trader to obtain finance against stocks. Substantial firms almost invariably have their own godowns.

(The above is written on the assumption that *separate* godowns for each merchant would not be provided.)

Question 2.—*It is said that railways on account of their extensive transport business are the most suitable agency to provide warehouses. Do you agree with this view?*

Answer: If the provision of public warehouses is considered likely to be advantageous, the railways would appear to be a suitable agency for the purpose. Large municipalities might also undertake the provision of such facilities.

Question 3.—*You state that the proprietors of industrial concerns who are in good credit can always obtain the assistance of* shroffs *when required. Will you please state on what terms is such credit available?*

Answer: As far as I have been able to ascertain *shroffs* are generally ready to assist proprietors of industrial concerns *who are in good credit* by making advances against their demand promissory notes (*purja* receipts) at about 7½ per cent. per annum. The whole question of their degree of readiness to assist, the rate of interest charged and insistence on security or otherwise revolves round the credit of the borrower and the consequent amount of risk of capital involved.

Question 4.—*Under Part II B (raising of funds by indigenous bankers), question no.* 3, *you say that interest rates range from* 3 *to* 6 *per cent. Will you kindly state the classes of persons amongst whom such rates of interest prevail?*

Answer: In my answer, I said that rates of interest allowed by indigenous bankers on deposits varied with amount, period and season and ranged from 3 to 6 per cent. The indigenous bankers to whom reference was made are the higher class, i.e., shroffs. The lower rates apply, of course, to the slack and short periods. As I stated elsewhere each deposit is subject to special arrangement, and the shroff does not accept more than he can profitably use.

Question 5.—*Will you please give the scale of charges fixed by the Imperial Bank of India for transferring money from one place to another in the case of the following*:—

(*a*) *banks*,

(*b*) *indigenous bankers*,

(*c*) *general public?*

Answer: (*a*) The maximum rates charged by the Imperial Bank of India and at which rates it is *at all times* prepared to sell demand drafts and telegraphic transfers to banks, indigenous bankers and the general public are as follows:—

Amounts up to Rs. 1,000—4 annas per cent., minimum 4 annas.

Amounts Rs. 1,000 up to Rs. 10,000—2 annas per cent.

Amounts Rs. 10,000 and over—1 anna per cent.

(*b*) In the case of a bank requiring a *transfer* of Rs. 10,000 or over from the branch of the Imperial Bank of India at the place where it is established for the *credit* of the same bank at another branch of the Imperial Bank this transfer is made at a concessional rate of 1/32 per cent. or 6 pies per cent.

(*c*) The rates quoted in paragraph (*a*) are, as already stated, maximum rates, and in the case of the sale of drafts and telegraphic transfer for very large amounts over Rs. 10,000 the Imperial Bank may reduce the rate from one anna to 9 pies per cent., but rarely below that rate.

No distinction in rates is made in sales to indigenous bankers and the general public.

Question 6.—*Please give the scale of exchange charges of your bank for the purchase of bills, and for collection of cheques and bills on various places in the case of the folowing* :—

(*a*) *banks,*

(*b*) *general public.*

Answer : (*a*) Exchange charges for the collection of demand bills drawn on places in India where the bank has branches are usually levied at the following rates, but special quotations are given for large amounts :—

(i) From banks—3 annas per cent.

(ii) From general public—4 annas per cent.

(*b*) Rates for *purchase* of similar paper of small amount are about the same as above. Drafts for large amounts are purchased down to 6 pies per cent. in accordance with the amount of each and the quantity of paper in the market drawn on any particular centre. Such business is put through at competitive rates which provide little more than interest at a reasonable rate for the period the bank is out of its money, and although under our agreement with Government we obtain the facility of free transfer of funds this benefit is to a very great extent passed on to the business community.

Question 7.—*You say that when large amounts of money are lying idle in trade centres it is difficult to say if any method could be devised for their remunerative employment. Will not the expansion and contraction of currency on the basis of trade bills overcome this difficulty? It can be so arranged that the volume of currency in the slack season would be just sufficient to carry on business and in tight season it would expand with the trade demand, because bills which represent such demand will form cover for additional notes issued.*

Answer : The slack season is roughly from July to September. During these months few trade bills are outstanding, and the additional currency provided earlier in the year against this form of cover has now been contracted to the full extent of the original expansion. No further contraction on these lines is therefore possible. The problem of how to employ remuneratively the balance of funds lying idle still remains. Apart from the issue of treasury bills I can advance no suggestion for using this money for the period in question.

Question 8.—*Is it true that large amounts of money attracted by post office cash certificates have resulted in the decrease of resources of banks and have consequently increased the cost of credit to the general public as well as decreased the amount of credit facilities for trade and industry?*

Answer : It is difficult to say what proportion of the amount invested in post office cash certificates has been diverted from banks. I consider it probable that this form of saving has brought to light much money which was previously hoarded. On the other hand, the rate of interest earned on cash certificates is much higher than banks can offer for deposits, and has undoubtedly attracted considerable amounts which would otherwise have swelled the resources of banks.

Nevertheless, the money has presumably been paid in to credit of Government with the Imperial Bank of India and has been available for trade finance to the same extent as any other deposit repayable at call. Moreover, it is to be borne in mind that Government expenditure is largely productive.

Question 9.—*Are you of opinion that if ways and means can be devised whereby confidence in the banking system of the country can be increased it would accelerate the progress of banking? Could you suggest such ways and means?*

Answer : Increased confidence in the banking system would no doubt accelerate to some extent the progress of banking in this country. To this end an avoidance of

failures among banking houses for an extended period would in my opinion contribute more than any other single factor.

As a preliminary step I suggest that the use of the word "Bank" or "Banking" in the style of any firm should be severely restricted. In country districts the failure of any institution bearing such a title is likely to engender distrust to an extent out of all proportion to the actual importance of the concern which has come to grief.

Question 10.—*Will you please fully explain your remarks that the gradual opening of small branch banks is the only remedy to increase the use of cheques. On what lines should such small branch banks be established? Will it not materially help if private bankers doing purely banking business are encouraged to do business on modern lines?*

Answer: For the past few years several well-established banks have pursued the policy of opening small offices, under the supervision of a parent branch at a trade centre, in country districts where there has been a prospect of business. This process is being steadily pursued and is the method which I advocated in my answer to III B. 4 of the Committee's questionnaire.

I do not think that the use of cheques would materially be increased by encouraging private bankers to open current accounts, which presumably is suggested in the latter part of this question.

In most towns of any size there are already banks where such accounts may be opened, and in smaller places the number of prospective constituents to whom a current account would be of use would probably be negligible.

Mr. J. A. NASH, Agent, Imperial Bank of India, Allahabad.

Memorandum.

N.B.—*This statement is an expression of Mr. Nash's personal views and is not to be regarded as expressing the views of the Imperial Bank of India.*]

THE indigenous bankers go to the Imperial Bank of India when they need accommodation. There are various methods of obtaining such accommodation. One of them is by means of *hundis* (demand drafts) which are drawn by small traders and others and endorsed by these bankers. The Imperial Bank in this class of business does not deal with small traders direct, because that would be risky. The bank's customers are the shroffs and merchants of good standing. The bank before discounting these *hundis* makes confidential enquiries as to the credit and financial standing of the endorsers in the bazar. These enquiries are conducted by the Agent of the bank and treasurers (*khazanchies*). In accordance with the result of such enquiries the endorser is confidentially given a certain credit limit in the books of the bank and *hundis* are readily discounted by the bank so long as that limit is not exceeded, and in actual practice this limits is often not reached.

The indigenous bankers and merchants also receive accommodation from the Imperial Bank by means of overdrafts and cash credits. An interesting example of such advances is the "produce loan system." When a merchant or firm is in need of finance against raw produce an application is made to the Imperial Bank. The bank's agents make private enquiries and after satisfying themselves *prima facie* as to the credit and financial stability of the borrower ask the applicant to sign a printed bond (vide sample copy*) in which the borrower undertakes to pledge certain goods as security for the loan he desires to have from the bank.

The borrower then proceeds to place his stocks under the control of the bank and the bank clerk examines the goods and signs a receipt (vide sample receipt*). The Agent carries out periodical verification and checking of stocks. The market value of these goods is estimated and the bank advances up to 75 per cent. of such value. In order to secure itself the bank has its locks put on the goods stored in godowns which do not necessarily belong to the bank, but usually belong to a private firm—may be the borrowing party itself—and a bank *chaprasi* is on duty to keep watch. The margin of 25 per cent. is kept in order to provide against fluctuations in the market price of the goods. Should the prices so vary as to wipe out the margin, the bank calls upon the merchant or the firm to make it good. Activity in these loans against produce is the greatest in the first half of the year. The rate of interest is 7½ per cent. from January 1 to June 30, and 7 per cent. from July 1 to December 31, calculated on the daily balance of the account and charged to the account on the last working day of each month. This interest includes insurance charges and administrative expenses incurred by the bank. The system is becoming slightly more popular locally, but is of little benefit to the cultivator except indirectly perhaps as thereby the commission agent has more money to lend than he otherwise would have. In the Allahabad district the bank has tried very hard to encourage this kind of finance and to help firms dealing with agricultural products, but unfortunately sufficient advantage has not been taken of the facilities provided by the bank. This is largely due to the fact that here a big firm considers it derogatory to its self-respect and credit to let it be known that its goods or merchandize are under the control of the bank. It does not like the bank putting its locks and name-boards on the godowns thus giving evidence of possession. This is therefore, a case in which the bank is ready and willing to offer more credit facilities than are utilised at present. The borrowers in this kind of finance need not and often do not have either current or deposit accounts as well as cash credit accounts with the bank. The security which they offer for the loans they take is that of the agricultural produce, and this security and the value of the security is constantly fluctuating. The amount of the security itself is varying from time to time as fresh stocks are brought in and old stocks are withdrawn, and with the fluctuations in the amount of the security the amount of the cash credit varies correspondingly. The cash credit account is thus not a fixed but a varying account, rising and falling from time to time in accordance

* Not printed.

with the conditions and requirements of trade. The bank lends on all kinds of local produce, *e.g.*, wheat, rice (some of it imported from outside), peas, linseed, *bajra* and even cotton. The bank is unable to go to the small agriculturists direct. The small cultivators often bring their agricultural products to the *mandis* in the nearest towns. There they sell these products through the *arhatias*, getting the money from them on sale, which may be at once, or if they require to, they may borrow from the *arhatias* pending sale. Sometimes they sell direct to the party by whom the products are bought. It is these *arhatias* or commission agents and the grain merchants to whom they sell through the agency of the *arhatias* who obtain finance from the bank by means of the pledging of their stocks to the bank.

The indigenous bankers and moneylenders deal with the Imperial Bank only when their own resources are exhausted and the money market is tight. Ordinarily they prefer to do business with their own capital; they do not deposit their funds with the Imperial Bank to any large extent or for any length of time. If something could be done in the way of organising the indigenous bankers and linking them to the Imperial Bank as agents in the villages and towns where the bank's branches do not already exist, it would probably facilitate internal remittances and agricultural credit, and also have the effect of reducing the general rate of interest to the cultivators, for now although the bank lends at low rates to the commission agents, etc., the latter's rates to the cultivators are much higher.

With regard to the allegation that the Imperial Bank has come into unhealthy competition with the joint-stock banks, it may be pointed out in fairness to the bank that it determines its rates and commissions only with a view to encouraging banking habits among the people and certainly not with the object of entering into competition with the joint-stock banks.

The bank deals mostly with the literate people and it makes no discrimination between those who know English and those who are only conversant with the provincial vernaculars. The *hundis* presented to the bank by the indigenous bankers are almost always drawn in Hindi and Marwari, while it is a matter of daily occurrence that cheques filled up in Hindi, Marwari and Urdu are presented for payment and duly cashed. So far as the bank is concerned there is not the slightest difficulty raised in the matter of vernacular cheques. The bank is always ready and willing to accept them and does in fact accept them. Vernacular cheques also pass from hand to hand to some extent in the bazar. Usually the bank's constituents who do not know English but can only read and write a vernacular, fill in the cheques printed in English in their vernacular and the bank readily accepts them. Of course these cheques are translated into English in the bank by the *khazanchi* for the bank's own use, but that does not affect the customer. It is one of the duties of the *khazanchi* to translate documents such as cheques and *hundis* drawn in any vernacular into English.

The bank sometimes deals with illiterate people who put their thumb-impressions on the cheques which are attested by a bank official or someone known to the bank.

There would be no objection to having bilingual cheques printed in English and a vernacular version underneath (for example, English and Hindi, English and Urdu, and so on). They would be popular with people who know only vernaculars and are unable to read or write English and stimulate the growth of cheque habit among them.

With regard to the complaint about the delay in cashing cheques by the bank, some delay is at present unavoidable. A cheque, before it can be cashed, has to pass through several hands and books. It cannot be cashed before it is passed for payment by a responsible officer of the bank like the Agent or the accountant, and in small branches where there is only one officer so authorised some delay might occur. The practice cannot be given up under the present conditions of the country, because the bank cannot entrust the work of authorising the payment of cheques to any but a responsible officer. The bank is, however, alive to the necessity of speed in the matter, and it always welcomes complaints from the public which might be helpful in avoiding undue delay. While admitting that some delay is unavoidable, it may also be mentioned that sometimes the bank comes in for undeserved blame. Often customers send cheques for encashment through their *chaprasis*, who not infrequently go to sleep under the shade of trees inside the bank compound. When they wake up it is perhaps 2 o'clock, an hour or two before the bank's closing time, and they then have to take their turn. They may thus return to their masters late in the afternoon after an interval of four or five hours. If one were to visit the bank at about one o'clock in the afternoon on a summer day, one could see with one's own eyes quite a number of *chaprasis* sleeping under the trees in the bank compound. The bank is here not to blame, except perhaps for not doing away with all shady places which might tempt tired visitors to rest awhile in the hot weather.

MR. J. A. NASH.

Mr. MOHAN LAL BULCHAND, General Manager, Benares Bank, Ltd., Benares.

Memorandum.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part D.—Credit facilities in respect of agricultural production and marketing.

The average Indian agriculturist lives from hand to mouth and it would seem that no real improvement in his condition can result from any financial assistance given to him, as from the business point of view he hardly gets a living wage from the land he cultivates and to finance him is like financing a losing business concern. Although one of the difficulties he experiences is the usurious rates at which he gets financial help, the real solution of the problem of his existence depends on the employment of his forced idleness during periods when his attention is not required towards the cultivation of his land. But this question is probably outside a banking enquiry, and I will therefore go no further than merely mention it.

I think co-operative societies have done good work in the way of securing financial aid to the cultivator at a fair rate of interest and a development of the co-operative movement would go a great way in improving the condition of the cultivator. It would be a step in the right direction if co-operative banks could make advances on the security of crops and assist the borrowers in marketing their produce in the nearest important centres of trade. This work is at present done by the village moneylender who finances the cultivator throughout the year by supplying him with all the necessities of life and forces him to sell his produce to him at a lower rate than he can get in the open market. If these facilities can be extended to the cultivator by co-operative societies he would be saved from the usurious demands of the village moneylender.

To finance these co-operative societies there should be a co-operative bank in all district headquarters and a central bank in all provincial headquarters. The central banks should be the fountain heads for all finance to the district banks and the village societies and the Imperial Bank should finance the central banks at a reasonable rate of interest when necessary.

The existing arrangements for the financing of crops are more or less in the hands of the middleman who buys produce in all important grain centres and transports it to the ports where big European exporting houses buy the same for export. Some of these European houses have representatives in the villages and towns who buy produce on the spot for their principals. The result of these operations is that on account of there being no proper organisation amongst the agriculturists for the disposal of produce in the ports where better prices can be obtained the middleman earns more profit on the sale than the cultivator makes on the production of the crop.

From the above it would appear that the chief part in the financing of crop production is taken by the village *bania*, but to some extent the agriculturist borrows from his superior landlord, the professional moneylender and the co-operative societies also. But in the marketing of crops all the banks in the country take some part by lending directly or indirectly money to big grain merchants who buy produce from the villages and towns and transport it to the ports. The credit facilities for this purpose seem to be sufficient since the opening of a large number of branches by the Imperial Bank of India lately.

Part E.—Land mortgage banks.

Loans on mortgages are generally given by indigenous bankers and to some extent by joint-stock banks, but this system of advances is not popular with the latter.

If facilities are provided for the well-to-do *zamindar* to borrow money on the mortgage of his properties this will indirectly encourage his spendthriftness and in genuine cases where relief is necessary the following Acts are quite adequate :—

1. Oudh Estates Act I of 1869.
2. Oudh Taluqdars Relief Act XXIV of 1870.
3. Settled Estates Act V of 1917.
4. Court of Wards Act IV of 1912.

But the small landholders or tenants who have generally to borrow for improvements in their land or for acquisition of more lands require an organisation which will enable them to borrow money at a fair rate of interest.

I should, therefore, like that institutions on the line of the Jhang Co-operative Mortgage Bank in the Punjab should be started all over the province.

To ensure the popularity of the debentures the same should rank as trustee securities and the Imperial Bank or any other State bank should be prepared to advance 90 per cent. of the issue price of these debentures.

To provide proper safeguards the Government should organise a department whose business it would be to check the valuation of the properties mortgaged before the mortgage banks are permitted to issue debentures. This department should also revise the valuations from time to time.

In my opinion these banks should not make advances for more than 20 years and the maximum amount advanced should not exceed ten times the net income after deducting land revenue. If this is done it will not be necessary to take a mortgage on the borrower's other property or the personal liability of two sureties. But the instalments in liquidation of the loan should be sufficient to cover the interest and a part of the principal so that the whole debt may be satisfied during the period of the loan.

To safeguard the interests of the debenture holders and thus indirectly to increase the popularity of the debentures, legislation will have to be passed to provide the simplification of the process of foreclosure and sale in the event of failure in the payment of any of the instalments.

The average price of land in this province is between 15 or 20 times the net annual yield.

II.—Indigenous banking.

There are in this province very few indigenous banks or bankers. The only flourishing indigenous bank in this province is (naming it) and I believe the success of this concern is partly due to the fact that they publish a balance sheet though the same is not in the form prescribed by the Indian Companies Act; but I understand the proprietors are thinking of converting their business into a limited liability company.

The indigenous banker in this province can be divided into three classes :—

1. The small moneylender in the villages who often combines banking with business in the necessaries of life *viz.*, cloth, grain, etc. This class of banker is indispensable in every village as he lends money to the village cultivator in the shape of grain and cloth—on terms which on calculation are very usurious. His existence therefore is not desirable and he must be replaced by co-operative societies working on the same principles but offering more reasonable terms of interest.
2. The well-to-do moneylender called *arhatia* who acts as agent for the village grain merchant, charging a commission for selling his produce and advancing him money against his goods. This class of banker very seldom takes deposits and mostly employs his own financial means supplemented by credits from the joint-stock banks as overdrafts or by discounting bills of exchange. The more important of this class of bankers also get substantial accommodation from the Imperial Bank of India by discounting bills of exchange. In my opinion this class of indigenous banker has sufficient banking facilities.
3. The wealthy private banker who invests his surplus income and his wealth in bank deposits and government and other securities and sometimes advances money against mortgages also. This class of indigenous banker also does not require any assistance.

But for various causes the indigenous banker is fast disappearing and his place is being filled by the mufassil joint-stock banks and I think this must happen as a natural course of development of banking on modern lines. In European countries also the private banker is gradually being absorbed by the joint-stock banks.

I am, therefore, of opinion that the development of banking in India on modern lines should be through the Indian joint-stock banks and what is needed most is legislation to assist these institutions by the simplification of the procedure for realization of debts from defaulters, the imposition of restrictions on such institutions as the Imperial Bank of India and the exchange banks to prevent them from competing with joint-stock banks and the starting of a State organisation which should render financial assistance to these concerns in times of stringency.

(For oral evidence, see pages 101—105.)

ORAL EVIDENCE.

Lucknow, January 30, 1930.

Present :

MR. E. A. H. BLUNT, C.I.E., O.B.E., I.C.S., M.L.C.,	... *Chairman.*
DR. RADHAKAMAL MUKERJEE, M.A., PH.D., ...	...)
RAI BAHADUR BABU MOHAN LAL, M.A., LL.B., M.L.C.,	... *Members.*
MR. MOHAN LAL SAH, M.A., LL.B., ...	...)
RAI BAHADUR PANDIT G. S. UPADHYA, B.A., ...	...)
DR. L. C. JAIN, M.A., LL.B., PH.D., ...	... *Secretary.*

(*Witness* : MR. MOHAN LAL BULCHAND, *General Manager, Benares Bank, Ltd., Benares.*

Dr. Radhakamal Mukerjee : You have discussed in your evidence the question of the disappearance of indigenous bankers.—(*Witness*) Yes.

What do you know of the causes of their disappearance in the mufassil? Do you think that the disappearance of the indigenous banker implies that you have lost credit facilities in the mufassil which existed before?—I do not think so. I think it is due to the development of joint-stock banking that the indigenous banker is disappearing.

Is this due to the absorption of the indigenous banker into the joint-stock bank?—It is not exactly the absorption. There has been hardly any case of indigenous firms combining with a joint-stock bank. But the credit facilities afforded by the indigenous banker are now being given by the joint-stock banks which are taking his place. The indigenous banker would not take deposits. The joint-stock banks are taking deposits and invest that money. Therefore, in the regular course of events, the joint-stock banks are bound to take the place of the indigenous banker.

Circumstanced as they are at present, how far do the indigenous bankers still continue to finance agricultural operations? You will admit that the joint-stock banks have not yet been found in such large numbers as to be able to tackle agricultural finance adequately?—The indigenous banker is in his turn being financed in his operations by the joint-stock bank.

Will you explain precisely how we may have a proper co-ordination between the village *sahukar* and the joint-stock bank?—In a way there is a co-ordination already, because the indigenous banker is financing agriculturists by making him advances on the produce and then he purchases the produce on the spot and sends it to the ports. The capital that he invests is supplemented by advances from banks. He discounts *hundis* at the Imperial Bank or he takes an overdraft from a joint-stock bank.

In your district have you found that *arhatias* in distant markets take a loan from your bank?—Yes.

Rai Bahadur Babu Mohan Lal : On what security?—In the case of big firms we give them money on personal security.

Up to what extent?—That depends on the party. If the party is big, we advance large sums. There is one big firm to whom we advance as much as one lakh. They take money in January or February and return it in May or June. If there are parties of very good credit we waive the condition of security, but ordinarily we always take security.

Dr. Radhakamal Mukerjee : Security of grains or goods?—In practice this business is chiefly done by the indigenous banker himself.

MR. MOHAN LAL BULCHAND.

Arhatias store goods and they have godowns. Do you advance them money on the security of these godowns?—Ordinarily *arhatias* get money without mortgaging goods.

Rai Bahadur Babu Mohan Lal: What is the practice in your bank?—The position is this. The joint-stock mufassil banks advance money to those people who have got good credit. They advance money without security. They advance on bills of exchange. They combine two or three parties and then advance money and that money is invested by *arhatias* for the purchase of agricultural produce.

Dr. Radhakamal Mukerjee: In personal securities you insist upon taking others as sureties; you do not advance money to a single person?—We do sometimes advance money to single persons of very exceptional credit.

Generally you take others?—We always prefer to take two signatures for every personal advance. But in the case of very good parties, we waive this condition. There is a firm of *arhatias* which is worth 20 lakhs and invest from 10 to 15 lakhs in their business. They are *zamindars* also. In their case we waive the condition of additional personal security or any other collateral security and as a matter of fact this firm can get money without mortgaging their goods.

What governs this tendency to accept personal security?—The mufassil *arhatia*, being always a well-to-do man, gets accommodation without security—hence if banks want to lend money to him they have to be satisfied with personal security. Sometimes the *arhatias* draw demand *hundis* on their correspondents in the ports and discount them in the banks.

In that case you want personal security?—Even the Imperial Bank does not take security, when they cash demand *hundis*.

The *hundiwala* must belong to the approved list?—In our case we prepare an approved list. This list is carefully scrutinised. We make advances on personal security to those who are on our approved list.

Do you insist upon taking railway receipts in the case of *hundis*?—Not exactly in the case of men who happen to be on the approved list. In the case of a man who does not happen to be on our approved list, if he gives us collateral security, we are not very particular about his name being on the approved list, because in that case he gives us security. Then we only make ordinary inquiries that he is a *bona fide* dealer.

In other words you do not include him in your approved list?—Not necessarily.

The Chairman: You may or may not?—We must make certain inquiries first. Our inquiries do not take long when we make advances against collateral security.

Would you give me a definition of banking as opposed to moneylending. What is the difference between the two?—Moneylending is a part of banking.

I know. But what is that part of banking which makes it a bank?—Banking includes taking money on deposits and also lending it out.

Moneylenders lend money out, but do not take deposits?—Mostly they do not take deposits, but I do not mean that they do not take deposits at all.

Then the real difference is that in ordinary banking you take deposits from anybody, but the moneylender, who occasionally takes deposits, only does it when he happens to be in need of money. Otherwise he will not accept deposits?—That is so.

Then you have got several kinds of banking. Indigenous banker is a very wide term. It covers so many things. You have got a moneylender who does not deal in deposits. You have got a moneylender who deals to a certain extent in deposits. The true bank is that of which most of the business is taking deposits. Do you know of any banker who works on the cheque system?—I think there is one case at least which I know of. Messrs. Bhagwan Dass & Co. of Dehra Dun work on the cheque system.

Do you know of any other?—I do not know of any other in this province, but there are some in Bengal.

I know two or three myself, but there are not many. I just wanted to make sure whether there are private banks of this personal type which correspond with the English private bankers of the old type; in other words the father of the banking system. We have got at present half a dozen of this kind. What do you think of the possibility of their growing in number?—Personally I think that if banking is to be developed in the right direction, it would be through the growth of the joint-stock banks.

MR. MOHAN LAL BULCHAND.

I quite agree. What happened in England was that they started with private banks and then they delevoped.—(*Witness*) In this country private banks are being displaced by the joint-stock banks. I know that such bankers had very good credit at one time but they are disappearing. I know of a very good banking firm in Muzaffarpur. They were doing very well and had a branch in Calcutta. They were worth a crore of rupees. They were also big landholders. They possessed landed property with an income of about three lakhs. But ultimately on account of mismanagement they had to close down their banking business and their estate had to be taken over by the Court of Wards.

Supposing we have got to the point that development is not going to be rapid, would not these private banks form an intermediary step of some value doing the whole of the joint-stock bank business?—I think private banks will be more or less a one man's show and as such I do not think they will succeed unless, of course, some special legislation is passed which would govern them as much as it at present does with regard to the management of joint-stock banks.

To come to English examples. I am not thinking of the old ones, I am thinking of the modern times.—(*Witness*) They are all being amalgamated now.

The amalgamation only took place three or four years ago.—(*Witness*) I think, so far as my knowledge goes, during the last 20 years the tendency has always been even among joint-stock banks to amalgamate between themselves.

Amalgamation all round?—Yes.

But my point is that we have not got to the pitch where the joint-stock banks are increasing in numbers definitely and rapidly. Could we not meanwhile get on with private banks? Would it not be better than the mere moneylender?—Well, they would be better if they are already there. Perhaps you are thinking of creating them?

No, I am not thinking of creating them. These three bankers are all indigenous bankers in the sense used here, who have taken to western methods on private lines.—(*Witness*) I know in connection with Bhagwan Das that even they are trying to register themselves as a joint-stock company. They then would be the same as joint-stock banks.

Exactly. I am only thinking of the possibility, so to speak, of these people moving a bit quicker. Whether we could not get on by putting together a few more of these private bankers until the time comes, when they could register themselves.—(*Witness*) My own opinion is that it is more practical to develop the existing joint-stock banks than to develop private banks. Apart from my position in a joint-stock bank, I feel that unless the whole thing is run on a systematic basis, and unless there is a systematic check over the growth of the institutions and also of the management there can be no development.

You will want all sorts of checks, of course.—(*Witness*) You cannot have them when it is a one man's show, which these private institutions practically are.

Exactly. I can see you are one of the many people who want to cut corners. I have a deadly terror of going too fast.

Rai Bahadur Pandit G. S. Upadhya: In this connection I would draw your attention to your note under "Indigenous banking" where you say that "the small moneylender in the villages who often combines banking with business in the necessaries of life, *viz.*, cloth, grain, etc. This class of banker is indispensable in every village as he lends money to the village cultivator in the shape of grain and cloth—on terms which on calculation are very usurious. His existence, therefore, is not desirable and he must be replaced by co-operative societies working on the same principles but offering more reasonable terms of interest." Your objection, I take it, is against a one man's show?—Yes.

The Chairman: Supposing these moneylenders in the villages were formed into a co-operative society of their own, then you will let them exist?—Yes.

Rai Bahadur Pandit G. S. Upadhya: Your objection is only on account of the usury, but their existence is indispensable and they are doing very useful work and therefore they require these organisations?—Yes.

It may be on co-operative lines or on any lines which will bring them into line with the modern methods, that is to say, they must not charge a high rate of interest?—The co-operative societies should be able to arrange the sale of produce on behalf of the

cultivators. I do not know whether you are doing it here, but in Bengal the co-operative societies are helping the jute cultivators to sell a part of their produce.

The Chairman: They do all sorts of things in Bengal. You have practically got a land mortgage bank in every district. They call it a land office.

Dr. Radhakamal Mukerjee: You think that the association of moneylenders might work both as moneylenders as well as a marketing association?—They are already doing it. The village moneylender is both the *modi* and banker. He makes it a condition that the cultivator sells his produce at four annas or eight annas less than the market rate at the time. So he makes a profit here. He makes a profit on the goods he sells and he charges *sawai*, that is 25 per cent. on the money he lends.

You suggest that you want a private banker with indigenous methods?—In view of the fact that in Bengal they have some such system, I suggest that the small agriculturists should be financed by the co-operative societies who should also help them to sell the produce. They take the produce, so to say, on account from the cultivator, sell it on his account and charge a small commission and pay him the proceeds.

You think that such a line of organisation is much more desirable than an association of moneylenders?—I think so. The co-operative movement is sufficiently under control; you can exercise control better by extending these co-operative societies than starting a new body altogether.

The Chairman: Then we come to another point. As matters are at present, the available capital for agricultural credit is in the hands of a very large number of little village *banias* all over the country, each with an average capital of Rs. 1,000 or so, and the result is that when a series of bad years come his credit dries up. He has lent out the money he has got, but he has not been repaid anything and the result is that he has been simply wiped out altogether for the time being. He has got no more money to lend. That is very unfortunate for the agriculturist, but it is also equally unfortunate for the moneylender who in that condition is just as badly off as his own debtor. In other words all your capital is broken up in little parcels all over the country. If you have some sort of amalgamation—you yourself have been laying stress on amalgamation—a lot of that difficulty will be all done away with, as you will have it all in one big pool. As you know a big pool waters a great deal more land than a lot of little puddles.—(Witness): is that practicable? I myself feel that it is not possible to make a combination of all the small moneylenders all over India.

Well, we had a perfectly good scheme worked out the other day.

Rai Bahadur Pandit G. S. Upadhya: Just the one you say you are in favour of, the one which is run on co-operative lines.

The Witness: Yes. Well, the idea is there. If you can achieve it better by certain means than by others, you should try such means.

The Chairman: I do not mean to say that I am wedded to it. I have to explore possibilities.

Rai Bahadur Babu Mohan Lal: How do you combine these moneylenders of different places in one pool?—Now the co-operative movement is doing that. They have got village societies, they have district banks and they have got provincial banks, although, not here but they have them in Bengal and Bihar.

The Chairman: I may say, for the information of my friend on the right, that in another province the *sahukars* (and a *sahukar* is something bigger than the village *bania*), were willing to make a pool and they were willing to limit themselves to a particular rate of interest. They knew that by combination they would be stronger than they were before and so long as they themselves were assured of reasonably cheap credit, they would pass it on to other people. They would lend at 9 per cent., if money was lent to them at 6 or 7.

The Witness: This sort of thing was discussed with me by a gentleman in Bhagalpur. He was a member of the Bihar and Orissa committee. He said that if they were given some extra facilities for realizing their money from the debtors, they would reduce their interest on advances.

The Chairman: Of course, that is another point that has been made. But I do not want to complicate the situation too much.

Rai Bahadur Pandit G. S. Upadhya: Coming to the land mortgage section you think that the existing Act is sufficient to give the relief required and you would not have a land mortgage bank for the *zamindars*?—Yes.

That is your idea, because thereby they would become more spendthrift?—Yes.

You know that in the case of co-operative societies and institutes, the loan is controlled?—That is all right, but he gets a loan all right whether he needs it or not.

No, that is not the case with the co-operative institutions. Loans are advanced to him according to his needs—(*Witness*) This particular institution whch I referred to and which was referred to in the questionnaire here, namely, the Jhang Co-operative Mortgage Bank, does it advance only when it is satisfied?

Yes, not otherwise So you think if there be a land mortgage bank run on co-operative lines, where everything would be controlled, it would serve the purpose perhaps better?—Yes.

And if the existing Acts were sufficient for the purpose, possibly the *zamindars* would not have proved so spndthrift—and they have already incurred debt up to the neck—so you want something which is beyond the existing legislation to improve their condition?—Yes. But you cannot check them from getting into debt.

Dr. Radhakamal Mukerjee: You know that in this province the *zamindar* is far different from the *zamindar* in Bengal. He may be a very small cultivator proprietor and he may not be as spendthrift as a *zamindar* in Bengal.—(*Witness*) I am afraid that makes very little difference in that respect. I might explain to you that the *zamindar*—with apologies to any *zamindars* who may be here— is a gentleman who is very indolent and hardly ever cares how he spends his money. That is the tendency of a *zamindar* all over India.

Here he is the actual tiller of the soil.—(*Witness*) Here he might not be so bad as he is in Bengal.

The Chairman: There is one other point. The Benares Bank is a joint-stock bank. It is one of the very few in the province. Could you send me a copy of your balance-sheet?—Yes.

I just want to see it. I know three or four banks of this kind, one of which is at Naini Tal.—(*Witness*) The Allahabad Bank is a big institution, a century old. The Punjab National Bank has branches here, and next to that comes the Benares Bank in this province; and there is the Ajodhya Bank in Fyzabad which is a small institution.

Dr. Radhakamal Mukerjee: Do you lend to *kharkhanadars* in Benares?—No, they generally take their finance from big dealers in silk goods.

Do you include any industrial banking in your activities?—No, all these people are financed by dealers in silk goods. They advance them money and they take work from them.

Rai Bahadur Babu Mohan Lal: Do you advance to the dealers?—Yes.

The Chairman: Yours is mostly commercial lending?—Yes.

Rai Bahadur Pandit G. S. Upadhya: In your written evidence you say, "to ensure the popularity of the debentures the same should rank as trustee security and the Imperial Bank or any other State bank should be prepared to advance 90 per cent. of the issue price, of these debentures." Evidently you mean it will be 90 per cent. of the issue price, but that the issue price depends upon the conditions of the money-market?—Of course.

It is the price at which they are issued. Supposing you issued them at 90, you get 90 per cent. of that?—If they are issued at 90, the advance will be 90 per cent. of 90.

(The Chairman thanked the witness, who withdrew).

The UNAO COMMERCIAL BANK, Ltd., Unao.

Replies to the questionnaire.

I.—Agricultural credit and credit facilities.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturist borrows from Government and co-operative societies, but mainly from village moneylenders.

The purposes for which he borrows and the proportion of the debt distributed among such purposes are given below :—

(i) Repayment of earlier debts ... ...
(ii) Payment of accumulated interest ... ...
(iii) Marriage and other social functions ... ...
(iv) Famine and other kinds of distress ... ...
(v) Payment of land revenue or rent ... ... } 50 per cent.
(vi) Seed ... ...
(vii) Manure ... ...
(viii) Expenses of cultivation ... ...
(ix) Subsistence ... ...

About 75 per cent. of the debt is advanced by village moneylenders and the rest by other agencies. About 90 per cent. is advanced in cash, the rest in grain. Almost all the debt is for a long period.

Question 2.—For cash loans, village moneylenders charge 37½ per cent. and sometimes 75 per cent. on petty loans, but the general prevailing rate is 24 per cent. on unsecured debts. For loans in kind for seed and for other loans in kind they charge 50 per cent. and even sometimes 25 per cent.

Interest is deducted from the payment made and any excess sum is then carried to the principal.

The rate of interest charged by village moneylenders is certainly exorbitant.

Question 3.—Only personal security is given and accepted in the case of borrowing for agricultural purposes.

It is correct to say that the better the title to land the greater the amount of indebtedness.

Petty landlords and tenants are practically on the same level; both are badly indebted.

The amount of debt secured on land mortgage is increasing.

Question 4.—The usual method of enforcing payment of debt from agriculturists is by suit.

Question 5.—The cultivator does not take full advantage of the facilities provided by the Agriculturists Loans Act or the Land Improvement Act because the *patwari* and the other agencies through whom he has to work do not help him rightly, and because he suffers much at the hands of the authorities in realising the *taqavi* and more so on account of the joint liability.

Generally a cultivator borrows more *taqavi* under pressing necessity in abnormal than in ordinary years.

The *patwari's* powers in a matter of advancing *taqavi* should be curtailed, and the joint liability should only be enforced when there is no chance of realising the loan from the original debtor.

Question 6.—The combination together of cultivators to produce particular crops is desirable, but until co-operation is liked by the cultivators themselves it is rather impracticable.

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Question 7.—The present system of agricultural borrowing is certainly defective. The Legislature can cure the defect by prohibiting interest in excess of 24 per cent. per annum, as also by discontinuing the doing of moneylending business by those who do not keep a regular account thereof.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—The crops are brought to the market on bullock-carts mainly by the cultivators themselves, but sometimes by the petty grain dealers.

Question 2.—Money to finance the marketing of crops is obtained from grain merchants. There is a co-operative bank in our district, but it does not assist very much in the marketing of crops, nor do I think that it should.

Question 3.—Ordinarily, the cultivator pays at the following rate to—

the *arhatia*, 3 pies per rupee as *arhat*.

the *dalal*, 4 annas as *dalali*.

the beopari, Gola weight, i.e., in every 5 seers he has to give 3 chattaks of grain extra and 5 seers per cartload as incidental charge, and ¼ seer per maund as *karda* and 4 annas per cart as weighing dues.

There are other incidental charges, for example, *dharmada* (charitable contribution).

Question 4.—The cultivators in the district are extremely poor and have barely any grain to store, but whenever they do, they do so in pits specially meant for the purpose.

There is practically no *grain* market here.—the main market is at Cawnpore

Question 7.—Combination of cultivators to market particular crops may be desirable but it is not practicable.

Part C.—Extent and nature of agricultural indebtedness.

Question 2.—The principal creditors of the agriculturists are professional moneylenders.

The richer agriculturist very rarely lends to the poorer.

About 75 per cent. of the loans are advanced by village moneylenders and the rest by other agencies.

Part D.—Credit facilities in respect of agricultural production and marketing.

Question 1.—Very little share is taken by agencies other than professional moneylenders in providing agricultural credit in respect of crop production.

Credit facilities may be increased by giving *taqavi* loans on a grand scale.

The defect in the existing system of agricultural credit is that very exorbitant rates of interest are charged, and the village moneylenders, taking advantage of the illiteracy of the debtors often taken what is not due from them.

Question 2.—Very little part is played by agencies other than the grain merchant in respect of the marketing of crops.

The existing facilities are not adequate. Government can help much by advancing loans at a low rate of interest.

There are defects in the existing system of agricultural credit. The village moneylenders cause much havoc by charging exorbitant rates of interest and by realising more than their dues. Legislation can help by disallowing the carrying on of the moneylending business without keeping a regular account thereof.

Question 3.—There is no co-ordination among the various credit agencies. There is scope for improvement in this direction.

Question 5.—An estimate of the total amount of capital required for agricultural finance can be made on the basis of revenue. In my opinion double the amount of revenue can do much to alleviate the necessities of the argiculturists in our district.

Part E.—Land mortgage banks.

Questions 1 *and* 2.—Almost all the loans are for a period of over six months, and the period of payment generally extends to a year or two; but loans for longer periods are rarely obtainable except by the *zamindar* on the mortgage of immovable property.

Question 3.—Non-transferability in the case of tenants acts as an impediment to long-term credit and increases the rate of interest.

UNAO COMMERCIAL BANK.

Question 4.—The occupancy right is non-transferable and hence no loans are advanced on its security. The law can help by making the occupancy right transferable.

Question 5.—I think the establishment of a land mortgage bank would solve the problem of long-term advances in this province.

Question 6.—There should be only one such bank.

The land mortgage banks should have a share capital of their own.

The share capital should be available for subscription to the public at large.

If the share capital is not taken up by the public, Government should undertake the obligation of subscribing the balance.

The management of the bank should be in keeping with the system on which the foreign land mortgage banks are run.

The maximum period of the loans advanced by a land mortgage bank should be 20 years, and the margin between the amount of loans and the value of mortgage 25 per cent.

Debentures should carry a Government guarantee.

If debentures are not taken up by the public within a certain time, Government should take up the balance. The Government can have a first charge on the assets of the bank.

Certificates of encumbrances should be issued free of charge; if not, at a rate of one-fourth of the present charge.

The stamp duty and registration charges should be abolished, or a reduction to the extent of one-fourth should be made.

Notification of proposed mortgages would not do, because a mere mortgage cannot vest a proprietary title in the mortgagor, if there is none.

The period of six months allowed under the law in case of foreclosure and sale may be reduced to two months, and the court-fees, both in suit, of sale and foreclosure, should be equalized and at the same time be reduced to half of the present charges.

Provincial land mortgage banks should not be co-ordinated under an all-India central institution.

Question 7.—The value of land can be fixed at twenty times the actual profits of the land.

The value of land per acre differs according to the crop grown on it.

The factors affecting such value are nature of irrigation facilities, the quality of the soil, and the distance of the land from the village sites.

If land is sold by private negotiation it fetches the highest price; if a sale is obtained on a court decree, the price is certainly higher than on a sale obtained by the Government for non-payment of revenue. The cause of difference is that a suitable purchaser, on account of very meagre circulation of the notification of the sale, is not forthcoming.

The proportion of the annual net yield of average quality land to its market value under normal conditions is 5 per cent.

Messrs. DURGA SAH, MOHAN LAL SAH, Bankers, Ranikhet, Almora and Naini Tal and LALA DURGA BISHEN LAL SAH, Bankers, Gonda and Bahraich.

Replies to the questionnaire.

Introductory.

Our two firms are the offshoots of one and the same firm, viz., L. Durga Bishen Lal Sah. Our banking operations are conducted in Ranikhet, Almora, Naini Tal, Gonda and Bahraich. Besides banking we are the Government treasurers of Almora, Gonda and Bahraich districts. Our spare funds are invested generally in landed and house property.

2.—Our work is conducted on modern European lines, *i.e.*, we receive money in current account for which we issue pass books and cheque books on savings bank and fixed deposits. We are, therefore, in daily touch with the Imperial Bank of India and other joint-stock banks. Our position is, therefore, peculiar and does not resemble that of the other indigenous bankers.

3.—We have not attempted to answer all the questions raised in the questionnaire, but have to make the following representations with regard to the questions in which we are interested, either as having to deal with those matters in the course of our daily business or as observers of the difficulties of our clients, and those with whom we come daily in touch.

4.—In the following memorandum mention has been made of the relations between the indigenous bankers and joint-stock banks, and the Imperial Bank of India. We feel it desirable to mention here that the Lucknow branch of the Imperial Bank of India has accorded much better facilities to both of our firms than other banks.

I.—Agricultural credit and credit facilities.

Part D.—Credit facilities in respect of agricultural production and marketing.

Question 1.—In the districts of Gonda and Bahraich the agriculturist is a tenant of either *zamindars* or *taluqdars*. They receive lands from them on rent. The Government advances *taqavi* only at the time of distress. The Imperial Bank of India has no branch in any of these districts except at Naini Tal, and no facilities are available from this institution there. Moreover, the bank does not advance money to agriculturists. Professional moneylenders are mostly Brahmans, Thakurs, Kalwars and persons of other castes, *e.g.*, mostly Kurmis and Ahirs help the cultivators at various times of the year when they are in need. There is no class of village *mahajans* as found in the western districts of the province. The co-operative societies also advance money where they exist. Other indigenous bankers and grain dealers do not advance money to this class of people as they have no credit. The land belongs to the landlord and a tenant as such has no right over the land except a half-tenure and that, too, for his personal cultivation. The other property which they have is mostly agricultural implements which cannot be attached and sold when a tenant fails to repay the debt. This property is not worth much. Some *zamindars* also advance money to their tenants at a very high rate of interest and that only when he is satisfied that the tenant is under his thumb.

In the districts of Almora and Naini Tal conditions differ in the hilly portions and in the Bhabar and Tarai. In the former the agriculturist does not generally borrow for purposes of production. The little he borrows he does from prosperous agriculturists who are village moneylenders and sometimes shop-keepers as well.

In the Bhabar and Tarai the agriculturist borrows from Padhans, Banjaras and dealers in grain. In Ramnagar and Kashipur tahsils the dealers in grain advance money direct to the agriculturist, while in other areas they advance to Banjaras and other financiers of agriculturists. There are about one hundred and fifty co-operative primary societies but their operations are restricted mostly in areas occupied by Tharus and Boksas.

Taqavi is distributed in the Tarai in normal as well as abnormal years but it is not availed of except when other agencies fail to give credit. In the hills it is distributed only in abnormal years but people have not a keen desire to borrow it.

Credit facilities appear to be adequate, but they are everywhere costly except in hilly portions where the rate of interest is 12½ per cent. The tenantry being very poor always live from hand to mouth. We think that if co-operative societies are better organised and extended they will help much to meet the demands of poor agriculturists.

The following defects are noticeable in connection with the present system of agricultural finance:—

(i) Where the *zamindar* or the Padhan (as in the Tarai) is the financier of agriculturists, he has a supreme hand over the tenants, and generally takes *begar* and charges high rates of interest ranging from 25 to 50 per cent.

(ii) In addition to interest the agriculturist has to give part of his produce as well as has to sell grain at a lower rate than the market one, *e.g.*, in Gonda and Bahraich the system of *oop* prevails under which an agriculturist has to give about 4 seers of maize corn or 1½ seers of linseed for every rupee borrowed in addition to interest which is remitted for one month only; for other months he has to pay Re. 0-0-6 per month per rupee as interest. In Tarai portions of the Naini Tal district the cultivator has to sell grain at a rate ¼ seer lower than the market rates. In Haldwani tahsil the Banjaras weigh grain by means of a wooden vessel called *nali* which has a capacity of 2¼ seers but the thus measured is calculated at 2 seers. In some parts they carry their own weights which are 18 chhataks to a seer, and the law is not able to check them.

(iii) Very few co-operative societies have been introduced so that the tenants cannot take full advantage of them, and the tenantry being illiterate does not understand the benefits of the system. The co-operative societies do not assist the cultivator in disposing off their produce.

(iv) There is no co-ordination between the financiers of agriculturists and the various credit agencies in the country so that in the case of necessity the persons engaged in providing credit have to fall back upon their brother moneylenders who charge them high rates of interest. The chain between the various credit agencies does not exist in some parts, and where it does exist it is irregular and incomplete.

We have to make the following suggestions with a view to remove the above mentioned defects :—

(i) Increase of co-operative banks to advance to cultivators at a cheap rate of interest.

(ii) Extension of education among the cultivators.

(iii) Extension of licensed warehouse system with a view to enabling the cultivator or a grain dealer to get credit on the security of his crops.

(iv) Making the general price of money cheap by co-ordination between various credit agencies extending from the currency controlling authorities down to the present financiers of agriculturists.

Question 2.—No part is played by the financiers of agriculturists in marketing the produce of the cultivators in Gonda and Bahraich districts and in the hilly portions of Naini Tal and Almora districts, but in Tarai portions of the Naini Tal district the Banjaras and grain dealers move the crops from the village to the *mandi*.

In Gonda and Bahraich districts grain is brought from a village to *mandi* by cartmen, who have mostly their own capital and sell at a little profit to the grain merchants. Sometimes they take the grain at credit from the agriculturists, whom they pay off on their next visit to the village. They have to pay the following charges at the *mandi*—1 seer per bag *dhalta* (or shortage), 10 seers per cartload for expenses of the *mandi* (of which 2 seers goes to the *taluqdar* to whom the *mandi* belongs, 2½ seers to the

weighman and the rest to the grain dealer), 2 seers per cartload to *pallaaars* or coolies, 2 seers per cartload for charitable purposes, *e.g.*, *gaushala*, two *patshalas* and *aushadhalaya* (dispensary), and annas 4 per cartload "*phut*" or a charge for paying in cash.

The grain merchants store the grain and when they have accumulated enough grain they send it off to their principals or agents at Cawnpore or Calcutta as the case may be. They generally receive demands from their principals at Calcutta or Cawnpore and from other exporting firms and mills from whom they charge commission at rates varying from As. 8 to Re. 1 per cent. Two systems of purchase by exporting firms and mills are in vogue in the *mandis* of Gonda and Bahraich districts. The first system is to purchase at the *mandi* direct from the cartman, but through an *arhtiya* or grain dealer. The purchaser gets all the deductions allowed by the seller after payment of various market dues, *e.g.*, dues paid to the *zamindar*, coolies, weighmen and charity. In addition to these the purchaser has to pay *arhat* at the rates mentioned above. The second system is to make a direct purchase from the grain dealer at the prevailing *mahajani* rate which is about ¼ seer lower than the rate at which the grain is purchased from the cartmen, *e.g.*, if the rate at which grain is purchased from the cartmen on a particular day is 8 seers, the *mahajani* rate will be 8¼ seers, but in this case no deductions are allowed except ¼ seer per bag for *dhalta*. The grain dealers save about As. 4 to As. 5 profit per cartload in this manner, in addition to any profit which may accrue due to fluctuations of market rate. They also charge *arhat* according to the above mentioned rates. This system is more popular than the preceding one. The grain dealers use their own capital and when they are in need arrange credit from their *arhti* or principals in big centres at Cawnpore and Calcutta, on whom they issue *hundis*.

In the hills *ponywallas* (who transport grain from villages to the market) are financed by grain dealers to a very limited extent. They are also financed by them in the Bhabar and Tarai and practically wholly in Ramnagar tahsil. In other tahsils in the Bhabar and Tarai the Banjaras finance the agriculturists. The grain dealers in towns are financed by town moneylenders and to small extent by joint-stock banks in Naini Tal town, and by the Allahabad Bank, Ltd., Moradabad branch at Kashipur, against the security of crops. Potato and fruit are the only crops of the hills which are exported outside the district and trade in them is carried on by the V. P. P. system.

As regards foreign import trade, the retailers order them from their agents or *arhtis* at Calcutta, Bombay, Karachi, Delhi and Cawnpore. This *arhti* allows the retail traders an advance and charges interest which ranges between 7½ to 9 per cent. Small cloth retailers in Naini Tal and Almora districts order goods from Kashipur cloth merchants, and they too finance them to some extent.

The existing credit facilities in respect of marketing of crops are adequate, but the introduction of the licensed warehouse system will make it easy for those who stock grain in the hope of a rise in process to obtain more credit and for a longer period in order to enable them to hold over their stock of grain which at present they have to sell rather early.

(*c*) The defects in the present system of agricultural credit for marketing are that the cultivator is heavily indebted and thus has to sell grain at cheap rates. Most of his produce is sold for payment of his debts or rents or taken over by his creditors so that he has very little left to take to the market. He does not directly go to the market where he never feels at home, and therefore has to pay a number of middlemen's charges and consequently he does not realise the full price of his produce. He cannot afford to wait till the prices are established and does not know the prevailing rate at the market. In our opinion if co-operative societies were to assist the cultivator in making combinations for marketing their produce, the cultivators would be able to realize the full value of their produce. The societies could lend to cultivators some money to meet their current expenses before the produce is sold at market. Further, the making of money cheap by co-ordination as suggested above will enable the cultivator to sell grain at better prices, by making the rates more uniform at different times of the year.

Question 3.—There is very little co-ordination between the various credit agencies, *i.e.*, the village moneylenders or *zamindars* who advance money to agriculturists do not receive any help from other banks or bankers. The grain merchants who export grain to Calcutta or Cawnpore receive financial assistance from their principals. Banjaras and Padhans receive some financial assistance from the grain dealers of towns in Naini Tal district, and the Allahabad Bank, Ltd., Moradabad, lends to grain dealers at Kashipur against the security of grain.

MESSRS. DURGA SAH, MOHAN LAL SAH AND LALA DURGA BISHEN LAL SAH,

Better co-ordination will be arrived at—

(i) by introduction of the warehouse system by which a purchaser of grain will be able to obtain credit at cheap rates;

(ii) by linking the present financiers of agriculturists and grain dealers with the indigenous bankers, the Imperial or the joint-stock banks and through them with the currency controlling authorities. At present the chain is irregular and incomplete. What is required is that the chain between the currency controlling authorities and the agriculturists should be complete and this will reduce the general price of money.

Part E.—Land mortgage banks.

Question 1.—In Gonda and Bahraich the undermentioned facilities exist for obtaining long-term credit, for :—

(*a*) ***Landlords.*** There are big *talugdars* in these districts and a few *zamindars* (big and small). Most of the *taluqdaris* are under the Court of Wards which arranges funds to meet the demands upon an estate under it from other Court of Wards. The landlords receive financial assistance from various agencies. They generally receive money in loans on bonds or mortgages of their property. The lenders usually do not press for payment so long as they see that the property can yield the amount of accrued interest and principal in full.

(*b*) *Tenants of various kinds.* These receive small amounts on bonds, generally repayable within a year. As the tenantry is poor and carries no security for the loan, the moneylender realises the amount as soon as the term expires.

In the hilly tracts of Naini Tal and Almora districts the majority of landowners consists of peasant proprietors and they can obtain loans for long periods on the mortgage of their holdings. *Khaikars* or occupancy tenants and tenants-at-will cannot obtain long-term credit as their holdings are non-transferable.

In the Bhabar and Tarai the majority of land belongs to the Government who lets villages to Padhans. These Padhans cannot obtain long-term credit on account of the non-transferability of their tenure. There are, however, a few settled villages the owners of which can obtain long-term credit on the mortgage of the villages.

Question 2.—Long-period loans are available on mortgage of landed and house property only.

There are no difficulties in obtaining a loan on mortgage of property, as the lender has a chance to acquire the property mortgaged at one-third to two-thirds the price of land. The rates of interest are not high ranging from 6 to 12 per cent., but the real difficulty of the borrower is that money is borrowed to pay off small debts incurred in extravagances. The borrower never cares and is never able to pay off the principal or even the interest. The result is that the land passes to the creditor. There is no system of payments by instalments as the lender desires the debts to accumulate in order that the borrower might never be in a position to redeem it.

Question 3.—As the tenants have no transferable title to the land they cannot obtain long-term loans.

Question 4.—In the Gonda and Bahraich districts there are a few holders of *haq adna* rights and their holdings can be transferred, but their number is very limited. In the case of others occupancy rights do not serve as an adequate security for long-term or even short-term loans.

Occupancy rights under the Kumaun land tenure are only heritable but not transferable, and as such all transfers of occupancy holdings are under the law void *ab initio*. A *khaikar* cannot get long-term or even short-term loans.

In our opinion *khaikari* land in Kumaun may be made transferable where a debt is contracted for permanent improvement to land and is borrowed from a land mortgage bank established under the law, but the *hissedar* or landholder may be given first right of pre-emption. In the Bhabar and Tarai the Padhans may be given the status of *khaikars* of the hills with transferable rights as suggested in the case of hill areas, but care must be taken to see that the land they hold does not pass to the moneylenders

At present the condition is that they cannot obtain long-period loans, but with the conversion of their holdings into transferable ones the danger will be that they will borrow for unproductive purposes—generally to meet their extravagances—and their land will pass on to their creditors.

Question 5.—There is a great demand of such a land mortgage bank in the Gonda and Bahraich districts. Money is badly required by the *zamindars* to pay off their existing debts which they have contracted on account of their extravagant habits, but in our opinion a land mortgage bank will not improve the condition of the tenants so long as their holdings are not made transferable. It is further necessary that the landlords should learn the habits of thrift and economy.

In the hills there are very few big *zamindars*. These few require money to pay off their debts which they have contracted on account of their extravagances. Tea and orchard planters will require money for improvements to their land or for purchase of plant. These few persons may be advaced from a land mortgage bank if established at a closer district like Bareilly or Moradabad. Padhans in the Tarai and Bhabar are mostly tenants of the Government. The owners of a very few settled villages can be accommodated by the abovementioned land mortgage bank. If, on the other hand, tenancy rules are changed as suggested above we think that it will be necessary to have a land mortgage bank for the two districts which will be of great assistance to the agriculturists.

Question 6.—A land mortgage bank if established should be run on the following lines :—

We would recommend the establishment of two banks— one for big land-owners and the other for tenants and small landowners—at places where there would be sufficient scope for two banks. An agriculturist would find it difficult to obtain long-term loans from the bank as the big landlords will always derive the benefit of the system and deprive the smaller agriculturists. In Gonda and Bahraich districts there are very few small landowners. Whilst in Almora and Naini Tal districts there are very few big landowners. Separate banks for small agriculturists and small landowners and for big landlords would not, therefore, be suitable in these four districts, as there would not be scope for such separate banks. A fixed percentage of the working capital in Gonda and Bahraich districts should be reserved for loans to smaller landowners and tenants on the bank might have two departments—one confining its business to smller landholders and tenants and the other to landlords.

Where two banks are established the working connection between the two must be such that one bank might be able to utilize the spare funds of the other for short periods. The two banks must be interdependent and a limit should be fixed for the nature of transactions carried out by them. The transactions of the one should begin where those of the other end. This will save unnecessary competition and will also save trouble to borrowers.

The land mortgage banks should have their own share capital. Government should guarantee a minimum dividend for a certain period. The amount of share capital should depend upon the needs of a locality.

The share capital should be available to every person who cares to subscribe, with preference to agriculturists.

Government should undertake the obligation of subscribing the balance of unsold shares, but such shares should be sold before other shares are allowed to be transferred.

The management should be in the hands of officers trained by the Government which should exercise a general supervision over the working of the banks. The directors should be elected by those share-holders only who belong to the agricultural classes either as landlords or tenants, but a minimum representation should be secured for the tenantry and smaller landholders in cases of a joint bank. Two experts, one in banking and the other a local experienced man, should be nominated by the Government to the Board of Dirctors. Audit and general supervision should be exercised by a special officer apopinted for the purpose. The shareholders should have a right to vote on the following scale:—

Holders of	1 to 5	shares	..	..	1 vote.
,,	6 to 21	,,	..	..	2 votes.
,,	21 to 100	,,	..	..	3 ,,
,,	above 101	,,	..	..	4 ,,

The maximum period for which loans are allowed by the land mortgage banks should not exceed 25 years in the case of *zamindars* and 30 to 35 years for tenants as the resources of the latter are few as compared to those of the former. A margin of

40 per cent. between the value of the land and the amount of the loans will be suitable. Payment by annual or half-yearly instalments should be insisted upon by the land mortgage banks.

The working capital of the land mortgage banks should consist of (i) share capital, (ii) debentures on which interest at 1 per cent. above the Imperial Bank of India fixed deposit rate may be allowed, and (iii) in case of necessity funds may be borrowed from a central provincial and land mortgage bank. Such loans must be repaid within a fixed period.

Government should guarantee both interest and principal of these debentures. We think that people will not take up the debentures unless they are granted by Government.

Government should take up all unsold debentures, but such debentures must be sold before other debentures are allowed to be transferred.

Th debentures should rank as trustee securities as with Government guarantee they will be as good as government securities, and they should be classed as those securities in which the Imperial Bank of India and the currency authorities can invest their spare funds.

The Government should safeguard itself against loss by getting the accounts of the land mortgage banks checked and audited and by exercise of general supervision. All mortgages should be assigned to Government as trustee for debenture holders. They should also check the valuation of all properties to be mortgage.

The following special arrangements in favour of land mortgage banks are suggested :—

(i) Free issue of certificates of encumbrances by Registration offices. In case it is objected to, they may be issued free at least for 12 years from the date of its establishment and after that at a nominal charge.

(ii) Abolition of stamp duty, registration charges and court-fees for the first five years and after that reduction of these charges in case the total abolition is not favoured.

(iii) Notification of the proposed mortgage by publication in local papers will help to avoid counter-claims and disputes, but this will not be liked by the borrowers as being derogatory to their respect.

(iv) With a view to simplifying the process of foreclosure and sale in the event of non-payment it is suggested that the bank should lend only on the following methods :—

(*a*) English mortgage;

(*b*) usufructuary mortgage, or

(*c*) mortgage by conditional sale,

but the property should be leased out to the borrower on condition of paying a certain sum towards capital and interest. On failure to pay instalments for three consecutive years the bank will take possession of the property leasing it out to any other party or managing it in any other way it thinks desirable. The nett amount recovered in this way will be credited to the payment of interest and capital which, when paid in full, the land will be returned to the borrower. This will make it possible for the bank to foreclose without having recourse to regular law suits in civil courts where much difficulty and delay is experienced and costs of litigation are heavy, and it will not be necessary to disturb the existing law.

(v) The bank should have powers of foreclosure, sale and to manage defaulting estates in the event of non-payment of instalments without having recourse to a court of law as is done in the case of arbitration proceedings in co-operative societies, but this provision will not be used to a great extent if the bank advances on the methods suggested above and the instalments are made easy.

The provinicial land mortgage banks should be co-ordinated under an all-India institution, but this institution should be only an association of experts and directors to guide and help the working of the land mortgage banks and not a bank. Its meetings should be presided over by the Finance Member of the Government of India and attended by directors of land mortgage banks, government officials controlling the land mortgage banks, and representatives of the proposed Reserve Bank or the currency controlling authority, and the Imperial Bank of India. The chief functions of the institution should

be to devise measures for co-ordination between the various land mortgage banks and to discuss the difficulties of each other.

Question 7.—In the Naini Tal and Almora districts value of land is calculated on the basis of a percentage of the revenue paid. Value of land does not differ according to the crops sown, but lands which are irrigated fetch more value than unirrigated ones, and the land occupied by *khaikars* (occupany tenants) fetches very little price. The value in the hills depends more on the area available for sale and prospective purchasers rather than on the productivity of the soil.

There is a big difference in the price obtained by private negotiations and that obtained by sale in auction. But if proper publicity is given and the land is sold near the spot, it would fetch more price in an auction sale than it does in a sale by private negotiation.

In the Gonda and Bahraich districts Government values land at 20 times the land revenue but the prices are much higher. The public calculates price at a certain percentage of the profits.

There are three kinds of land in these districts—

(i) *Goind*—This land is considered to be the most valuable as it is close to the village *abadi* and therefore can be watched properly and with less expense and being very close to the *abadi* is well manured.

(ii) *Manjhar*—is the land which yields valuable crops and is in low land.

(iii) *Palo*—is the land where only one crop is reaped. The main cause is that the land being on a higher level cannot be irrigated. Most of the *palo* land in these districts is in Balrampur and Nanpara estates.

The productive power of the land is the main factor in the variation in prices of land.

There are differences in prices obtained in a sale on a court decree and those by private negotiation. It is mainly due to the people of the locality not knowing what land is to be auctioned and also to paucity of bidders, the sale being held at headquarters. The publicity of notices of sale is not very wide. If sold in small lots it would fetch more price. In private negotiation better prices are obtained. The purchaser being from the locality and well acquainted with the land or the land being very close to his own, offers better prices than a stranger would do.

One *kachcha* bigha of *goind* land yielding about four maunds of wheat (market price Rs. 20) would fetch up to Rs. 150 near Gonda, Balrampur and Bahraich towns, and up to Rs. 100 in the interior. One *kachcha* bigha of *manjhar* land yielding three maunds of wheat (market price Rs. 15) would fetch up to Rs. 75. One *kachcha* bigha of *palo* land yielding 2 maunds of wheat (market price Rs. 10) would fetch up to Rs. 40.

It should be noted in this connection that all land around towns is classed as *goind*.

Part J.—Internal remittance and negotiable instruments.

Question 1.—In all the four districts the banking firms cash outstation cheques for their customers and issue drafts on their correspondent banks at important trade centres. Grain dealers hold *hundis* which they receive from persons to whom they sell goods, and they issue *hundis* on their *arhatis* and principals at important trade centres like Calcutta, Cawnpore, Delhi and Bombay. These *hundis* are sold in the open market and purchased by importers of goods who require funds to be despatched to important trade centres mentioned above. They are sold and purchased at rates varying from 0-1-6 per cent. premium to As. 4 per cent. discount in Gonda and Bahraich districts, and As. 2 per cent. discount to As. 1 per cent. premium, which is very seldom, in Haldwani, Ramnagar and Kashipur in Naini Tal districts.

It is said that the joint-stock banks can get their funds transferred through the Imperial Bank of India at As. 5 per thousand, but this facility is not extended to indigenous bankers who have to pay the ordinary rates for issue of supply bills.

Supply bills are issued by treasuries and their operations are mentioned below.

Telegraphic transfers are made by the Imperial Bank of India, joint-stock banks and by the treasuries. A charge of Rs. 2 is made for telegraphic charges above the ordinary charges.

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The defects in the present system are—

(i) The paying banks generally return cheques and drafts endorsed in vernacular with the remark that the endorsement requires guarantee from a person well-known to the bank or identification by a first class magistrate, the result of which is that the holder has to sell drafts to another trader or banker, who has an account with a joint-stock bank, at a discount.

(ii) Difficulties in obtaining supply bills as stated in connection with the questions on supply bills.

(iii) Bankers like our firms have no facilities in drawing bills as the banks with whom they deal in big centres insist on their having a credit balance up to the full extent of their drawings. Even a small overdraft is not allowed, and their bills are returned with the remark "No funds." These remarks degrade the indigenous bankers in the eyes of their clients. These facilities are allowed by the correspondent indigenous bankers at big trade centres, but it is not very convenient to deal with them by those who carry on their business in modern style.

(*iv*) The joint-stock banks when asked by bankers at mufassil stations to remit their funds by Government currency notes usually charge a commission extending up to As. 4 per cent. plus postage.

(v) The rates for supply bills are not preferential to bankers.

The following suggestions are made for improving the present system :—

(i) Vernacular endorsements should be more freely accepted by banks and the treasury.

(ii) Better co-ordination between joint-stock banks and indigenous bankers by which bankers might be allowed overdrafts for short periods at a low rate of interest; and arrangements for mutual collection of cheques and carrying on other agency business of each other free of charge should be introduced.

(iii) Supply bills should be issued free to approved bankers with other facilities mentioned in question 3 below in order to assist them in remitting money wherever required.

Question 2.—In the hill areas of the Almora and Naini Tal districts negotiable instruments play very little part in internal trade, but in the plains areas of all the four districts their use extends up to 30 to 50 per cent. of the total amount of internal trade.

Question 3.—Supply bills are not availed of by the public to a large extent. Practically very few use supply bills. The reasons are—

(i) They are issued on the Imperial Bank of India or on treasuries where vernacular endorsements are not easily accepted, and the holder has to pay heavily to the identifiers.

(i.) They are not issued on any other place except Bombay, Calcutta, Cawnpore, Lahore, Karachi, Rangoon and Madras, where currency offices exist, without the sanction of the Deputy Controller of Currency. Their rates are rather high and people find it profitable to send halves of Government currency notes.

(iii) They are not issued by tahsil sub-treasuries.

(iv) The bankers who can make great use of supply bills are not given any preferential treatment.

The following modifications in the present rules are suggested with a view to increase their utility :—

(*a*) They should be freely issued on all district treasuries and sub-treasuries where there are sub-currency chests and on places where the Imperial Bank of India has a branch. A possible argument against this might be that these restrictions are placed with a view to avoid having to meet an unforeseen demand at a place where the Government might not have sufficient funds, but this can be met by limiting the amount up to which a bill can be drawn on different places.

(*b*) They should be issued at a much cheaper rate than the present one. The rates given in Mr. B. T. Thakur's book on Indian Banking will do for the present.

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(c) They should be issued to recognised bankers free of charge with a view to help them.

Question 4.—The duty on sight bills has been abolished altogether, but if it is abolished or reduced on usance bills their use will certainly increase, as the drawer feels having to pay As. 1-6 per cent. on bills which are usually drawn for 2 months only but not to a great extent. The experience taught by the abolition of stamp duty on cheques is use of more cheque forms by those who had current accounts, thus increasing the profitless work of banks, but not the opening of many new accounts. At present self-liquidating bills are not used to a great extent because the banks lend on other forms of instruments, *e.g.*, pronotes, cash credit, custody of grain, gold, etc. But if proper facilities are afforded to all banks and bankers for rediscounting of their self-liquidating bills they will insist on advancing on those bills alone, and then and then alone their use will extend. The facilities given by the currency authorities to the Imperial Bank of India for advancing on the security of trade bills are not felt in these remote parts of the country.

Question 5.—Bills and cheques if handed over to the post office for collection will mean a great delay to the public in receiving money as the post office will not pay them before collection. The post office being a government department its staff would often be transferred from one place to another and new clerks will raise much difficulty in identification, and this will mean identification by some respectable man of the locality. On the other hand, a banker or a bank knows the status of a bill owner and discounts the cheques or bills promptly. Further, if indigenous bankers are to be consolidated this work could safely be conducted by them. Issue of letters of credit for travellers can very conveniently to introduced through the post office. The reduction in money-order charges, we hope, will facilitate small remitters in the interior of the district where no banking facility can be had.

Question 6.—In the hill areas of Naini Tal and Almora districts *hundis* of any class are not current. In the plains areas of all the four districts *darshani* (sight) *hundis* and a few *muddati hundis* only are current. (Sample enclosed).*

At present *hundis* are governed by local usages which have to be proved in court. Some of the important and useful local usages may be incorporated in the Negotiable Instruments Act and other usages may be abolished with a view to bringing the law into uniformity. The period during which a *hundi* can be held over can be standardised and a heavy penalty can be fixed for non-payment. There are some local usages on this point but the law can be made uniform. In case a suit has to be filed on the basis of a *hundi*, interest of only 6 per cent. is allowed by the courts although the market rate is higher. The courts should allow interest at market rates.

Darshani hundis in these districts are sold easily and sent to the place on which they are drawn.

In the Tarai areas of the Naini Tal district *darshani hundis* are discounted locally as there is sufficient demand for them by cloth dealers, but in Gonda and Bahraich districts there is always a surplus of *darshani hundis* and they are sent to Cawnpore for collection or rediscount where they are issued on other centres.

Question 7.—It is possible during the process of marketing to borrow money on railway receipts, *e.g.*, the exporting firms make an advance against railway receipts where the consignor is well known to them and the consignor and the consignee are the same person. They also insist on having a "clear" railway receipt with railway risk.

The following difficulties are experienced in using these instruments :—

(i) Fraud and forgery.—Certain cases have been noticed where railway receipts are forged and the quality of grain is not the same as said by the consignor.

(ii) The railway authorities do not guarantee the quantity. They insist on delivering sound bags even if they turn out to be less in weight.

(iii) The description given in railway receipts is vague, e.g., words used are "said to contain."

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* Not printed.

MESSRS DURGA SAH, MOHAN LAL SAH AND LALA DURGA BISHEN LAL SAH.

The following suggestions are made to remove these difficulties :—

(i) The railway authorities should undertake to deliver the full quantity consigned irrespective of whether bags are sound or not.

(ii) "Clear" railway receipts should be issued by railway authorities.

(iii) Description of goods despatched should be accurate, and should contain full information.

II.—Indigenous banking.

A.—*Organisation of indigenous banking.*

Question 1.—We are aware of the following classes of indigenous bankers :—

(i) Three banking firms doing business in modern lines, *e.g.*, receiving money in current, savings bank and fixed deposit accounts, issuing cheque books and pass books. One of the firms in Almora district combines other business with banking while others do not do so.

(ii) Town moneylenders, who do not receive deposits but lend their spare money. They combine banking with cloth shop, hardware, grain shop, contract, etc. Banking is their subsidiary business.

(iii) *Arhtis* and grain dealers who do commission agency work and deal in cloth and grain. They finance retail dealers whom they supply commodities from their own shops or for whom they purchase commodities at the market. Banking is their subsidiary business and is conducted solely as a feeder to their main business but they are important financiers of internal trade.

(iv) Prosperous agriculturists who also do not receive deposits but lend their own money to agriculturists. Banking is not their principal business.

(v) Pensioners : these lend their savings on pronotes, bonds and mortgages.

(vi) In addition to these there are in Gonda and Bahraich districts a few lessees of Balrampur and other estates who advance money to *zamindars* on mortgages. Their principal business is taking contracts of villages from big estates.

(vii) In the Tarai areas of Naini Tal district Banjaras, Padhans and moneylenders from Champhawat tahsil in Almora district lend to agriculturists on bonds and pronotes. They recover the amount lent when the crops are ready.

Question 2.—Indigenous bankers have and are always financing industry, trade and agriculture by lending money, cashing drafts on other stations and by issuing drafts on other stations. Industry is financed by banking firms, and town moneylenders, who advance to contractors and others on pronotes, *e.g.*, timber contractors, for purposes of their contracts. Trade is financed by banking firms and *arhtis* who advance goods to retail dealers or advance money to the agriculturists and others, *e.g.*, Banjaras and cartmen who move crops from villages to the market. *Arhtis* replenish their funds from their brother *arhtis* in big trade centres and other indigenous bankers. Prosperous agriculturists and Banjaras and Padhans finance agriculture by advancing to farmers when they are in need.

Question 3.—As *muddati* (usance) *hundis* are not current in any of the four districts except to a very small extent in Bahraich town, financial houses who deal solely in the provision of credit facilities by purchase and sale of *hundis* and other bills of exchange never came into existence. Our firms are dealing solely in money but we are small banks rather than bill brokers.

Question 5.—One banking firm (Messrs. Durga Sah, Mohan Lal Sah) keeps accounts in Vernacular and English on the modern system. Other banking firms in these districts keep accounts in Devanagri characters with double entry system in *bahikhatas* with modern methods of issuing cheque books and pass books. Others except *arhtis*, some town moneylenders and some pensioners keep no accounts. The books kept are one *rokar bahi* (day book) and one *khata* (personal ledger).

B.—*Raising of funds by indigenous bankers.*

Question 1.—*Muddati* (usance) *hundis* are not current in all the four districts except in Bahraich town. Banking firms receive deposits on current, savings bank and fixed deposit accounts, and use pass books and fixed deposit receipts. Others raise funds on *bahikhatas* and pronotes.

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Samples of pronotes, fixed deposit receipts, pass books and *hundis* are attached.*

Question 2.—It is very difficult for banking firms to raise funds when they are in need. The Imperial Bank of India and joint-stock banks very seldom come to their rescue and the little that is advanced to them is on first class security. The managers have very little discretion and have to rely on their head offices for instructions. Other classes borrow among themselves or from other indigenous bankers and to some limited extent from joint-stock banks.

There is no special facility given to indigenous bankers by the Imperial Bank of India or joint-stock banks at the time of their demand. The banks demand gilt-edged security which many of the indigenous bankers cannot offer although they are men of substance and property.

The following are the defects in the present system of obtaining finances by indigenous bankers :—

(i) Whereas the joint-stock banks and the Imperial Bank of India are continuously drawing away money deposited with the indigenous bankers they do not come to their assistance when they are in need.

(ii) Undue competition by the Imperial Bank of India and the joint-stock bank, and the attractive rates on post office cash certificates and government loans are drawing away large funds from indigenous bankers. This has raised the general price of money.

(iii) Self-liquidating bills which are re-discounted with other banks are not current in these parts.

(iv) The Imperial Bank of India which was opened as a bankers' bank has proved of no help to the indigenous bankers whom it treats just like its ordinary customers.

The following improvements are suggested with a view to increasing the resources of the indigenous bankers :—

(i) The position of the indigenous bankers should be recognized.

(ii) The indigenous bankers should be entrusted with agencies of the Imperial Bank of India or the proposed Reserve Bank of India, and should work these agencies as commission agents.

(iii) The Imperial Bank of India should accommodate the indigenous bankers up to a fixed limit which should be determined by mutual consultation. A list of indigenous bankers and the amount up to which they can be allowed credit should be maintained at all the branches of the Imperial Bank of India.

(iv) Where indigenous bankers require an advance for bigger amounts than can safely be allowed on personal security, facilities for allowing overdraft on equitable mortgage should be accorded. This will require change in the existing law as the equitable mortgage is not recognised by law beyond the port town. This will avoid getting the mortgage deed registered which the indigenous bankers do not like, as they insist on secrecy of their position. But an equitable mortgage should not be allowed for others than indigenous bankers.

(v) The Imperial Bank of India should advance only to or rediscount only those *hundis* that pass through indigenous or joint-stock banks.

(vi) For the present the Imperial Bank of India should not open any more branches.

(vii) Rates of interest in the case of indigenous bankers should be reduced.

(viii) Facilities for rediscounting *hundis* should be enhanced. At present as there are very few facilities for rediscounting of *hundis* they are not current. The general system of trade advances is by means of the *bahikhata* system or by pronotes. Where the Imperial Bank of India or joint-stock banks rediscount *hundis*, most of the bills current are accommodation bills. We, therefore, suggest that the Imperial Bank of India or the proposed Reserve Bank should make advances to the indigenous bankers against the security of pronotes or other instruments held by them.

(ix) The Government should abandon its present policy of allowing high rates of interest on its borrowings, and should discontinue post office cash certificates.

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* Not printed.

MESSRS DURGA SAH, MOHAN LAL SAH AND LALA DURGA BISHEN LAL SAH.

These means will increase the resources of the indigenous bankers who will be in a position to provide more credit facilities to the general public and reduce the general price of money.

Question 3.—The banking firms receive money in—

(*a*) Current accounts in which no interest is allowed.

(*b*) Fixed deposit accounts in which interest from 3 to 6 per cent. is allowed.

(*c*) Savings bank account in which 3 to 3½ per cent. is allowed.

A few trader-bankers receive deposits in current account on which they allow an interest of 6 per cent. per annum, but as they hold no property or little status in the locality the amount of such deposits is very small.

C.—*Advances by indigenous bankers.*

Question 1.—The banking firms advance money on demand and time pronotes and bonds for a period not exceeding one year at 9 to 12 per cent. per annum. In these cases personal security, is accepted. On mortgages of property the period of its repayment is generally 6 months to 3 years and the rate of interest is 7 to 12 per cent. per annum. On pawn of ornaments and pledge of government promissory notes, shares and cash certificates the rate is 9 to 10½ per cent. per annum. Facilities of payment by monthly instalments is allowed to government servants and other earners of monthly salary, but interest is charged on the debit balance of a customer. Further, a rebate in interest is allowed where the debtor pays within the stipulated time to encourage the habit of being punctual in payment which the people seldom have.

Village and town moneylenders advance on personal security on *kist* system, *i.e.*, an instalment of Re. 1 per mensem is realised for 12 months for every Rs. 10 advanced, and on *sawai* system where Rs. 125 are realised at the time the crops are ready for every Rs. 100 advanced, and on *oop* system as described above. Some advance at rates of pies 6 per rupee per mensem. These are the methods in which agriculturists are financed in Gonda and Bahraich districts, but village moneylenders in the hills advance at 12 per cent. per annum to landholders and town moneylenders advance at 9 to 48 per cent. in Almora and Naini Tal districts according to the security, status and need of the borrower. The rate for mortgages is 6 to 18 per cent. The rates are specially very high in the case of forest contractors who have very little security behind their backs but their demands are very pressing.

Grain dealers and *arhtis* advance money generally among themselves on personal security at 7½ to 12 per cent. per annum. They finance the agriculturists in Ramnagar tahsil in Naini Tal district, and Banjaras in the Bhabar and Tarai at rates varying from 12 to 18 per cent. in the case of Banjaras and 18 to 37½ per cent. in the case of agriculturists.

Lessees of Balrampur and other estates advance money for long periods on mortgages only. Their rate of interest ranges from 9 to 25 per cent. per annum.

Banjaras, Padhans and other financiers of agriculturists in the Tarai lend on pronotes and bonds, the rate of interest being 18 to 37½ per cent. in addition to grain.

Question 2.—The village moneylenders and lessees of Balrampur and other estates generally charge from agriculturists *khudai* and *patai*, that is, a charge for digging money from where it is buried which extends from 1 to 3 per cent. in addition to interest which ranges from 25 to 37½ per cent. In the hill areas *ganthkhulai* (or charge for opening the knot of the purse) extending up to 6¼ per cent. is made, but where money is paid within 3 months and the *ganthkhulai* is more than 3 per cent. no interest is charged. Interest in the case of peasant proprietors in the hills is 12 per cent.

For loans in kind a system of payment of 1¼, 1½ times or double the quantity borrowed prevails in different parts, but generally 1½ times the quantity borrowed is paid in Gonda and Bahraich districts and 1¼ and 1½ times the quantity borrowed is paid in Almora and Naini Tal districts.

The present rates of interest can be reduced by extensive operation of co-operative societies, or by making the general price of money cheap by linking the financiers of agriculturists with the indigenous bankers and through them with the currency controlling authorities.

We think that in the hills such reduction will benefit the agricultural community as they are sufficiently intelligent and, further, as they are landholders the benefit will not be misused. The real difficulty in giving a proper answer to this question is that in the

hills most of the debt is to their expensive habits, and increase of credit facilities and reduction of interest will be an incentive to borrow more and in the end their land will pass to moneylenders. But this will certainly benefit thrifty persons who are engaged in increasing their holdings by extension of cultivation or by acquisition of property. It will not be possible to reduce the rates of interest in the case of tenants whether in the hills or in the plains as they have no title to land and cannot offer adequate security. We consider that extension of co-operative movement on sound lines can alone benefit this class of agriculturists. Or, if village moneylenders are licensed to whom facility for recovery of debts is given and the licence restricts the rate of interest, they can get some benefit.

D.—*Exchange and money market.*

Question 1.—There is no regular exchange and money market in these districts, but *hundis* and cheques are cashed by the banking firms who issue drafts as well. *Hundis* are freely sold in trading towns like Ramnagar, Kashipur and Haldwani in Naini Tal district, and at the principal markets in Gonda and Bahraich districts which number more than half a dozen. The firms have current accounts at important trade centres, but they do not obtain any financial assistance from those places. Importers of different commodities and grain dealers are connected with *arhtis* in those centres and they get financial assistance from those persons or firms. These dealers are allowed or charged interest according to the prevailing rate of interest in those places.

Question 2.—There are no *dalals* except in Kashipur market. Purchase and sale of *hundis* is carried on there through them. They receive Rs. 0-0-3 per cent. from the buyer as well as the seller.

Question 3.—*Hundis* for internal remittances are sold and bought at rates varying from anna one pies six per cent. premium to annas four per cent. discount in Gonda and Bahraich districts, and annas two per cent. discount to anna one per cent. premium, which is very seldom at Haldwani, Ramnagar and Kashipur in Naini Tal district.

(*ii*) *Hundis* for obtaining credit or usance bills are not current in these four districts.

Rates are fixed with banking firms, but vary in the market according to demand and supply of *hundis*.

During winter and a few months of summer grain is purchased by grain dealers and sent to principal markets. During this period *hundis* are sold at a discount, but during rainy season no grain comes to the mandi, so the grain dealers have surplus funds with them which, together with the money borrowed from their principals, they send to important trade centres. During this time *hundis* are sold at a premium.

Question 4.—In these districts money markets are not influenced by any associations, but are influenced by usages prevailing at Cawnpore, Delhi and Bombay.

Question 5.—We are aware of the following important trade usages :—

(*a*) In case a *hundi* is returned unpaid a drawer has to pay the following charges :—

(i) Annas 8 per cent. *nakrai-sakrai* or a penalty.

(ii) *Arhat* or brokerage at usual rates (generally charged by the correspondent *arhti* at trade centres).

(iii) Annas 8 per cent. per month interest from the date of negotiation of *hundi* to the date of payment of money.

(iv) Annas 8 postage and registration expenses.

(v) Where a *hundi* is discounted at a discount the discount is not returned, but where it is issued at a premium the drawer remits the premium.

Seven days' of grace are allowed for payment of a *hundi*. Interest from the date of presentation to that of payment is allowed at 6 per cent. per annum.

Six pies is remitted to the borrower for every rupee of interest charged.

(*d*) Four days' of grace are allowed for mutual settlement of accounts.

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E.—*Defects of indigenous banking.*

Question 1.—As regards the state of public opinion regarding indigenous bankers this question can better be answered by their clients, but we are able to notice the following points :—

(*a*) The depositing public have confidence in banking firms chiefly because they are run on modern lines, every facility is accorded to clients, and the proprietors are men of status and personally supervise the working of the concerns; although they do not seem to be satisfied with our rates of interest. Borrowers regard us unapproachable as we insist on good security.

(*b*) Town moneylenders are relied on by their habitual clients that they will get accommodation whenever required. We do not think that there is any prejudice against this class of bankers, although personality plays a big part in forming public opinion.

(*c*) *Arhtis* are liked by those who deal with them on account of their business-like habits and the facilities they give to their customers who are generally traders. But the number of their incidental charges are not liked very much.

(*d*) Financiers of agriculturists are relied upon by their clients as they believe they will get accommodation whenever necessary but some of them are not considered to be free from sharp practices, *e.g.*, having an eye on the borrower's property. Personality holds sway here as well.

Question 2.—The following difficulties are experienced by the indigenous bankers in carrying on their business : —

(*a*) Proceedings in court take a long time and mean much expense (both allowable and non-allowable). After a suit is decreed the real difficulty lies in execution of a decree. It takes about two years before the money is realised. The rate of interest allowed by courts on a decree is never more than 6 per cent. although the bankers have sometimes to pay about the same rates to their depositors.

(*b*) People have been getting into the habit of having themselves declared insolvent day by day. The courts while granting an insolvency petition never see how a man has suffered a loss, but insolvency petitions are granted at once. As a result of this, a big amount of money is lost.

(*c*) The courts are very reluctant to grant attachments before judgment and by the time that a suit is decreed the debtor removes all his property. The flimsiest excuses are accepted by courts for refusing to grant attachments before judgment, *e.g.*, where the property to be attached is held in share by the debtor attachments before judgment are not allowed.

(*d*) Income-tax authorities make many searching enquiries before accepting their account and allowing expenses claimed, as a matter of which several business secrets are exposed and they take down the names of persons who have deposited money which the depositors never like. We must confess here that the treatment meted out to both of our firms by the income-tax officers has been very good, but this complaint has been heard from others. As far as we think, this is due to a great extent to their not keeping proper accounts, and to the presumption by the Income-tax authorities that they are hiding something.

(*e*) Lack of credit facilities forces them sometimes to refuse demands for accommodation, which is very inconvenient to their clients.

(*f*) Funds of semi-public nature, e.g. school funds coolie agency funds, Aman Sabha funds, etc., and military funds, *viz.*, officers' mess accounts, P. R. I. accounts, etc., are not allowed to be deposited with the indigenous bankers. In 1923 an Officer Commanding a unit asked the Controller of Military Accounts, Meerut, permission to open an account with us,—Messrs. Durga Sah, Mohan Lal Sah, at our Ranikhet branch. The Controller refused permision with the remark: "They are not reliable bankers." This defamatory statement by the Controller of Military of Accounts caused a run on our bank. Our fixed deposit receipts are not recognised, *e.g.*, money deposited by contractor with us is not accepted as security.

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Up to 1928 Aman Sabha High School funds were deposited with us (Lala Durga Bishen Lal Sah) at Gonda. On recognition of the school by Government the inspector of schools objected to it on the ground that we were not recognised bankers and the funds were removed to the post office.

(*g*) The attractive rates on post office cash certificates and government loans are drawing large amounts of deposits from the indigenous bankers.

(*h*) The government treasury, post office and some banks do not recognise the indigenous bankers as bankers. They sometimes refuse to cash crossed cheques for them and refuse to accept endorsements identified or guaranteed by them. This degrades the indigenous bankers in the eyes of their clients. It has been noticed by us that some joint-stock banks, some branches of the Imperial Bank of India and government treasuries are in the habit of returning cheques, bills and other pay orders on the flimsiest grounds. They do not note all the objections when a payment order is presented for the first time, but make new objections every time it is presented. Result of this is that the clients consider that the indigenous bankers have not sufficient knowledge and experience of banking, and the indigenous bankers suffer much expense and trouble as well.

(*i*) The debtors are not in the habit of repaying the loans when due as stated in answer to question no. 1 of part II-C.

(*j*) Undue competition by the Imperial Bank of India and joint stock banks. We may mention here that although there is not sufficient business in Ranikhet and Almora even for ourselves and the other banking firm, the Imperial Bank of India has been contemplating opening a branch in Ranikhet for some years past in spite of the fact that several of their branches are being run at a loss.

(*k*) In case a cheque drawn on government account or a refund voucher gets lapsed on account of time and has to be renewed, the renewal is not made in favour of the banker to whom it was endorsed. Government offices and courts make great delay in issuing a renewed voucher, and insist that it will be paid to the person in whose favour it was originally drawn, but who having received the money from the banker has no interest left in it. It has also been noticed that endorsements by the holder of a repayment order in favour of a bank or banker is not accepted by the treasury. The reason assigned is that the document is not transferable. The words "Not negotiable" printed on R.T.'s are interpreted as meaning that the document is not a Negotiable Instrument.

(*l*) The treasury raises all sorts of objections in paying cheques etc., the reason of which, as far as we can make out, is that the clerks and sub-treasury officers are not properly acquainted with the Negotiable Instruments Act.

Question 3.—The indigenous bankers are not sufficiently protected in law as stated above. It is requested that the following safeguards and privileges should be recommended by the United Provinces Banking Enquiry Committee :—

(*a*) Summary procedure relating to negotiable instruments should be employed more freely than at present and should extend to cases other than those of small cause nature.

(*b*) The discretion that is given to courts in the matter of awarding interest after the institution of a suit has crystallized into a rigid rate of 6 per cent. which is at times unfair as this rate of interest is allowed to depositors in several cases. The courts having regard to stipulated rate should allow such rate as shall properly adjust the equities of the case.

(*c*) Attachment before judgment should be ordered as soon as the court is satisfied of the genuineness of the case, and particularly in cases relating to negotiable instruments. Even the smallest share should be attached and the objection, if any, should be heard in due course.

(*d*) The present insolvency law should be so altered as to make it rather difficult for a debtor to get himself declared insolvent. Full enquiries should be made as to how a debtor suffered a loss and an insolvent should not be absolved from all liability for past debts for a long period of time.

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(e) For small amounts below Rs. 100 a court similar to the Court of Request in England should be constituted in which total amount of law costs should not exceed Rs. 5. A possible argument against this procedure is the increase of frivolous litigation, but this can be safeguarded by providing that suits in this court will be entertainable only on the basis of instruments or acknowledgments in writing. This will be found in the long run useful to the debtor himself as decrees in such cases being almost inevitable it is an advantage to the judgment-debtor to be saddled with less costs.

(f) Recognised indigenous and joint-stock bankers should have first charge on the assets of a debtor after satisfying government dues and mortgages.

(g) The income-tax authorities should not make such finishing enquiries as are complained of by other indigenous bankers.

(h) The position of indigenous banking firms should be fully recognized and funds of semi-public nature allowed to be deposited with them.

(i) The government treasuries, post offices, Imperial Bank of India and joint-stock banks should liberalise their present policy of raising objections in accepting endorsements and should accept guarantees made by indigenous bankers.

(j) Certain documents, e.g., R.T.R.'s and repayment vouchers which are not negotiable should be made negotiable and duplicates should be issued in favour of the last holder.

(k) Government should allow its contractors to deposit security money with indigenous banking firms as is being done in the case of joint-stock banks.

(l) Other suggestions regarding increasing the resources of Indigenous Bankers have been made in answer to question no. 2 of Part II-B on Indigenous Banking.

Question 4.—The question of dealings of the indigenous bankers with their clientele can best be answered by the clients. But we beg again to represent here that personality plays a great part.

Question 5.—Sometimes the indigenous bankers are obliged to refuse demands on them for accommodation for want of working capital, specially when the money market is tight.

(b) Suggestions have already been made for increasing the resources of indigenous bankers in answer to question no. 2 of Part II-B. We would again suggest that the Government should recognise the position of the indigenous bankers.

F.—Co-ordination.

Question 1.—Indigenous bankers of the same or other classes advance money to each other at a cheaper rate of interest according to one's credit in market or help each other in other manners so far as possible.

The joint-stock banks and the Imperial Bank of India do not recognise the indigenous bankers as bankers. They treat them as an ordinary customer and often as competitors and give every possible hindrance in carrying out banking business. Although a large amount of business is done between them and they are constantly drawing deposits from the indigenous bankers, they never come to their rescue when the latter are in need of funds. As an illustration of their not recognising the indigenous bankers we may mention that a cheque which is crossed specially to an indigenous banker is paid by some banks with great difficulty.

No preferential treatment is given by the joint-stock bankers and the Imperial Bank of India to the indigenous bankers except some reciprocal arrangements are sometimes made for collecting cheques for each other at a lower rate where the amount of transaction is a big one. The two systems work separately. As an illustration, it might be mentioned that whereas no charge is made for collecting cheques on other banks in the same station, a charge of annas 2 to annas 4 per cent. is made for collecting *hundis* on indigenous bankers. Another illustration is that although the joint-stock banks and the Imperial Bank of India constantly send letters of credit to the indigenous bankers in favour of their customers, asking them to honour cheques drawn by their customers up to a certain extent, they refuse similar requests by the indigenous bankers although they are requested to debit the amount of the cheques to the current account of the bankers.

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Question 2.—No co-ordination exists between indigenous bankers and the joint-stock banks and the Imperial Bank of India in the provision of credit facilties to trade and industry, but sometimes the joint-stock banks and the Imperial Bank of India send drafts and R/R.'s to the indigenous bankers at mufassil towns for realization, where there are no other banks which can do this business for them.

Better co-ordination is desirable in the following directions :—

(i) Allowing of overdrafts by joint-stock banks and the Imperial Bank of India to indigenous bankers on reasonable terms.

(ii) Acceptance of cheques on indigenous bankers by joint-stock banks and the Imperial Bank of India and post offices on the same terms as those of other joint-stock banks or the Imperial Bank of India.

(iii) Recognition of the indigenous bankers as approved bankers.

(iv) Provision of facilities to the indigenous bankers for internal remittance.

(v) Mutual arrangement should be made for carrying on the general agency work and collection of cheques for each other free of any charge.

(vi) The Imperial Bank of India or the proposed reserve bank should rediscount only those bills that pass through approved indigenous bankers. The number of approved bankers should not be limited but must depend upon the needs of the locality.

(vii) Agencies of the Imperial Bank of India or the proposed reserve bank should be entrusted to indigenous bankers under certain conditions.

(viii) At present there is no link between the currency authorities and the indigenous bankers including the village moneylenders. The chain should be made perfect in order to make the banking system of the country an organised body.

The establishment of a provincial bankers' association under government patronage can be useful if indigenous bankers are freely admitted along with joint-stock bankers. This will help in understanding each other by discussing banking problems and will remove many difficulties.

Question 3.—Our experience has been that some of the joint-stock banks and some of the branches of the Imperial Bank of India return cheques on indigenous bankers working in mufassil towns sent to them for collection by their customers with the remark "No means of collection." Before 1923 it was customary with the Imperial Bank of India to return all cheques on Ranikhet and Almora with such remarks, but in that year we, Messrs. Durga Sah, Mohan Lal Sah, offered the bank to collect cheques on Almora and Ranikhet free of any charge, in view of the fact that the Imperial Bank of India did not charge any commission from all their customers for collecting cheques on their branches. Since then the number of cheques thus returned has decreased but even now some of the branches of that bank are reported to have done so, although we had a current account with them which was operated more than half a dozen times every day. This lowers the indigenous bankers very much in the eyes of their constituents.

Each and every indigenous banker working on modern lines has got an account with one joint-stock bank or the Imperial Bank of India for the purpose of collecting cheques. This information can be collected and the names of such joint-stock banks or the Imperial Bank of India recorded in a directory. The collecting banker can get such cheques cleared through those banks or it can be provided that every indigenous banker who issues cheque books to his constituents, shall maintain an account with the nearest branch of the Imperial Bank of India and the collecting bankers could get the cheques cleared through these branches.

G.—Consolidation of indigenous banks.

Question 1.—The indigenous banking system can be consolidated and safeguarded in the following manner :—

(i) Recognition by the Government of the position of the indigenous bankers.

(ii) Co-ordination of indigenous bankers with the joint-stock banks and the Imperial Bank of India as suggested above.

(iii) Extending the resources of indigenous bankers as mentioned above.

(iv) By improving legal facilities as described above.

(v) Re-organisation of indigenous bankers on modern lines.

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Question 2.—Indigenous bankers will certainly secure better clientele if they are recognised by Government in the same way as certain joint-stock banks are.

(*b*) The condition of such recognition should be :—

(i) Government should bank with them by depositing funds in the hands of district authorities, *e.g.*, money in the hands of the *nazir*, amounts received for disbursement in the district, etc., and by allowing security money funds of a semi-public nature, *e.g.*, coolie agency funds, regimental and dépôt funds to be deposited with them.

(ii) Government should demand security for such deposits as is done by military authorities.

(iii) Bankers conduct their business on modern lines, and their utility should be considered in according recognition.

(iv) Government should satisfy itself that recognised bankers possess sufficient property.

Question 3.—The indigenous bankers will not prefer publication of their balance sheets as it would be a hindrance to private efforts, and, further, these provisions would not be very necessary in their case as their liability is unlimited and depositors satisfy themselves about the soundness of a banker's position before depositing their money with them.

Question 4.—In the rainy season money lies idle in the hands of the indigenous bankers.

This money remains with the indigenous bankers. In Almora and Naini Tal districts there is no tendency for money to concentrate in important trade centres as these districts have some demand and trade during summer.

In Gonda and Bahraich districts and in Kashipur in Naini Tal district it remains partly with the indigenous bankers and is partly sent to Calcutta. Cawnpore, Delhi and Bombay to pay off the advances made by *arhtis* in those places.

Question 5.—The banking firms have accounts with banks at Calcutta, Bombay, Delhi and Cawnpore and other important places, but do not obtain any financial assistance from there. Dealers in cloth, grain and other commodities are connected with *arhtis* there and are financed by them. This is the only connection with the principal money markets.

The indigenous banking system should be further connected with the principal money markets through the proposed Reserved Bank with which they should be linked directly.

It would be more desirable to convert the existing Imperial Bank of India into a reserve bank provided that it will cease to receive deposits on which interest has to be paid, rediscount *hundis* only for indigenous and joint-stock banks and cease its present policy of competition with everybody.

An argument against this proposal can be that the Imperial Bank of India has become a very cumbersome institution with a number of branches, but if the indigenous bankers are to be connected directly as proposed with a Reserve Bank or local banking institution are to be given preference over branch banking institutions, the Reserve Bank shall require a number of branches (at least one in each division). Further if a separate Reserve Bank is established it will not be advisable to allow the Imperial Bank of India to conduct government business, as it will not be desirable that two institutions should receive government patronage, and this will cause much dislocation of government treasury work.

In case it would not be possible to convert the Imperial Bank of India into a reserve bank the new Reserve Bank should be linked directly with the indigenous bankers who may be styled as their agents and work branches entrusted to them as guaranteed brokers on payment of certain deposit in government securities. The agent banker may be allowed a stated amount of credit, say ten times his deposit. The *hundis* and other instruments of credit may be discounted by the Reserve Bank to the extent of the credit granted to him. The agent banker may act as a general agent for the bank and advance the bank's money against goods, etc., but should not employ the bank's funds in his own business.

In case it is not possible to establish a Reserve Bank the indigenous banking system may be connected with the Imperial Bank of India in the manner described above. But the Imperial Bank of India must do business through the indigenous and joint-stock banks alone and thus become truly a "Banker's Bank." Multiplication

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of too many banks is not very desirable in view of the fact that on account of several bank failures in recent years the public has lost confidence in joint-stock banks. Further, the depositing public is fully aware of the fact that the banks have a limited liability and this alone is helping the indigenous bankers in these hard times.

In case it is not possible to connect the indigenous banking system directly with the Reserve Bank the establishment of a branch of joint-stock bank and the establishment of a local bank with a local directorate are not recommended as there is a danger that these might swallow up the indigenous bankers by competition and reduce them to the position of bill brokers, might fail to make adequate use of their local knowledge and experience, and might not inspire confidence in the depositing public in the locality. Further, the danger in extension of branch banking is that they might draw funds from mufassil districts and invest them in large trade centres, as these banks generally do not look to the benefit of the locality but that of foreign traders. The branches upcountry are meant solely for the purpose of attracting funds which are sent to big centres for investment. As they have to maintain a large staff they might not prove profitable.

The establishment of agencies of joint-stock banks or Imperial Bank of India might be tried, but the danger is that as soon as spade work has been done by the indigenous bankers, the principal bank might step in and oust the indigenous banker, and also that they might draw the funds deposited with the agent and invest them in a big trade centre thus causing a depression in the trade of the district.

Establishment of agencies of a Sate-aided bank are necessary, but the contract of agency must be for a long period and renewable at the option of the indigenous banker agent.

Amalgamation of the business of local indigenous bankers into a joint-stock bank does not seem possible as one or more firms will have to hand over their business to the managing director and cease active business which they will not like. Further, most of the indigenous bankers are members of undivided joint Hindu families and have other side business in which they invest part of their banking funds which are also invested in property. They will not therefore like the idea of amalgamation. Partnerships are also difficult to manage during these days and result in quarrels and litigation.

Establishment of banks on "Commandit" principles might be tried and they will in our opinion prove successful. But there will be need of government assistance in the matter, as unless Government patronises the establishment of such banks it will be difficult to have the share capital subscribed in full.

III.—Investment habit and attraction of capital.

A.—Encouragement of saving and investment habit.

Question 1.—The existing banking resources of these four districts are deposits from the public and capital of indigenous bankers and loans from outside the district.

In our opinion they are adequate for the present needs, but for financing new industries in Almora and Naini Tal districts, of which there is a great need, a further capital of about 20 to 60 lakhs will be required within next 10 years.

Question 2.—The existing means or institutions for encouraging the habits of saving and investment are—

(*i*) Deposits with banks or bankers.
(*ii*) Post Office savings bank accounts.
(*iii*) Postal cash certificates.
(*iv*) Government securities.
(*v*) Deposits in co-operative banks and co-operative organisation funds.
(*vi*) Acquisition of houses and landed property.
(*viii*) Life insurance.

They provide full facilities, but post office savings banks are sometimes situated at a great distance from the village.

More post office savings banks should be opened. There should be a large number of firms carrying on business on modern system and receiving deposits in interest. It has been pointed out by several authors on banking that India is lacking in banking institutions. This can be provided only by recognising the position of indigenous bankers who are in daily touch with the public, by improving their standard and raising their status. One thing more to be stated in this connection is that the number of genuine Indian insurance companies is very small. More insurance companies are necessary. Further,

some restriction should be placed on working of non-Indian insurance companies, the nature of which should be that they should invest the full amount of the premium received by them in this country in approved Indian securities.

Question 3.—The people of these localities are not in the habit of investing in gold and silver except for ornaments.

Question 4.—Postal certificates are very popular among the officials and government pensioners, and all middle class men living in towns except traders.

Question 5.—Post office savings banks afford adequate facilities to the public in depositing money where they exist, but, as already mentioned, they are situated at a distance from most of the villages, and there are no savings banks in branch offices. The post office officials raise frivolous objections when withdrawals are made.

In our opinion facilities for investment in post office savings banks should be extended on the following lines :—

(*i*) The number of branches having savings banks should be increased.

(*ii*) Travelling savings banks should be introduced by which, in some out of the way post offices, savings banks could be kept open on certain days of the week, *e.g.*, once or twice a week.

(*iii*) For distant places some arrangements should be made by which the post office peon can take to and from depositors small amounts, *e.g.*, under Rs. 25.

(*iv*) The process of identification of signatures should be made a little simpler.

Officials, pensioners, contractors and a few educated persons take advantage of the facilities offered by the post office.

At present post offices keep very little money in their safes as a result of which a depositor at outlying places is asked to wait for 3 or 4 days before money is paid to him. This should be simplified. Extension of the number of post office savings banks has been already suggested. We beg to represent here that the post office savings banks are meant for small investors. Raising of the rate of interest or increasing the amount that can be deposited by one person in a year will mean that a number of persons who are at present depositing their money in current or savings bank accounts with the banks will use the post office agency and this will divert part of the money from business into the government treasury.

Question 6.—It is to say is true to say that the rates of postal cash certificates are so favourable as to create a competition with the banks and bankers in attracting money. It is not only post office cash certificates, but all government loans are drawing large amounts of money deposited with banks and bankers.

In our opinion this competition is not healthy as it has decreased the amount of money which the banks could otherwise have been able to use for financing trade and industries. We beg to represent in this connection that, whereas it was very easy for banks to borrow money at 4 per cent. before the war, it is very difficult at present to borrow at 6 per cent. in spite of the fact that the amount of money has increased during this period. This has caused a rise in the rate of interest which is one of the factors contributing to the present depression in trade.

Question 7.—In our opinion as people of these localities are not in the habit of investing in gold bullion, gold cash certificates will not accelerate the savings and investment habit. Further, gold has lost much of its attractions on account of its fluctuating value.

Question 8.—There are already banks and post office savings banks in every municipal town. In our opinion municipal savings banks will not at all promote the savings habit as municipalities having mere figure-heads as members will not be able to manage savings banks. Most of the municipalities being not financially sound people will have very little faith in them.

Question 9.—The Government does not afford facilities for purchase and sale of government securities, but banks and bankers purchase and sell them for their customers at Calcutta and Bombay charging As. 4 per cent. commission. Post offices purchase securities for an investor up to Rs. 5,000. They sell securities originally purchased through them for their savings banks depositors only.

For small investors the securities may be made available in small sums of Rs. 50.

Question 10.—The Imperial Bank of India, joint-stock banks and the indigenous banking firms purchase and sell other securities for their customers through brokers at

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Calcutta and Bombay and charge As. 4 per cent. commission. Facilities for purchase and sale of securities in these provinces could be enhanced if a stock exchange were opened at Cawnpore.

Question 11.—The following classes invest their money in the manner described below :—

(*a*) Businessmen invest their spare money in buying landed or house property and extension of trade and business. Most of them keep their money with themselves.

(*b*) Government officials and pensioners in acquisition of landed and house property and in investment in government securities, postal cash certificates, post office savings banks and banks deposits.

(*c*) Agriculturists in extension of their holdings and in lending to other agriculturists.

(*d*) Day labourers and wage-earners in drinks and sometimes in ornaments or in improvements to their houses. They have very little money left in the evening.

Question 12.—Farmers spend their surplus money in repaying their debts, acquisition of landed property, purchasing gold and silver ornaments and in lending to other farmers.

In the hills they lend their fellow-agriculturists generally at 12½ per cent. with the intention of purchasing the land belonging to the borrower. In plains areas they lend to their brethren at high rates. As a matter of fact in the Gonda and Bahraich districts the agriculturists are financed by their prosperous brethren.

Question 13.—The banking habit is of slow growth in these districts because the majority of people are ignorant, illiterate and poor. They are not in touch with the banks. Further, they can get more interest by lending to agriculturists and others than what they would get from banks. But in our opinion it is increasing among the educated people. Investment habit is not, however, lacking except among the hill population who have expensive habits.

In our opinion people should be educated to invest their savings in productive undertakings by propaganda, but coercion should not be used. Further, the banks and banking firms should be brought more into touch with the people in order that they may understand the benefits of depositing their savings in banks.

B.—Cheque habit.

Question 1.—The cheque habit is growing in towns where there are facilities for using cheques.

Question 2.—The abolition of stamp duty on cheques has increased the use of cheques at those places where banking facilities exist, but not the opening of many new accounts.

Question 3.—Only educated persons and traders who can obtain overdrafts from a bank and those who have knowledge of the benefits arising out of the use of cheques use them.

Question 4.—Our suggestions for further promoting the cheque habit are—

(*i*) Every payment by Government, semi-government institutions and public institutions should be made by means of crossed cheques irrespective of the amount so that the receiver will naturally open an account in a bank. Our experience at Ranikhet has been that the adoption of payment by means of crossed cheques by the Controller of Military Accounts has led to the opening of several new accounts by traders who did not ever know the system of banking accounts. This system of paying by means of crossed cheques has not been fully adopted at present and it is suggested that every payment by government and public bodies should be made by means of crossed cheques.

(*ii*) At present people do not use cheques to a great extent because banks are located at great distance from business quarters and they and the treasury raise great difficulty in accepting vernacular endorsements, as a result of which the holder has to pay high charges to the identifiers, who are mostly *vakils* in mufassil towns where payment is made by government treasuries. The banks and government treasuries should liberalise

their present policy of obstruction and should be brought more in touch with the public whom it should accord every facility and assistance. Our experience has been that since we allowed vernacular signatures and endorsement more freely the number of accounts has increased.

(*iii*) Encouragement by Government to indigenous bankers to open banking houses on modern lines where they do not exist at present by recognising their position as bankers. At least it can influence its district treasuries to open such branches at every important tahsil by giving them facilities and assistance, and depositing funds received for disbursement in the district, which can be paid by means of cheques. These indigenous bankers can be co-ordinated with the proposed reserve bank so that cheques drawn on them can easily be accepted at distant places.

(*iv*) In place of the present system of money orders the post office may introduce a system of issuing drafts in the form of postal orders, but this system can be possible only when the post office authorises the peons to take the money to the holder, and simplifies the process of identification of vernacular endorsements and thumb-impressions,—otherwise great hardships will follow.

(*v*) Government treasuries should receive cheques in payment of its dues, provided that they are drawn on a bank or a banker in the same station.

Post offices may open cheque accounts at stations where there are no banks or indigenous bankers working on modern lines. But the amount of money that can be received in any year should not exceed Rs. 2,000 and not more than three cheques a week should be drawn.

Question 5.—There cannot be any safe device for an illiterate to use cheques. Thumb-impressions of an illiterate person will have to be identified and verified by an officer of the bank every time that a cheque is drawn. Leaving some banks forms with the drawer after the thumb-impression has been identified or allowing of seals will lead to forgeries and fraud.

C.—Vernacular scripts in banking.

Question 1.—The Government banks, post offices, etc., should freely accept vernacular endorsements. Pass books and cheque books should be made in any vernacular of the locality as desired by the depositor. As vernacular-knowing *munims* are cheap and efficient, vernacular accounts in book-keeping should be encouraged.

Question 2.—Of all the vernaculars Devanagri characters can and should alone be recognised in banking. We would not recommend the use of *sarafi* characters as they are not decipherable by every one.

D.—Imperial Bank of India.

A branch of the Imperial Bank of India was opened at Naini Tal in 1923. There are no branches in other districts.

The bank has played very little part in encouraging the investment habit among the poor people as it is not very much in touch with the general public, but as it is the banker to the Government and is considered a safe institution it has received many deposits from moneyed classes. Its rates of interest for deposits were at one time very attractive but now they have been reduced.

As the Naini Tal branch is not situated in a commercial and industrial town it has promoted trade and industry to a negligible extent. Other branches are not in touch with the commercial public in mufassil towns.

As the Imperial Bank of India is competing with the joint-stock as well as with the indigenous bankers, it has done very little to promote other banking institutions. Every possible obstruction is put in the way of indigenous bankers. It raises all sorts of objections whenever a depositor wishes to withdraw his deposits through an indigenous banker and returns the deposit receipt and other letters of request with new objections every time that they are presented instead of making all the objections at one time. This gives an impression to the clients that the indigenous bankers are lacking knowledge. Instead of encouraging and consolidating indigenous bankers, they are drawing large funds from them in the shape of deposits.

MESSRS DURGA SAH, MOHAN LAL SAH AND LALA DURGA BISHEN LAL SAH.

No facilities are granted by the bank to agriculturists or the financiers of agriculturists, except that at some places money is advanced against grain.

The bank does not generally grant loans on personal security or against landed and house property. It has therefore done nothing towards reduction in the rates of interest. For the general public the advances that it makes are on gilt-edged security which only few businessmen hold. Further one who has such securities finds it profitable to sell it in the open market rather than pay higher rates of interest to the bank on an advance on its security.

(For oral evidence, see pages 132—138.)

ORAL EVIDENCE.

Lucknow: March 5, 1930.

Present:

MR. E. A. H. BLUNT, C.I.E., O.B.E., I.C.S., M.L.C. ... ... *Chairman.*
RAI BAHADUR PANDIT G. S. UPADHYA, B.A. ... ... } *Members.*
MR. MOHAN LAL SAH, M.A., LL.B. ... ... }
DR. RADHAKAMAL MUKERJEE, M.A., PH.D.... ... ... }
DR. L. C. JAIN, M.A., LL.B., PH.D. ... ... *Secretary.*

MR. P. M. Kharegat, I.C.S., Registrar, Co-operative Societies, United Provinces, was also present.

(*Witnesses*: MR. BEHARI LAL SAH, *of the firm of Messrs. Durga Sah, Mohan Lal Sah, Bankers, Ranikhet, Almora and Naini Tal and* RAI SAHIB BABU GOPAL LAL, *of the firm of Lala Durga Bishen Lal Sah, Bankers, Gonda and Bahraich.*)

Mr. Sah: You say in your memorandum that the Lucknow branch of the Imperial Bank of India has accorded much better facilities to both of your firms than other banks. What are those facilities? Could you please state them?—(*Rai Sahib Babu Gopal Lal*): There are many.—(*Mr. Behari Lal Sah*): For instance, they have printed our names Durga Sah, Mohan Lal Sah in our cheque books; the second is that they do not charge anything for the cheques which are returned—I mean postal charges,—and the third is that they do not charge any brokerage. Other banks do charge 2 annas per cent. as brokerage.

The Chairman: Is that a common practice of the Imperial Bank?—(*Rai Sahib Babu Gopal Lal*) Of the Lucknow branch.

In other words, they treat you as you would expect one bank to treat another?—Yes.

Mr. Sah: All the other banks don't treat you as one bank should treat another?—We mean that all the branches of the Imperial Bank as well as other banks should treat us in the same way as the Lucknow branch.

Mr. Behari Lal: In Raniket there are no other banks.

Rai Sahib Babu Gopal Lal: One thing more. If there is a small overdrawal and the funds are there, they meet it and inform us that the amount has been overdrawn and they request us to make it good.

Mr. Sah: What is the usual amount they allow you to overdraw?—(*Rai Sahib Babu Gopal Lal*) Lucknow allow us up to Rs. 1,000, and the other banks not even Rs. 100.

The Chairman: Do you keep an account with these other banks you are mentioning?—Yes. We keep accounts in Allahabad, Lucknow, Naini Tal, Bareilly, Calcutta and Bombay.

Mr. Sah: Are these facilities given to you by the Lucknow branch of the Imperial Bank?—Yes.

And the other branches do not give you the same facilties?—No.

Can you assign any reason why they are not able to give you the same facilities?—I do not know. They must be treating us as a special class of bankers. We cannot say. It is their decision; not ours.

You suggest that the directors of land mortgage banks should be elected by those shareholders only who belong to the agricultural classes either as landlords or tenants. Do you think these agricultural classes have sufficient knowledge to elect competent directors who will be able to inspire the confidence of the creditors of the banks?—I think so.

You mean to say that there will be a sufficient number of educated persons among the agricultural classes?—They will elect a man out of them who will be sufficiently competent; and these recent district board and council elections have taught them how to elect a man and whom to elect. And there are Government nominees there; they will help them and watch the proceedings.

You have recommended that the shareholders should have a right to vote on the following scale :—

Holders of 1 to 5 shares ... ... 1 vote.
Holders of 6 to 21 shares ... ... 2 votes.

and so on. Would not this system of graduated voting discourage large subscriptions as well as lead to a system of nominees whereby a syndicate or a group of persons would be able to command a large voting power and defeat the limitation on votes? Supposing one man is given one vote for every share held; he will be tempted to take more votes. Then under this system if he has 1,000 shares, he will have 1,000 votes.—But then he will have a monopoly.

In other words, you want that bank to be run on co-operative rather than joint-stock lines, so that there need not be any monopoly?—Yes. Those that want more votes will subscribe more.

But under your scheme, supposing a person gets 100 nominees and purchases 100 shares in the name of 100 persons, he will get 100 votes.—It is very difficult to get all 100 people of his own accord and of his own sweet will to do whatever he likes.

But then under your scheme why don't you give one the right of having one vote only, whether he has 100 shares or one share?—I do not think the whole amount will be subscribed. We have gven one vote for one to five shares and more votes for extra shares.

You have suggested that debentures should carry interest at one per cent. above the fixed deposit interest rate of the Imperial Bank. Do you mean that this rate should vary with the fixed deposit rate of the Imperial Bank of India?—No. This is only a guide, because the Imperial Bank rate is always according to the market fluctuations, and Government's borrowing policy is also determined by that rate of interest.

So that this Imperial Bank rate is only a guide?—Yes. We mean that one per cent. might be charged when we float debentures, so that we might get more shareholders.

You recommend that the directors of the land mortgage banks should be members of the all-India institution which should co-ordinate provincial land banks. Do you mean that the directors should be members of the all-India institution?—No; they should send their representatives.

So you would like that only provincial mortgage banks should send their representatives?—There should be a group of land mortgage banks in the country and there should be a provincial bank. That is my idea; and the provincial bank will send their representatives to the all-India institution.

The Chairman : So you mean representatives only of provincial banks?—Moreover, there will be one or two meetings in one year.

Mr. Sah : In part J you have given us these rates for *hundis* at Haldwani and Ramnagar. Are these rates uniform for all amounts or do they vary with the amounts?—(*Mr. Behari Lal Sah*) They vary in season.

Do they vary with the amount?—No; only seasonally.

The rates are the same for larger amounts as well as small amounts?—Yes.

You state in your memorandum that banks do not allow even small overdrafts. Does this refer to only those cases where no suitable security is forthcoming, or does it relate to other cases in which suitable security can be furnished? Are they covered by security or without security?—Suppose we have got a credit account of Rs. 950 and we have drawn a cheque for Rs. 1,000, then they will refuse it.

Rai Sahib Babu Gopal Lal : They have done it, and in this way they degrade us before our clients.

The Chairman : I can tell you the case of one very big businessman in India whose cheque for a lakh was dishonoured because his account was eleven annas short.

Rai Sahib Babu Gopal Lal : It is very disgraceful.

The Chairman : You have got to remember that a thing of that kind is generally done by a clerk who is likely to be fined if he allows an overdraft. It is disgraceful, as you say, but as often as not it is not the bank's fault; it is the clerk's.

Mr. Sah : Are there any complaints in your town that you refuse to accommodate people?—(*Rai Sahib Babu Gopal Lal*) It is our look-out to see whether a man is sound or not. If we find him unsound, then we refuse to accommodate him.

Do not the banks have the same consideration when they refuse credit when you go to ask them for it?—One thing more. We do not want a loan from the bank; we only want accommodation as a temporary measure and only to see that our bills are honoured.

The Chairman : I am not quite sure if Mr. Sah is not being unfair to you or merely trying to have a joke at your expense.

Rai Sahib Babu Gopal Lal : Only we refuse loans—not overdrawals of small amounts.

The Chairman : This kind of thing is generally nine times out of ten due to the fact that human nature is imperfect.

Mr. Sah : You make certain suggestions and say that supply bills should be issued free to approved bankers. How should we approve these bankers?—(*Rai Sahib Babu Gopal Lal*) We have discussed that in our memorandum. The indigenous banker should be approved by the Government.

The term indigenous banker is rather vague. How would you approve the bankers?—We mean the banking firms.

Only firms like yourself or other firms as well?—It is not fair that we should include only ourselves. I mean the banking firms that do only banking business and not those that deal with grain dealers and others.

And would you include the *sarrafs* under this?—Yes. We have got none in our district; in other districts there are.

What will prevent these bankers from taking large commissions from their customers?—This is already settled at 2 annas per cent. on supply bills. They could of course, send by half notes, but that is a little risky.

You suggest that the Imperial Bank of India should accommodate indigenous bankers up to a fixed limit which should be determined by mutual consultation. Will you please explain fully what you mean by mutual consultation? Should the bank be free to reject the recommendation of such mutual consultation?—Why should we refuse this when we have come to a mutual agreement and we have settled that the bank will give us an overdrawal.

How will it help you if the bank by mutual consultation refuses to give you any credit?—We will try to give the security that is wanted or we will go to some other bank. That is the natural course. Of course, mutual consultation means that we will exchange each other's views.

There are two questions more. You say that the Imperial Bank should allow credit facilities on the security of an equitable mortgage to indigenous bankers. Should this be a permissible or compulsory security? That is to say, should it be made permissible for the bank to allow an overdraft against the security of equitable mortgages or should the bank be compelled to grant overdrafts?—They should be compelled. It is only for short periods that these overdrafts will be wanted.

So that you make these equitable mortgages only for short periods, not for long periods?—Only for short periods. For long periods it may not be done.

You recommend that the agencies of the Imperial Bank of India or the proposed Reserve Bank should be entrusted to indigenous bankers under certain conditions. Will you please clearly and fully state those conditions? Will not the bank

insist on the inspection of accounts? How would bankers take such inspection?—Of course, when agencies will be given to the indigenous bankers, they will know about their status first and take sufficient security, and then make us or others their agents; and the business which the indigenous bankers will transact will be in the name of the bank and their inspections will be regular. They can inspect cash accounts generally say weekly or daily, according to the volume of business.

So your conditions are that you will do business in the name of the bank, that you will submit accounts to the bank daily or weekly, and those accounts will be open to inspection by the bank?—Only that part of the work which is done by us for the bank, not our own accounts.

The Chairman: You have just been talking about indigenous bankers being agents of a joint-stock bank. Do you know of any cases where they are so already? I have heard occasionally of indigenous bankers who described themselves as sub-agents, we will say, of the Imperial Bank in a place where there was no branch of that bank. Are there many such people? I have only heard of one man myself; there is a big Aligarh merchant who was a sub-agent of the Imperial Bank there. Do you know of others?—At Chandausi there was one. The spade work is done by us and the Imperial Bank come in; we clear the ground for them and they come in and reap the harvest.

You say that three banks are doing business on modern lines. Do you know of no others elsewhere besides these three?—There is a firm in Lucknow, and there is another at Dehra Dun.

I merely want to know how many there are. I have heard of seven: one in Agra, two in Meerut and one in Dehra Dun and yourselves (three). I just want to get roughly an idea of how many firms there are like yourself.—(*Witness*) We will let you know. There is one at Roorkee.

Could you do it fairly soon? At the present moment with one at Roorkee it makes eight. I just want to know what you actually mean by *arhatias*. The word seems to be vague. In the first place there are commission agents for retail salt; then I have also heard about commission agents for wholesale.—(*Witness*): This depends on the volume of business in the market.

The trouble is that there are also persons who are go-betweens between the *beopari* and the *pakka arhatia*.—(*Witness*): The word *arhatia* is used for all these three sorts of persons.

Then I may take the word *arhatia* to mean commission agent of any sort?—Yes.

Does he also keep and do some financing?—Yes, he does some financing work also.

So he is a middleman. He may buy stuff for the retail trade; he may buy for the wholesale trade or he may not do either. He may just introduce a trader to a big *arhatia*?

Dr. Radhakamal Mukerjee: Are there *kachcha arhatias* and *pakka arhatias* in Gonda and Bahraich?—There is no such distinction in Gonda.

Mr. Sah: I think the distinction between the *kachcha arhatia* and the *pakka arhatia* is that the former supplies only one or two consignments to the trader, while the latter acts as his regular commission agent.

The Chairman: So he is after all the commission agent. Have you noticed the tendency that the *arhatia* is becoming more and more a financier of the individual cultivators?—No. I do not think he supplies money to the villagers.

I am telling you what I have been told. It is said that there is a tendency for the *arhatia* to cut out both the *mahajan* and the *sahukar*.

Dr. Radhakamal Mukerjee: It has been stated that grain dealers advance money to *ponywallas*.—(*Witness*) But they do not advance money to the cultivators.

The Chairman: Is it your experience that these *arhatias* are supplying money to the villages more and more?—No. I do not think they will do that. *Arhatias* finance the grain dealers only when there is much demand for money; where there is a bank existing the *arhatias* do not finance at all.

Do you think they finance the *beopari*, who in his turn advances money to the cultivator?—No, they never do so.

Well, the point is this. You have your shroff, or big *arhatia*, at the top; he now supplies money direct to the villagers, who used to borrow money through the *mahajan*. Is the *arhatia* not trying to eliminate this *mahajan* and to deal with the cultivator direct —No. The *arhatias* never go down to the cultivator. There is another thing. The banks are now advancing money on the security of grain, and these *arhatias* are nowhere in the matter of financing. The grain dealer goes direct to the bank for an advance.

However, the main point is that there are *kachcha arhatias* and *pakka arhatias*. They may or may not exist at every place, but the one is smaller and the other is a bigger commission agent.

Dr. Radhakamal Mukerjee : They exist in Hapur and Hathras and not in eastern districts?—I cannot say about those places.

How do *banjaras* advance money? Is it also a fact that these *banjaras* are sometimes financed by the Allahabad Bank?—Yes. The Allahabad Bank does finance these *banjaras* at Moradabad.

Have you come across instances in which financial dealing between the *banjaras* and the primitive agriculturists, *viz.*, the Tharus, etc., is prejudicial to the latter to some extent?—In the Tarai and Bhabar portion of the Naini Tal district there are such cases.

Who are the financiers there?—Big landlords and Chaubeys of Kashipur.

Mr. Sah : Do not the *banjaras* also finance in some tahsils?—Yes, they do.

Is it a fact that the charges of the *banjaras* are so exorbitant that the cultivators cannot bear them, in spite of the fact that they produce rich rice crops?—Yes, that is the case in the Tarai and Bhabar portion of the Naini Tal district.

The Chairman : So the *banjaras* are apt to loot the cultivators?—Of course, they charge one-fourth and one-half, and this is loot no doubt.

Dr. Radhakamal Mukerjee : Do they go about the country at the time of both sowing and harvesting and collect their dues?—Yes.

Do they also go about in Gonda?—We have no *banjaras* in Gonda. There we have cartmen.

Mr. Sah : What is the average profit of a cartman?—There are many kinds of charges that have to be paid for the carting of grain from the field to the market and the poor cartman gets only about four annas a maund. He cannot make much out of it.

Dr. Radhakamal Mukerjee : You say that it may be useful to introduce the warehouse system on the certificate of which credit may be obtainable—Yes.

What kind of warehouses, State or private, do you think will be suitable?—The private warehouses will not have sufficient funds with them, and unless the State helps them they will not be successful.

Mr. Sah : Do you think that these warehouses should belong to Government?—Government could license them.

You mean that they should be private?—Yes.

You know that the warehouses grant receipts for grain stored therein and those receipts are negotiable and they can be pledged to the bank instead of pledging the grain itself?—I think private warehouses can do this if they are licensed by Government.

In that case grain stored in private warehouses will have to be taken to the railway station for export. Do you think it will be better if these warehouses are established by the railways themselves?—The railway companies would never do it.

Dr. Radhakamal Mukerjee : State railways can do it.—(*Witness*) : Yes.

Will you have both Government and private warehouses?—There is no harm in that, but generally people will go to the State warehouse.

Mr. Sah : Do you think that these warehouses will be successful if banks are willing to advance money on the receipt of the warehouse?—Yes.

Mr. Kharegat: How will you prevent the deterioration or waste of the grain collected at the warehouse?—In advancing money we will allow a certain percentage for wastage. Suppose there is 100 maunds of grain: we may advance only, say, on 75 maunds and 25 maunds may be excluded for deterioration and wastage, etc.

You say that if co-operative societies are better organised and extended they will help much in meeting the demands of poor agriculturists. What sorts of demands are you referring to?—I mean both kinds, productive as well as non-productive.

As you are in touch with indigenous banking, can you suggest any way in which the indigenous bankers can help these co-operative societies?—How can we help them? They would not trust us and do not like to put their money with us. At Bahraich the co-operative society did not deposit its funds in our bank, but went to another person. who could not pay back the money on demand.

Rai Bahadur Pandit G. S. Upadhya: That may be a special case or the society may have made a mistake, but there can be ways in which the society can help you and you can help the society.—(*Witness*) Yes, we have no objection to that. We can advance money to the society at the time of its need if they pledge their pronotes, but the question is whether the co-operative societies are prepared to recognise us.

Well, indigenous bankers are already recognised under the Co-operative Societies Act, *i.e.*, co-operative societies can deposit their money with indigenous bankers who are certified by the Registrar to be fit persons to take charge of the funds of the co-operative societies.—The indigenous bankers can advance money to the co-operative societies and can keep in deposit their money and pay it back, even if it is demanded at midnight. Other banks would not afford so many facilities.

There is one question about which I would like to have your opinion. There are so many village moneylenders who have not got large capital; then there is some risk involved in their lending because there are so many borrowers who run away with their money, and in order to protect themselves from loss they charge high rates of interest. Could not a way be found out to solve this difficulty? Supposing a number of village moneylenders form themselves into a co-operative society for the purpose of lending money like a central bank, the position of the central bank will be better financially and their money will be much more secure than it is at present, because they will advance money to the co-operative society. Is there any such possibility of combination between the moneylenders in villages?—This is possible, no doubt, but the question is whether the village bankers will like it or not. That is the question.

It is in their interest. How can they be made to like it?—I do not think they will like it.

At present every individual village *mahajan* stands to lose money.—Yes, that is right, but villagers are still more honest than the people in towns.

But sometimes it so happens that the borrower is helpless and cannot pay, but if he is a member of the co-operative society the money will be realised because there will be a joint liability, and in this way the *mahajan* will benefit.—(*Witness*): The *mahajan* can ask to have a joint pronote from three or four persons just as we do. We generally take two sureties. Probably you also mean that by combining into a co-operative society they will have other advantages under the Act, *viz.*, the advantage of attaching the property, etc.

Yes. We cannot give this advantage to an individual.—(*Witness*) We can try it and see whether it is successful or not.

The Chairman: The question is whether you will be able to induce them to combine.

Rai Bahadur Pandit G. S. Upadhya: I think the best thing would be to ask them to become members of the society.—(*Witness*) To that they will not agree, because it will be a society of unlimited liability.

No, there will not be unlimited liability; it will be limited liability.—(*Witness*) On the whole I think it would be a good idea.

MR. BEHARI LAL SAH AND RAI SAHIB BABU GOPAL LAL.

Mr. Sah : Supposing there are ten indigenous bankers who form a co-operative society who will be the managing director of the society out of those ten? Will that question not lead to quarrels among them?—But that can be decided by a majority of votes.

Do you think that the village moneylenders are intelligent and educated enough to form themselves into a co-operative society?—I quite realise that they will not like the thing.

(The Chairman thanked the witnesses, who withdrew).

Messrs. Rai Sahib ANTI RAM SAH and Sons, Bankers and Agents, Almora.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part D.—Credit facilities in respect of agricultural production and marketing.

Questions 1 *and* 2.—No parts are played by any credit agencies in providing agricultural credit for crop production or marketing crops. There is need for a bank or banker who could lend out money at the usual rate only for the days it is kept by the cultivator: but at the same time the bank should have protection of some kind so that litigation would be avoided. If this can be solved, a licensed bank or bankers should be appointed for particular areas with particular powers. It will be the duty of the banker to meet the need in that area.

Government may make test examinations of the accounts of the bankers to see if he is satisfactorily doing this.

Question 5.—In respect of agricultural credit a capital of one lakh to each subdivision of this district will give a nice start. This is based on a requirement of Rs. 8,000 for each *patti*. In this district there are four sub-divisions so 4 lakhs capital is required.

Part E.—Land mortgage banks.

Question 1.—Long-period loans are obtainable in the district by landlords and tenants of various kinds.

Question 2.—Such loans are available on the security of irrigated lands.

Long-period borrowers have no sources of income except the produce of their land which is sufficient only for their maintenance, and they are unable to pay anything towards interest and principal—hence lenders hesitate to make advances.

Question 4.—Occupancy rights in case of the rightful owners do serve as adequate security for long-term credit. No modification of the law is required with a view to increasing the value of such security.

Question 5.—The establishment of a land mortgage bank would solve the problem of long-term advances in this district.

Question 6.—Here one bank confining its business to farmers, small landowners and big landowners of each sub-division should be organised. If, say, after a period of ten years the work should increase, there should be two banks to each sub-division. These banks should be connected with one another.

The share capital of the land mortgage banks should be obtained from subscribers as far as possible; the rest should be Government capital. One lakh will be required at the start and the bank should have power to increase the capital according to the volume of business.

The management should be under directors appointed by votes of the shareholders.

The period of the loans should be twelve years. One-third of the market value should be advanced.

The land mortgage banks should obtain capital from deposits, debentures, and a central institution.

Debentures should carry a government guarantee for principal. If they are not taken up by the public in a certain time the Government should take up the balance. The debentures should rank as trustee securities.

To safeguard Government against loss rules should be framed on which the manager should work in consultation with directors. If the directors over-rule them, the manager should refer to the sub-divisional officer. If the manager is overruled and loss is sustained, he should be liable to make good any loss arising from neglect of the rules. The manager will have to give security.

MESSRS. RAI SAHIB ANTI RAM SAH AND SONS.

To assist the land mortgage banks the issue of certificates of encumbrances by the registration office should be free for the first six years of its existence and at a nominal charge thereafter. There should be charges of stamp duty and registration but court fees should be abolished. When the registration office certificate is received notification of proposed mortgages in the newspaper which has the largest circulation in the district should be made twice in a month to avoid disputes, etc. In case of non-payment the property mortgaged should go to the bank as sold without any reference to court. Defaulting estates coming into the possession of the bank should be sold at once or by pieces according to the convenience of the villagers. If these villagers are short of money new mortgages should be obtained from them.

A provincial land mortgage bank should be co-ordinated under an all-India institution. The constitution of such institution should be like that of a sub-divisional land mortgage bank but the authority for reference in case rules are ignored by directors should be the district magistrate. The manager will have to bear any loss due to failure to observe the rules.

Question 7.—Here the prices of land differ according to whether it is irrigated, unirrigated, first class, second class or waste. If the land for sale is needed by a co-villager it will obtain a better price.

Part F.—Co-operation.

Question 1.—No relations exist between banks in India, and all have to depend on their own resources.

Question 3.—The amount of capital available for financing the co-operative movement in the district is sufficient.

Question 4.—Financial concessions such as the exemption of co-operative societies from income-tax or the inclusion of the debentures of provincial co-operative banks in the list of trustee securities are necessary to stimulate the growth of the co-operative movement.

Question 5.—A co-operative movement which is of a local nature will only be successful in this district.

Part J.—Internal remittance and negotiable instruments.

Question 1.—There are no facilities available to the public for internal remittance. Here banking is very backward. If bankers are licensed the system will improve.

Question 2.—Negotiable instruments play no part in the internal trade of the province.

Question 3.—Supply bills do not facilitate internal remittance.

Formerly supply bills were issued by the treasury here on any plains town, but now they are only issued on Bombay. When anyone desires to get a supply bill on another town he has to obtain the permission of the Currency Officer, Northern India, Delhi, which is a laborious matter to the traders who are illiterate in English.

Question 4.—In this district there are no means of extending the use of bills of exchange.

Question 5.—I would approve of the extension, cheapening and improvement of post office agency for handling internal remittance.

Question 6.—*Hundis* are not current in this district.

Question 7.—It is possible to borrow money during the process of marketing on the security of any kind of instrument of ownership, for instance on railway receipts, deposit receipts, life policies, and mortgage-deeds of immoveable property. No difficulty is experienced in this matter.

II.—INDIGENOUS BANKING.

A.—Organisation of indigenous banking.

Question 1.—In this district the indigenous bankers keep current accounts, receive fixed deposits lend out money, cash out-station and foreign drafts and cheques, grant cheques on stations in which they have agencies and collect bills and *hundis* from out-stations. These persons do other business besides their own, but banking is the principal business.

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Question 2.—Indigenous bankers finance agriculturists and also traders but the latter only give personal security. In industry only a few are financed by indigenous bankers.

Question 3.—The capital of an indigenous banker is generally a lakh or more, while he does business to the extent of two to three lakhs. His expenditure on outside labour is Rs. 1,000 or Rs. 2,000 yearly. He has a net return of 12 per cent. per annum on capital.

Question 5.—In regard to accounts, the method is to keep a journal and ledger in vernacular.

The amount received is credited to the name of the person from whom it is received on the left side, and the amount paid is debited to the name of the person on whose account it is paid on the right side of the journal.

In the ledger a separate account is opened for each person and in it are posted all the entries of his account from the journal.

B.—Raising of funds by indigenous bankers.

Question 1.—*Hundis* are not used by indigenous bankers in this district, but drafts and cheques are used to the extent demanded by traders and the public.

Question 2.—Indigenous bankers keep ready money to meet all demands made upon them and they are trusted by the public. They are self-supporting in their business and some keep cash credits with the Imperial Bank of India and the joint-stock banks.

Question 3.—Indigenous bankers receive deposits in current account and also fixed deposits. In current account they do not allow interest.

On fixed deposits they allow the following rates of interest :—

6 per cent. per annum for two years.
4½ per cent. for one year.
3½ per cent. for six months.
During winter 3 per cent. for three months.

C.—Advances by indigenous bankers.

Question 1.—Indigenous bankers give loans in the following methods :—

(*i*) Pro-notes.
(*ii*) Pawning or pledging of ornaments.
(*iii*) Mortgage of houses or landed property.
(*iv*) Overdrafts on current account, but this is only given to approved customers.

The rate of interest varies from 7½ per cent. to 12 per cent. according to the season.

Question 2.—It is not possible to improve the organisation of banking in such a way as to reduce the present rate of interest. If it were possible, such reduction would benefit the agricultural community.

Question 3.—Clients get copies of their accounts from bankers. Bankers have no objection to clients inspecting their accounts if they wish to do so.

D.—Exchange and money market.

Question 1.—There are local exchanges and money markets at Almora and Ranikhet. These are linked with Bombay only.

Question 2.—There are no brokers in the exchange and money markets.

Question 3.—In this district cheques are purchased from bankers for remittance at annas 2 pies 6 per cent. They are not sold to obtain credit. There are no seasonal variations in the rate.

Question 4.—The local market is not influenced by any organisation such as the Panchayat Sarafa of Delhi or the Shroffs Association of Bombay.

Question 5.—The trade of the markets in this area is governed by local usage. The goods are supplied by *arhatias* (commission agents), who collect from buyers by instalments of say Rs. 10, 15 or Rs. 25 per diem according to quantity of goods supplied.

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E.—Defects of indigenous banking.

Question 1.—Indigenous bankers in this locality are considered by the public to be friends in need.

Questions 2 *and* 3.—No legal or other difficulties are experienced by bankers in carrying on their business. But they are not sufficiently protected in law but require additional safeguards and privileges.

Question 5.—Indigenous bankers are able to meet all acceptable demands for accommodation, but their resources could be extended if the Imperial Bank of India were prepared to advance money on mortgage-deeds obtained by indigenous bankers.

F.—Co-ordination.

Question 1.—An indigenous banker has no local business relation with other banks, but in the case of out-station banks they undertake the collection of foreign cheques, bills and drafts and keep fixed deposits for emergency.

Indigenous bankers do not get preferential treatment over other customers from the Imperial Bank of India and joint-stock banks.

Question 2.—Co-ordination between indigenous bankers and other banks exists only in so far as cashing of cheques, bills, drafts and government securities are concerned. Better co-ordination is desirable in the matter of financing of money on mortgages and other securities held by them. A provincial bankers' association would be a good thing provided it was composed of bankers who are certified to be of reliable position by Government.

Question 3.—It is costly to collect cheques on indigenous bankers working in mufassil towns. I suggest as a remedy that where indigenous bankers are unable to collect cheaply cheques on mufassil towns, the post office should collect it on receiving from indigenous bankers a commission of 4 annas per cent. or part thereof and pay the proceeds after collection to indigenous bankers from whom the cheque is received.

G.—Consolidation of indigenous banks.

Question 2.—Indigenous banks would secure an increased clientèle if they were recognised by Government.

The conditions of recognition should be the same as those existing with recognised joint-stock banks.

Question 4.—To some extent money lies idle in the hands of bankers in June to October every year.

During this period it is kept in current account at Bombay where 2 per cent. interest is obtained. But it is possible to improve the organisation of lending and borrowing so that these funds may remain in the district and find remunerative employment there.

Question 5.—The indigenous banking system in my locality is connected with the principal money markets outside the province. This connexion takes the form of collection of cheques, drafts, bills of exchange, keeping current accounts on 2 per cent. interest and fixed deposit for emergency.

A central reserve bank is desirable to create a bond of connexion between all the elements of the banking system. The indigenous bank should be introduced to the central reserve bank through the district magistrate.

H.—Defects in statutory and customary law regarding recovery of debt.

Question 1.—The statement that one of the chief difficulties in securing cheap credit is the existing judicial system is true. From the time a creditor goes to court a good deal of his time is lost. He loses interest from the date he files his suit to the time he gets a decree. He has to pay and incur various charges which are not added to the decree. In attaching the property the staff complicate matters so that even the mortgaged property is not attached, and various objections are put. All this time he gets only 6 per cent. interest.

Interest should be allowed at rate stipulated but not beyond the usual rate. Creditors should be entitled to report to the presiding officer the conduct of any staff making untrue reports and without any court-fee.

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III.—Investment habit and attraction of capital.

A.—Encouragement of saving and investment habit.

Question 1.—The existing banking resources in this district are current and fixed deposits and the savings bank. These are adequate.

Question 2.—The existing means for encouraging the habits of saving and investment are the opening of current and fixed deposits. These require improvement and extension. A savings bank is also required.

Question 3.—The people in my locality are not in the habit of investing in gold or silver. But it is customary for them to purchase ornaments.

Question 4.—Postal cash certificates are popular in this district. But it will be possible to encourage their popularity by giving 6 per cent. interest and making them transferable like a government promissory note.

Question 4-*A*.—Anything similar to the national savings movement in England is not possible in India as but 5 per cent. can save; 95 per cent. can hardly make ends meet as they have no business which could give them a small margin over their actual requirements. This is the case in towns. But in agricultural areas, this is possible provided subscriptions are collected not weekly but at every crop.

Question 5.—Post office savings banks afford adequate facilities to the investing public and are taken advantage of by all classes.

Question 8.—If municipalities were to afford savings bank facilities, the public would not take advantage of them as they would fear that the municipality would attach their savings in payment of different kinds of taxes.

Question 9.—In this district we obtain government securities from banks in Bombay but the rates charged do not tally with those charged in the province.

Postal cash certificates are the best form of investment for small agriculturists and small investors. In dealing with government securities the following extra charges have to be incurred :—

(*a*) In purchasing, 2 annas per cent. on account of bank's commission; enfacement by treasury, 4 annas; registration charges, 5 annas.

(*b*) In selling, 4 annas per cent. on account of bank's commission; brokerage, one anna; registration charges, 5 annas.

Question 10.—The various financial agencies rarely deal with securities other than those of Government.

Question 11.—The people of this district who have surplus money keep it in fixed deposits or savings banks or lend it out with a view to earning interest.

Question 12.—Farmers who have surplus funds are always desirous of purchasing additional land. Sometimes they lend to fellow agriculturists on usual rates of interest. Of the agricultural population in this district, 5 per cent. are well-to-do, 25 per cent. have a capital of Rs. 500, 40 per cent. have about Rs. 25 with them, while 30 per cent. are of the very poor class who can maintain themselves only with hard labour.

Question 13.—Several recent losses through joint-stock banks and companies are hampering the growth of the banking and investment habit.

B.—Cheque habit.

Question 1.—The cheque habit is growing in India.

Question 2.—The abolition of stamp duty on cheques has led to increase in the use of cheques and the opening of more banking accounts.

Question 3.—All classes are now using cheques.

Question 4.—Payment by cheques to all will further promote the use of cheques. Post offices should open cheque accounts.

No interest should be allowed.

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Question 5.—Thumb marks are sufficient to enable the illiterate to use cheques but each operator should keep with him a box containing accessories for giving clear thumb marks as in registration offices.

C.—Vernacular scripts in banking.

Question 1.—The English forms should be translated and printed in the manner in which English forms are printed.

Question 2.—Clear Nagri or Persian will serve in the United Provinces.

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Mr. HARI KISHAN PRASAD, B.A., President, Board of Directors, Sat Narain Bank, Jalesar, district Etah.

Replies to the questionnaire.

I.—Agricultural credit and credit facilities.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturists in our area of tahsil Jalesar, district Etah, borrow from the Government in the shape of taking loans of grain from government agricultural seed stores, but the number of such borrowers is not great as there is no proper advertisement and the advantages are not fully known to the villagers. To gain practical and wide scope for this system of work and to popularize it, it is necessary that it should be extended to a sort of co-operative stores with big *zamindars* and tenants as its members or advisers. There should be a central house in each tahsil where seed, grain and implements of husbandry are stored, and there should be branch committees in all big villages. These village committees will popularize the system, and will act as consulting committees where laons in grain are advanced. These committees will help in realizations also. At present these Government seed stores do not benefit the agriculturist much.

In this town there is no co-operative society except one (which is not strictly speaking co-operative) which was started by some Ajmer banker. Its office is situated at Awagarh in tahsil Jalesar. Its system of banking is definitely against the interests of the agriculturist, though they claim that it is a co-operative banking system. Their mode of work is something like this: If a man wants Rs. 100, they take Rs. 2 as registration fee, Rs. 3 as admission fee and Rs. 3 monthly for three months as subscription fee. Besides this they require the debtor to furnish two more such debtors as himself who pay the same amount of money as registration, admission and registration fees. When this process is complete the debtor is said to be advanced money by the popular Bank of Awagarh which is a branch of the Ajmer Bank. The method adopted is more like the American system of sale by issue of tickets. Thus there is no co-operative society in tahsil Jalesar. There is one registered bank at Jalesar which is a banking company under the Indian Companies Act. This bank advances money to agriculturists, but only those agriculturists who can offer sound security.

Of course most of the agriculturists in tahsil Jalesar borrow from village moneylenders.

The purposes for which the agriculturists borrow are those indicated in the questionnaire, except building of tanks and agricultural improvements. In Jalesar town and in tahsil Jalesar, as also in district Etah, agriculturists do not have to borrow for the purpose of building tanks and other agricultural improvements. The main purposes for which the agriculturists borrow are seed, manure, expenses of cultivation, purchase of cattle and subsistence. The general custom in this tahsil is that cultivators borrow on every crop from the village moneylenders and pay them on the maturity of the crop and if the crop fail, then in the next crop. The moneylenders in the village have a monopoly to deal with certain fixed villagers. About 75 per cent. of the debt is contracted for payment of rent, seed, manure and labourers' subsistence, which is a recurring charge during every *fasl*. What the average villager does is to take grain for subsistence, for seed and for giving to labourers, and cash for payment to the *zamindar*, and then, when the crop of *rabi* is over, to square the accounts. Tenants do not generally borrow for repayment of earlier debts or accumulated interest. Marriage and other social functions, famine,

litigation, sinking of wells are things of occasional happenings. An agriculturist has to borrow for these objects, but as they are not recurring, they may be taken as representing 25 per cent. of the total debt. Village moneylenders give 75 per cent. of the loans.

Out of the total debt, 75 per cent. of the debt is advanced in grain and 25 per cent. in cash. 75 per cent. of the loan is advanced for short periods and 25 per cent. for long periods.

Question 2.—The rates of interest charged for cash advances vary according to the circumstances of the agriculturists: his social position, his credit in the market, and so on. The interest ranges from Rs. 3-2 per cent. per mensem or 37½ per cent. per annum, to 12 per cent. For loans in kind for seed and for other loans in kind, the interest varies from Rs. 3-2 to Rs. 1-8 per cent., or say 37½ per cent. to 18 per cent.

The rates of interest are not at all exorbitant from the point of view of the moneylender. The moneylender does not get back all the money he advances, as some of his debtors become bankrupt, some debtors become dishonest, and he has to launch very costly litigation and still costlier execution proceedings. Then again on the death of the debtor, the moneylender gets nothing as the tenancy is not saleable. and the cattle and implements of husbandry are not legally saleable. In fact I have seen from my experience as a chairman of the board of directors of the Sat Narain Bank, Limited, and as a legal practitioner, being a senior advocate, High Court, that as soon as an agriculturist debtor who has only a holding and no *zamindari* dies, the village moneylender loses every farthing of his debt, and his execution proceedings end with no outturn. Thus, from the village moneylenders' point of view, the interest is not exorbitant; but from the agriculturists' point of view it is certainly high as they have to compensate the moneylender for dishonest debtors in the shape of giving high rate of interest Another way of how a dishonest agriculturist tenant deprives the moneylender of his dues is the system of sub-letting a holding under a registered lease on a very low rent leaving a small margin as profit, and for that too giving a receipt for rent to the sub-lessee before the same falls due and is attachable. Thus I have seen that the average agriculturist tenants get money on high rate of interest because they have no security to offer and also because once the tenant becomes dishonest the moneylender cannot realise a farthing from him by process of law. Then, again, there is rivalry amongst moneylenders, and as soon as a villager goes to a rival moneylender, he does all he can to deprive the first moneylender of his money. I have seen that a good proportion of the tenants become dishonest and the moneylenders have to suffer all this risk. Then, again, the moneylender, when he comes to the law courts, does not get more than 18 per cent. simple interest. All these circumstances, when taken together, show that the moneylender does not get more than 12 per cent. interest on realized sums.

No other charge is made in this district like *nazrana*.

Question 3.—There is no system of mortgaging standing crops as a security for loans, nor agricultural implements. The system of pledging ornaments is very common, but this is only with the richer class of agriculturists. The poor class of agriculturists have no *zamindari* or house property to mortgage.

The *zamindar* class of persons who take up agriculture do not usually borrow for agricultural purposes, but retain the grain of the last crop for such purposes.. Mostly tenant agriculturists borrow and they have no land or house property to offer as security. Thus the average agriculturist has only his personal security which consists of so many bighas of occupancy holding or ex-proprietary holding and so on.

It is not the case that the better the title to land the more the indebtedness. On the contrary, landlords, who take agriculture as their occupation are increasing in wealth and are purchasing more property, while those *zamindars* who are not agriculturists are not so prospering. A person with a good title and good security gets loans on very low interest and is able to pay back, while a person with no good security has to pay high rate of interest and is unable to pay back and always remains a debtor.

Landlord agriculturists are indebted to the extent of 25 per cent., the occupancy and ex-proprietary tenants, to 25 per cent., while the statutory and non-occupancy tenants to 50 per cent. of the total debt.

There is a general belief among the debtors and creditors that mortgage debt is more secure than personal debt, and both the debtors and creditors know that the rate of interest on mortgage debt is much lower. I have seen and known debtors who are ready to take loans at Rs. 2 per cent., *i.e.*, 24 per cent., and even 37½ per cent. per

annum, on pro-note, but would not give a hypothecated mortgage even on 9 per cent. or 12 per cent., *i.e.*, 12 annas per cent. per mensem or Re. 1 per cent. per mensem. Thus I find that the mortgage debt is not increasing while the personal debt is increasing. The reason for debtors not agreeing to give mortgage on land is to prevent their indebtedness being known.

Question 4.—The usual method of enforcing payment of debt from agriculturists is voluntary payment. The agriculturist pays the moneylender in the hope that the moneylender would give to the agriculturists for the crop, and will also insure the tenant against famine, distress, rent, and other necessaries. The moneylender and the debtors are more or less like insurer and insured. The moneylender insures his tenant against all demands till the crop becomes matured. If the agriculturist does not pay, there is a quarrel and the moneylender has to spend much money over civil court litigation, and then the debtors have recourse to dishonest means to deprive the moneylender by having distraint proceedings taken by his *zamindar*, and thus selling the crop before the civil court decree can touch it.

On account of introduction of railway communications and the telegraph system, every villager knows the prevailing rate in the market. Moreover, villagers do not get their supplies, except food articles, from villages but have to come to town and there they learn the market rate. There is at present no difference between the borrowing rate and the market rate.

Question 5.—The tenants do not get full advantage of the Agriculturist Loans Act and the Land Improvement Act, as *taqavi* is not given at all times but only in famine and drought conditions. Moreover, the tenants are at the mercy of the patwari and other revenue authorities, like kanungos, etc., who are not always sympathetic. Many complaints have been brought about the corruption of the patwari. It has been found that patwaris and even kanungos have reserved a part of *taqavi* for making favourable recommendations, and at places patwaris have been punished.

Cultivators as a rule do not borrow more than is necessary. There may be exceptions to the contrary.

Under the present system of *taqavi* the patwaris have been found to make illegal gains. Moreover, the *taqavi* is sometimes not given at the proper time. The *taqavi* system is not uniform, but money is given only in times of distress.

I would suggest in the interests of the cultivators that there should be a separate department for *taqavi*, and that money should be given to tenants at all times and in all years, and that there should be a committee formed in each village to act as advisors; that the money should be given in consultation with such village committee, and that the village patwari and the kanungo should have no hand in the distribution of the *taqavi*, but their services may be utilised for realization.

Question 6.—In this town or tahsil or district there is no system where cultivators combine together to produce particular crops. It is very desirable that cultivators should do so, but this is only possible when particular seed-grain of good quality is brought from outside and given to the tenants on joint liability and on the promise that they combine to make the produce. Particular crops which are not commonly sown, take more labour and are more risky, and if a number of cultivators combine, their loss will be rateable and they will be able to bear the burden. Expense on such production is also great and by combination they can put together sufficient resources.

Question 7.—At present, in the system of agricultural borrowing the tenant borrower has no good security to give, and hence he has to pay high rate of interest; then, again, he does not get the best grain for seed, and sometimes does not get sufficient money at the time when it is most necessary. I would propose that agricultural banks be started in all tahsils with a central bank in the district. The agricultural bank should be presided over by the District Magistrate as its chief patron and the sub-divisional officers as its members, with one paid secretary at the head-quarters of the district. Its vice-presidents should be chairmen of the district board and all municipal boards in the district. Every central bank of the district should have its branches in the tahsil. The agricultural bank need have no separate treasury as the Government treasury is enough. Payment can be made by cheque. The realized money should be deposited in the tahsil treasury or in the head-quarters treasury as the case may be. Separate accounts should be kept at the Sadr and tahsil treasuries as is kept for municipal and district boards.

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Half the amount should be raised by loans and the other half contributed by Government on fixed interest. To ensure speedy realization of debts from agriculturists, this loan should have a prior claim over other payments like rent. Just as a crop is supposed to be hypothecated for money due to the *zamindar* when distraint proceedings are taken, so there should be security to such creditors.

There should also be legislation about the interest realizable. The limitation for such suits should be one year only.

Since India is practically dependent on agriculture, and the wealth of India lies in the improvement of agricultural conditions of India, it is very necessary that the agriculturists should be protected and their condition improved by giving them facilities of taking loans at the proper time.

Sometimes we find that tenants' and agriculturists' holdings remain unsown because they have no money and no moneylender is willing to advance to them.

Therefore, my suggestion is that the tenants and agriculturists be protected by legislation limiting the rate of interest, and in turn, that there should be legislation in favour of moneylenders giving them a first charge over crops for money lent for seed grains and for the production of the crops when compared to other civil court decrees.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—People from the town and district head-quarters go to the villages and on payment of cash purchase the commodities from the producers, and then they bring them to the market and sell them at favourable rates to themselves and make a profit. Traders of the town give advances to producers and agriculturists of the villages, and when the crop is ready, purchase the grain and sell it in the market. Village moneylenders and *zamindars* purchase the grain in the villages and store and sell it in the market, at the time when they can get the best price. Villagers and producers of corn themselves bring their produce to market and sell them through commission agents or *arhatias* and get the best price obtainable.

As to the crop of roses, there is a system in tahsil Jalesar that perfume dealers of Kanauj, district Farrukhabad, Delhi, and Ahmedabad come every season in the months of March and April and enter into contracts for the purchase of all roses produced in the next season, and advance money at the rate settled. The rose growers stick to such methods and give their crop to the perfume sellers.

Indigo plant and indigo produce is only sent abroad. This trade has now much gone down. The merchants and the purchasers always give their own indigo seed and make contracts for purchase of the produce before the seed is sown.

Kapas (cotton) is brought to the cotton and ginning factories direct and is not sold in the market where there are not sufficient purchasers. The market for *kapas* in Jalesar tahsil is the Raja Awagarh Cotton and Ginning Factory and not the bazar. Here the producers of *kapas* bring the same from their villages and sell to the purchasers through commission agents.

Articles which are capable of easy decay are not carried abroad but are sold locally.

The system of marketing varies according as the article is one for domestic consumption or one mainly sold in the market.

Question 2.—In Jalesar town, money is not obtained from banks to finance the marketing of crops except for *kapas* (cotton) and grain.

There is no regular exporting firm on a big scale in this part of the district. Grain merchants invest money and purchase the corn from the producer who come to sell the same in the market. The general rate at which money is lent to finance the marketing of crops is 12 per cent. per annum on the security of the grain.

There is no co-operative society in Jalesar tahsil.

Question 3.—The cultivator does not pay any charges to the local moneylenders when marketing his crop as the local moneylender is already a creditor of the cultivator. If he is not a creditor, he generally purchases at one anna less in a rupee than the market rate to cover conveyance and other charges.

The *arhatias* here charge generally three pies per rupee as their commission from the cultivators, while in big sales the usual commission charge is twelve annas per cent.

The cultivator has to pay nothing to the *dalal* (broker), as the broker gets his brokerage, which is four annas per Rs. 100, from the purchaser. The purchaser has to pay weighment dues to the commission agent and also brokerage to the broker.

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The wholesale grain merchant when he purchases directly from the producers or cultivators, charges nothing except one pice in the rupee for his labours which is called *phanki* (handful of grain). No other charge is made by the wholesale merchant. In short, the cultivator has to pay only one pice or three pies in the rupee whatever he sells to the commission agent or to the grain merchant.

The charges vary in the case of potatoes, *arvi*, sugar-cane, etc.; in this case the charge is two pice or half anna per rupee.

The cultivator has to pay the conveyance charges from his house to the market, and also municipal octroi duty. The merchant, when he exports the grain to outstations, gets a refund from the municipality. The merchant is entitled to *phanki* only.

The cultivator may either pay one pice, *i.e.*, a quarter of an anna per rupee to the purchaser, or a handful of grain called *phanki* which is 2 *chhattaks* per maund. Besides this the cultivator has to pay nothing to the purchaser, commission agent, or *dalal*.

Question 4.—Grain is generally stored in grain pits (*khattis*) or *khas* or *kothas*. I think the *khatti* or grain pit system is the best as it protects the grain from becoming rotten and also protects it from thieves. There is one more advantage: it does not occupy any space as it is underground. This is the cheapest and best system. One improvement that can be made is that the floor should be made of *pakka* bricks or that a sufficient amount of sand should be put on the floor. I have seen that a good quality of grain on the floor or bottom portion is spoiled. In the market also grain is stored in big houses called *kothas* and grain pits. If these grain pits are made *pakka*, *i.e.*, of *pakka* brick flooring, much grain would be saved from being spoiled.

Question 6.—The system of licensed warehouses can only work in India if the charges are not great. Indians work on a very small margin of profit and they cannot pay big charges for their upkeep of materials.

The initial expenses for setting up such licensed warehouses will be great, and the ordinary moneylender of a village or a town which has not a broad commercial trade or outlook, can ill afford to provide such a warehouse. In order to give a start to this business, the help of the Government will be necessary. Once the building is built and the system of storage is started and people get their produce stored, then such licensed warehouses will be gradually taken up by traders and Government can remove its control.

Question 7.—There is no system where cultivators combine together to market particular crops. It is neither desirable nor possible to have such combination.

Question 8.—The present system of weighment is not satisfatory: weights are not uniform,—there is the village weight, the town weight, and the English weight. This can be remedied by legislation that all articles should be weighed by one standard weight. Many municipalities have enforced this law, but there is no restriction in villages. There is no system of weighing heavy goods at a time. The present Indian system is that articles are weighed by a five seer weight. This takes much time and mistakes in weighment are liable to be made. If weighing machines are introduced in all centres of trade it will help much. This can be done by the Government giving grants to municipalities, and a nominal charge as weighment dues can be levied on those persons who make use of the weighing machines.

Question 9.—Exporting firms and companies do not themselves speculate.

Part C.—Extent and nature of agricultural indebtedness.

Question 2.—The principal creditors of the agriculturists are the professional village moneylenders, grain dealers, *ghee* dealers (who advance money to agriculturists and take *ghee* from them) and cloth merchants. Cultivators purchase their cloth on credit to be paid for at harvest time.

At least 50 per cent. of the money is lent by richer agriculturists, including *zamindars*, to the poorer agriculturists.

Question 3.—I do not think that the land or the rights in land are passing from the hands of the efficient cultivator to that of moneylenders who are not themselves efficient cultivators. The land no longer attracts the moneylender, and since the passing of the Agra Tenancy Act, 1926, land has lost its charm. Since this Act has come into force, the landholder knows that he cannot increase his income to a great extent, and

so he does not like to purchase land; rather he allows those who are efficient cultivators to purchase the land. On the contrary, I find that those who are not efficient cultivators are parting and selling their *zamindari* to those classes of persons who are born agriculturists.

Part D.—Credit facilities in respect of agricultural production and marketing.

Question 1.—There is some help rendered by Government in the shape of *taqavi* and by the Government agricultural seed store, but it is very small. The Imperial Bank of India and joint-stock banks have not helped appreciably in crop production. There is no co-operative society here. Professional moneylenders certainly play an important part in helping production as, if they did not provide seed grain and subsequent labour expenses, there would be no crop production. Agricultural implements have not helped in production as they are not popular and not in use much.

The existing credit facilities are not adequate. The position of the creditors should be made more secure by legislation, by treating debt incurred for raising crops as a first charge, and by legislation reducing interest due from agriculturists. At present the moneylender cannot realize anything from dishonest cultivators as the cost of litigation is very high and the execution proceedings are still more costly. It is necessary that the position of creditors be made more secure by reducing court-fees and other charges and also declaring such debt as a first charge. In case of the death of the debtor, according to the existing law, the creditor gets nothing, as tenancy produce is not an asset on which the creditor could lay his hand.

Question 2.—Only village moneylenders and grain merchants play an important part in respect of marketing of the crops in this part of the district.

For village crops the existing credit facilities for marketing purposes are adequate.

By legislation debts incurred for raising crops should be discriminated from other debts, and a prior charge placed over the crops.

Question 3.—In village generally moneylenders have a monopoly of certain cultivators Similarly, commission agents have dealings with people of certain localities. There is no other co-ordination.

The spread of co-operative societies with villagers and cultivators as their members, will make an improvement in this direction.

Question 5.—There cannot be any proper estimate of the total amount of capital required for agricultural finance generally. But personal experience shows that an amount of two lakhs would be sufficient for this tahsil, or say roughly 8 lakhs for the whole district. There is no fixed basis for calculation; it is more or less a conjecture.

Part E.—Land mortgage banks.

Question 1.—Landlords are given loans on the mortgage security of their *zamindari* land up to Rs. 10,000 or thereabouts. Generally, these mortgages extend up to Rs. 5,000.

Occupancy and exproprietary tenants are given loans according to the land they possess, but the loans given generally are below Rs. 500. Sometimes, on account of continuous famine conditions or failure of crops, this amount goes up to even Rs. 1,000 or Rs. 2,000. This money is advanced as the moneylender, having once advanced the money, is bound to advance more lest the tenant go to other moneylenders. As land is not capable of mortgage so moneylenders take a lease in the name of some person and a bond in the name of a relative and fix a very small amount as rent. This is done to override the law under which *zar-peshgi* leases are illegal.

Question 2.—Long-period advances are generally available on the security of landed property or of ornaments.

The special difficulty of long-period borrowers is that they cannot get money without good security.

Question 3.—In the case of tenants, non-transferability is certainly an impediment to long term credit and it also increases the rate of interest.

Question 4.—The occupancy right is not an adequate security for long-term credit.

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If the law is modified to this extent that a tenant is entitled to execute a *zar-peshgi* lease or a mortgage for five years, with a stipulation that after five years the mortgage or the lease will be extinguished, but that the tenant can take five years' advance profits leaving the amount of rent to be paid by the lessee, in that case the tenant's security will be increased.

Question 5.—I think the establishment of land mortgage banks will be of great help in solving the problem of long-term advances in this province.

Question 6.—Only one land mortgage bank, to provide long-term credit alike for farmers, small landowners and big landowners, is sufficient.

The land mortgage banks should have their own share capital which should consist of money raised by loan subscription to the amount of 50 per cent. and 50 per cent. given by Government on a low rate of interest, say 5 per cent. or 4 per cent. The capital should be 5 lakhs.

The share capital should be available to all for subscription without any distinction.

If the share capital is not taken up by the public, the Government should undertake the obligation of subscribing the balance. But when the work is started on a commercial basis there will be no lack of funds.

The management of such a bank should be quasi-official, *viz.*, the patron should be the District Magistrate and the deputy collectors and tahsildars its members, but the management should be under non-officials and the directors should all be share-holders who have subscribed a decent amount. Those shareholders who subscribe more should be given a higher number of votes according to their shares.

The maximum period of the loans should be three years or say five years: this is quite sufficient; and not more than 60 per cent. of the value of mortgage should be advanced.

Banks should obtain working capital from fixed deposits at the rate of 5 and 6 per cent. and debentures payable after a fixed period of say ten or twenty years at certain fixed interest. It depends on the condition of the place.

Debentures should carry a Government guarantee for principal but not for interest. This guarantee will bring in any amount of money at low rate of interest.

If the Government gives a guarantee the question of the public not taking up the debentures within a certain time will not arise.

Debentures should rank as trustee securities.

The Government should keep its control over the mode of advancing money and over its realization. It should make rich people of the place its directors, and should take a guarantee from these directors on printed forms that should any negligence or defalcation be proved these directors will be liable. Another way is to give loans mostly to those persons who offer securities.

Certificates of encumbrances by the registration office should be issued at a nominal charge. At present these certificates are very carelessly drawn up, and I have found that at least 25 per cent. of them are quite wrong and show the property free while actually it is encumbered.

There should be no stamp duty or court-fees, and there should be only nominal registration charges to attract members.

Process of foreclosure and sale should be simplified for the benefit of mortgage banks.

Power should be given to mortgage banks to at once take over the management of defaulting estates after notification and giving opportunity to defaulters to pay the demand. This will protect the banks against dishonest defaulters.

Co-ordination with an all-India central institution is all that is necessary.

Question 7.—The value of land varies according to the condition of each place, and therefore there cannot be any fixed method of calculating the value of land. At present land giving six annas per month income after the defraying of all expenses is valued at Rs. 100 in this locality, while at other places property giving an income of Rs. 6 yearly is supposed to be worth Rs. 100.

The value of land varies according to the quality of land and the crops grown on it. Land which is capable of growing three crops or two crops is certainly better and more valuable than land which can grow one crop only. The value of land is calculated on the letting value.

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The factors affecting value are the quality of land, water supply, irrigation facilities, nearness of village, the evenness of the land and its immunity from floods.

There is not much difference in the prices obtained in sales by government auction and in sales on a court decree, but there is a vast difference in those obtained by private negotiation. Sales by private negotiation carry better title than sales on court decrees or for non-payment of revenue. I have seen that the purchaser sometimes is unable to get anything for defect of title of the judgment-debtor, which is not the case in sales by private negotiation. In private negotiation the purchaser is certain, and he has got sufficient opportunity to examine the property and has also a right to sue the debtor in case of defect of title. Thus the debtor obtains a better price for giving a better title to the purchaser.

Part G.—Small industries allied to agriculture.

Question 1.—*Gur*-making, cotton ginning, tobacco growing, vegetable and fruit growing are industries allied to agriculture.

Question 2.—*Gur*-making is done by primitive and old type methods by villagers. There is no machinery for *gur*-making as is the case in Bareilly and other places. If *gur*-making machinery is put in in this town, there will be improvement. There are already two cotton ginning mills, and no further works are necessary. In Jalesar tobacco is grown in quite a good quantity, but there are no manufacturers. Vegetable and fruits are produced according to the local conditions. There is sufficient scope for the cultivator or producer to have a proper price for his produce.

Question 3.—Except in the month of May and till the rains in June a cultivator always remains occupied, and he only remains unoccupied for a month or so during the hottest part of the year when it is very difficult to work. By this he gets a little rest during the year. The only way in which a farmer can remain occupied during this time is to give him vegetable seed from the Government agriculture stores of the kind that grow at this time of the year. Another way of giving employment to these farmers is to enable them to build wells and tanks during this period by advances made in the shape of *taqavi*.

The working capital for such enterprises can be supplied by co-operative banks or by Government advances.

Part H.—Small urban industries.

Question 1.—There is no industry in this town on a big scale. The chief industries of Jalesar are—

(1) Bangles made of glass.
(2) Brass-made bells for bullocks (*Ghungras*).
(3) Shoes.
(4) Coarse cloth.

The above industries are financed by local dealers and purchasers in these articles and not by bankers.

Glass is manufactured in earthen *bhattis*. It is also manufactured in a glass factory.

Raw material for brass is imported from Calcutta and other places.

Leather for shoes is manufactured in Jalesar.

All the above articles are purchased by merchants in Jalesar and exported.

There is hardly any middleman in this industry.

Question 2.—There is no big *karkhana* in Jalesar.

Question 5.—An industrial bank would certainly increase the productive power. A joint-stock bank or co-operative bank would do. Loans would be issued by such banks to individual artisans.

Part J.—Internal remittance and negotiable instruments.

Question 1.—There are no facilities in this part of the district for internal remittance as there is no *hundi* system. *Hundis* are issued here by persons who have to receive money in payment of articles sold. The local bank also does not afford such facilities.

Hundis are not available at all times and for all places. An improvement can be made by the introduction of the *hundi* system by Government, payable at tahsil sub-treasuries and other government treasuries and also post offices.

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Question 2.—Negotiable instruments play an important part in the internal trade as they are a medium of exchange transactions. It is very expensive to send money abroad through the post office or under registered insurance. Moreover, the creditor gets money at once from the purchaser of the *hundi* who is anxious to send his money outstation.

Question 3.—There is no system of supply bills here.

Question 4.—Reduction of duty will certainly help in extending the use of bills of exchange.

Question 5.—The post office in India has proved above corruption, and this is the one department that is free from the general tendency to corruption found in other departments. The present money-order charges are very high and they are never availed of for commercial purposes. Collection of bills and cheques and issue of travellers' letters of credit by the post office will certainly help commerce and prove very beneficial.

Question 6.—*Hundis* payable on demand are current here called *darshani hundis;* the second form are payable after a fixed term and are called *mitidar hundis. Darshani hundis* serve as a mode of taking money from one place to another promptly, while *mitidar hundis* are a sort of debt taken by the drawer from the drawee and payable after a certain period. Prompt *hundis* cannot be drawn until and unless the drawer has got credit of the money drawn.

The duty chargeable on *hundis* is still very high and a reduction is urgently called for. It is also very desirable that *mitidar hundis* of big valuation should be registered in the Chamber of Commerce that the dealers may have an eye on the solvency and liabilities of the drawer. Sometimes it has been found that a failing firm has drawn a considerable number of *hundis* of two or three months' duration and thus collected dishonestly money without the knowledge of the purchaser of such *hundis* that the firm is going to fail.

Hundis pass freely from one hand to another.

Discount on *hundis* depends on the solvency and credit of the drawer.

Question 7.—It is customary to borrow money on the strength of railway receipts and invoices, as also on the security of the articles purchased. Railway receipts are sold also.

Difficulties have been experienced sometimes when a merchant who has not paid the full price of the article sells the right of delivery of the article to another person, and the original seller attaches the article by a writ of attachment before judgment for his unpaid money. To remove this difficulty there should be an endorsement by the seller of the railway receipt that his own money has been received by the vendor of the article concerned under the railway receipt.

II.—Indigenous banking.

A.—Organisation of indigenous banking.

Question 1.—In my district the following are the classes of indigenous bankers :—(i) ordinary moneylenders, (ii) cloth merchants who along with their profession advance money and also give cloth on credit, (iii) merchants dealing in grain and other articles who also make advances to the producers for the purpose of getting their articles at favourable rates to the exclusion of other merchants, for instance, rose water manufacturers.

Each class of merchant deals with the article he sells and his customers are the producers of the article. Some of those merchants advance a small portion of the price, while others give a lion's share of the price.

Indigenous bankers dealing in cloth, jewellery, etc., combine moneylending with their own business, but moneylending is subsidiary.

Question 2.—*Agriculture.*—Cloth merchants and grain merchants have to deal with the agriculturists every day. These men, *viz.*, cloth merchants, give cloth to agriculturists on credit and realize the price when the crops mature. On failure of a crop these merchants also lose considerably. Grain merchants also advance money to agriculturists on the strength of the coming crop.

Trade.—Moneylenders finance the purchasers of grain and *kapas* (cotton), and on payment of 25 per cent. of the money as a margin for losses, purchase the article from their own pockets. Another system is that moneylenders pay the money for the railway receipt due on the article and take delivery for the purchaser who has not enough money to pay the whole amount.

Industry.—As in the case of trade, moneylenders help industry in this way that they advance money on the security of raw material or the finished article, enabling the producers to sell such articles when they get the best price for it.

Question 5.—The Indian *mahajani* system is generally employed in keeping accounts. There is no system of making a budget of expenses or income, neither any system of making a budget for the money they wish to advance or expect to realize within a certain year. There is no system of writing-off bad debts until and unless it is legally barred by time or the judgment-debtor is declared insolvent. They generally keep two account books, one rough copy and the other faired out from the rough copy.

B.—Raising of funds by indigenous bankers.

Question 1.—Prompt *hundis* and letters of credit are only used here when a person has to receive the price of an article supplied in an out-station while the purchaser of the *hundi, viz.*, the drawee, has to send his money to that station.

There are no fixed samples of *hundis*, promissory notes, deposit receipts and *sarkhats* used by the indigenous banks. They vary according to the notions and opinions of the bankers.

Question 2.—The small indigenous bankers provide themselves with funds to meet the demands upon them by going to the big bankers under the Indian Companies Act and borrow money on the security of their goods or personal security. I do not know about the Imperial Bank of India, but the joint-stock banks do help them with funds on the security of their goods.

The expenses on stamp duty and execution expenses are too high for small loans. It is advisable that the stamp duty on bonds up to Rs. 50 should be half anna and up to Rs. 100 should be one anna, and there should be printed papers up to the value of Rs. 100 to avoid the expenses of writing. It has come to my knowledge that bonds of small denominations, even when paid up, are retained by the moneylender, and on the same bond subsequently money is borrowed and the transaction goes on for 3 years as neither the lender nor the borrower wishes to spend money over execution or stamp duty, and the accounts become very complicated.

Question 3.—In this part of the district the system of deposits is not common.

C.—Advances by indigenous bankers.

Question 1.—Money is advanced by indigenous bankers for the purpose of securing the articles which the dealer wishes to purchase from the producer.

Articles of merchandise, such as grain, cloth, etc., are given as loan with the undertaking that the same would be payable in six months with interest when the crop is ready.

Loans are granted on the security of grains and other articles.

Security in the shape of pledged articles, mortgages and personal security are accepted by bankers.

On the security of land and pledged articles the interest varies from 12 annas to over one rupee per cent. monthly, while on personal security it ranges from twelve annas to Rs. 3/2 per cent. per month.

Question 2.—No other charges are paid by the agriculturists to the banker except the fixed rate of interest either in money or in kind.

The only possibility of reducing the present rate of interest is to make the position of the creditor more secure by legislation in the way of allowing cultivators to transfer their holdings for five years on advances, and so on. The second way is to legislate about interest for banking companies, with a proviso that those banks who accept these laws will be entitled to work free of income-tax and will be entitled to pay registration and stamp duty at much less rates than those banks that do not accept the legislation.

Such reduction will certainly benefit the agricultural community.

Question 3.—Under the present system the facility for inspecting accounts is far less than it should be. This is due to legislation imposing duty even on memo. of account books or *sarkhats*.

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E.—Defects of indigenous banking.

Question 1.—There are honest moneylenders and bankers as also dishonest ones, but in the interest of the profession a dishonest banker is never prosperous. Public opinion regarding these bankers on the whole is good.

Question 2.—The expenses on litigation on small suits is very high. A man has to pay some expenses in summoning witnesses and in summoning the defendant irrespective of valuation, except when the claim is for Rs. 50 or below Rs. 50. Execution proceedings are also very costly and a man who wishes to realize Rs. 20 or below has to spend double the amount and sometimes even three times the amount in bringing the property to sale Expenses on suits of valuation below Rs. 200 must be reduced.

Question 3.—It is very desirable that personal debts above a certain amount should be secured by compulsory registered deed and the registration charges should be very nominal in such cases. This would enable the banker to know the liabilities of the debtor and so prevent fraudulent transactions.

Question 4.—At present the accounting is done by one party alone; there is no corresponding contract deed with the borrower. Accounting should be kept by both parties as a rule of law. Both parties should be bound in law to exhibit the account to the other party in his handwriting or the account must be made up yearly. This will improve the relation of the borrower and the creditor.

Question 5.—Bankers do not always accommodate their customers and have many times to refuse them on account of insufficient working capital.

Registered bankers should be given the privilege of keeping an account with the government treasury and allowed money on reasonable interest according to the security they offer. They may be allowed to deposit and draw money.

F.—Co-ordination.

Question 1.—There is no system of co-ordination among bankers. Small bankers take money from joint-stock companies in this place. No preferential treatment is given to indigenous bankers by the Imperial Bank of India and joint-stock banks.

Question 2.—The establishment of a provincial bankers' association with branches in important trade centres would help co-ordination.

G.—Consolidation of indigenous banks.

Question 1.—There does not seem any possibility of consolidating the indigenous banking system nor can it be of any service to the country.

Question 2.—Banks recognised by Government would attract persons much more than at present. The condition of such recognition should be that sufficient security taken from the directors corresponding to the amount they call from people on current and fixed deposits. No security is necessary for share-holders' money as being share-holders they look to their interests themselves.

Question 2-A.—It is possible and also desirable to set up a class of registered moneylenders with special facilities and privileges whose operations may be controlled by the State in the interests of agriculture, etc. Their business should be kept regularly in printed registers and the court-fee and stamp charges should be very nominal. It is certainly desirable to restrict their lending to productive purposes only.

Question 3.—The bankers would not like their position in the market to be divulged. In the interests of the depositors those traders who float *hundis* and accept deposits should be asked to furnish balance sheets.

Question 4.—In the months of May and June and July and August money generally remains idle except and so far as money is invested in grain. Bankers, to keep the money employed and to draw when required, purchase short-period *hundis* carrying interest.

Question 5.—The indigenous banking system in my locality is in no way connected with the principal money banks, whether within or without the province. It is possible and also desirable to create such connexion.

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I would prefer (i) the establishment of a branch of some joint-stock bank in every district where at present one does not exist, or (ii) the establishment of a local joint-stock bank with a local directorate in every district where at present there is no branch of a joint-stock bank. These banks will have no competition with bankers as their banking is a part of their trade also, which would remain intact; while those that do moneylending alone would merge their interest and money in such banks. The danger that the new joint-stock bank might fail to make adequate use of local knowledge and experience can be avoided by enlisting local bankers. The joint-stock bank will inspire confidence when the local bankers are enrolled as its members. The danger that the local branch of a joint-stock bank in a small centre might not invest its deposits in the locality, but transfer them to its head-quarters for investment in a larger trade centre, can be avoided by rules framed for the purpose.

A start should be made by the establishment of the bank at the district head-quarters and also at commercial centres where there is enough work for the bank.

H.—Defects in statutory and customary law regarding recovery of debt.

Question 1.—That the operation of our judicial system is one of the chief difficulties in securing cheap credit is true to a great extent in the case of small money debts. The creditor has to spend much more than the expenses taxed in the memorandum of costs. He has to pay conveyance charges and other charges of the process-servers, bailiffs, his own expenses of coming and going, the expenses of servants and agents employed to conduct the case, the losses incurred in his trade or profession on account of attendance in law courts. These expenses are nowhere taxed in the decree of cost when bringing property to sale. A creditor has to pay Rs. 6-4-0 to the registration department for obtaining a certificate of encumbrance, no matter whether the amount of debt is Rs. 10 or 10,000. The charges of an amin for going to attach and sell are also very exorbitant. Sometimes the moneylender's execution application falls to the ground because the article is not saleable, or the property has a subsisting encumbrance.

To avoid difficulty the expenses in the execution department as also in registration should be considerably reduced, and speedier remedies should be given to the creditor of a registered bank.

Question 2.—The provisions of the Usurious Loans Act of 1918 are so elastic and flexible that they are treated differently in different places and by different presiding officers according to their own standpoint of law. The judicial decisions of the highest courts are also not very consistent and uniform in this respect and do not lay down any certain rule of calculating interest. Under these circumstances the moneylender can make no estimate of the money he is likely to get from the debtor. In some places and in the eyes of some officers the provisions of the Usurious Loans Act, more or less, are a dead letter, while at others it is treated as an instrument of reducing the interest to a great extent.

The principal defect of the Usurious Loans Act is that it does not lay down any definite provisions of law for calculating and awarding interest.

III.—INVESTMENT HABIT AND ATTRACTION OF CAPITAL.

Part A.—Encouragement of saving and investment habit.

Question 1.—The existing banking resources in district Etah, tahsil Jalesar, are—

(1) Moneylenders in the town.
(2) Indian banking companies.
(3) Post office savings bank and postal cash certificates.
(4) *Hundis.*

They are not adequate at brisk cotton seasons or when there is a good *rabi* crop, while in ordinary circumstances they are adequate.

At the time of the *rabi* crop and also at the cotton trade time, in the months of October, November, December and January, a sum of rupees two lakhs is required.

Question 2.—The existing means for encouraging the habits of saving and investment are the post office savings banks and cash certificates, Indian banking companies registered under the Indian Companies Act, and insurance companies working in Jalesar through their agents.

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Question 2.—The facilities afforded by the post office savings banks is not adequate; the rest give proper facilities.

Except in the case of post office rules, no improvement or extension is necessary.

Question 3.—People are in the habit of investing in gold and silver in the shape of ornaments for females. These ornaments are used as security when raising loans on low interest. Money is invested in ornaments according to the social status and solvency and respectability of the family. There can be no estimate of the same. Hindus invest much more in these ornaments than Muhammadans.

Question 4.—Postal cash certificates are not very popular as they are not sufficiently advertised and their utility and advantages and terms are not fully known to village people. Their terms also are not involving. They can become popular by changing the system of issue and its terms. They should be sold at par and not below, and they should carry fixed per cent. interest yearly. Interest should vary as the fixed term at call is 3 months, 6 months, 12 months, 1 year, 2 years, 3 years, 4 years, 5 years and then 10 years and 20 years. The present system of giving no interest for 1 year should be done away with. Some interest must be allowed on a minimum three months' period. By this system big merchants, whose money remains idle for three or four months, can also take advantage.

Question 4-*A*.—In India it is not possible or practicable to have national savings movements established in every place, but the same can be established at big trade centres where thousands of workers are employed in machinery. These institutions can best be worked on the basis of insurance companies : if a man is thrown out of employment, he can get a certain amount of money to maintain himself in view of the premium paid by him during his period of employment.

Question 5.—Post office savings banks do not afford adequate facilities to the investing public. These facilities can be extended by running the concern on a commercial basis, by extending the maximum limit of savings bank accounts, by making the rules of deposit and withdrawal more on commercial lines. In fact, instead of the present sub-treasury in each tahsil and the post office savings bank and postal cash certificates, the whole work can be transferred to a government bank in each tahsil with exchange banking facilities, and all the work which is at present done in the tahsil treasury and post office should be done in government banks. These government banks can deal in *hundi* business, exchange business, merchants' letters-of-credit, and other business.

At present savings bank accounts are opened by government or other low paid servants. Postal cash certificates are mostly purchased by government servants and those people who are under rules prohibited from entering into trade like vakils, etc.

The merchant classes do not deal with the post office. If postal cash certificate terms are changed and they are issued at fixed interest, payable six-monthly, they are sure to be utilised. The system of not paying any interest for one year should be eliminated and the period reduced to three months.

Question 6.—The allegation that the rates on postal cash certificates and treasury bills are so favourable as to create competition between Government and banks in attracting money is not wholly true as the bankers pay interest on current six months' account, while the postal cash certificate system does not give any interest under one year. It is true that postal cash certificates being a government scurity are valued much more and have attracted a very decent capital.

Commercial competition is always healthy. It will force directors of Indian companies to be more energetic, more inviting and laborious to attract depositors. They will have to remain much more honest in the competition market.

Question 7.—The issue of gold cash certificates will be quite unnecessary and will not increase the savings and investment habit.

Question 8.—I do not think the municipalities would be able to carry on the business of savings banks, nor would it help in the savings habit.

Question 9.—There is no Imperial Bank branch in district Etah and no occasion for purchase and sale of government securities.

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Question 11.—People generally keep their savings in post offices and banks, or purchase shares of companies, or invest in trade. Government servants generally invest their money in savings banks or banking registered companies. Money is also invested in insurance companies. Traders invest their surplus money in their trades and professions. Money is also kept in banks and other secure places for the purpose of being used at time of marriages, or for investing in trade. Surplus money is also utilised in giving loans.

Surplus money is also invested in the purchase of deferred *hundis* payable at certain periods and carrying interest over such periods.

Question 12.—Farmers generally use their surplus money to stock grain to sell in better markets. They also lend to their fellow agriculturists at Rs. 2 per cent. per month, *i.e.* Rs. 24 per cent. yearly.

Question 13.—The view that in India the habit of investment is of very slow growth is quite correct. The reason is that the percentage of poor people is very much higher than rich people. The poor people are unable to satisfy their needs and their expenses on marriages, etc., and as soon as they happen to get surplus money they spend it in various ways. Secondly, the benefits from investment are so low and few and uninviting that they do not think it at all beneficial to invest. They find that they get money at an interest of 24 per cent. yearly, while the interest on deposits is only 4 or 5 per cent. The third thing is that in India there are so many dependants in every family that whenever there is any surplus it is usually spent by them. If there are better facilities for investment and corresponding good interest on deposits, investment will increase.

To invest their savings in productive undertakings the people should be educated by propaganda work. The best method would be to start government banks in each tahsil for the purpose of doing all the work which is at present done by the tahsil subtreasury and the post office in a tahsil, and also taking up the work of agricultural seed stores and the work of *taqavi* advances. This bank should take up the work of advancing loans to the agriculturists for purposes of seed, tanks, wells, cattle. This money should have a prior charge like government revenue and *taqavi* charges. The habit of investment can be increased by giving high rate of interest to *bonâ fide* agriculturists on small deposits, say below Rs. 500. Further, these investments can be made attractive and inviting by the advance of loans on the security of these investments at low rates of interest. There have been so many failures of big concerns in registered banking companies, in *hundis* being dishonoured, that people have very little faith in them, and the result is that the habit of investment is not improved. Government banks with government security will bring in large amounts of money within a very short time. In order to enlist the sympathy of the local people and have their co-operation, these government banks should raise half the capital locally and obtain the other half from the Government.

B.—Cheque habit.

Question 1.—In commercial business in dealings with banks the cheque habit is growing.

Question 2.—The abolition of stamp duty on cheques has certainly increased the use of cheques and the opening of more accounts.

Question 3.—Traders, *zamindars* and big government servants, who have their accounts in banks, make use of the cheque system.

Question 4.—The cheque system can be increased by its use in the post offices, and also in payment of government servants and bank employees.

Post office cheque accounts will be much better than the present money-order system. The post office can issue cheques to the depositor or to the post office to which the deposit is sent and give the cheque to the depositor. Cheque accounts will facilitate the present system of withdrawal when the depositor or his men can only withdraw.

Question 5.—It is not advisable that cheques should be commonly used by illiterate persons.

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C.—Vernacular scripts in banking.

Question 1.—In banking the Devanagri character is the most accurate and the best medium as vernacular script in banking.

Question 2.—*Sarafi* is not complete and accurate in description, and Nagri is most accurate. Persian is never used in banking even by Muslim merchants who do business on a big scale.

D.—Imperial Bank of India.

Question 1.—There has been no encouragement of the investment habit as the terms of the Imperial Bank of India are not inviting. The only thing is that the general idea is that the Imperial Bank is more secure and so people have withdrawn their money from other banks and deposited it in the Imperial Bank. Since the Imperial Bank is supposed to be more secure, other bankers have to increase their interest on deposits and to alter their terms to compete with the Imperial Bank.

The Imperial Bank has played an important part in the promotion of internal trade and industry.

The indigenous banking system has got much encouragement by the establishment of the Imperial Bank. At Hapur, Hathras and other business centres great help has been given to the indigeonus banking system.

Not much has been done to increase facilities for agricultural credit. The Imperial Bank does not advance money to agriculturists on personal securities.

The Imperial Bank has also helped in reducing the general price of money at trade centres, but it has no effect in other places.

Mr. HAR NARAIN KAPOOR, Honorary Secretary, United Provinces Government Treasurers' Association.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part D.—Credit facilties in respect of agricultural production and marketing.

GOVERNMENT sometimes render financial help to men who want to start agricultural farms on improved lines. *Taqavi* loans are another form in which Government helps the agriculturist in times of need. The smaller fry have usually no access to the Imperial Bank of India or important joint-stock banks. Co-operative banks certainly help, but either they do not lend sufficient money for agricultural needs, or lend it in a manner which causes much delay and waste of time and energy to the cultivators. Indigenous bankers and professional moneylenders are not wanting, but they usually charge a much higher rate of interest than on what a loan can be made profitable.

The existing credit facilities are, to my mind, neither adequate nor perfect. Many more co-operative societies and business institutions, which may combine pecuniary gain with patriotic feeling, are needed.

The main defects lie in the illiteracy and want of business instinct in the cultivator.

There are a few purchase and sale co-operative societies working rather successfully, but many more are wanted. As a rule the cultivators take their produce for sale to the nearest *mandi*, the larger dealers take it to the bigger centres like Cawnpore, and still larger dealers to the exporting ports.

There is no co-ordination that I know of among the various credit agencies.

On a rough calculation I think about a crore of rupees should be needed to finance agriculture in a district having a population of 1 to 1½ million. If there are a lakh of agricultural families in a district, each family must need at least Rs. 100 on the average for its agricultural requirements.

Part E.—Land mortgage banks.

Loans are usually obtainable up to three years on pronotes, and for longer periods on registered bonds, with mortgage of immovable property. Mortgages more often than not result in litigation and parties have to go to court. Most of the people who advance money on the mortgage of property have not the patience to wait indefinitely for the return of their money; so long-term advances are out of the question in a majority of cases. The trend of legislation is to increase the cultivators' interest in the soil, but half-hearted remedies cannot cure the disease. The whole policy underlying the land revenue and tenancy laws has to be radically revised, if the poor tenants and the smaller *zamindars* are to flourish and ruinous litigation between them is to cease.

Land mortgage banks are a great necessity of the province, and I think there should be one of them at the headquarters of each district, with branches in the tahsils. Any of the approved models may be selected and perhaps the German model will do well. Whether there should be only one bank for the larger and the smaller landholders is a matter of detail—perhaps one with adequate capital and a competent staff will do. Government guarantee of shares or debentures is essential to inspire confidence. The

abolition or reduction of stamp duty, registration charges, court-fee, etc., would be a welcome step. The rate of interest should be somewhere in the neighbourhood of 6 or 7 per cent., and the maximum period of loan 20 or 25 years. I do not believe in a much longer period. The share capital should be taken up by the public and the Government. The directorate should, of course, consist of eminent practical men in the field of agriculture, industry and finance. Profit and patriotism should go hand-in-hand. Deposits should be encouraged compatibly with the needs and the security of the bank. I am not in favour of an apex bank for the whole of India, at least at this stage. Every province has its own peculiarities and needs, and a cut and dried model for all will not be desirable. In cases of wilful default I see no harm in the banks being equipped with special powers and preferential treatment.

The value of land may be calculated on an income of Rs. 50 per annum for every one thousand rupees worth of property. Sales at Government auction or in execution of legal decrees certainly fetch a lower price because they are more or less forced sales and the judgment-debtor is embarrassed.

Part J.—Internal remittance and negotiable instruments.

The *hundi* business has considerably dwindled and more banking facilities on similar lines are needed. The post office agency, if properly worked and utilised, can serve a most useful purpose. The *hundis* in circulation are usually at 31 or 61 days' sight and the borrower promises to pay on demand on the expiry of the period.

(For oral evidence, see pages 162—164).

ORAL EVIDENCE.

Lucknow, February 1, 1930.

Present :

Mr. E. A. H. Blunt, C.I.E., O.B.E., I.C.S., M.L.C. ...	...	*Chairman.*
Dr. Radhakamal Mukerjee, M.A., Ph.D. ...	...	*Members.*
Mr. Mohan Lal Sah, M.A., LL.B. ...	...	
Dr. L. C. Jain, M.A., LL.B., Ph.D. ...	...	*Secretary.*

(*Witness* : Mr. Har Narain Kapoor, *Honorary Secretary, United Provinces. Government Treasurers' Association.*)

The Chairman : Was this note that you sent based on your own information?—My personal information.

Did you get the supplementary set of questions?—Yes, I did.

Did you send any answers to those supplementary questions?—Not to the supplementary questions.

You suggest that there should be a land mortgage bank at the headquarters of each district?—Yes.

Don't you think that it is rather too much decentralisation? Would it not be better to have a provincial land mortgage bank with branches in districts?—I am not opposed to the idea of a provincial bank, but I think that a district bank would be more useful.

Would it not be better to have branches of one bank than a lot of separate banks?

Mr. Sah : Do you think that a district bank will attract sufficient capital?—There will be no dearth of capital.

And sufficient amount of debentures?—I think so.

The question is which of the two will be able to command more of capital and more debentures?—Any scheme in which Government participates cannot be financially unsound because there will be a Government guarantee.

The question is that of debentures and the rate of interest. It depends more or less on the central money markets. Will the district bank be able to have the same knowledge of the central markets and be able to float debentures as easily as the central bank?—I think so. There should be no difficulty in raising capital.

The Chairman : Another point that suggests itself is that the central bank would probably be able to do precisely the same volume of business with a smaller capital than a whole number of district banks. I think the total capital of the district banks will have to be larger than the total capital of a central provincial bank, and you do not want to lock up your capital. Would it not be better to have one single institution instead of a whole number of independent banks?—My idea is based on the fact that this bank should not be top-heavy and there should not be much experimentations in the initial stage. You will have to start on a small scale. You will have to try it in a suitable tract.

You prefer smaller banks?—Yes.

Don't you think that it would be less expensive to manage a provincial bank than so many district banks?—The cost of the upkeep of a smaller bank would not be high.

Mr. Sah : The total expenditure on all the district banks would certainly be greater than the expense on a provincial bank?—That will depend on the volume of business.

If you have a provincial bank with several branches in the province, the branches will be doing the same business as the district bank. Of course the volume of business will not be decreased, but the expenses will decrease?—I think a branch in a tahsil would hardly be costly. Money-testers and an accountant are the only staff that you want. It will be like the pay office of the Imperial Bank.

Our idea is to have a branch in each district and at the head of this one provincial bank. But your idea is to have an independent bank in every district?—The provincial bank may regulate the activities of the district banks. I have no objection to this.

You want to have separate district banks?—That is my opinion.

Do you think that it will attract a sufficient number of directors who are educated?—There is no dearth of educated men.

Educated business men in eastern districts such as Ballia, Gonda, etc.?—You will have men of average intelligence even in such places as Ballia, Gonda, etc.

The Charman : I would suggest to you as a compromise, should not one for a division do?—I have no objection.

What you want is not a single top-heavy bank, but you want a number of them?—That will be better, I think.

Mr. Sah : Your objection is to a central institution for the whole of India. Supposing this central institution were to guide the policy of the different banks, keeping in mind the different circumstances of the province, will that meet your objection?—What is the object in having one apex bank?

The idea of having a central institution is that it will guide and help the provincial banks in floating debentures and in organising markets. It will have more knowledge than district banks. In this province there is no organised market, nor is there any in the Punjab. The only markets are in Bombay, Calcutta and Madras.—(*Witness*) : But later on if we find that the provincial bank is nt working satisfactorily we can have an apex bank.

Dr. Radhakamal Mukerjee : You will have it later but not just now.

Mr. Sah : I may take it that the land mortgage banks will accept deposits?—Yes.

What should be the period of deposits, long-term or short-term?—It may be from one to three years.

The Chairman : You will accept short-term deposits?

Mr. Sah : Will that not be too short because the land mortgage banks will be lending money to people for long terms, and from where will we get money for this?—The money will be received from the shareholders and there will be fresh deposits. There will also be the repayment of loans advanced by the bank. Debentures will be issued in a series and not at one time and with due regard to the liabilities of one particular year.

We can very easily be controlling the business of the bank. We can meet the demand.—(*Witness*) : In banking you cannot refuse deposits. You must accept them. Supposing a man brings one lakh of rupees for deposit, you will have to accept it. We will have to accept it for one or two or three years.

Supposing you lend that money and the money does not come in time, will not that land the bank into difficulties?—We will pay from the sale of shares and fresh deposits.

How will you pay from the shares?—Debentures will be issued.

The Chairman : You have to keep a reserve in cash.—(*Witness*) People generally do not prefer long-term deposits.

Mr. Sah : Why should not the land mortgage bank accept deposits also? Why should you confine yourself to borrowing money on debentures? If anybody has got Rs. 2,000 he can easily deposit there.

Dr. Radhakamal Mukerjee : You advocate that the bank should accept deposits for the sake of depositors, for the convenience of depositors and not for the bank itself?—And the bank can utilise that money to some advantage.

Mr. Sah : What advantage?—It can be reinvested for short-term loans as well.

So you are allowing the bank to advance for short-term loans as well. The special function of the bank will be to advance money long-term and not for short-term?—Yes.

As the Secretary of the Association I am putting this question to you. You are aware that nearly all the members of your Association are bankers?—A majority of them.

The question is whether it would be possible for them to improve their business and to reorganise their business in such a manner as to have establishments just like modern English banks?

The Chairman : In other words, all of them or some of them in groups would combine to form something in the way of a real bank like the joint-stock bank.

Mr. Sah : So that they may convert their business in such a manner that they would accept deposits, take money in current accounts, issue cheque books and do the business of a private bank just as there are English private banks like Grindlay & Co., King & Co., Cook & Sons, etc.—(*Witness*) This is very sensible.

Would you just consult your members?—Yes.

There is one other thing. Combination alone will not be necessary. What is necessary is to have banks established just like modern banks.

The Chairman : As a matter of fact the government treasurer in many districts practically does act as a sort of banker for a limited number of clients, for instance, government officials. They want someone to keep their money. He keeps it for them, and I have known that some of them use cheque books.

Mr. Sah : There are others who will let you write your own cheques.—(*Witness*) But this is confined to a very small number of people.

Would it be possible for your Association to extend banking facilities in each important tahsil also; and, if it is possible, would they like to have any assistance from the Government, and if so, what sort of assistance will they require?—I will refer the matter to my Association.

How many members have you got?—Nearly 80.

That is quite sufficient for a province having 48 districts.

The Chairman : You state here that the *hundi* business is dwindling. Are you referring to *mitidar hundis* or *darshani hundis*?—I say both.

Mr. Sah : Can you describe any causes which have led to this decrease in the *hudni* business?—I should say it is only a matter of convenience. There are other facilities due to the competition of the Imperial Bank. I do not say that it is the main cause. It may be one of the causes.

The Chairman : As a matter of fact Mr. Kapoor's evidence refers obviously to *mitidar hundis*. Now, do you think it would be better if the charges for postal remittances of all kinds were lowered than they are at present?—This will be much better.

Will you ask your Association about this?—Yes, I will.

It is your experience that notes are replacing silver in circulation?—Yes. They are.

Mr. Sah : Do you think that the decrease in the price of silver during the past has anything to do with this?—To a certain extent.

The Chairman : It may or may not.

Mr. Sah : Is it due to the fact that after the War people have more confidence in the Government than they had before?—I think that confidence was not shaken at all.

The Chairman : One possible cause is that they have got used to notes and have begun to appreciate its advantages in the shape of portability?—Yes.

As opportunities offered they have been taking notes instead of silver or exchanging one for the other. They have now become accustomed to notes?—Yes.

(The Chairman thanked the witness, who withdrew.)

MR HAR NARAIN KAPOOR.

Mr. RAM PRASAD KAKKAR, Government Treasurer, Fatehpur.

Replies to the questionnaire,

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—Agriculturists borrow money from co-operative banks, moneylenders and Government.

They borrow for all the purposes mentioned in the questionnaire, except for manure and other agricultural improvements, and very rarely for agricultural implements. For sinking of wells and building of tanks, generally they get *taqavi* from co-operative societies and Government.

The distribution of the debt is as below :—

50 per cent. for subsistence.
20 ,, ,, marriages.
20 ,, ,, land revenue.
5 ,, ,, seed.
5 ,, ,, other purposes.

Most of the money (98 per cent.) is taken from moneylenders.

Seventy-five per cent. of the debt is incurred in cash and 25 per cent. in grain.

Ninety per cent. of the debt is incurred for short periods.

Question 2.—For cash advances, moneylenders charge interest at the rate of two annas per rupee per six months. For loans in kind for seed, interest is charged on the *siwai* system. In rare cases cultivators get *taqavi* for fodder from Government.

Interest is calculated at compound interest half-yearly.

I consider the rates of interest exorbitant.

Question 3.—Land mortgage, standing crops, house property, and ornaments are the usual kinds of security given and accepted.

Leaving big *zamindars* it is correct to say that the better the title to land the greater the amount of indebtedness. Landlords that pay revenue less than Rs. 3,000 and 90 per cent. of the tenants are in debt.

Unsecured debts are more than debts secured on land mortgage.

Question 4.—Moneylenders usually realize the debt after the crop is ready and is reaped, but if the money is not recovered they obtain decrees from the courts concerned.

Question 5.—The cultivator does not take full advantage of the facilities provided by the Agriculturists Loans Act and the Land Improvement Act. The reason is that he is put to great trouble when he comes to take *taqavi*.

Sub-Divisional Officers should distribute *taqavi* and the patwaris should have no hand in it.

Question 6.—Cultivators combine together to produce sugarcane only. Combination is desirable.

Question 7.—Agriculturists do not get money in time and get less than what is needed. They should get sufficient money in time at a less rate of interest.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—Grain merchants buy grain from cultivators and then bring it in bullock carts to market.

The methods of marketing vary according as the crop is one mainly used for domestic consumption, or one mainly sold in the market.

Question 2.—To finance the marketing of crops, money is obtained only from grain merchants in rare cases. If they advance money they charge one seer more than the market rate.

MR. RAM PRASAD KAKKAR.

So far as I know co-operative societies do not assist in the marketing of crops. They should.

Question 4.—The cultivator stores his grain in *bakharis*.

In markets grain is stored in *khattis* and *kothas*. It would be better if they build underground cells and godowns.

Part C.—Extent and nature of agricultural indebtedness.

Question 1.—In one of my villages about 50 per cent. of the cultivators are in debt.

The amount of debt secured on registered land mortgages is 10 per cent. and against other assets 75 per cent.

Question 2.—The principal creditors of the agriculturists are co-operative societies, professional moneylenders and grain dealers.

The amount of debt due to each of these classes is as follows :—

25 per cent. to moneylenders.
20 ,, grain dealers.
5 ,, co-operative societies.

Question 4.—Most of the landlords that pay less than Rs. 3,000 as land revenue are in debt.

Question 5.—The causes of their indebtedness are—When the crop fails—

(1) When the crops fail they do not get rent from cultivators and they have to pay land revenue from their own pockets. The amount of indebtedness due to this cause is 50 per cent.
(2) They have to spend money on litigation. Amount of indebtedness 30 per cent.
(3) They spend more at the time of marriages, etc. Amount of indebtedness 20 per cent.

Question 6.—The land-owning classes have to pay special charges or rates of interest in respect of other borrowings.

Part D.—Credit facilities in respect of agricultural production and marketing.

Question 1.—The co-operative banks and professional moneylenders provide credit for all purposes of cultivation and for other family affairs. Grain merchants provide credit for seed only, and Government provide credit for seed, bullocks and tanks, etc.

The existing credit facilities are not adequate. A bank for the benefit of the cultivators is needed.

The cultivators do not get money in time and are unable to get it when it is demanded according to rules as their crops are not reaped at the time. Moreover, as soon as they reap one crop they stand in need of money for another, and if they utilise the money in hand they are put to great trouble in not paying the debt borrowed for the first crop, and if they pay it with it, they are late for the next crop, and when they are late in paying the dealers do not give them money next time. The remedy for this is that there should be an aegncy which should at once realise their needs and advance money then and there, payable on long term on low interest.

Question 2.—The existing credit facilities are not adequate.

The rate of interest is very high; they do not get sufficient money: when they cannot pay the debt it goes on increasing, which ruins them. The only possible remedy is that the Government should lend money at cheaper rates.

Part E.—Land mortgage banks.

Question 1.—It is difficult at present to obtain loans for long periods. Only 7 per cent. of loans are for long terms in the case of landlords and about 3 per cent. in the case of tenants.

Question 2.—Long-term advances are available on the security of landed property and other things, movable and immovable. There are few creditors who are willing to give loans on long terms. When they give them they charge compound interest payable, not annually, but after the expiry of a quinquennium in the case of landed property.

when the borrowers find it extremely difficult to pay. In the case of other things, movable and immovable, they charge exorbitant compound interest, payable half-yearly and yearly as the case may be.

Advances are not made for long periods so as to make payment easy by small annual instalments.

Question 3.—Non-transferability in the case of tenants acts as an impediment to long-term credit and increases the rate of interest.

Question 4.—The occupancy right does not serve as an adequate security for long-term credit because mortgage of occupancy rights is illegal. The law should be modified so as to increase the value of such security for long-term advances.

Question 5.—The establishment of land mortgage banks would solve the problem of long-term advances in this province.

Question 6.—There should be two such banks, one confining its business to farmers and small land-owners and the other to the big land-owners.

It will be economical to have both the branches under one management.

They should be encouraged to have their own share capital as far as possible, but it will be very difficult to obtain the required sum without a Government guarantee. The amount of such capital or guarantee will depend on the business which has to be transacted. In the beginning it should be small but it should be increased as the number of members increase. The share capital should be available to all those who may like to purchase the shares. In case the share capital is not taken by the public, the Government should undertake the obligation of subscribing the balance.

The bank should be managed by a Board of Directors elected by the shareholders.

The co-operative principle of one man one vote should be applied.

The maximum period of the loans advanced by a land mortgage bank should be 20 years, and the amount of loan should not be less than half of the market value of the mortgage.

The land mortgage should obtain working capital from (i) deposits, (ii) debentures, and (iii) a central institution.

The debentures should carry a Government guarantee both for principal and interest. If the debentures are not taken up by the public within a certain time, Government should take up the balance. Debentures should rank as trustee securities.

Government should be safeguarded against loss by having a special control over the land mortgage banks.

The following changes of the existing law, or special arrangements are suggested :—

Issue of certificates of encumbrances by the registration office free, or at a nominal charge.

Reduction of stamp duty, registration charges and court-fees.

Notification of proposed mortgages.

Simplification of the process of foreclosure and sale in the event of non-payment.

Power to manage defaulting estates.

Provincial land mortgage banks should not be co-ordinated under an all-India central institution as it will unnecessarily complicate matters.

Question 7.—The value of land should be calculated on the basis of the Government revenue paid on it. It should in no case exceed 20 times the amount of land revenue paid to the Government.

The factors affecting the value of land are—

(1) The kind of soil.

(2) The means of irrigation.

(3) Its situation and locality.

There is always some difference between the prices obtained for land. The following are the causes of the difference :—

In Government auctions for non-payment of revenue and court sales, the land has to be sold and its price is determined by the number of purchasers present at the time

of auction and sale. If some purchasers are keen about buying a particular land or village, then there is keen competition between them and they offer fancy prices for it, sometimes even amounting to fifty times the annual profit. Otherwise it is difficult to get good prices in sales.

Good prices can be obtained by private negotiation, but there also the law of supply and demand plays its part. If the vendor is keen about the sale, he may sell the land at a cheap rate, or if the vendee is anxious to buy, he may offer a good price for it.

Under normal conditions land is sold at 5 per cent. in this district, *i.e.*, twenty times the annual net yield of average quality land is obtained for it.

Part F.—Co-operation.

Question 2.—So far as I know there is difficulty in raising both short and long-term capital by co-operative societies.

Question 3.—The amount of capital available for financing the co-operative movement in my district is sufficient.

Question 4.—It is possible to stimulate the growth of the co-operative movement by financial concessions, and such action is desirable.

Question 5.—The establishment of the provincial co-operative bank would stimulate the co-operative movement in this province.

Part G.—Small industries allied to agriculture.

Question 1.—*Gur*-making, cotton ginning, tanning, hand-spinning, poultry farming, growth and manufacture of tobacco, vegetable, fruit and flower growing are more or less prevalent in this district.

Question 2.—The condition of such industries could be improved. Co-operative methods should be adopted, and practical training should be given in them.

Question 3.—Dairy farming, cotton ginning, tanning, sugar refining, hand-spinning and poultry farming would give employment to a farmer during the off-season when he is not fully occupied in agriculture.

Government should advance money for working capital for such enterprises.

Part H.—Small urban industries.

Question 1.—The cottage industries in my area are financed by local moneylenders. The artisans purchase raw materials and implements from their own pockets. They sell their wares personally.

Question 5.—In the beginning co-operative banks would be a suitable method of improving the present system of financing small industries.

They should issue loans only to artisan societies.

Question 6.—Public societies controlled by the Government can be of effective assistance in advertising and marketing art wares.

III.—INVESTMENT HABIT AND ATTRACTION OF CAPITAL.

A.—Encouragement of saving and investment habit.

Question 4.—Postal cash certificates are not popular in my district. The rate of interest should, if possible, be raised to 6 per cent. per annum. If the depositor withdraws within a year, he should be given interest for the period when the money remained deposited in the post office.

Question 5.—Post office savings banks afford adequate facilities to the investing public.

Literate people take advantage of the various facilities for investment offered by the post office.

Question 6.—It is true that the rates of interest on postal cash certificates and treasury bills are so favourable as to create competition between Government and banks in attracting money. Such competition is healthy.

MR. RAM PRASAD KAKKAR.

Question 11.—In the villages of my district people hoard money and bury it in the ground. They keep such money with them to buy ornaments, pay debts and spend at the time of marriages, etc.

Question 12.—Sometimes farmers buy corn or oil-seeds with their surplus funds in a prosperous year. They do lend money to fellow-agriculturists—at 2 per cent. per month on six months' term.

The amount of capital in the possession of the agricultural population in my district is decreasing.

Question 13.—In India the banking and investment habit is of very slow growth because the ignorant and illiterate people do not take interest in saving.

Chaudhri GOVIND LAL Saheb, Banker, Mirzapur.

Replies to the questionnaire.

II.—INDIGENOUS BANKING.

Part A.—Organisation of indigenous banking.

Question 1.—Two well-defined classes of indigenous bankers are to be found in district Mirzapur—

(i) those receiving deposits and lending money; and

(ii) those lending money only (a few taking deposits on the lines of saving banks deposit and paying interest at 9 per cent.).

They have got no well-defined system to work upon. They advance on the security of immovable properties, ornaments and on bonds, pro-notes and *hundis*. The second class combine other business also, and with them banking is only a subsidiary business. They deal in brass, stone, carpets, grain, shellac, etc.

Question 2.—The second class of bankers generally lend to agriculturists in different ways. They generally lend money at the time of harvesting and marriages, etc., and are usually paid back, not in money, but in corn, *gur*, *ghee* etc. They generally do not charge interest on any fixed rate but buy the said commodities on cheaper rates fixed before the harvest time. They also take mortgages of *zamindari* and fixed-rate tenancy rights.

Both classes of bankers lend to traders on fixed rate of interest which is generally high.

Generally the first class alone finances industry, and not on very high interest.

Question 3.—It is very difficult to arrive at a correct estimate of the resources of the indigenous bankers in my district. It is very extensive.

I can give no information regarding the capital of these indigenous bankers, but the volume of their business is extensive and their expenses low.

Their average net return is generally 4 to 6 per cent.

Question 4.—To my knowledge there are no financial houses in the province dealing solely in the provision of credit facilities by purchase and sale of *hundis* and other bills of exchange. Those who have got money are not generally content with the return they get on banking business, and they are tempted to enter some trade or industry; besides, there are few big capitalists in the province.

Question 5.—Indigenous bankers generally follow the old *bahi-khata* account method, which consists of generally three books—*roker*, *jaker*, and *khata*.

B.—Raising of funds by indigenous bankers.

Question 1.—*Darshani hundis* for 90 days, promissory notes and *sarkhats* are the various firms of credit instruments generally used in my district.

Question 2.—Indigenous bankers generally borrow from each other to meet the demands upon them. They take very little help from the Imperial Bank of India in my district.

Due to want of proper technical and legal knowledge their method is generally defective and unsystematic. The branches of the Imperial Bank generally are unsympathetic towards them and do not try to impress upon them the use of the new banking system. The managers of the Imperial Bank do not generally mix with the public.

Question 3.—Indigenous bankers generally receive deposits for long terms. They generally allow 6 per cent. on these deposits. Rates generally do not vary at different seasons.

CHAUDHRI GOVIND LAL.

C.—Advances by indigenous bankers.

Question 1.—Indigenous bankers grant loans and allow cash credits on *darshani hundis*, promissory notes and *sarkhats*. These loans and cash credits are generally for 90 days or on demand.

Personal credit is the security generally; definite security is not taken.

Rate of interest varies from 6 per cent. to 24 per cent.

Question 2.—The agriculturist has to pay to the indigenous banker generally 24 per cent. in money and 25 per cent. in kind as interest.

By improving co-operative credit societies the interest can be reduced. Such reduction would, no doubt, benefit the agricultural community.

Question 3.—The clients of bankers have no facilities for inspecting their accounts, and generally the simple agriculturists are put to great trouble.

D.—Exchange and money market.

Question 1.—There is no local exchange and money market in my district.

Question 2.—The *dalals* (brokers) negotiate debts in the city and are paid 8 annas per cent. by the borrowers.

Question 3.—There is no fixed rate for the purchase and sale of *hundis*. Variation in the rate depends only on supply and demand. The Imperial Bank of India rate does not much affect the bazar rate.

Question 5.—The trade of the markets in my area is governed or affected by local usages.

E.—Defects of indigenous banking.

Question 1.—Indigenous bankers in my area are not fairly treated. Sometimes they are considered to be exorbitant usurers.

Question 2.—They are often involved in litigation and sometimes the complicated points of law compel them to run great risks.

Question 3.—They are not sufficiently protected by law. They require easier methods to avoid lengthy processes of the law courts.

Question 5.—Sometimes for want of sufficient capital at their disposal indigenous bankers have to refuse acceptable demands. A little encouragement on the part of the Imperial Bank of India and other banks may help them out of their financial embarrassment.

(Note by Mr. H. Bomford, I.C.S., Collector, Mirzapur.)

WITH regard to Chaudhri Govind Lal's replies under the head E.—Defects of indigenous banking, I might add that he could not explain to me in what way his legal position varies from that of, say, the Allahabad Bank. All he can say is that if he applies for attachment there will be endless delay, and the debtor may be able to get rid of his property before attachment, while if the Allahabad Bank applies for attachment an order issues at once. The fault may be with the law or with his legal advisers; he cannot say where the fault lies, but he speaks from personal experience.

He considers with regard to question 5 that the Imperial Bank might make advances on credit and not invariably demand security. He illustrates his point by assuring me that he could on his personal credit borrow at the present moment (there being no demand for money locally owing to slackness in trade) at 3 per cent. for 90 days, while the Bank would demand security and probably charge him twice as much interest.

CHAUDHRI GOVIND LAL.

Lala PHUL CHAND JAIN, of the firm of Lala Parshotamdas, Sarraf, Allahabad.

Replies to the questionnaire.

II.—INDIGENOUS BANKING.

A.—Organisation of indigenous banking.

IN our district there are chiefly three classes of indigenous bankers :—

(1) Bankers who deal in *hundis*.

(2) Some bullion merchants and *sarrafs*.

(3) Moneylenders who advance money on gold and silver ornaments as security.

Nearly all indigenous bankers have their own principal business, *e.g.*, *zamindari* and bullion dealing, and banking is only their subsidiary business.

B.—Raising of funds by indigenous bankers.

Indigenous bankers do their banking business out of their own capital, but their capital, in most cases, is insufficient, and so they, in order to meet their demands to some extent, take money from the Imperial Bank by drawing *hundis* in order to obtain credit; but the one great defect in this system of obtaining credit is that the Imperial Bank, which generally advances such loans, does not take such *hundis* direct from the drawer, but always have a third party to intervene, in whose favour such *hundis* are drawn and to whom payments are made by the bank, *e.g.*, *A* draws a *hundi* on himself in favour of *B*, and *B* charges a commission of one-eighth per cent. from *A* and then discounts it to the bank. The more convenient and profitable system would be if *A* draws such *hundis* on himself in favour of the bank and the bank advances money directly to *A*, of course only to a reasonable extent, without any need of any third party.

Another difficulty in drawing *hundis* in order to obtain credit is the charge for the Government stamp as all such *hundis* are drawn on stamped papers at the rate of one anna and six pies per hundred rupees. If such *hundis* are drawn on ordinary paper, as the *hundis* for internal remittances are drawn, there would be a great saving to the drawer. Another way by which the Imperial Bank of India can give assistance to indigenous bankers is the system of equitable mortgages. Under this system indigenous bankers should be allowed an overdraft by a bank for short-period loans on the security of title-deeds of landed and house properties as is the case in port towns. This facility should not be given to the public in general.

Moreover, the Imperial Bank of India ought to give some preferential treatment to indigenous bankers over and above its other customers.

Demand drafts for internal remittances should be given to the indigenous bankers at a lower premium than what is given to the public in general, and at the charge equal to that allowed to indigenous banks.

D.—Exchange and money market.

Hundis for internal remittances are usually bought from the grain-dealers who export grain and oil-seeds to port towns during the crop season at a discount of one-eighth per cent., and such *hundis* are sold to piece-goods merchants, cloth merchants, and *sarrafs* at par, sometimes directly and sometimes through brokers, whose brokerage is one-thirty second per cent. from the seller.

Hundis to obtain credit are purchased and sold by indigenous bankers at the bank rate, and sometimes at one per cent. less than the bank rate, through brokers whose brokerage is one-thirty second per cent. from the seller. The rate of interest on *hundis* to obtain, credit, which differs according to the credit of the drawer, is directly affected by the change in the bank rate.

LALA PHUL CHAND JAIN

E.—Defects of indigenous banking.

Indigenous bankers like other public bodies experience great legal difficulties in carrying out their business : they cannot recover their debts easily by legal means, for it takes a great deal of time before one can get a decree and get it executed, specially in cases where the debtor, with evil intention, manages to get rid of his debt by presenting himself as a bankrupt.

The best remedy in our opinion would be if the indigenous bankers are allowed decrees before judgment against their debtors as an additional privilege from the civil court.

G.—Consolidation of indigenous banks.

Indigenous bankers should be connected directly with the proposed Reserve Bank. A few bankers might be made agents of the Reserve Bank and work agencies entrusted to them; they should be allowed credit to some extent and work the *hundi* business out of their own capital and out of the funds allowed to them by the Reserve Bank. If this system is to work it will be necessary to have one branch of the Reserve Bank in each division. We would, therefore, suggest that the Imperial Bank of India be converted into the Reserve Bank, in case it is not possible to open the Reserve Bank in the near future.

(For oral evidence, see pages 174—177.)

ORAL EVIDENCE.

Lucknow, January 24, 1930.

Present :

Mr. E. A. H. Blunt, C.I.E., O.B.E., I.C.S., M.L.C.	...	... *Chairman.*
Dr. Radhakamal Mukerjee, M.A., Ph.D.	...	... }
Mr. Mohan Lal Sah, M.A., LL.B.	...	... } *Members.*
Rai Bahadur Pandit G. S. Upadhya, B.A.	...	... }
Dr. L. C. Jain, M.A., LL.B., Ph.D.	...	... *Secretary.*

(*Witness* : Mr. Phul Chand Jain, *of the firm of Lala Parshotamdas, Sarraf, of Allahabad.*)

The Chairman : What relation are you to Lala Parshotamdas?—He was my father.

You are yourself an indigenous banker? Would you please explain to us in the first place what particular type of business you yourself do?—I am dealing in silver and gold as bullion merchants, and also in *hundis*.

Do you also take deposits from other people?—Yes, sometimes we take deposits.

Do you invite them to give you the deposits? In other words, do you practically borrow from them? For instance, could I come and say that I want to deposit Rs. 100 or should I have to wait until you asked for it?—There are several places where the villagers come and deposit money themselves. When we require money we tell our brokers to sell *hundis*.

Are there many people like yourself who are willing to take deposits in this way?—It depends upon their business. If business is very great and there is a great demand they deposit. If the demand is less they do not deposit. It also depends on the season of the business; sometimes business is good, sometimes it is not good at all. And when it is not good, we do not deposit.

In other words, your willingness to take deposits depends mainly on the state of the business as it concerns you?—Yes.

You say there are other merchants of the same kind?—Yes.

Mr. Sah : You mention three classes of indigenous bankers in your district. The bankers who deal in *hundis*, bullion merchants and *sarraf* moneylenders who advance money on gold and silver. Do you include *arhatias* among bankers—those who act as commission agents for supply of grain or cloth or other articles and then sell them on credit?—Yes.

And then another class would be the village moneylender?—Yes.

So that there would be five classes instead of four?—Yes.

I take it that usance *hundis* that are current in Allahabad are mostly accommodation bills?—Yes.

They are not generally trade bills? I mean the bills that are drawn against the supply of goods. Or are they only for the purposes of borrowing money?—There are *hundis* for borrowing money; there are also *hundis* for the export of grain.

I mean usance bills, *i.e.*, *mudatti hundis*.—(*Witness*) : Yes.

The Chairman : And you deal in both?—Yes.

Mr. Sah : You mention that one of the great difficulties in obtaining credit is that the Imperial Bank of India, who advance loans, do not take such *hundis* direct, but insist on a third party. You feel that the Imperial Bank should be allowed to advance money on one signature?—Yes.

Do you think that the use of *hundis* will increase if the stamp duty is abolished or decreased?—These are hindrances to borrowing.

Will the use of *hundis* increase in case the stamp duty is abolished?—Of course.

You mention that the Imperial Bank of India should give assistance to indigenous bankers against equitable mortgages. The term "indigenous banker" is so wide that it includes anyone who can advance money. Would you restrict it to only certain classes or would you make it rather general?—I would restrict it.

To which classes would you restrict it?—Especially to those banks or bankers who deal in *hundis* or to businessmen or *mahajans*, but not to ordinary moneylenders who lend Rs. 10 or Rs. 100.

You say that the Imperial Bank of India ought to give some preferential treatment. Will you please explain fully what preferential treatment you would require the Imperial Bank to give?—The thing is that the Imperial Bank generally gives drafts and they charge the same rate of discount from indigenous bankers as from the general public. If we were to send a Rs. 12,000 draft on Calcutta, the bank would charge the same rate of discount from us as from other merchants.

So that the only preferential treatment that you want is in connection with internal remittance? Would you like the Imperial Bank of India to lend you some money at cheaper rates?—It gives us money on *hundis* on the signature of a third person.

But you complain that it requires the signature of a third person.

The Chairman: What the witness would like is similar facilities on one signature. Would the Allahabad Bank be willing to advance you money on *hundis* on one signature?—No. It does not deal in *hundis*.

Mr. Sah: Does the Imperial Bank of India meet fully your requirements?—No. They always take *hundis* from us by endorsement of a third person.

And the other banks?—Other banks do not.

There are certain market practices in connection with *hundis*. Supposing a *hundi* is dishonoured what happens?—If we buy a *hundi* on Calcutta from a grain dealer or merchant, we take such a *hundi* and send it to our agent in Calcutta or send it to the Imperial Bank. If the *hundis* is dishonoured and comes back, we pay immediately to the buyer and we take from the seller eight annas per cent. as demurrage or *nikrai sakrai* and interest from the date of payment to the date of realization at the rate of 9 per cent. and charges of registration, etc.

The Chairman: In other words, you take charges sufficient to cover the loss that you yourself suffer?—We give only interest. We do not give *nikrai sakrai*.

Mr. Sah: For how many days can a demand *hundi* be held over?—It is paid just on demand, but it can be kept outstanding for about a week, not more than a week.

Is that so in all the markets or is the practice different in different markets?—In Calcutta it is three or four days, but in Cawnpore it is kept for one week, and in Allahabad too it is one week.

What is the system of *jikri*?—Suppose we give *hundis*. We endorse some *hundi* and give it to the buyer. If we think it may not be paid, if we have any suspicion, then we write on that very *hundi* that if it is not paid to the drawee, it should be presented to such and such person. And sometimes we give a separate form. We write that such and such a *hundi* will be drawn on such and such a person, kindly take that *hundi* and pay this *jikri* and send us back the original *hundi*, in order to avoid interest and also to avoid *nikrai sakrai*. Suppose we sent this Calcutta *hundi* to Agra. Under this system the *nikrai sakrai* in Agra is Rs. 2 per cent. In that case in order to avoid such payment we give *jikri*.

You have a branch in Bombay?—Yes.

And in Calcutta?—My brother's branch is in Calcutta. My brother is separate. Our agents are in all the principal towns.

So you are connected with all the principal markets in India?—Yes.

And I believe that the other indigenous bankers are also so connected?—Yes, they have some business.

LALA PHUL CHAND JAIN.

You mention that the indigenous bankers should be allowed decrees before judgement. Do you mean attachment before judgement or injunctions?—I mean an injunction stopping the man from selling his property.

You mention that some of the indigenous bankers should be made agents of the Reserve Bank and should work agencies entrusted to them. What sort of work would you put on them? Would you do all the work, buy and sell *hundis*?—Yes. Take deposits, buy *hundis* and sell *hundis*. We are doing the same thing now. We buy *hundis* worth Rs. 20,000 daily during the crop season and give them to the Imperial Bank.

So that you are acting as bill-brokers and not as agents in this way?—We are not brokers. We endorse these on our own account. When *hundis* come back, we pay to the Bank immediately.

The Chairman: Supposing I wanted a *hundi* on Calcutta, I could buy one from you?—Yes.

Dr. Radhakamal Mukerjee: If you deal in *hundis*, how far do you accommodate grain merchants and *arhatias*? I take it that in the interior of the Allahabad district you accommodate the big *arhatias* and *mahajans*?—No, we do not advance; we only give money on *hundis*. If they export grain and want money, they bring their railway receipts and ask for the money.

Do your branches in Calcutta and Bombay export agricultural produce?—No; we do not deal in agricultural produce.

The Chairman: They only use agricultural produce as security for *hundis*.

Dr. Radhakamal Mukerjee: In Allahabad there are other indigenous bankers who combine both banking and export business?—Yes.

And is there any tendency on their part to deal directly with the cultivator rather than through the intermediary small *arhatia* in the market?—No; they do not deal directly. Only villagers and village bankers do.

And these village bankers are financed by them?—Yes.

But unless these village bankers deal with agricultural produce, they will not finance agricultural operations directly?—No. They do not know.

The Chairman: It is obvious that you are as close to a banker in the Western sense as anybody in India is. You know, of course, the Western methods of banking. The main thing is the receipt of deposits. Well, you do receive deposits under certain conditions and on certain occasions. Now would you regard it as possible or desirable to go a further step and take deposits as a regular thing? I want to make this quite clear. I am not talking of a joint-stock bank; besides joint-stock banks there are private banks and private people who do all the banking business without limited liability, without registration. My friend Mr. Mohan Lal Sah is one, and endless people like Grindlay & Co., until they became limited, were banks of that kind. Do you think it would be possible or feasible for you to take on that kind of business? Would you regard that as outside your sphere altogether—it is at the present moment—or would you be willing to consider taking that into your sphere? At the present moment you lend money on *hundis* and you receive money in all sorts of ways. Would you be willing to take the further step forward, make yourself a private banker, take deposits from anybody who wishes to send them to you?—Yes.

That is to my mind the next step forward in Indian banking. We have lots of people who lend money; we have lots of people who take deposits in certain very restricted circumstances. There is only one step further to turn them into a bank in the Western meaning, that is to say they should take deposits from anybody who wishes to place them with them and give them, of course, the Western advantage of a cheque book. A cheque is merely an ordinary pro-note. It seems to me that if Indian banking is to progress, the further step is the changing of all these indigenous bankers—I hate the term—into what I should call "private bankers" in the Western sense That is to say they would not be companies at all, like the ordinary joint-stock bank. They would not necessarily be even of limited liability. They would just take the people's money and carry on like an ordinary bank. Do you think that is a possibility in India?—Yes.

Of course it will take time. So you agree that that would be a desirable method of advance. It means that the money instead of being broken up as at present between a whole lot of comparative small moneylenders, would go into one place.—(*Witness*) : There are persons who do not trust people, and prefer to keep their money with themselves.

I know there are two sides to it. We have got to put you in a position where you will be trusted. Will you be prepared to consider the possibility of taking that step forward?—We shall have to try.

It is a question whether we can find anybody with the pluck to try. You agree with me that that is one method of advance?—Yes.

Rai Bahadur Pandit G. S. Upadhya : Do you think it will be possible for more than one private banker to combine under limited liability in order to extend business and make it a real bank?—It would be better I think if two or three persons combined.

Would it be possible?—Yes, it would be possible.

Do you know cases where two bankers have combined and are doing business in this way?—There are some firms who do business in equal shares.

The Chairman You are a Jain, I take it?—Yes.

Now would it be possible for you to combine with other Jain firms so that instead of having two or three small firms you would have one large firm?—Yes, it is possible.

Rai Bahadur Pandit G. S. Upadhya : At present you receive deposits only seasonally or whenever you stand in need of money. Supposing you receive deposits regularly, do you think you will be able to find markets or other means for its use?—Yes.

That is you will not suffer any losses?—No.

Then why don't you take regular deposits at present?—We do not want to extend our business to that extent.

The Chairman : As Mr. Phul Chand has just mentioned, it is all very well, but the question is will people give them? And that is of course a great difficulty. There are two sides to every question.—(*Witness*) : There are persons who deposit but do not take their money; they take only interest; and when we ask them to take their money, they take it back.

Dr. Radhakamal Mukerjee : But the acceptance of all deposits at all seasons and from everybody would imply certain obligations upon the public and perhaps if these difficulties are overcome, then your firm might expand a great deal, much more than you can anticipate at present.

The Chairman : We cannot get very much further than the mere adumbration of an idea. The idea I want Mr. Phul Chand to have is the possibility of first of all combining and then extending his business. I am not inviting you to do it, Mr. Phul Chand, but I am only putting it as a general question whether there is a possibility of two or three indigenous bankers like yourself pooling your resources, taking money from the public, publishing their accounts (a private bank does not need to do that) as the next step forward in Indian banking. The whole trouble in India is little reserves all over the place; and you probably get far more value out of the same amount of money being all in one place than in two or three places. But for that it is essential that indigenous bankers should be prepared to combine—and there is where I am afraid the difficulty occurs because it would be very difficult for *sarrafs* to combine—he may not be willing to combine with you or you may not be willing to combine with him. So one has to look to more than the commercial and business side of the question. But you do agree with me that is probably the best line of advance? That is as far as we can get at at the moment.

Mr. Sah : The depositing public trusts you sometimes more than the joint-stock bank on account of the fact that the joint-stock banks have a limited liability?—Because they know us. They do not know these banks.

So that you are more in touch with the depositing public than the joint-stock bank?—Yes.

Is it not a fact that partnerships have led to quarrels?—(No reply.)

(The Chairman thanked the witness, who withdrew).

LALA PHUL CHAND JAIN.

Mr. BALLABH DAS RASTOGI, Banker and Landholder, Lucknow.

Replies to the questionnaire.

Introductory.

THIS question has now set all controversy at rest that the Indian peasantry is groaning under an unbearable burden of heavy indebtedness. After meeting all the charges incidental to land revenue and personal loans—the lion's share of his annual income which is already very meagre—the *kisan* is left with very little to eke out his precarious existence. This wretched state of affairs is due to a great extent to those causes which are no doubt his own creation; and to some degree it is also owing to the rack-renting system for which the *zamindar* is responsible; but all these causes combined are only a feather in the balance compared with those which have originated with the establishment of the foreign Government, and which are mainly within her province to deal with. It is nothing to be surprised at that the unenviable condition of the ryot is becoming worse day by day, and one shudders to comprehend the ultimate position to which he is certain to be reduced if immediate and necessary steps are not taken by the Government in conjunction with the *zamindar* and the moneylender to have these causes removed. These causes have been pointed out numerous times to the Government and their remedies suggested and emphasised. So it is not my purpose here to enumerate them in any detail, as innumerable committees and commissions appointed *ad hoc* bear eloquent testimony, if any were needed, to the fact that she knows precisely what is rotten in the state of Denmark. The reports of these committees and commissions have done very little to remedy the evils prevalent on such a huge scale, and are sure to prove merely a waste of money and time in future unless a bold policy favourable to the indigenous interests is pursued. I hope and trust that the general principles of the report submitted by the Banking Enquiry Committee will be acted up to in the spirit and to the very letter, so that the universal complaint against the Government about the committees and commissions may be falsified so far as this question is concerned at least.

The somewhat little experience and knowledge of the banking facilities obtaining among the rural classes of the district, or for the matter of fact of the division, of Lucknow, gained through my being connected with a house which has been conducting banking business from an unknown past, and also because of my belonging to a community of hereditary *sowcars* as well as due to my being a member of a *zamindari* family—the *zamindari* in our family having been acquired in the course of banking business—together with my having been a keen student of contemporary politics and present-day economic problems for the last ten years, have qualified me for the task of writing out this memorandum for the perusal and consideration of the committee. I shall not attempt to supply answers to all the questions contained in the big questionnaire, a large number of which are beyond my province; but while replying to some I shall place my views before the committee particularly with regard to indigenous banking rather in some detail, for all they are worth. If my labours on this behalf prove of some assistance to the committee in arriving at those happy conclusions which may go a long way in improving the economic condition of the villagers and petty traders of India, I shall think myself amply repaid. There is no merit more glorious and commendable than that which may be earned by helping the noble cause of agriculture which provides the staple support of man's existence. If we but realise the true significance underlying the above and be ready to do our duty in that sublime spirit, we have accomplished enough to please our conscience and through it our God. The service of the semi-starving millions, howsoever little and unimportant it may be, which nevertheless proves of some benefit to those for whom it is intended, is a great privilege which I find myself, through this opportunity, fortunate enough to enjoy, and it is with this faith that I shall now proceed with my task.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturist in my area borrows from all the classes of lenders enumerated in the question, *viz.*, Government, co-operative societies and village moneylenders, besides the *zamindars*, professional bankers, comparatively well-off neighbouring agriculturists, Kabulis and petty dealers.

He borrows generally for the purposes, and in the proportions, noted below :—

(i) 10 per cent. for repayment of earlier debts.

(ii) 2 per cent. for payment of accumulated interest.

(iii) 10 per cent. for marriage and other social functions.

(iv) 10 per cent. for famine and other kinds of distress.

(v) 20 per cent. for payment of land revenue or rent.

(vi) 7 per cent. for seed.

(vii) 1 per cent. for manure.

(viii) 5 per cent. for expenses of cultivation.

(ix) 2 per cent. for agricultural implements.

(x) 7 per cent. for litigation.

(xi) 10 per cent. for purchase of plough or other cattle.

(xii) 5 per cent. for sinking of wells.

(xiii) 1 per cent. for building of tanks.

(xiv) 2 per cent. for other agricultural improvements, and

(xv) 8 per cent. for subsistence.

The debt is distributed between the lending agencies as follows :—

Government, 10 per cent.

Co-operative societies, 4 per cent.

Village moneylenders, 20 per cent.

Zamindars, 10 per cent.

Professional bankers, 40 per cent.

Neighbouring agriculturists, 5 per cent.

Kabulis, 8 per cent.

Petty dealers, 8 per cent.

About 60 per cent. of the total debt is incurred in cash, and about 40 per cent. in grain.

The whole of the debt in grain together with about 20 per cent. of the cash debt is incurred for short periods, while the rest is for long terms.

Question 2.—The rate of interest is 25 per cent. per annum generally for cash advances, while in particular cases it is even more than that, ranging between 25 and 50 per cent. per annum. For loans in kind it is generally 50 per cent. till the yield from the next crop is gathered; but sometimes the rate is increased as well as decreased. When the debts in kind are incurred for food the rate for the same is 25 per cent. for the time until the next crop is harvested.

Those who are illiterate, *i.e.*, the rich agriculturist, *bania*, Kabuli, Pathan, etc., employ crude methods in calculating interest and keep their accounts by word of mouth which varies very often to the disadvantage of ignorant borrowers, while others keep their accounts in writing and arrive at the amounts of their interest by simple calculation. If the period for which the loan is taken exceeds the limit even by a short time, it almost always happens that the debtor is the loser and has to pay interest for the whole expanse of the next period. This is usually the case with the loans in kind.

The rates of interest are obviously exorbitant.

In addition to the interest, a borrower has to pay, in the case of cash advances, 3 pies, 6 pies or even an anna per rupee for religious purposes at the time of taking a loan, and this sum is left with the lender to be spent at his discretion. He has also to pay certain other charges, *e.g.*, the illegal fee of the *chaukidar* or the headman of the village, whosoever, as the case may be, helps the borrower in obtaining a loan; the fee of the petition writers who write out pro-notes, bonds, etc.

Question 3.—Besides land mortgage, standing crops, house property, ornaments and agricultural implements, the security of cattle and of any two or three or even more persons combined is given.

The indebtedness varies with the title to land. Almost 90 per cent. of landlords, both big and small, are indebted because of the facilities which they have in providing suitable securities; but the percentage among tenants-at-will is comparatively small, for the obvious reason. So far as my information goes it is not more than 60.

Debt secured on land mortgage is increasing by leaps and bounds, and is perhaps 80 per cent. of the total as compared with 20 per cent. otherwise secured or unsecured.

Question 4.—Each class of lender has his own peculiar methods of enforcing repayment of debt. A *zamindar*, if he has advanced money or grain, will obtain the payment of the loans given by him along with the land rent. Very often he uses force also. Kabulis are passed masters in this respect. The Government has got primary claims to all her dues. The village moneylenders and professional bankers find very little difficulty in realising their debts unless there is acute scarcity prevailing in the land. This is perhaps due to the fact that these classes of lenders are the only persons to whom the villagers can turn when they are involved in monetary troubles. They realise that these men are the only friends of an agriculturist at the time of his need, so they put no obstacles on the path of these lenders. When entreaty, threat, force and other homely efforts fail to realise the payment of a debt, it is only then that legal steps are taken, but even in that case it is seldom done, so far as village moneylenders or professional bankers are concerned.

The rates at which a cultivator borrows or repays grain differs sometimes from the prevailing market rates. If the rate prevailing in the market is very high, the cultivator will seldom get a debt in grain from the village *bania* or the *zamindar*. He will have to borrow money in cash for purchasing grain. If the rate is low, the cultivator will find no difficulty in obtaining a loan in kind. If there is a difference, it will always favour the lending agencies. At present there are no means of finding out the prevailing rate in the market from time to time.

Question 5.—The cultivator does not take advantage of these facilities offered by the *taqavi* system, because of the hardships involved both at the time of obtaining a loan and of its payment back.

In abnormal years a cultivator will borrow *taqavi* to the extent of more than treble the amount he would take in ordinary years.

The system of *taqavi* is by itself very beneficial; but the methods employed in advancing and recovering it call for immediate remedies. Red-tapeism and official spirit reign supreme. It is a machine with no humane element behind it. From the topmost officer down to the village *patwari*, the system is but a machine lacking in life and soil, The low-paid officials of the revenue department make hay while the sunshine of the abnormal years shines upon the land and the agriculturist runs after borrowing *taqavi*. Their pockets become full, the pinch of which is felt by the *kisan* when the time for repayment arrives. It requires a complete change. The *taqavi* should not be distributed through government agencies, but through unofficial indigenous bankers. The Government should advance money in a lump sum on a suitable security provided by him, to the professional banker or the village moneylender on the strict understanding that he does not charge more than a reasonable rate of interest fixed by the Government in addition to what she will take for herself, and this addition will cover up the expenditure of his establishment as well as his moderate profit. If he acts contrary to the rules issued by the Government in this behalf, he is to be hauled up in a law court to explain his conduct, and after the decision of the court proving adverse to him, he is to be deprived of this privilege, besides suffering the penalty passed by the court. A Bill giving effect to the above proposal with proper safeguards provided therein both for the agriculturist and the Government can be easily introduced in either the local Council or the Assembly as the case may be. In my opinion the Government can, in this manner, bring about changes for good in the *taqavi* system which will be as popular in ordinary years as it is, not due to itself, but to other obvious causes, in abnormal times.

Question 6.—Combination between cultivators in the production of particular crops is desirable because it will bring the cultivator within the benefits which he, acting singly, can never hope to attain to with his meagre resources. It will improve his lands,

introduce profit-making crops and thereby raise his standard of living. It is not possible under the present circumstances when there are no opportunities for genuine co-operation, when there is mutual lack of faith among the *kisans*, and generally when there is no proper encouragement either on behalf of the Government or the landlords towards this laudable object. Gross ignorance and illiteracy also combine to defeat this purpose. Besides these, vested interests also stand as a stone wall against the progress of this movement.

Question 7.—The defects in the present system of agricultural borrowing are many and of very long standing. The greatest drawback is the shortage of money and the largeness of the demand which exists for it. All the agencies combined cannot fulfil this demand to an adequate extent. Primarily it is owing to this fact that the rate of interest charged is exorbitant. There is very litle competition among the various classes of moneylenders and so each one of them is supreme in his own sphere. The other defect pertains to the methods of the realisation of debts. They are very crude and in nine out of ten cases prove disadvantageous to the borrowers. Still another drawback is the lack of security on the part of tenants-at-will who stand mostly in need of obtaining loans for effecting genuine improvements in their crops. Some agency combining both philanthropy and business supported by the Government and mainly financed by her can most suitably work in this field. Hence the most important remedy for all these and others not brought to light here, is the supply of ample money with proper safeguards provided for its distribution and collection, and the introduction of easy terms, *i.e.*, instalment system, very long periods, say three years; these will remove to the greatest extent possible all the difficulties at present obtaining in the agriculture money market.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—The principal crops of my areas are brought to market either in a bullock-cart if the cultivator has many acres under cultivation, or on a pony's back if the case is otherwise. If the crop is mainly for domestic consumption, the village *bania* buys up the whole quantities of grain offered for sale and stores it in his *khattis* and *kothas* for retail sale to the very cultivators from whom he buys; but if it is meant for being sold in market, either the cultivator brings his produce to market by bullock cart or pony himself, or the village *bania* buys it and then carries it to the market, thus acting as a middleman between a petty cultivator and a rich *beopari*.

Question 2.—There is a co-operative society in Mohanlalganj tahsil of the district about which I know very little. If it does assist in the marketing of crops, its operations are very limited as to be of no practical account. It should assist in the marketing of crops, employing all its resources for this purpose.

Question 4.—In the matter of storing his grain, the cultivator spreads dry straw on the floor of his *kothas* or *khattis* or *katties*, as the case may be, and upon his covered floor he stores his grain. He takes all possible care that the grain is safe from the depredation of insects and from the havoc caused by dampness—the usual enemies of his storage. In the area of which I have some little experience very little damage is caused to the grain thus stored. The cultivator, because of the pressure of the obligations he has to meet, cannot store his grain at his place for a long time, and since he has to sell off the major portion of his crops, the inefficient manner of his storage does not affect him to any great extent.

Question 8.—The system of weighment in the markets is not satisfactory. Some time ago a Bill was introduced in the Assembly to standardise the system throughout India. I hope action on the part of the Government according to his Bill will bring about the desired result.

Part C.—Extent and nature of agricultural indebtedness.

Question 1.—The following is an estimate of the existing indebtedness of the agricultural classes for mauza Chandrawal in pargana Bijnor of Lucknow district.

The amount of debt secured on registered land mortgages is Rs. 4,000 approximately that on unregistered land mortgages almost *nil*. The amount incurred against other assets is about Rs. 2,000. It is very difficult to give details about the estimate. In this village no village *bania* exists. The *kisans* as well as *sirdars* resort to professional bankers residing in the city, who have their operations extended to the very door of the cultivator. These bankers act as village moneylenders.

Question 2.—There are only three kinds of creditors of the agriculturists in mauza Chandrawal—professional bankers living in the city, the absentee landlord, and grain dealers. The portion of the debt advanced by the richer agriculturists to the poorer is almost negligible in this area. Professional bankers have advanced Rs. 1,000 in round numbers. The *zamindar* has advanced to the extent of Rs. 4,500. The grain dealers' money transactions are limited to Rs. 500 only.

Question 3.—So far as mauza Chandrawal is concerned land has changed hands several times within living memory; but always from one absentee landlord to another. In Oudh, the *zamindars* as such are not interested in the least in agricultural operations. They act as absentee landlords. So the process of enforced payment of debts has not affected the passing of land in any marked degree from the possession of those who are efficient farmers into the hands of inefficient farmer-creditors.

Question 4.—About 90 per cent. of the *zamindars* of Lucknow district are indebted to the professional bankers of the city or to other rich and prosperous landlords.

Question 5.—The special causes for their indebtedness are :—

(*i*) There is great rivalry among the *zamindars* which results in *marpit* and constant litigation which involves them in heavy indebtedness.

(*ii*) The *zamindars* have a fastidious regard for their false family reputation, which leads them, on the occasions of marriages and other social functions, to spend money extravagantly like water, and this goads them on to take the help of professional bankers in the shape of big loans.

(*iii*) Nowadays, the *zamindars* as a class have begun to raise their ways of living to such a high pitch that their annual incomes do not suffice to meet these consequent increasing obligations. This forces them to obtain money somehow or other.

(*iv*) Because of the above causes, besides numerous others, the *zamindars* have exhausted their resources to such an extent that in every lean year, which has been only too frequent of late, they have to fall back upon loans wherewith to pay government revenue, meet family expenses which have increased beyond proportions because of the so-called high society in which they live, move, and have their being, and clear off accumulated interest, the rate of which is rising on every subsequent loan.

Question 6.—The land-owning classes have to pay special charges in the shape of commissions at the time of borrowings and are obliged to obtain loans at high rates of interest. This is due to the fact that the agencies with which they deal are very limited in number. The Imperial Bank of India or any other joint-stock bank do not offer loans to the landlords. It is only a professional banker or a comparatively well-off landlord who transacts this type of business. It sometimes so happens that landowners fail to get loans in spite of there forced willingness to pay these high rates and commissions.

Part D.—Credit facilities in respect of agricultural production and marketing.

Question 1.—So far as the question of providing credit in respect of production goes, very little, or practically no part, is taken by the Imperial Bank of India, the joint-stock banks, the co-operative banks and other trading companies. The Government helps the agriculturist classes by means of advancing *taqavi* loans at the time of distress only. The whole burden of financing production and even marketing falls upon professional bankers and village moneylenders.

The existing credit facilities are not adequate.

Question 3.—There is no co-ordination at all between the various credit agencies. The Government in conjunction with the Imperial Bank of India, and other joint-stock banks on their own behalf, but according to certain rules provided by the former for the security of capital, can advance large sums of money to approved agencies, professional bankers, village moneylenders, etc., for the purpose of providing agricultural credit. The assets of these agencies will provide suitable securities against the advances. Certain safeguards will have to be laid down to protect the debtors from the exploiting spirit of the agencies. Thus all the processes from top to bottom will work in co-ordination under one management and control.

Question 5.—An estimate of the capital required for agricultural finance can be found (*i*) by studying the markets of the district, (*ii*) by finding out the total population

of the tenants subsisting directly on agriculture, (*iii*) by ascertaining the standard of living of these people, (*iv*) by taking a village at random as a typical unit and thereby finding out the extent of indebtedness of the agriculturists, the rates of interest usually charged and other items pertaining to them, and (*v*) by determining the existing resources as to whether they are capable of bearing additional burdens of indebtedness, with a view to increasing them.

Part E.—Land mortgage banks.

Question 1.—Landlords can obtain loans for long periods with some difficulty no doubt, but they can obtain them all the same. The number of occupancy tenants in Oudh is very small: at least they do not exist in this part of which I have some knowledge. Other tenants can obtain loans for long periods from professional moneylenders; but not from village *banias*. Even in the case of the former the period seldom exceeds one year.

Question 2.—Long-period advances are available on the security of land mortgage, house property, ornaments, agricultural implements, and plough and other cattle. The only difficulty which long period borrowers experience is lack of capital. Indigenous bankers' resources being very small, they cannot invest large amounts of their capital in long-term loans, which reduce their fluid assets, so that landlords have to pay heavy charges in the shape of commission and interest.

Question 3.—Non-transferability in the case of tenants acts as an impediment to long-term credit and increases the rate of interest as well.

Question 4.—An occupancy right will serve as adequate security for long-term credit, but I have no personal experience about it.

Question 5.—The establishment of a land mortgage bank or banks will solve the problem of long-term loans so far as *zamindars*, both large and small, are concerned; but a large number of agriculturists who form the vast majority of those who are badly in need of long-term credit cannot be, in the very nature of the case, benefited by the establishment of such banks.

Question 6.—Land mortgage banks should be organised on the basis, more or less, of the Federal Farm Loan Act of 1916 of the United States, with minor modifications suitable to the needs of the country, especially Oudh.

There should be only one such type of bank established to help the *zamindars* or tenants who hold rights to land. The tenants-at-will will be helped the other way as pointed out by me in answer to question no. 7 of Part A.

The land mortgage banks should be Government guaranteed to the extent of fifty per cent. of their capital. The remaining fifty per cent. should be open to the public for subscription, especially to that public which is practically interested in agriculture. If the bigger landlords do not subscribe to the funds their failure will furnish yet another proof that they are not worthy of holding the advantageous position they are holding at present. I hope such a contingency will not arise.

As to the management of the bank, its directorate, etc., I shall like the same arrangement as there is in the United States of America.

The maximum periods of loans advanced by the land mortgage banks should not be less than fifty years in big transactions, but the longest possible period should be allowed. The value of the mortgage should be double the sum advanced so that depreciation of its value in future may not affect the bank in any way.

The mortgage bank should obtain its working capital from all the sources mentioned in the question *viz.*, deposits, debentures, and a central institution. Debentures should be guaranteed by the Government both for principal and interest, as is the case with Local Boards. If the debentures are not taken up by the public within a certain time, the Government should take up the balance. The debentures should rank as trustee securities.

I agree to the safeguards provided in the question to save the Government from the losses which may be incurred during the course of such transactions.

Question 7.—The value of land mortgaged can be calculated on the basis of rent realised from the tenants by *zamindars* as recorded in *patwaris'* papers, deducting the amount of sums paid as land revenue to the Government. On this net annual income the value of the mortgaged property can be determined with reference to the rate at which

money is available in the market at that time. For instance, a certain village yields an annual income of Rs. 1,000 after deducting the land revenue payable to the Government. The rate of interest at which the Government can obtain loans is 5 per cent. per annum at present. Calculating on this basis the value of the village should be Rs. 20,000.

The value of land per acre differs according to the crops grown on it. If the soil is fertile, irrigation facilities are ample, the land is near a big city or town, the population of the village can easily be controlled by the *zamindar* or his agents, and has orchards and fruit gardens, the value of this land will be greater than that which is lacking in any of these benefits.

The price of land obtained in sale by Government auction will be comparatively less than that obtained otherwise, because the Government does not allow the defaulter any chance, at the time of auction, to postpone it if the price of the land as estimated by the *patwari* is not offered by any bidder. Land sold on a court decree fetches a better price as more than one chance is allowed to the landlord, against whom the decree has been obtained, to get the auction postponed if the price as estimated is not secured; and on many other pretexts the auction can also be deferred. The best method for disposing of land is to sell by private negotiation for obvious reasons. It will save the vendor from many unnecessary charges incidental to auctioning and also from the fluctuations prevailing in the auction mart.

Under average conditions when the soil is good, the rainfall is fair, the land is situated near a market and all other things being neither equally favourable nor unfavourable, the value of the land thus situated will be twelve times the net cost of the produce obtained from it after deducting the amount of land rent to be paid to the *zamindar* from the gross cost. For example, a bigha of average land will produce nine maunds of wheat. The gross cost will be Rs. 45. After deducting about Rs. 15 as land rent plus Rs. 5 as other charges, the *kisan* will be left with Rs. 25 only. On Rs. 15 as land rent the price of the land will be Rs. 300 only; Rs. 25 twelve times gives us Rs. 300 only.

Part G.—Small industries allied to agriculture.

Question 1.—In the area with which I am acquainted dairy farming, *gur*-making, growth of tobacco, vegetables and fruit are the only industries that flourish to some extent.

Question 2.—On the whole these industries are not in any prosperous condition. They can be made to yield better results if sufficient funds are placed at the disposal of the cultivators, obtained as loans on easy terms and for long periods. Since the city is more or less situated in the centre of the district, it is equally approachable from all its parts, and those who are engaged in these industries find no special difficulties in bringing their produce or prepared articles, as the case may be, to the best market available. The cultivator can also be instructed on practical lines about other cottage industries; *i.e.*, sericulture, tanning and flower cultivation.

Question 3.—I can suggest, on the authority of no less a personage than Mahatma Gandhi, the introduction of the *charkha* in villages as the most suitable form of increasing the petty annual income of farmers, as well as a pastime for the idle periods of the tillers of the soil. It will require comparatively little capital to work with. What is required is the patronage of the Government. This cottage industry in its initial stages will require sympathetic nursing in the shape of protective duties to ward off the keen competition offered by giant mills; but in the long run, the huge man-power of India if properly organised on this economic basis will enter into free competition with foreign mill-manufactured cloth and is sure to oust it from the market. This is not sentimentalism pure and simple; but the history of the recent revival of the *charkha*-cult will bear out the fact that at no distant date, if proper steps are taken, this ideal can be ushered into the realm of practicability.

II.—INDIGENOUS BANKING.

A.—*Organisation of indigenous banking.*

Question 1.—Professional bankers, village moneylenders, grain-dealers, prosperous agriculturists, *zamindars*, Kabuli Pathans and certain others who do not fall under any of these categories carry on banking business in the district of Lucknow.

Professional bankers advance money according to a system called *ugahi*. This system is worked in most parts of the division of Lucknow. In conformity with this, a banker will lend five rupees or multiples of that amount for one year to any debtor having something as a security to stand for, and charges one rupee for every five rupees for the period of the whole year, realising eight annas or its multiples, as the case may be, every month, for the twelve months of the year. Very often even one rupee is charged for every ten rupees and is realised monthly for eleven months at the rate of one rupee. If the debtor is sometimes, due to various causes, unable to pay the monthly instalment, he will have to pay it together with one anna per rupee per month with the next rupee per month with the next monthly instalment as a penalty for this default. But this extra interest is seldom realised. Another system is *rozhi*, but is is now being given up in favour of *ugahi*. According to this system a banker will advance one rupee, or its multiples to any one standing in need of a loan of a petty sum; and realise it within thirty-four days at the rate of two pice, or its multiples, per day. Thus the former will obtain sixty-eight pice or one rupee and one anna. This extra anna will be his profit. This system is in vogue in the city only or its suburbs. It cannot be worked in villages for obvious reasons. Yet another system is called *biajoo*. So far as it is concerned, a banker will offer a loan, charging interest per rupee per month, if the loan is a small one, or (?) per cent. per month if it runs into hundreds and thousands, or even lakhs. If the interest is not realised monthly, compound interest is charged after every month, three months, or even after every six months. These are the systems practised generally by professional bankers, and also by all those enumerated above.

Zamindars advance loans, generally charging 25 per cent. for the time until the next crop is gathered. Prosperous agriculturists and grain-dealers also fall under this head; but there is nothing to prevent them from following the systems described above, and in reality many of the classes other than the *bonâ fide* bankers have begun to follow them. This system of charging 25 per cent. or even 50 per cent. in case of seed is called *sawai* or *deorhi* as the case may be. Moneylending is the principal business with the professional bankers; but in course of these monetary transactions they come to acquire landed property and thus become *zamindars*, obtain houses and other buildings and thus act as landlords as well, open cloth shops, deal in grain, and so on and so forth.

Question 2.—The task of providing credit facilities to the agriculturist is shared between professional bankers, village moneylenders, *zamindars*, and grain-dealers. The professional bankers' share in the business is greater than that of any other. Village moneylenders occupy the second place, while *zamindars* come last in the race.

Petty trade and small industries allied to agriculture are financed by professional bankers and village moneylenders and to a very small extent by Kabuli Pathans also; but here too the professional banker remains head and shoulders above all others. In the city itself trade finds credit from professional bankers, wholesale merchants, and dealers of the place as well as of the neighbouring city of Cawnpore. Lucknow can boast of no large industries conducted on joint-stock lines. There are a paper mill, ice factories, iron foundaries, flour mills, oil mills, a sugar mill a cotton ginning and spinning mill *kankar* lime mills, brick kilns, a woollen goods manufactory and many other small industries. These are mainly financed by industrialists themselves and also helped by professional bankers and joint-stock banks at the time of need. The paper, cotton, and sugar mills are limited concerns running as joint-stock companies.

Question 3.—The resources of the indigenous bankers can be very roughly ascertained with the assistance of income-tax returns; but it is beyond my means. So far as my community is concerned, about ten million rupees is invested in banking business. I have no information about others. The capital is invested in very small transactions to a great extent and to a certain degree big loans running into thousands and even lakhs are financed by it also. Its operations are spread over all the districts of Oudh. Its expenses range between fifteen and twenty per cent. of the income.

(Note.—I have excluded other incomes from the above estimate.)

The members of my community belong to the professional banking class. Their net income is not more than fifteen per cent. per annum after making due allowances for expenses of establishment and management, legal expenses, and losses through bad

debts and delayed realisations of interest due to occasionally occurring bad seasons. The losses through bad debts amount to huge sums, as the loans advanced are in small amounts as well as very badly secured. Due to the small amounts of the loans these bankers very often forego them rather than go to courts for their realisation, due to the delays of the law machinery coming into motion, exorbitant expenses, and irksome and annoying troubles incidental to them.

Question 5.—The indigenous bankers' system of account-keeping is perfect. There are no drawbacks in it. Almost the whole clientèle of these bankers blindly trust these accounts. There are very few complaints about them. As most of the clients are illiterate and ignorant they have to depend upon the honesty and integrity of these *mahajans*. When a client is dishonest or is tempted to become dishonest through interested influences, which very often happens, or when a banker with the evil motive of deliberately cheating him and of taking undue advantage of his ignorance and illiteracy, interferes with his accounts or prepares false accounts which in one out of hundred cases happens, it is then that a complaint is heard about the insufficiency or inefficiency of account-keeping. They are very clear and simple. Any man with a little knowledge of *sarafi* script can understand them. As honest business men, they have no objection in allowing those with whom they have to deal convenient opportunities to inspect them and be satisfied with them.

B.—*Raising of funds by indigenous bankers.*

Question 2.—Indigenous bankers privately arrange among themselves how to raise money to meet the demands upon them. A simple bill of demand if the person's credit and good-will are above suspicion among his community, and a pronote if otherwise, is sufficient to enable him to obtain as much money as he wants to meet his liabilities at a moderate rate of interest with no other charges. They get no assistance from the Imperial Bank of India. Other indigenous joint-stock banks, *i.e.*, the Central Bank of India and the People's Bank of Northern India of the Punjab, offer some help on the strength of their deposits, local standing, familiarity with the bank manager, and on references by well-known firms and agencies, but never on landed property and seldom on buildings.

Question 3.—Indigenous bankers receive deposits generally from those people who are closely related or on most intimate terms with them or from those who have been attracted by their fair-dealings; and there is no definiteness about the time of their withdrawal. But in my community this habit of offering deposits is discouraged. For the sake of his reputation always remaining high, an unsophisticated and extra-honest *mahajan* will think a hundred times before receiving money for being deposited with him. This type is happy and contented with his own resources and will not care to extend his business activities by attracting deposits to himself. We may grieve for him; but cannot leave him without admiring what we may call in business parlance, his short-sighted policy based on unnecessary nervousness and ultra-cautiousness.

The highest rate that indigenous bankers allow on deposits is 9 per cent; but generally it ranges between 9 and 6 per cent. per annum. The rate does not vary at different seasons, due to the fact that bankers belonging to my community deal in business according to the *ugahi* system as described above, which admits of no fluctuations in rates of interest.

C.—*Advances by indigenous bankers.*

Question 1.—For cash loans granted by indigenous bankers, every kind of property or the general assets of a business are accepted as security. If any other two persons of substance stand as security for the borrower, it is thought sufficient and as such accepted as good security.

Question 2.—It is possible to reduce the rates of interest which the agriculturist has to pay to the indigenous bankers, if these operations are conducted on genuine co-operative lines under sympathetic officials of the co-operative department or those methods are adopted as have been pointed out in answer to question no. 7, Part I-A. Any such reduction will benefit the agriculturist if proper safeguards are provided by statutory law to prevent the classes concerned from exploiting the borrowers.

Question 3.—Since the majority of people resorting to borrowing transactions are illiterate they have got no facilities at all in inspecting their accounts. A banker of some standing, zealous of his reputation, will resent the inspection of his accounts by a stranger,

If some sort of facilities in obtaining cheap capital to increase his business are provided by the Government to an indigenous banker it can be very rightly arranged that he will have to publish for, or make known his accounts to, parties concerned as a legitimate price therefor. In this respect he will rank as a public concern and then he will not feel slighted if and when his accounts are inspected by anybody, either interested personally or on behalf of his client, friend, or relative. Literate borrowers are provided by bankers with memoranda of their accounts on demand, and are free to inspect the accounts by themselves; but since most of them are not conversant with the script in which they are kept the opportunity is seldom availed of.

E.—*Defects of indigenous banking.*

Question 1.—Professional bankers, being removed from the scene of their operations as living in the city, and the realisation of money being not attended with any undue severity on their part, are very popular with the villagers by whom they are hailed as their *ma-bap*; whereas village moneylenders, *zamindars*, and prosperous agriculturists, because of their residence amidst their clientèle who by reason of this fact, demand their money in season and out of season, and take undue advantage of their position by availing themselves of *begar*, etc., are looked upon with concealed indifference accompanied by fear and even hatred. Occasional murders of village moneylenders and brutal attacks to which they are always exposed bear eloquent testimony to the state of unpopularity which they carry with their clients.

Question 4.—There are some defects in the dealings of indigenous bankers with their clientèle, but they are general in character; and these defects have already been given prominence to in the preceding pages. There are no organised attempts made to worsen the condition of the debtors. If there are any defects which call for immediate remedy, they are due to lack of competition among the same as well as the various classes of moneylenders flourishing in these parts, and they can only be removed by the supply of ample capital. Legal steps may reduce their severity, may scotch their evil influence but they cannot totally kill them. If a thing is wanted by many and if its quantity is limited, it is quite natural that the highest bidder will be in the position to obtain it. Nothing but the increasing of the quantity can improve his state of affairs.

Question 5.—So far as my community is concerned whenever contingencies arise they are able to meet the demands with the assistance of one another.

F.—*Co-ordination.*

Question 1.—Professional bankers of my Rastogi community, since belonging to one brotherhood, have business relations with one another. Small capital holders open their accounts with big firms and receive loans on *purza* or pronote, as the case may be, to meet demands upon them. They also mortgage their ornaments, house property or any other such property when *purzas* and pronotes are not considered as enough securities. Banks are of no particular assistance to such professional bankers as described in answer to question no. 1, Part II-E. The indigenous bankers are given no preferential treatment at all by the Imperial Bank of India and joint-stock banks.

Question 2.—Co-ordination between indigenous bankers and other banks is desirable in the directions of agriculture and trade and also of industry. If loans for genuine agricultural purposes or for the payment of previous debts are to be incurred by a *zamindar* it is better, both from the point of view of local knowledge and experience which a private banker possesses as well as of security, if he is taken into partnership by any bank while advancing such loans. The same can be done in cases of financing trade and industry. Better still it will be, if the private banker is allowed to free himself from this partnership by paying back the money of the loan on his own account, and then having the whole loan transferred to his name from the joint name of the bank as well as himself. This will provide capital to the private banker, good and easy terms to the *zamindar* debtor, and enable the bank to keep its fund in a fluid state. I shall be very glad to recommend the establishment of a provincial bankers' association and will join

it as well as persuade others of my community who have business dealings on big lines to join the same. I think co-ordination on these lines will be helpful.

G.—*Consolidation of indigenous banks.*

Question 1.—The indigenous banking system can be improved if special facilities in the shape of large credit for long terms is provided by the Imperial Bank of India or other joint-stock banks on the security of such approved of assets as landed property, ornaments, and the good-will of the indigenous bankers, and delays in the realisation of loans due to certain laws as enforced by courts are put a stop to by amending those laws in accordance with the demands of the situation. In this manner the indigenous system of banking which finances agriculture and small scale trades and industries will be of still greater benefit to them.

Question 2.—Indigenous banks would surely attract an increased clientèle if they are recognised by the Government, as thereby they would inspire greater confidence with regard to their dealings. The first condition so far as the Government is concerned should be to provide ample capital on easy terms to indigenous bankers and to include landed property among the approved of securities; and the bankers on their part be made to conform to those regulations which the Government will promulgate in order to safeguard the capital advanced and to inspire greater confidence in their clients.

Question 2A.—As regards the proposal to set up a class of licensed or registered moneylenders under State control with special facilities in the interests of agriculture, etc., I have already accepted with approval this proposal and have suggested it myself. According to my reading of the situation as it exists to-day these licensed indigenous bankers will be a great boon to that vast majority of rural population which has itself no rights to land and which consists of merely tenants-at-will. I have already pointed out the safeguards to be provided for. I would restrict their lending to productive purposes only.

Question 3.—In my opinion if facilities are provided by the Government as indicated above, indigenous bankers will not, and need not, look askance at the introduction of measures designed to regulate their operations and enforce publication of their balance sheets, which will be in their own interests as well as in those of their clients.

Question 4.—Money lies idle in the hands of the indigenous bankers during those seasons of the year when money is not wanted by agriculturists. Say about ten per cent. of the capital invested remains idle. This money lies idle for some months and is then invested again at the time of sowing and when the Government revenue is to be paid; but for the last three years, due to scarcity causes, very little or no money has been idle and indigenous bankers have invested all the money they had, and sometimes have had to borrow from wherever they could get, to help their clients.

Question 5.—I do not know whether any connexion exists between the indigenous banking system in my locality and the principal money markets; but I think it is both possible as well as desirable to create it.

With the object of creating such a connexion, my preference is for the fifth method mentioned in the question, *viz.*, that banks on what are known as "Commandit" principles be established in the different parts of the district with those gentlemen on their directorates who do their business there; in my opinion this method is free from all those drawbacks pointed out in the question itself.

I think a joint-stock bank as suggested above would attract enough business to make its establishment profitable, provided that influential persons in the line—persons having experience and knowledge of the localities concerned, who have ample stakes to lose with the fall of the bank—are taken on the directorates of the banks. Besides this, Government's recognition will be another step taken to prove the stability of the bank to the public and will thus serve as a better incentive for attracting capital in the shape of deposits and savings from the people of those localities.

MR. BALLABH DAS KASTOGI.

I would regard the establishment of a Central Reserve Bank to create a bond of connexion between all the elements of the banking system as desirable. The indigenous banks should be linked with the Central Reserve Bank through a joint-stock bank. According to my estimation the number of banks on "Commandit" principles if established will run into thousands for the whole of India, and hence there ought to be intermediaries between the Central Reserve Bank and these banks for better and efficient management and working.

Lala BABU RAM VARMA, Banker, Etawah.

Replies to the questionnaire.

I.—Agricultural credit and credit facilities.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The cultivators of the Etawah district borrow money from the Government, co-operative societies, vilage moneylenders and from *arhatias* (commission agents) of the market.

They borrow for the following purposes, *viz.* :—

Repayment of earlier debts.
Payment of accumulated interest.
Marriage and other social functions.
Famine and other kinds of distress.
Payment of land revenue or rent.
Seed.
Expenses of cultivation.
Litigation.
Purchase of plough or other cattle, and
Subsistence.

It is difficult to say in what proportion the debt is distributed among the above purposes, but about 80 per cent. is incurred on account of marriage and other social functions and 15 per cent. on litigation. More than half is due to the other objects mentioned above.

Owing to the Tenancy Act and the Land Revenue Act having been amended, the need for borrowing money is decreasing. Debt is contracted for purposes of subsistence only in special circumstances.

About three-fourths of the debt is taken from the village moneylenders and commission agents of the market. About the same amount is taken from Government as from co-operative societies.

About 75 per cent. of the debt is taken in cash and 25 per cent. in grain; and of the former about 80 per cent. is incurred for long periods and 20 per cent. for short periods. The whole of the debt in grain is incurred for short periods.

Question 2.—The rates of interest charged for cash advances vary from 9 to 30 per cent. For loans in kind for seed one and a half times or even twice the amount of grain has to be paid. For other loans in kind 25 or 50 per cent. interest is charged in grain.

Interest is generally combined with the capital at the end of one year, but in some places this is done after six months.

The rates are in my opinion excessive.

In addition to interest something has occasionally to be paid at the time of borrowing to the person through whom the loan is arranged by way of commission. The man who is sent to demand repayment is paid something by way of reward and his diet expenses to avoid payment for the time being.

Question 3.—In the case of borrowing for agricultural purposes the security required is that of land mortgage, standing crops, ornaments or agricultural implements. Many cultivators are either unable to borrow money for want of security or borrow only a small amount.

The amount of debt secured on land mortgage is decreasing day by day. Cultivators are nowadays unable to get more than 35 per cent. of the loans without security. These loans are granted by Government or by co-operative societies and only in kind. The remaining loans are obtained on furnishing security.

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Question 4.—Payment of debt is enforced by taking possession of the standing crops or barn, the sale-proceeds of the produce or by putting bullocks, etc., to auction.

The cultivator when repaying grain debts has to pay at one and a quarter or one and a half times the usual rate. The cultivator can only ascertain the prevailing rate in the market by going to the market and inquiring what the rate is.

Question 5.—Cultivators never take *taqavi* for building tanks or wells, nor do they borrow as much *taqavi* for seed, cattle and agricultural implements as they might. This is due to want of facilities and ignorance.

In abnormal years it becomes difficult to borrow money from elsewhere. Hence four or five times as much *taqavi* is borrowed in abnormal as in normal years

There are many defects in the present *taqavi* system, *viz.* :—

(1) No *taqavi* is granted without the patwari's or the kanungo's recommendation, and they do not recommend the grant without taking some bribe.

(2) *Taqavi* is distributed at the headquarters. Every cultivator has to go there to borrow and to repay it.

(3) The rate of interest on *taqavi* is too high.

(4) A date is often fixed for the repayment of *taqavi*, which is sometimes inconvenient to cultivators.

(5) It is difficult for a cultivator to repay the loan at any fixed date. He is, therefore, subjected to much inconvenience.

(6) The tahsil peon sent to demand the money has, in addition to his diet expenses, to be paid something by way of reward.

Taqavi should be granted on the recommendation of the *zamindar*, and the rate of interest should be reduced. Further, the date of repayment should be fixed with due regard to the convenience of cultivators. *Taqavi* should be realised from cultivators along with rent.

Question 6.—Cultivators do not combine together to produce any crops. Such a combination is certainly desirable but it is not yet possible owing to want of knowledge.

Question 7.—There are the following defects in the present system of agricultural borrowing :—

(i) The cultivator cannot make a correct estimate of all his wants at the time of borrowing. He therefore borrows more than he requires and squanders it away.

(ii) When borrowing for agricultural purposes, cultivators often furnish the security of things required for cultivation.

(iii) Cultivators cannot get a loan without furnishing some security.

(iv) A good deal of interest has to be paid and all their savings are spent in paying interest.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—Cultivators take their produce to the *arhatias* (commission agents). Moneylenders getting grain in payment of the loan advanced by them take it to the market. Traders living in cities purchase grain in villages and bring it to the market.

The methods of marketing are the same whether the crop be one mainly for domestic consumption or one mainly sold in the market.

Question 2.—Money for financing the marketing of crops is obtained from commission agents, grain merchants and moneylenders.

There is no co-operative society in my area. A co-operative society is sure to increase the savings of cultivators.

Question 3.—In selling his produce to the local moneylender, the cultivator has to sell it at a cheaper rate and is thus put to a loss of 20 per cent. In selling it through the commission agent, he has to pay from 5 to 15 per cent. in octroi, tax and commission, etc. If sold through a broker the produce has to be sold at a cheaper rate. The same expense has to be incurred in the case of grain merchants as in that of commission agents. The charges are the highest in the case of cotton, a little lower in the case of grain and the lowest in the case of sugarcane.

Question 4.—Cultivators store their grain in a granary or give it away as loan. There is great scope here for several persons combining together.

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In markets the grain is stored in underground granaries, in private or hired godowns and in bank godowns. In storing the grain in this way the merchants have to invest a good deal of money or they cannot get much profit.

Question 5.—About 60 per cent. of the value of goods can be obtained as loan on the security of the goods.

Part C.—Extent and nature of agricultural indebtedness.

Question 2.—The richer agriculturists lend all their savings to the poorer.

Question 3.—Land is passing from the possession of efficient farmers to persons who are not farmers. There are many *zamindars* who are not farmers. If this process continues the land will, as in Ireland, pass into the hands of the people who have no love for it, but who only want money, and no improvement will be effected in the land.

Part D.—Credit facilities in respect of agricultural production and marketing.

Question 1.—The existing credit facilities in respect of crop production are not adequate. Co-operative societies should be established everywhere and arrangements made for diffusion of knowledge. Rates of interest should be lower. Loans should be advanced without any security. Accounts should be regularly examined.

Question 2.—Only the Imperial Bank advances money to all persons. Money can be easily borrowed on a low rate of interest for foreign trade.

Part E.—Land mortgage banks.

Question 1.—Loans are obtainable for long periods by landlords to the extent of half the value of their land. Tenants can get long-period loans to the extent of their title to the land, and so far as the land is considered a sufficient security for the amount to be advanced.

Question 2.—The security taken for such long-period loans is land and ornaments. The difficulties of long-period borrowers are (i) their inability to furnish adequate security, (ii) if they fail to pay the interest, they forfeit their security, (iii) holdings of tenants cannot be easily transferred.

Question 3.—As holdings of tenants cannot be easily transferred, they are not considered to be an adequate security. The *zamindars* and rich cultivators alone can advance money on the security of such holdings. They charge as much interest as they like.

Question 4.—Occupancy rights do not serve as adequate security for long-term advances. Tenants are able to borrow more money from other cultivators alone.

Part F.—Co-operation.

Question 1.—The Imperial Bank of India is the banker of co-operative banks. The latter have the same relation with joint-stock banks as with the Imperial Bank. The indigenous banks are almost all of them their shareholders. There is no competition between the co-operative banks and the joint-stock banks.

Question 2.—The co-operative societies have difficulty in raising capital. The indigenous banks do not see much profit and hence do not invest their money in such societies. Owing to want of adequate security and difficulty in realising the money they can hardly get any loans. Cultivators do not understand the advantages of co-operative societies and do not invest their savings in such societies.

Question 3.—There are only 46 societies in such a big district as this. Some of them are in a deplorable condition. There is much room for improvement in this direction. Enthusiastic workers and propaganda are badly required for this purpose.

Question 4.—Exemption of co-operative societies from income-tax or the inclusion of the debentures of provincial co-operative banks in the list of trustee securities would be very useful in stimulating the growth of the co-operative movement, but the people should know the advantages of co-operative societies.

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Question 5.—The establishment of the provincial co-operative bank would not stimulate the co-operative movement in this province. It should be the duty of officers of every district to stimulate the co-operative movement. Work cannot be carried on in the same manner throughout the province. Officers concerned with the co-operative movement should take the circumstances of each district into consideration and devise suitable measures for promoting the movement.

Part G.—Small industries allied to agriculture.

Question 1.—There are very few small industries allied or supplemental to agriculture in my area.

Question 2.—They are not progressing. Cultivators and other inhabitants of villages should realise the value of time. Arrangements should be made for the spread of knowledge, particularly knowledge of the various industries among them. Model factories should be opened. Exhibitions should be organised and monetary help should also be given.

Question 3.—Cotton ginning, spinning, weaving, preparing *gur*, producing and manufacturing tobacco and growing fruits and flowers are enterprises which may give employment to a farmer in the off-season. None of these enterprises requires a large capital.

Part H.—Small urban industries.

Question 1.—The cottage or art industries of my area are financed by borrowing from moneylenders, traders and commission agents. Artisans get their supply of raw materials and implements from *arhatias* (commission agents) and from traders who get their goods prepared and by borrowed money. The wares are sold direct to the consumer, to the commission agent or to the traders. Middlemen and large dealers supply money and raw material. They buy goods, make them known and sell them.

Question 3.—Instances of sweated labour are to be found amongst those preparing earthern utensils and toys; also those grinding corn with their hands and those preparing rice and *dals*. Those who belong to one and the same community and carry on the same profession can be protected by means of the *panchayat* of their community.

Question 5.—An industrial bank would be a suitable method of improving the present system of financing small industries, but it should a co-operative bank so that the artisans may learn how to save money. Such a bank should issue loans to artisan societies as well as to individual artisans and firms.

Question 6.—Sales associations, dépôts and emporia will be of effective assistance in advertising and marketing art wares. They should be financed by traders, commission agents and rich artisans.

Part J.—Internal remittance and negotiable instruments.

Question 1.—The facilities available to the public, including banks and bankers, for internal remittance are money-orders, insurance, *hundis*, and the withdrawal of money deposited in banks by cheques. But there are defects in the present system as payment is delayed; and when a large sum of money is to be sent it costs a good deal and the delay is greater.

Question 2.—The part played by negotiable instruments is that money can conveniently be sent to the place where it is required.

Question 4.—It is possible to extend the use of bills of exchange by reducing the duty, by providing facilities for sending them by post and by opening more banks.

Question 5.—The post office agency for handling internal remittances should be extended and cheapened but illiterate traders would not derive much benefit from it.

Question 6.—Only two kinds of *hundis* are current, namely, those payable at sight and those bearing a fixed date. The former is discounted according to the credit of the drawer or seller, and the latter according to the rate of interest and the bank rate, but they do not pass freely from hand to hand. They are discounted in the district, but they are also sent elsewhere.

Question 7.—It is possible to borrow money on the security of railway receipts, invoices and *hundis* bearing a fixed date.

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II.—Indigenous Banking.

A.—Organisation of indigenous banking.

Question 1.—The various classes of indigenous bankers are *arhatias* (commission agents), money changers, and moneylenders. They lend money, purchase and sell *hundis* and take property or ornaments in pawn.

Some indigenous bankers are also traders or commission agents or *zamindars* or house owners, but in the case of others banking alone is the main business.

Question 2.—Barring commission agents no one invests money in agriculture, all invest money in trade and only merchants invest money in industries. They advance money for goods which they purchase ultimately.

Question 4.—There are no financial houses in the province dealing solely in the provision of credit facilities by purchase and sale of *hundis* and other bills of exchange. Their absence is due to the possibility of loss and the income being small.

B.—Raising of funds by indigenous bankers.

Question 1.—The various forms of credit instruments used by indigenous bankers are :—

(i) *Hundis* that are payable at sight, and those bearing a date,
(ii) railway receipts,
(iii) invoices.
(iv) pronotes, and
(v) receipts.

Question 2.—Indigenous bankers provide themselves with funds to meet demands made upon them by use of their own capital, by borrowing from banks or by means of *hundis*, and they obtain assistance from banks by purchasing *hundis* or on the security of property.

Question 3.—Indigenous bankers receive deposits on the understanding that sufficient notice should be given of the intended withdrawal and that money should not be withdrawn at the time when the bank stands in urgent need of it. The rates of interest on such deposits vary from nothing to Re. 0-7-9 per cent. per month.

C.—Advances by indigenous bankers.

Question 1.—Loans are granted by indigenous bankers on *hundis*, on the security of goods, on property and ornaments given in pawn and on pronotes at rates of interest varying from 6 to 15 per cent.

Question 2.—Indigenous bankers advance loans in money only, which they borrow at 12 per cent. and lend at 18 per cent.

It is possible to improve the organisation of banking. If banks grant loans on a low rate of interest, the rate of interest elsewhere will also be reduced; but such reduction will not benefit the agricultural community as the benefit is intercepted by village moneylenders.

Question 3.—Clients of bankers have no facilities in inspecting their accounts with them.

D.—Exchange and money market.

Question 1.—There is no local exchange and money market in any place in the district.

Question 2.—Money changers and *sahukars* assist the borrower in obtaining loans and get commission from him.

Question 3.—*Hundis* are purchased and sold at the following rates :—

(i) for internal remittance—from one anna per cent. above par to four annas per cent. discount;
(ii) to obtain credit—from 1 anna to Re. 1-4 per cent. per month.

There are seasonable variations in these rates of which the causes are the bank rate, bank holidays, insufficient money and insufficient demand.

The Imperial Bank of India rate increases and decreases the *bazar* rate. If the *bazar* rate is very high the Imperial Bank also sometimes increases its rates.

Question 4.—The local market is not influenced by any organisation such as the Panchayat Sarafa of Delhi or the Shroffs Association of Bombay.

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E.—Defects of indigenous banking.

Question 1.—In the public opinion each class of indigenous banker in my locality demands a good deal of security in lending money; the rate of interest is high, and hardship is caused in realising the money.

Question 2.—Indigenous bankers do not experience any legal or other difficulties in carrying on their business.

Question 3.—Facilities should be provided for money advanced by indigenous bankers being easily realised through the law courts.

Question 4.—Hardship is caused to borrowers in realising money from indigenous bankers. Sometimes indigenous bankers evade the demands made on them; sometimes they refuse them, and at other times cause unnecessary delay.

Question 5.—Indigenous bankers should be able to obtain money from banks on their personal but adequate security.

F.—Co-ordination.

Question 1.—The only co-ordination between all classes of indigenous bankers and other banks is that they purchase one another's *hundis*, and preferential treatment is given to indigenous bankers over other customers by the Imperial Bank of India and joint-stock banks in that they purchase their *hundis* at a lower rate.

Question 2.—Co-ordination between indigenous bankers and other banks in the provision of credit to trade and industry generally exists in the fact that both advance money on the security of goods; but for better co-ordination of this kind, money should pass from one to another easily and at a low rate of interest.

Question 3.—Difficulty is experienced in the collection of cheques on indigenous banks working in mufassil towns as they have to go to the city to cash them or have to cash them at a discount. These difficulties could be removed by the establishment of branches or agencies of banks.

G.—Consolidation of indigenous banks.

Question 1.—The consolidation and improvement of the indigenous banking system could be effected if a lower rate of interest is fixed by law.

Question 2.—Indigenous banks would not secure an increased clientèle if they were recognised by Government, unless facilities for tenants are increased, the rate of interest reduced, and the hardships to tenants in realising money are removed.

Question 3.—The introduction of measures designed to regulate their operations and enforce the publication of their balance-sheets would be considered by indigenous bankers to be an undue interference with their rights and would not be approved by them.

Question 4.—When the produce is sold and trade declines money lies idle in the hands of indigenous bankers and there is a tendency for it to be concentrated in important trade centres; if the cultivator follows some other occupation besides agriculture, and money is invested in that business, it will be possible to find remunerative employment so that these funds will remain in the district.

Question 5.—The indigenous banking system in my locality is connected with the Imperial and the Allahabad Banks through their branches. For this connection I think the "Commandit" principles will prove very useful. When two families live jointly they can carry on banking business jointly. Every partner should have a hand in the management in proportion to the amount of his share.

III.—INVESTMENT HABIT AND ATTRACTION OF CAPITAL.

A.—Encouragement of saving and investment habit.

Question 1.—The existing banking resources are moneylenders, the Imperial Bank of India, the Allahabad Bank and the co-operative banks, but they are not adequate when the money is invested in trade, as it is not so much the capital that is required as facilities for obtaining it.

Question 2.—The existing means or institutions for encouraging the habits of saving and investment are savings banks, lending and borrowing, and post office cash certificates; but these facilities are not available everywhere.

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Question 3.—The people of my locality are in the habit of investing in gold and silver for the making of gold and silver ornaments.

Question 4.—Postal cash certificates are not popular in my district, but if the rate of interest is increased, and money can be withdrawn at any time, they will become popular.

Question 5.—Post office savings banks do not afford adequate facilities to the investing public. Facilities should be provided for depositing or withdrawing money, and a higher rate of interest should be allowed.

The classes that at present take advantage of the various facilities for investment offered by the post office are the middle class and the literate inhabitants of the cities; to attract other classes the abovementioned facilities should be increased.

Question 11.—The habits of various classes of the people in dealing with money surplus to their normal expenditure are as follows :—

(i) Those who are rich invest money in ornaments or in trade.

(ii) Middle class people invest their savings in ornaments or deposit them in savings banks.

(iii) Poor people either invest it in ornaments or bury it in the ground.

Question 12.—Farmers in a prosperous year invest their surplus funds in ornaments; what is left is buried in the ground or lent to other persons or to fellow-agriculturists on condition of getting a high rate of interest or grain at the time of harvest.

LALA BABU RAM VARMA.

Messrs. BHAU LAL, Bankers, Shahjahanpur.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part D.—Credit facilities in respect of agricultural production and marketing.

Question 1.—The respective parts played by various credit agencies in respect of crop production are as follows :—

(1) Government distributes *tagavi*.
(2) The Imperial Bank of India and the joint-stock banks do not provide agricultural credit in respect of crop production.
(3) Co-operative banks play an important part inasmuch as they advance loans to the agriculturists.
(4) The indigenous bankers and grain merchants advance money to the agriculturists against the security of the sugarcane crop.
(5) Professional moneylenders play a prominent part in financing the agriculturists. In professional moneylenders are included the *qist* distributors of Moradabad, Bijnor, Meerut and other districts, and the village moneylenders.
(6) Companies trading in fertilizers are not to be found in our district. Agricultural implements are given on credit on fixed annual rent.

The existing facilities are not adequate. They can be increased by the expansion of co-operative banking and the establishment of land-mortgage banks.

There are some defects in the existing system of agricultural credit. It is both costly and unsystematically worked. These defects will be removed if village banks are established.

Question 2.—Marketing of crops is chiefly done by grain merchants. From the village to the *mandi* export trade is financed by the village *mahajan* or bania. From the *mandi* to the distributing centre it is financed by the indigenous bankers generally. From the distributing centres to the exporting ports it is financed by the joint-stock banks and the Imperial Bank. Import trade from the importing port to the distributing centres is financed by the joint-stock banks and the Imperial Bank, and from the distributing centres to the consumers chiefly by the indigenous bankers.

The existing credit facilities in respect of marketing of crops are not sufficient according to the needs of the trade. The chief cause is the rising of the discount rate which makes the borrowing of money hard. The chief remedy therefore lies with the monetary authorities. Money should be made cheap by the banks.

Question 3.—If there is any co-ordination among the various credit agencies it is between the indigenous bankers and the grain merchants. It can be improved among others if credit is extended.

Question 4.—Credit facilities in the matter of internal trade are easily available, and at a favourable rate; rapidity of turnover is possible in the case of internal trade. In the matter of overseas trade credit facilities can be had at a higher charge with very little volume of business transacted.

Part E.—Land-mortgage banks.

Question 1.—Loans for long periods are obtainable by landlords in our district to a very limited extent—say, 15 per cent. of the applicants can get it. Tenants of various kinds can obtain loans for long periods on a much larger scale.

Question 2.—Long-period advances are available to landlords on the security of mortgage of their immovable property and by tenants on mortgage of their occupancy rights

The chief difficulties of long-period borrowers are specially excessive rates of interest, short-periods of advances, the interest being payable by six-monthly or yearly rests, in default the interest amount to be included in the principal. Thus these loans are not easily payable.

Question 3.—Non-transferability of tenure does act as an impediment to long-term credit, and the rate of interest is therefore enhanced in view of the risk one has to take in the advance of such money.

Question 4.—Occupancy rights do act as sufficient security for long-term credit for the lifetime of the tenants. The value of such security can be increased if the law regarding heirless tenants is modified.

Question 5.—We are sure the establishment of land mortgage banks will largely solve the problem of long-term advances in this province.

Question 6.—There should be two mortgage banks—one to deal with the farmers and small landowners and the other with big landowners.

There should be connexion of the working arrangement between the two, that is, there should be one government officer who should examine the value of the property mortgages of which are assigned as security on behalf of the bond-holders. Such officer should be one for both.

The land-mortgage banks should have share capital of their own. The capital which each bank is required to keep before commencing business operations should be fixed at some figure divided in shares open to subscription. Subscription should be open to any person, corporation or estate. The Government should undertake the obligation of subscribing the balance if the share capital is not taken up by the public.

Such banks should be managed by six directors. Two should be appointed by a board of "long-term credit banks" especially created by an Act of the Government. The rights and votes of the shareholders should be the same as that of limited concerns.

The maximum period of the loans should be fixed at 25 years, but the maximum amount of loan should not exceed 15 times the estimated annual net income of the property after deducting the land revenue of the same.

Land-mortgage banks should obtain working capital by floating bonds in the market against the security of the mortgages obtained by them in their favour. They should also obtain it from deposits, debentures, etc. It is not necessary that the debentures should carry a Government guarantee. The assets represented by mortgages held by the bank should be the guarantee for the principal and interest. The Government should take up the balance if they are not taken up by the public within a prescribed time. The debentures should rank as trustee securities.

The mortgages held by the bank can be handed over to the Government in lieu of its financial obligations and it can be safeguarded against loss thus.

The following modifications of the existing law or special arrangements, in favour of land-mortgage banks, are suggested :—

(i) Certificates of encumbrances should be issued by the registration office at a nominal charge.

(ii) There should be a reduction of stamp duty, registration charges and court-fees.

(iii) Notifications of proposed mortgages will be disliked by the loans-taking public : the bank should satisfy itself legally before granting loans.

(iv) The process of foreclosure and sale in the event of non-payment should be simplified.

(v) The power to manage defaulting estates should be vested in land-mortgage banks.

MESSRS. BHAU LAL.

Provincial land-mortgage banks should be co-ordinated under an all-India central institution. The constitution should be like this—

In the first place a Loan Act should be passed by the Government. The Act should provide for a Loan Board which should have general supervision. The Board should organise land-mortgage banks. It should consist of the Finance Member *ex officio* and four other members appointed by the Governor-General in Council.

Question 7.—The value of land can be estimated by taking the average of the net annual income of the property for three years after deducting land revenue and other charges and by multiplying such average by fifteen times.

In our district the value of land per acre differs according to the crops grown on it. The nature of the crops, the areas under cultivation and natural mishaps affect this value.

There is great difference in prices obtained for land. In cases of non-payment of revenue the land is auctioned by Government at a very low value for the Government only cares for the realisation of the revenue. If the price fetched covers the amount of the revenue it will have no hesitation in sanctioning the auction. It is no matter to the Government whether the land has fetched its real value. In a sale on a court decree the purchaser is bound to bid for an amount not less than the estimated value prepared by the revenue staff of the Government. The estimate is prepared on a fixed net annual income which is much lower than its market value. In private negotiation the land fetches its real market value. Under normal conditions the proportion of the market value is nearly 22 times the annual yield of average quality land.

Part F.—Co-operation.

Question 1.—The relation which exists between co-operative banks and the Imperial Bank of India and the joint-stock banks is that the latter act as bankers to the co-operative banks. Co-operative banks keep their surplus funds with them and withdraw when they stand in need of them.

There is no competition in our district between the co-operative banks and the joint-stock banks as the field of activity of the two differs in their spheres. Co-operative banks confine their investments to rural areas while the joint-stock banks deal chiefly in urban ones.

Question 2.—The special difficulties of co-operative societies in raising either short or long-term capital are insufficiency of the capital that they can raise, and the personal surety of one or two members of the society for the whole amount allotted to a society.

Question 3.—The amount of capital available for financing the co-operative movement in our district is in no way sufficient for financing it. No right estimate can be formed as it depends on the prosperity of the agricultural conditions. The amount can be raised by the issue of shares.

Question 4.—It is possible to stimulate the growth of the co-operative movement by financial concessions : exemption from income-tax will increase the margin of savings, and the inclusion of debentures in the list of trustee securities will help considerably in raising the amount required for financing the movement.

Question 5.—The establishment of the provincial co-operative bank will be best suited for the stimulation of the co-operative movement in the provinces.

Part J.—Internal remittance and negotiable instruments.

Question 1.—The facilities available to the public, including banks and bankers, for internal remittance are the drafts of the Imperial Bank on places where it has got its branches or the issue of supply bills on certain fixed centres. The facilities available are very limited in scope and costly as well. They can be improved by a free issue of supply bills on all places where there is a government treasury or a branch of the Imperial Bank.

Question 2.—Negotiable instruments play an important part in the internal trade of the province being instruments by which money can be got at the spot for affecting purchases.

MESSRS. BHAU LAI.

Question 3.—Supply bills facilitate internal remittance to a very limited extent. Their utility can be increased if they are issued on all places where there is a government treasury or a branch of the Imperial Bank, and the distinction in charges between those below Rs. 10,000 and above it be removed,—the charges should be one-anna per cent. for all bills of any amount but not below Rs. 1,000.

Question 4.—The use of bills of exchange can be extended if duty is reduced on them.

Question 5.—We are not in favour of the extension, cheapening and improvement of Post Office agency in handling internal remittances for it will be a great blow to the banking system and it should be left for the banks only to do.

Question 6.—There are two classes of *hundis* current in our district—demand and draft *hundis*. Demand *hundis* are payable on presentation, while draft *hundis* are payable on the expiry of the period for which they are written.

The Negotiable Instruments Act in its present form has no provision for the period; demand *hundis* can remain current and sometimes they remain in a rotating state for a considerable time. There remains always the risk of the money being lost on the failure of the drawee, hence fixing of the period of the currency will surely protect persons handling *hundis* and this can be effected by the amendment of the Negotiable Instruments Act.

Hundis in our trade centre are held by middlemen, merchants and commission agents and they also pass freely from hand to hand.

Hundis of our district are discounted in our district and are also sent outside for discounting and rediscounting.

Question 7.—It is not possible to borrow money on the security of railway receipts or invoices; one can borrow on the security of government loan papers. The question of transfer is the chief difficulty, for some instruments are not transferable. These difficulties can be removed by getting the transfer rights written on a separate stamp paper.

II.—Indigenous banking.

A.—Organisation of indigenous banking.

Question 1.—There are two classes of indigenous bankers in my district—one whose business is lending money only and another which deals in all sorts of business, such as receiving deposits, dealing in *hundis*, lending money.

Indigenous bankers combine other business with their own such as *khandsar* (dealing in sugar) and *bhandsar* (stocking of grain). Banking is their principal business; others are subsidiary to it.

Question 2.—Indigenous bankers, if they also deal in sugar, do much in financing agriculture by distributing money to the tenants against the security of their sugarcane crop.

They help trade by supplying money to the grain merchants and the commission agents. In industry they do very little.

Question 3.—It is very difficult to arrive at an estimate of the resources of the indigenous bankers. The volume of their business can be said to be fifty lakhs. No correct information can be given of their expenses.

The annual net return to each class of indigenous bankers on their capital after making allowance for legal expenses of management, losses through bad debts, is in one way more than Rs. 20,000.

Question 4.—There are no financial houses in the province dealing solely in the purchase and sale of *hundis* and other bills of exchange. Their absence is due to the lack of sufficient *hundis* and exchange business.

Question 5.—The methods pursued by indigenous bankers in keeping accounts is that of the single entry system.

B.—Raising of funds by indigenous bankers.

Question 1.—The various forms of *hundis* are demand and sight *hundis*. Other credit instruments are pro-notes and *sarkhats*. *Hundis* are widely current but pro-notes and *sarkhats* are also much used.

Messrs. Bhau Lal.

Question 2.—Indigenous bankers provide themselves with funds by drawing demand or sight *hundis* in order to meet demands upon them. The assistance which they receive from the Imperial Bank and the joint-stock bank is very limited. They obtain such assistance by either pawning their ornaments or against Government securities or by drawing sight *hundis*.

The defect in the present system is that the indigenous bankers cannot get sufficient funds on credit: credit must be extended.

Question 3.—Indigenous bankers receive small-term deposits on a lower rate of interest and long-term ones on a higher rate. On short-term deposits for six months 3 per cent. per annum is generally allowed, while on long-term deposits for a year or more 4½ per cent. is allowed. These rates vary at different seasons.

C.—Advances by indigenous bankers.

Question 1.—The various methods in which indigenous bankers grant loans are by mortgaging immovable property, pawning of ornaments, advancing on pro-notes and allowing simple credit.

The terms of these loans vary with their nature.

Loans are both secured and unsecured. The security of ornaments, property, grain, etc., is accepted to cover them.

The rate of interest varies from 9 per cent. to 12 per cent. per annum according to the security offered.

Question 2.—Agriculturists have to pay to indigenous bankers generally Re. 1-9 per mensem.

The organisation of banking can be possibly improved, and the rate of interest can also be reduced, if the leading banks take up the task. The reduction will surely benefit the agricultural community, but much of it will be intercepted by the village moneylender.

Question 3.—Clients of bankers are freely allowed to inspect their accounts with them.

D.—Exchange and money market.

Question 1.—There is no local exchange and money market in our district in a regular way, but exchange work is done by the indigenous bankers.

Indigenous bankers have business relations in the important money markets such as Cawnpore, Calcutta, Bombay and Delhi, and it is thus that the money market is linked with them.

Question 2.—Brokers are middlemen between the buyers and the sellers in the exchange and money market. They get generally half an anna per cent.

Question 3.—For internal remittance the rate of *hundis* depends on the stiffness of the money market. To obtain credit *hundis* are purchased and sold with the difference of one anna on the market rate.

There are seasonal variations in these rates. The causes of these variations are the volume of business and the supply of money.

As the Imperial Bank of India is the leading banking institution of the present day and the chief supplier of money for trade, the bazar rate is regulated by it.

Question 4.—Our local market is not influenced by any organisation such as the Panchayat Sarafa of Delhi or the Shroffs' Association of Bombay.

Question 5.—Local usages do govern the trade of our markets: the sellers of grain are required to give the weighment charges and a fixed quantity of grain per carriage to be distributed to the servants of the buyers.

E.—Defects of indigenous banking.

Question 1.—The state of public opinion regarding each class of indigenous bankers is quite sound.

Question 2.—There are many large difficulties which indigenous bankers have to face in carrying on their business.

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Question 3.—Indigenous bankers are not sufficiently protected in law and require additional safeguards through the modification of the insolvency law.

Question 4.—The only defect in the dealings of indigenous bankers is that their transactions are not properly secured. They only remedy is that they should be made to do secured transactions.

Question 5.—Indigenous bankers are not able to meet all acceptable demands for accommodation, and they are sometimes obliged to refuse such demands on account of insufficient working capital. Their resources can be extended if they are given a free credit.

F.—Co-ordination.

Question 1.—Those bankers who deal in *hundi* business have an interselling and purchasing of *hundis*.

Those bankers who are of a different class, and do not deal in the *hundi* business, purchase *hundis* from the class abovementioned when they stand in need of them.

Indigenous bankers get their *hundis* discounted by the Imperial Bank and other joint-stock banks.

The preferential treatment given by the Imperial Bank of India and the joint-stock banks to indigenous bankers over other customers can be regarded as negligible.

Question 2.—The only co-ordination that exists between indigenous bankers and other banks is that the latter discount their trade demand bills and thus help in giving credit to industry.

The establishment of a provincial bankers' association is most desirable and will serve the purpose of better co-ordination.

Question 3.—There is great difficulty in the collection of cheques on indigenous bankers working in mufassil towns. These difficulties can be removed by extending the banking fabric in mufassil towns.

G.—Consolidation of indigenous banks.

Question 1.—The indigenous banking system can be consolidated and improved and can be made more serviceable to the community if the licence system is introduced by the Government.

Question 2.—Indigenous banks will secure an increased clientèle on recognition by the Government. The condition of recognition should be the payment of a certain amount of income-tax and land revenue.

Question 3.—The introduction of measures designed to regulate their operations and enforce the publication of their balance-sheets will be resented by indigenous bankers.

Question 4.—There are times of the year when money remains idle in the hands of the indigenous bankers in large amounts, and there is a tendency for the money to be concentrated in the important trade centres.

Question 5.—Indigenous bankers in our locality have got business relations in important money markets within the province. They get money from these markets and sell their demand bills in them.

The establishment of agencies of the Imperial Bank of India held by local indigenous bankers as a means of creating connexion with the principal money markets is preferred to others.

The danger that branches of joint-stock banks in every district would by competition swallow up the indigenous bankers cannot be avoided; but the possibility of the new joint-stock bank failing to make adequate use of the local knowledge and experience of the indigenous bankers can be avoided by the establishment of a local directorate.

Confidence in the depositing public can be inspired if the new joint-stock bank invests sufficient capital in the locality where it exists. The danger that local

branches of joint-stock banks might not invest their deposits in the locality but transfer them to their headquarters for investment in a larger trade centre will be much avoided by the presence of the local directorate.

We do not think that a joint-stock bank as suggested in the questionnaire would attract enough business to make its establishment profitable.

In our opinion the indigenous banks should be linked with the central reserve bank through the Imperial Bank of India.

H.—Defects in statutory and customary law regarding recovery of debt.

Question 1.—We consider the statement made in the questionnaire to be true in all its completeness. The chief difficulties which the creditor encounters when endeavouring to recover a debt by process of law are the costly litigation (which includes excessive stamp duty and court-fees), law delays and the delay in the execution of decrees and successive postponements of auction sale by the district magistrate. The remedies can be sought in the reduction of the stamp and court-fees duty and the simplification of the process of execution of decrees by an amendment in the existing laws by the Legislature.

Question 2.—The conclusion of the Royal Commission on Agriculture in India seems to be correct.

The chief defects of the Usurious Loans Act are that it is not effective in its operation. It unnecessarily prolongs the proceedings of a case with no useful result. Making an inquiry into the equity of terms settled long before with the consent of both the parties speaks itself of its utter inutility.

The present state of affairs can be set right by creation of cheap credit agencies which will obviate the necessity of such an Act.

III.—INVESTMENT HABIT AN ATTRACTION OF CAPITAL.

A.—Encouragement of saving and investment habit.

Question 1.—The existing banking resources in our district are a branch of the joint-stock bank, the co-operative bank, indigenous bankers and professional moneylenders. We do not consider them adequate.

It is difficult to estimate the additional capital required, but an approximate figure can be given, say 25 lakhs.

Question 2.—The existing institutions for encouraging the habits of saving and investment are the post office savings bank and the joint-stock bank, but they do not provide full facilities as they receive deposits of limited amounts : they require extension in tahsil post offices.

Question 3.—The people are in the habit of investing in gold or silver to the amount of 8 or 10 lakhs.

Question 4.—Postal cash certificates are not popular with the general public in our district.

Their popularity can be encouraged by a change in the existing terms of issue. Instead of issuing them for five years they should be issued for one year.

Question 4*A*.—We are of opinion that anything similar to the national savings movement in England can be possible in India among the educated classes who number few. Co-operation is the pivot on which the whole movement will hinge, and it is to be regretted that this is badly wanting in India among the general masses who are mostly illiterate.

Question 5.—Post office savings banks do not afford adequate facilities to the investing public. The facilities can be extended if the maximum limit of amount that one person can deposit in his name is increased.

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Generally the educated classes take advantage of the facilities offered by the post office. The classes that do not resort to this type of investment should be made to understand its advantages.

Question 6.—We do not consider the allegation that the rates of interest on postal cash certificates and treasury bills are so favourable as to create competition between Government and banks in attracting money to be true.

Such competition can in no way be healthy as it will strike at the very root of banking business.

Question 7.—As the idea of gold cash certificates is a novel one in India, nothing can be predicted as to whether such certificates would accelerate the savings and investment habit.

Question 8.—It would not promote the savings habit if public bodies like municipalities were to afford savings bank facilities. Nor is it desirable that they should be allowed to afford such facilities.

Question 9.—Government at present affords no facilities for the purchase and sale of government securities. The Imperial Bank of India and other banks arrange such purchase and sale at favourable rates.

Small agriculturists and small investors can take up any form of government securities if sufficient provision is made for cashing them when they stand in need of money.

Question 10.—The facilities at present afforded by various financial agencies for purchase and sale of securities other than those of Government are that they arrange in big trade centres for their purchase and sale at most favourable rates.

Question 11.—Some people invest their surplus money in granting long-term credit on mortgage of immovable property; others get ornaments prepared for domestic use. They keep the money in their private chests or bury it underground, or they keep it in banks or with indigenous bankers.

Question 12.—In a prosperous year the farmers use their surplus funds to purchase ornaments and other necessities of life, agricultural implements, bullocks, etc.

They very rarely lend to fellow-agriculturists.

Information regarding the amount of capital in the possession of the agricultural population is very difficult to give. It is in a major degree possessed by the well-to-do men residing in villages and in a smaller degree with the agriculturists. It is growing.

Question 13.—We agree with the view that in India the banking and investment habit is of very slow growth. We attribute it to the lack of education and conservatism. Government propaganda can serve the purpose in view to some extent.

B.—Cheque habit.

Question 1.—The cheque habit is growing in India.

Question 2.—Cheques are now freely used, and there has been an increase in the opening of accounts as well.

Question 3.—The educated classes use cheques.

Question 4.—No means of further promoting the cheque habit can be suggested. It is not advisable to make payments of government servants and bank employees by cheques. It is also risky to receive government dues by cheques.

Question 5.—The illiterate can be made to use cheques if Government can make them universal and acceptable by the public like government currency notes.

C.—Vernacular scripts in banking.

The present script used by indigenous bankers is quite all right. The use of the Nagri script can be urged.

D.—Imperial Bank of India.

The result of the opening in recent years of new branches of the Imperial Bank of India is that the investment habit is encouraged in those who are most well-to-do Internal trade has been promoted, but not industry. There has been no consolidation of the indigenous banking system, nor any marked increase of facilities for agricultural credit. The general price of money has been much lowered, but the discount rate remains high.

Pandit PARMATMA DIN, Mahajan, Sarein, district Rae Bareli.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—THE agriculturist borrows 80 per cent. of his loans from village money-lenders, 18 per cent. from co-operative banks and 2 per cent. from Government.

The objects of his borrowings and the proportion of debt due to each object are as follows :—

	Per cent.
Repayment of earlier debts	2
Payment of accumulated interest	2
Marriage and social functions	25
Famine and other kinds of distress	5
Payment of land revenue or rent	20
Seed	20
Expenses of cultivation	1
Litigation	5
Purchase of plough or other cattle	10
Subsistence	10

Seventy-five per cent. of the debt is incurred in cash and 25 per cent. in grain, of which 60 per cent. is for short periods and 40 per cent. for long periods.

Question 2.—The rates of interest charged in my district are—

For cash advances—Re. 1-8-0 per cent. per month.

For loans in kind for seed—25 per cent. in the case of *rabi* crops and 50 per cent. in that of *kharif*.

For other loans in kind—25 per cent. a year.

Interest is calculated yearly, but in the case of grain half-yearly. In either case a fixed rate is charged.

The rates of interest are not, in my opinion, exorbitant, and there are no other charges incidental to the grant or repayment of loans.

Question 3.—No security is given in the case of borrowing for agricultural purposes.

Sixty per cent. of the debtors are *zamindars*, 5 per cent. under-proprietors, 5 per cent. occupancy tenants, and 30 per cent. tenants.

Debt secured on land mortgage is increasing, but it is less than unsecured debt.

Question 4.—Debt incurred in grain is repaid in grain, and that in cash either in the form of grain at the prevailing market rate or in cash. There is no difference between the rate at which the cultivator borrows grain or repays it and the prevailing rate for that grain in the village or market at the time of borrowing or repaying respectively, but there is no means by which the cultivator can ascertain what the prevailing rate in the market is from time to time.

Question 5.—The cultivator takes no advantage of the facilities provided by the Agriculturists Loans Act and the Land Improvement Act. The *taqavi* granted is insufficient, and that, too, is not advanced in time. Further, the rules are too strict, and there are illegal expenses.

The cultivator borrows ten times more *taqavi* in abnormal than in normal years.

The present system is defective, firstly, because the *taqavi* is not granted at the proper time, and, secondly, because soon after it is granted orders are issued for realising it. Much hardship is caused to tenants at the time of realising *taqavi*, with the result that they are ruined. Further, grain has to be sold at a cheap rate in order to repay the *taqavi* so that the cultivator suffers loss instead of getting any profit. *Taqavi* should be granted at the proper time; sufficient time should be allowed for realising it; and no hardship should be caused in realising it. Unless a man is specially appointed for the realisation of *taqavi* tenants can derive no benefit from *taqavi*.

Question 6.—The practice of cultivators combining together to produce particular crops does not exist, nor is there any hope of its establishment.

PANDIT PARMATMA DIN.

Question 7.—The defects in the present system of agricultural borrowing are that the *taqavi* taken from Government is not granted at the right time and cultivators suffer much loss; and that the interest charged by co-operative banks and moneylenders is so excessive that the cultivator is unable to pay it. It would be better if more *taqavi* were distributed by Government, it being particularly borne in mind that it should be given promptly and that none of the officers of Government take any illegal gratifications from the cultivator.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—Cultivators send samples of their food-grains to the market through the *baya* (grain measurer) who is appointed by the *zamindars* and *taluqdars* on a fixed fee known as *bayai* (fee for measuring out grain). The said grain measurer shows the samples and settles the rate with the buyer who then goes to the village and gets the grain weighed by the grain measurer. The latter gets 4 chattaks of grain per rupee from the cultivator.

There is no difference in the methods of marketing between crops used mainly for domestic consumption or crops mainly sold in the market.

Question 2.—Money is seldom obtained to finance the marketing of crops. There is a co-operative bank here, but people get no help from it. The bank should give some help.

Question 3.—The only charge the cultivator ordinarily pays in the case of marketing his crop is that of one-quarter of a seer per rupee to the grain measurers on sale of the grain, and this applies to all crops. There is no other charge.

Question 4.—There are very few cultivators who can afford to store grain for the next year. Most of them who do so are those who are content with taking only one meal per day. The best way to improve storage would be to protect the cultivator from illegal expenses such as *nazrana*, etc. There is no market here in which grain is stored.

Question 6.—The system of licensed warehouses in the United States of America cannot be worked in India.

III.—INVESTMENT HABIT AND ATTRACTION OF CAPITAL.

A.—Encouragement of saving and investment habit.

Question 1.—There is only one co-operative bank in this district. Cultivators get very little help from it, and that, too, not at the right time. It should have at least four times as much capital as at present and the work of the bank should be carefully supervised.

Question 2.—There are no existing means or institutions for encouraging the habits of saving and investment.

Question 3.—The people of my locality are in the habit of investing in gold or silver to the extent of 70 per cent.

Question 4.—Postal cash certificates are popular in my district. Their popularity would be increased if the rate of interest were enhanced and facilities provided for obtaining these certificates.

Question 5.—Post office savings banks afford facilities to the investing public only to a limited extent, but these facilities would be improved if the maximum amount that can be deposited in one year is enhanced and the rate of interest increased. Only those who are in service take advantage of the various facilities for investment offered by the post office, but other classes would be attracted if the rate of interest were enhanced.

Question 11.—Money surplus to their normal expenditure is spent by people on ornaments or advanced as loans to other people. Literate persons and those whose occupation is service keep their money in savings banks, but illiterate persons bury it in the ground. This money is used for marriages, etc., or for other domestic expenses.

Question 12.—Farmers lend their surplus funds to fellow agriculturists on interest on condition that the money is repaid within the year.

No estimate regarding the amount of capital in the possession of the agriculturists in my district can be given. It is more or less stationary.

Question 13.—I do not agree with the view that no progress is visible in the banking and investment habit. But the monetary condition of cultivators is bad, and they are unable to save enough to invest money in banks.

PANDIT PARMATMA DIN.

Pandit HIRDAY NARAIN SAKLANI and Lala THAKUR DAS, B.A., Zamindars, Bankers and Managing Directors, District Co-operative Bank, Dehra Dun.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part B.—Agricultural borrowing for purposes of marketing.

Question 2.—DEHRA DUN is not an exporting centre, and grain is not exported from, but imported into; Dehra Dun; consequently, there are no erporting firms, but on the other hand there are several importing firms in the shape of grain merchants, and they are the chief people who finance the marketing of crops in the district. They charge from Rs. 12 to Rs. 24 per cent. interest on the money advanced.

There are three banks in this district, *viz.*, Messrs. Bhagwan Das & Co., the Imperial Bank of India, and the Allahabad Bank, Ltd. Messrs. Bhagwan Das and Co. does finance the marketing of the crops to some extent. They have got a godown and advance 75 per cent. of the market value of the goods stored in it. Roughly speaking, about Rs. 70,000 is the average amount advanced by them at any one time. They charge 8 per cent. to 10 per cent. interest on the money advanced *plus* the godown rent and insurance charges. The Imperial Bank of India has also recently started cash credit business on the same lines. They charge 7 per cent. interest, which includes insurance and other charges, etc. They are also trying to cash genuine trade bills on 12 per cent. above the Bank rates.

There is the district co-operative bank, Dehra Dun, having about 60 societies, but it does not at present directly help in the marketing of crops. As a matter of fact it should do something towards it, but because the movement is comparatively new in this district, and the organisers are still busy in forming and consolidating the societies, they have not yet had time to spare their energies for any other form of co-operation.

Question 3.—When a cultivator takes his crop to the local moneylender, the latter pays the former a little (generally one anna in the rupee) less than the market rate for his crop.

The commission agent charges annas 8 per cent. to Re. 1 per cent. as his commission on the value of the grain sold by him.

There are no brokers nor wholesale grain merchants in this district.

The above charges do not vary with different crops.

Incidental charges made by the commission agent are 2½ annas per cent. for the labourer and 2½ annas per cent. for expenses on the value of the crop sold. These charges are levied in kind. Two chhataks per maund is taken out on account of the above charges.

Question 4.—There are very few cultivators in this district who store grain in any appreciable quantity. Ordinarily cultivators store grain in bags excepting the Gurkha community who do so in small *kothis* built of mud. Rats do great damages and grain is also eaten by insects as well. Small rooms built with bricks and lime and plastered with cement from outside and with mud from inside form the best storage for this district. The floors of these rooms should also be plastered with cement.

In Dehra Dun market, grain is stored in two ways, *i.e.*, either in bags or without bags. *Kothas* or godowns are mostly *pakka*, built of bricks and stones. The only defect is that because Dehra Dun gets a fairly high quantity of rain, all the brickwork gets saturated, and grain, whether stored in bags or without bags, is affected by damp and eaten by insects very soon. All things remaining the same if walls and floors are plastered with cement, the situation will be much bettered.

There are no *khattis* in this district and none is possible owing to the special formation of the land of this district which is unfavourable to *khattis* or any other kind of underground building.

Question 5.—Quite a fair amount of grain is stored in *kothas* and used as security for obtaining credit, as we have hinted in the beginning. Dehra Dun is an importing centre,—nine-tenths of the grain consumed in this district is imported from outside districts. Roughly speaking, half of the produce of this district is consumed soon after it is ready, one-fourth is held back by the cultivators and one-fourth is stored by the grain dealers. On a very rough calculation it is estimated that Rs. 10 lakhs worth of grain and other food stuffs (both local produce and produce imported from outside) is stored in *kothas* throughout the year.

Question 7.—We do not know of any instance where cultivators combine together to market particular crops. In our opinion such combination is not desirable unless it is done on co-operative principles.

Part C.—Extent and nature of agricultural indebtedness.

Question 1.—District Dehra Dun is divided into two parganas—Western and Eastern Dun. Village Choharpur is one of the biggest and most important villages of the Western Dun. This is also the only grain market of the Western Dun. An area of about 40 miles square round about Choharpur has been formed the basis of calculation.

The population of the area in 1921 was about 12,000.

There are 20 co-operative societies scattered in this area. With the help of the papers of these societies and from the personal knowledge of the area concerned, the following estimates are framed :—

(i) Debt secured on land mortgaged and registered, Rs. 1,00,000; unregistered, Rs. 5,000.

(ii) Amount of debt incurred against other assets and personal securities, Rs. 95,000.

The indebtedness of the cultivator class, including proprietors of land who do cultivation as well, may be estimated at Rs. 10 lakhs for the whole district.

Question 2.—The principal creditors of agriculturists are co-operative societies and grain dealers in this district

Richer agriculturists do lend to the poorer but to a very limited extent.

Question 3.—As the result of enforced payment of debt land and the rights in land are passing from the possession of people who have become very litigant and fashionable into the hands of bigger farmers who are better farmers in this district. In very rare cases lands and rights in land are passing from the possession of efficient farmers into the hands of non-efficient farmers. But on the other hand, land is passing from one person to another in marked degrees in the case of *zamindars* who are not farmers themselves.

Part F.—Co-operation.

Question 1.—The Imperial Bank of India, the joint-stock banks and the indigenous banks have no connexion with the co-operative bank in this district, either this way or that. Nor is there any competition except that some people instead of depositing their money with other banks deposit it in the co-operative bank. The rates of interest on deposits offered by the co-operative bank are a bit more favourable than those offered by joint-stock banks.

Question 2.—Although with the help of generous minded co-operators and with the kind help of the Registrar, Co-operative Societies, the Co-operative Bank, Limited, Dehra Dun, has been able to raise sufficient capital to pull on the work up till now, still great efforts had to be made to raise capital when it was needed both in the case of short and long-term loans.

Question 3.—The amount of capital available for financing the co-operative movement in this district, and in this province as well, is not sufficient to cope with the daily increasing demand of co-operative societies. Roughly speaking, we dequire one lakh of rupees more to adequately meet the needs of co-operative societies in this district.

PANDIT HIRDAY NARAIN SAKLANI AND LALA THAKUR DAS.

The only way of raising the amount that we can think of is to offer better and more flexible security to the investors, and this is only possible when the provincial co-operative bank is established.

Question 4.—It is possible to stimulate the growth of the co-operative movement by financial concessions, such as the exemption from income-tax of genuine co-operative societies and inclusion of the debentures of provincial co-operative banks in the list of trustee securities, but to a limited degree; and if such action is possible, it is certainly desirable.

Question 5.—It can be confidently said that the establishment of the provincial co-operative bank is the greatest need of the time. It will not only stimulate the growth of the co-operative movement in this province, but will relieve the workers of different co-operative banks and societies of the financial embarrassment which is the common cause of complaint throughout the province.

Rai Bahadur Pandit SHYAM BEHARI MISRA, M.A., Retired Deputy Commissioner, United Provinces, and Dewan, Orchha State, Tikamgarh.

Replies to the questionnaire.

[NOTE.—*These replies are with reference to the Lucknow district of which the witness is a resident.*]

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part E.—Land mortgage banks.

Question 1.—LOANS for fairly long periods are easily obtainable in the Lucknow district by landlords but not by tenants, while the rates of interest charged are generally high, ranging from 7 to 24 per cent. per annum in the case of the former, and 18 to 75 per cent. or even more in that of the latter That these are, in most cases, ruinous rates admits of no doubt; remedial measures are therefore urgently called for. In my opinion, 6 to 9 per cent. per annum should be considered to be reasonable rates of interest for landlords, and 10 to 15 per cent. for tenants, but the latter find serious difficulties in securing long-term loans, as even co-operative societies often do not advance loans for long periods.

Question 2.—Long term advances are usually available to landlords on the security of their proprietary rights in land, but tenants have no transferable rights in their holdings and cannot therefore offer any such security. They (the tenants) can hardly secure long-term advances except when they can offer security in the form of jewellery, trees, houses and the like.

The special difficulties of long-term borrowers are (1) the unwillingness of creditors to receive repayments in small instalments, and (2) their insistence upon reservation of a long period during which no repayment of loan (excepting interest) can be made even in part.

Question 3.—Non-transferability of tenancy holdings is undoubtedly a great impediment in the way of long-term credit in the case of tenants, who have also consequently to pay higher rates of interest.

Question 4.—Occupancy right does not serve as an adequate security for credit, as it is not transferable.

I do advocate a modification of the law with the object of increasing the value of tenancy-security for long-term loans. I see no objection to the grant of hereditary and transferable rights to tenants who can arrange to pay from five to seven years' rent to their landlords as consideration for securing such rights. This would stimulate thrift and energy in tenants, and induce landlords to grant such rights to them and thereby bring about fixity of tenure. Perhaps the opposition of even the *talugdars* may thereby be disarmed.

Question 5.—The establishment of a land mortgage bank or banks would go a long way towards solving the problem of long-term advances, in the case of those who can have facilities of resorting to them. My own fear, however, is that even these banks would not be able to help the tenants who may not have transferable rights in their holdings.

Question 6.—I do approve of the organisation of land mortgage banks in the United Provinces. In my opinion, they should be organised on a joint-stock or co-operative basis, with regard to the conditions prevailing in each locality. I think there should be at least one such bank in each division and important district in the first instance, and extensions should be provided for.

RAI BAHADUR PANDIT SHYAM BEHARI MISRA.

There need be only one land-mortgage bank for tenants, farmers, small land-owners, as well as big landlords : I do not see the necessity of having two institutions separately, one for the smaller and another for the bigger people.

Such banks should have a share capital of their own, Government taking up the shares that are not subscribed by the public. Such Government shares should, however, be open to the pubic to be purchased at a slightly lower than the market rate of the shares, so that they may in due course be taken up by the people. The total amount of ordinary share capital and reserve fund must never fall short of at least 10 per cent. of its total working capital. I am not in favour of a Government guarantee.

The share capital (*i.e.*, ordinary shares) should be available to members of the bank only, where it is constituted on a co-operative basis; in other cases it may be open to the general public. Preference shares, debentures, bonds, etc., can be taken by anyone who can also make deposits in the bank, but always within the prescribed limits.

The liability of shareholders must be limited.

The bank should be managed by a Board of Directors to be elected by the ordinary shareholders at their annual general meeting once every year. Each share will give its holder one vote, except that no shareholder should ever have more than one-tenth the total number of votes that can be available to the bank at the time.

The Directors can appoint a small working committee of three to five members out of their own body, to supervise the detailed administration of the bank's affairs, while a paid manager and secretary and an adequate paid staff should be appointed by the Directors to carry on the daily routine and other work of the bank. The Board of Directors can delegate necessary powers to their working committee and to the manager and secretary of the bank. The Directors can be paid a small honorarium for the work done by them, to be fixed at a meeting of the ordinary shareholders. Holders of preference shares, debentures or bonds of the bank will be entitled to be present at the shareholders' meetings, but not to a vote. An ordinary shareholder can similarly attend any meeting of the Board of Directors, but will have no vote; a Director or ordinary shareholder can attend a meeting of the working committee without the right of voting at it. An ordinary shareholder can put any question at a meeting of shareholders or move a resolution, provided that at least fifteen days' previous notice is given to the secretary and manager who must give at least one month's previous notice to the ordinary shareholders of any meeting of shareholders to be held for any purpose. There will be at least one annual general meeting of the shareholders every year, while the Board of Directors must hold a special meeting of shareholders whenever they consider this necessary, or if requisitioned by at least one-third the total number of ordinary shareholders of the bank. The Board of Directors must meet at least once a quarter, and the working committee at least once every fortnight. The paid staff will work under the manager and secretary, and its members will be appointed and removed by him after their first appointment by the Board of Directors. The secretary and manager can be appointed and removed by the Board of Directors, but the working committee can suspend him by a clear two-thirds majority. The powers conferred on the secretary and manager and on the working committee of the Board of Directors must be passed at a special meeting of the Board of Directors by a clear majority of its total membership.

The maximum period of a loan advanced by a bank should be 25 years. The margin between the amount of a loan and the value of the mortgaged property should be at least cent. per cent.

Land mortgage banks should obtain working capital from (i) ordinary shares, (ii) preference shares, (iii) debentures and bonds, (iv) deposits (current, savings bank and fixed), and (v) a central institution or another bank in cases of mergency.

No Government guarantee for debentures is advocated.

The debentures should rank as "trustee securities."

Government should safeguard themselves against any possible loss, due to their taking up any shares or debentures, by obtaining necessary periodical statements from the banks, and by getting their accounts checked and audited through their own inspectors or any other agency. The bank concerned can be made to pay reasonable fees for such check and audit of their accounts.

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It is desirable to make necessary changes in the existing law and to make special arrangements in favour of such banks, at least for some years to come. The measures suggested are noted below—

(i) The Registration office should be required to issue certificates of encumbrances or "no encumbrances" to the manager of the bank at a *nominal* charge on his requisition.

(ii) The rates of stamp duty, registration charges and court-fee should be materially reduced in their favour.

(iii) Notification of proposed mortgages is not necessary; registration is sufficient notice.

(iv) The processes of foreclosure and sale should be simplified by giving the bank power to have the foreclosure ordered by an arbitrator to be appointed by the district officer, sale of the mortgaged property being held by order of the civil court concerned on the authority of a certified copy of the arbitrator's award.

(v) The bank may also be given the power of assuming management of defaulting estates through the civil courts concerned, on the authority of a certified copy of the arbitrator's award referred to above.

(vi) The income of such banks should be exempted from income-tax and from all local and provincial direct taxation other than land revenue and cesses.

There should be almost one land mortgage bank in every important district, and at least one in every revenue division, and one such provincial for each province. The former should be affiliated to the provincial banks which, in their turn, should be all co-ordinated under an all-India central institution. The constitution of the provincial land mortgage banks, and of the all-India bank, should *mutatis mutandis* be similar to that of the district banks, as detailed above.

Question 7.—The value of land should be calculated at 16 to 30 years' purchase of profits, with reference to the market value of similar land with similar advantages in the vicinity.

The value of land per acre depends on many factors, *viz.*, (i) the class of soil, (ii) its productive powers, (iii) its proximity to or distance from the village site, (iv) the evenness of its surface, (v) the facilities for irrigation, (vi) its crops being overshadowed by trees, (vii) the possibility of damage to crops by wild animals, (viii) the availability of culturable fallow for extension of cultivation, (ix) the proximity of the land to large cities or towns or means of easy transport, and so on.

There usually is palpable difference between the prices of land obtained (i) in sale by auction for non-payment of revenue or other Government demand, (ii) by sale under a court's decree or order, and (iii) by private negotiation. The best prices are usually obtained under (iii) and the worst under (i) above, for obvious reasons. The cause is the compulsory nature of the sale in cases (i) and (ii), while the last case alone is usually governed by the principles of supply and demand.

The proportion of the annual net yield of average quality land to its market value under normal conditions usually varies from 3 to 5 per cent. in and near the Lucknow district.

Part F.—Co-operation.

Question 1.—There are no definite relations between the co-operative banks and other banks in the country, such as the Imperial Bank of India, other joint-stock banks and the indigenous bankers. While I was the Registrar of Co-operative Societies in the United Provinces (1924-26), the Imperial Bank of India refused our request to lend money to co-operative central banks, on the credit of loan-bonds executed in the latter's favour by primary societies. The Central Bank of India was agreeable to do so, but its terms were rather unacceptable to many of our co-operative banks. On the other hand, there always is some sort of ill-will between such banks and indigenous bankers whom co-operative societies are admittedly out to smash, if possible.

There is almost no competition between the co-operative and joint-stock banks, as their clientèle is different, except that both desire to attract deposits, and to that extent there is competition between the two. In my opinion, the joint-stock banks will find it difficult to attract sufficient deposits at low rates of interest as the investing public becomes more and more familiar with the safety and reliability of co-operative banks.

RAI BAHADUR PANDIT SHYAM BEHARI MISRA.

Question 2.—Primary co-operative societies usually borrow money from their central banks, very few obtaining any substantial deposits. Central co-operative banks, however, had formerly to pay rather high rates of interest (from 5 to 7 and even 8 or 9 per cent. per annum) to their depositors, specially on their loans, but these rates have been going down of late; they have now little difficulty in attracting deposits at fairly reasonable rates of interest.

Question 3.—The amount of capital available for financing the co-operative movement in the Lucknow district is quite sufficient; indeed co-operative banks in the whole of the United Provinces usually find little difficulty in attracting deposits at fairly reasonable rates of interest.

I think there should be a co-operative provincial bank to attract the idle balance of surplus central banks and to finance the deficit ones; to avoid the accumulation of idle money and to safeguard against a possible shortage of funds in the provincial bank, the latter should have no difficulty in establishing a liaison with the Imperial Bank of India or some other reliable joint-stock bank.

Question 4.—I certainly think that the growth of the co-operative movement would be stimulated by financial concessions, such as exemption from income-tax and from similar local and provincial taxation of genuine co-operative societies, the inclusion of their authorised debentures in the list of trustee securities and so on.

I consider such action both possible and desirable, in view of the admittedly great possibilities of the co-operative movement in India.

Question 5.—I am definitely of the opinion that the establishment of a provincial co-operative bank in the United Provinces would greatly stimulate the movement in the province.

(For oral evidence, see pages 215—219.)

ORAL EVIDENCE.

Thursday, January 30, 1930.

LUCKNOW.

Present :

MR. E. A. H. BLUNT, C.I.E., O.B.E., I.C.S., M.L.C. — *Chairman.*
DR. RADHAKAMAL MUKERJEE, M.A., Ph.D.... ... ...
RAI BAHADUR BABU MOHAN LAL, M.A., LL.B., M.L.C.... ... — *Members.*
MR. MOHAN LAL SAH, M.A., LL.B. ... ...
RAI BAHADUR PANDIT G. S. UPADHYA, B.A.
DR. L. C. JAIN, M.A., LL.B., Ph.D. ... ... *Secretary.*

(*Witness* :—RAI BAHADUR PANDIT SHYAM BEHARI MISRA, M.A., *Retired Deputy Commissioner, United Provinces, and Dewan, Orchha State, Tikamgarh.*)

Mr. Sah : You say that the tenant should acquire hereditary and transferable occupancy rights? Should this be a compulsory process or a voluntary process?—I think it should be compulsory. In the higher interests of the country I think the tenants should be authorised to pay so much and have occupancy rights in a certain area. I think very few *zamindars* would like that. Of course the law is that occupancy rights can only be given. I am prepared to recommend that they should be acquired compulsorily.

The Chairman : If the tenant has got to buy it, then the other man will let him have it?—Only if this is made compulsory.

Mr. Sah : How would you finance tenants in acquiring such rights? Do you think that the land mortgage banks would be able to find sufficient capital for them?—They would select the best of them.

The Chairman : You say that five to seven years' profits should be allowed? How have you fixed that particular figure?—As a guide. I did not rigidly lay down any particular figure. I have worked as a land acquisition officer; an occupancy tenant is given six years' purchase of his rent when his occupancy rights are taken away. That is how I got the idea.

Rai Bahadur Babu Mohan Lal : You say that by legislation he should be given occupancy rights?—Yes, but he must pay five to seven years' rent as the price, as I have suggested roughly, if he is prepared to buy these rights.

Dr. Radhakamal Mukerjee : You consider that that would lead to better farming, to fixity of tenure?—Yes, specially to fixity of tenure; and it would be in the best interest of the country as a whole.

Don't you think that life-tenancy is good enough?—Well, it is good enough so far as it goes, but it does not go sufficiently far.

You also agree that it touches the whole problem of indebtedness?—I think so.

Rai Bahadur Babu Mohan Lal : Supposing they are given occupancy holdings, how will the indebtedness decrease?—They will have something which will be to their credit. At present they have no credit. I really advocate occupancy rights with power of transfer.

So that they may be under-proprietors?—Well, you may call them by that name, but I think they would be tenants, not under-proprietors. Under-proprietors are those tenants who have got hereditary and transferable rights and certain other powers.

The Chairman : There is not much in the name. I was just going to suggest that it would be very much the same thing?—Under-proprietors have some other rights too. They are really *zamindars*.

The whole point is that the under-proprietor is a person who can let his land, not sub-let his land?—And he is the real *zamindar*. The superior proprietor is simply a man who takes so much tax from the under-proprietor.

Rai Bahadur Babu Mohan Lal: If they are given transferable rights, then they would become under-proprietors?—No. They would continue to be tenants.

Under what law?—I am not confining myself to law, nor is this committee confining itself to law. We can and should propose fresh legislation.

Rai Bahadur Pandit G. S. Upadhya: What the witness means, perhaps, is that it will be a transfer of occupancy rights—not the transfer of proprietary rights. That is the difference?—Yes, occupancy rights—hereditary and transferable occupancy rights.

The Chairman: They have got it in pargana Kaswar Raja.

Dr. Radhakamal Mukerjee: You are aware that if you grant this right of transfer there is another danger, namely, the expropriation of such tenant by the non-cultivating class. You give him this transferability. Well, that transferability may be made the basis of security in obtaining credit?—Quite, and there would be no harm.

Don't you think there may be some danger in some other direction?—I do not think so. The man who comes in will become a cultivator; otherwise he will not care to have occupancy rights. He would care to have proprietary rights rather than occupancy rights.

Rai Bahadur Babu Mohan Lal: Don't you think that the purpose for which the legislature has created occupancy rights would be frustrated?—I do not think so. I want to increase the tenant's credit. At present if he stands in need of money for a good *bonâ fide* purpose, he cannot raise money. He should be able to borrow better, at a more reasonable rate of interest.

The Chairman: You want to increase his security?—Yes.

Rai Bahadur Babu Mohan Lal: You want it to be made transferable for a genuine *bonâ fide* purpose? Supposing he wants to spend money on unlawful purposes, you would not recommend transfer?—I certainly would not, in that case.

Can you stop him taking money for illegal purposes?—There are abuses of the best laws.

I am not talking of abuses, but of the principle on which the law should be amended.—(*Witness*) If you want to go into details I would not object to that.

Dr. Radhakamal Mukerjee: You might add a proviso that a transfer of occupancy holdings would not be possible to a non-cultivating class.—(*Witness*) I have no objection. These are details.

The Chairman: No doubt you would have the Land Alienation Act extended as far as possible?—Yes.

Mr. Sah: You advocate that the shareholders should have a right to attend boards' meetings? Would it not lead to a leaking out of secrets of customers which the shareholders may utilise for their own benefit?—No. The shareholders have an interest in the concern. Why should it lead to the leakage of secrets?

You advocate that there should be a working committee of the Board of Directors. I believe that the Board of Directors will be superior to the working committee?—I have said so.

You say that there should be cent. per cent. margin between the value of the property and loan?—I mean this that if the property is worth Rs. 200, give him Rs. 100, half and half.

Rai Bahadur Babu Mohan Lal: How would you work the land mortgage bank on co-operative lines?—I think I have not suggested it. Your land mortgage bank is a bank of an ordinary type. The suggestion from your committee has gone forth that it may be possible to organise them on the lines of co-operative banks as well as joint-stock banks.

We have merely stated the suggestion. We have not said that we would like to have them.—(*Witness*) That is the suggestion and I am prepared to accept the suggestion. I think there is no harm. If my friend wants to know what it is, then I may explain.

In what way would you organise a land mortgage bank on co-operative principles and how would it work?

Rai Bahadur Pandit G. S. Upadhya: Details of this information have been given in the Registrar's note*.

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* Evidence, vol. III, pages 413—421 and 432-433.

Mr. Sah: Will not the acceptance of the short-term deposits as suggested by you on demand or payable within a year or two lead to their utilization on long-term advances which is the principal business of land banks and thus weaken their competency to meet withdrawals of deposits and in due course decrease public confidence in them?—They will regulate their finances with reference to the dates on which the short-term deposits expire. There will be numerous short-term deposits and a constant flow of them.

Will there be no difficulty?—I think there should be no difficulty, because deposits will be constantly coming in.

The Chairman: You state in your written evidence that you would like one land mortgage bank in every important district, one in every division and one provincial. What precisely do you mean by that? Do you mean one provincial bank with a number of branches?—That is what I mean. One provincial bank with branches in every division,—that is to start with. There must be one branch in every division and one in every important district.

Mr. Sah: Do you think that the general public is sufficiently educated to take real interest in the debentures of a land mortgage bank without some sort of a Government guarantee to meet such liabilities of the bank, particularly in the initial stages?—I think that they should not issue debentures till they have established their credit to some extent. Thereafter I am not in favour of a Government guarantee of the debentures.

But how will they be able to obtain working capital?—Banks should stand on their own legs and not depend upon Government.

Rai Bahadur Babu Mohan Lal: Can you start any provincial bank without Government help and without Government taking shares?—I am assuming and proposing Government's help. Only interest they should not guarantee.

The Chairman: You do not want them to take on an almost unlimited liability?—Yes. That is so.

The Witness: I shall now reply to the supplementary questions which were sent to me.

Question 1.—*As succession under the Hindu law often takes place without legal formalities, which does not bring into existence title deeds in favour of the owner, how would you safeguard the bank against advancing to people whose succession may, at a later date, turn out defective? The purport of notification is to give previous warning to the possible parties interested in property and will not be met by registration, which is a notice to parties who may like to have subsequent interest.*

Answer: It would be necessary to examine the title of the borrower carefully before any loan is advanced. The risk is common to all bankers and could only be eliminated by care. There is similar risk in cases of Muslim borrowers also. It is not confined to Hindus. I do not see how you can really safeguard against it otherwise. You must exercise great care and see whether he has a title or not.

Mr. Sah: But is not the purport of notification to give warning to persons who might claim some interest in the land?—They might claim. I do not think it is fair to bar them from claiming their interest by just issuing a notification.

Is there, as a matter of fact, any bar?—Many do not know about such notifications.

Well, does not that do away with further troubles later on?—Troubles can arise in the case of any private creditor. Why should any transferee desire special facilities? Any bank takes the same risk if it lends to anybody. You should exercise care. That is all.

Question 2.—*Are you of opinion that the co-operative movement is sufficiently developed? If so, how? If not, how is it that at times there is surplus money with some banks?*

Answer: The co-operative movement is not sufficiently developed. Indeed it has as yet only touched the fringe of the population. The presence of idle balances in banks is due to lack of vigour and vitality in the co-operative primary societies. These defects are mostly due to ignorance of the lower classes and the taking of undue advantage of it by the lower officials of the banks and by some people of the literate and advanced classes.

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Rai Bahadur Pandit G. S. Upadhya : Would you like to add : "because of the absence of the provincial bank to serve as a clearing house"?—I do not think so. I think the surplus would only go up and accumulate at the top. It would not solve the question.

For instance, the apex bank has existed in certain provinces. They have been able to effect transfers among themselves where this has been necessary. In that way they have been able to clear any balance that they may have. (*Witness*) I agree that the existence of a central co-operative bank will help to some extent, but not fully.

Rai Bahadur Babu Mohan Lal : I do not agree with you about the causes of the surplus that you have mentioned in your answer, but I put it to you like this. In the co-operative banks money is not needed at all times of the year. Suppose realizations are made in July; money is not advanced in July, but in October. There ought to be a surplus balance which may not be due to the causes which you mention.—(*Witness*) What you explain is true to some extent, but I am emphatically of the opinion that it is really the weakness of the primary societies which is responsible for this. In this way the advances are mostly monopolized by the members who belong to the better classes. And the responsibility goes to the more ignorant individuals. They do not get as much as they want for their genuine purposes and they are made to pay for others. That is the reason why many societies fell into arrears, not through the fault of all but through the fault of a few who resort to over-loaning themselves at the cost of their more ignorant brethren.

The question deals with surplus balances at the hands of the banks.—(*Witness*) When a society has fallen into arrears banks do not advance further loans to it. Therefore, their money does not flow out sfficiently. I have examined hundreds and thousands of primary societies.

Even in the best banks, whose affairs are very well managed, the surpluses are bound to be very great for some years?—That is a temporary surplus, but there are many banks I suppose—I am not talking of your Hardoi Bank alone, I am talking of all the banks—in which there is a perennial surplus and yet the co-operative movement is not sufficiently developed in that area. I say that such surplus is caused by this great defect.

Temporary surpluses are unavoidable under present conditions?—Yes.

Rai Bahadur Pandit G. S. Upadhya : Perhaps you may agree to add, if there were non-agricultural societies the surpluses or the idle money which accumulates in July could flow into them?—Yes, but there are special conditions which have somehow operated to the disadvantage of banks which finance industrial societies, and such societies have generally come to grief in this province.

Question 3 : *Would it not be advisable if the co-operative bank is established on joint-stock-cum-co-operative principles, so as to attract sympathy and capital from those sources which at present are outside the co-operative influence?*

Answer : I see no objection to this and am, in fact, fully in favour of the proposal.

Question 4 : *The primary object of the co-operative machinery being to facilitate credit as cheap as possible by pledging collective responsibility, would it not be met if dividend on the shares of the provincial bank is confined within reasonable limits?*

Answer : Decidedly so; and if you do not mind, you can restrict the dividend to 10 per cent. free of income-tax. I would suggest that. Of course it is only a suggestion.

Question 5.—*It is said that there should be land mortgage associations grouped under district and provincial land mortgage banks, to supply long-term credit. Some say that such an organisation would involve unnecessary duplication and that there should be a provincial land mortgage bank with a few branches which should employ the existing co-operative banks and societies as its agents and thus meet the difficulty of not having enough competent men to manage land banks as well as lower the working cost. Which view do you favour and why?*

Answer : I emphatically favour the second view as it would involve economy without any risk of inefficiency or of surrender of principles: also it would give a fillip to the co-operative movement by contributing to the cost of the upkeep of their establishments to some extent. There is, to my mind, absolutely no reason why the first view should be preferred.

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The Chairman : I entirely agree.

At this stage the witness suggested two points on his own initiative,—(1) that steps should be taken to prevent banks from charging a high rate of interest from their depositors borrowing money on the security of deposits whose terms have not matured, and (2) that provision should be made to enable Indian States requiring loans to obtain them at reasonable rates of interest while keeping the provisions of section 86 of the Civil Procedure Code intact. He quoted some remarkable instances, and the Chairman promised to consider any notes* the witness might like to send on the subjects.

(The Chairman thanked the witness, who withdrew.)

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*See page 220.

Memorandum regarding rates of interest charged from depositors.

I THINK it is very necessary to provide for some relief to banks' depositors standing in need of loans from the bank concerned. Under the law and present practice, a depositor has to pay exactly the same rates of interest on any loans required by him as an outsider has to do. I hope I will not be misunderstood to be advocating the adoption of an unreasonable course which would deprive banks of their power to utilise their deposits to their best advantage before they are mature for repayment. What I venture to suggest is that the interests of the depositors should also be safeguarded effectively.

2. What I mean would be clear from one instance which I would take the liberty of quoting here. I know of a certain depositor who placed Rs. 20,000 in fixed deposit for six months in the most respectable bank at Lucknow at 3½ per cent. per annum early in October 1928. Within a week of making the deposit he suddenly happened to stand in need of that money and requested the bank either to cancel his deposit without paying him any interest thereon, or to advance the money to him against the security of the deposit at a rate of interest which might be 1 or 1½ per cent. per annum over and above the rate allowed on his own deposit, *i.e.*, at 4½ or 5 per cent. per annum. The bank declined to accept either of the two proposals, and charged interest from him at the bank rate which then stood perhaps at 5 per cent. per annum but rapidly rose to 6, then 7 and eventually 8 per cent. per annum. The unfortunate depositor has thus to pay an average of about 7 per cent. per annum as interest on the amount of his own money that had been placed in deposit with the same bank only four or five days beforehand at a paltry 3½ per cent. per annum, being thus mulcted to an amount of Rs. 350 in six months for no consideration whatever. Technically this was lawful, but I expect I am right in asserting that it was wholly unjustifiable morally from a commonsense point of view. Indeed, I believe that the bank practically followed the immoral example of old Shylock. The person concerned pointed this out to the agent of the bank repeatedly, but the latter insisted upon extorting his pound of flesh on the authority of the law.

3. I think it is necessary to provide for some relief in such cases. Perhaps it may not be unreasonable to lay down a maximum over and above the rate of interest allowed to a depositor in cases like this. This maximum may not, in my opinion, exceed 50 per cent. of the rate of interest allowed by the bank to the depositor concerned, *i.e.*, such a depositor should not for instance be liable to pay interest at more than 6 per cent. annum on any loan that he may take from the bank in which he holds a deposit of an equal or higher amount at 4 per cent. per annum. In any case, some relief would clearly appear to be called for under such circumstances.

RAI BAHADUR PANDIT SHYAM BEHARI MISRA.

Mr. BRIJNANDAN LAL, Bar.-at-Law, Honorary Managing Director, District Co-operative Bank, Farrukhabad.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

(*N.B.—The answers to this part are based on an enquiry in village Barhnamau of pargana Pahara, district Farrukhabad.*)

Question 1.—The agriculturists in Burhnamau village borrow from the co-operative society of the village and village moneylenders who are also *zamindars*.

The total amount of the indebtedness of the agriculturists is Rs. 20,400 which is divided among the purposes given below in the following proportion :—

Purposes.	Amount.	Percentage.
	Rs.	
Repayment of earlier debts	2,550	12·5
Payment of accumulated interest	1,114	5·4
Marriage and other social functions	4,700	2·3
Famine and other kinds of distress	2,200	10·8
Payment of land revenue or rent	2,000	9·8
Seed..	1,200	5·9
Manure	700	3·4
Expenses of cultivation, i.e., wages of labourers ..	200	·9
Agricultural implements	300	1·4
Litigation	2,300	11·2
Purchase of plough or other cattle	1,000	4·9
Sinking of wells	500	2·4
Subsistence	1,000	4·9
For the purpose of trade	636	3·1

The proportion in which the debt is divided between the moneylenders and the co-operative society is 4 : 1.

Nearly the whole of the total debt is in cash. A very small portion, about 1 per cent., is in the form of potato seed which is the chief crop of the village and, for the matter of that, of the whole district.

Of the total debt Rs. 17,739 is incurred for long periods and Rs. 2,661 for short periods.

Question 2.—The following rates of interest are charged in the village :—

(i) For cash advances in case of *zamindar* agriculturists on land-mortgage, from 9 to 12 per cent. per annum.

For cash advances made by moneylenders on unsecured debts or debts otherwise secured, 24 per cent. per annum.

For cash advances made by the co-operative society (the society does not lend money on land mortgages)—the District Co-operative Bank, Farrukhabad, lends money to the village society at 12 per cent. per annum and the society in its turn charges 15 per cent. per annum from its members.

(ii) The rate of interest is the same as for the cash advances but the price charged for the seed is 10 per cent. higher than the usual rate.

The interest is calculated every six months by the co-operative society but it never charges compound interest. The moneylenders calculate interest every year but at the close of the year the interest is added to the principal, which means compound interest.

The rate of interest is certainly exorbitant as compared to villages in Germany, France, Ireland, Denmark where I made inquiries personally, but not as compared to some other districts in the United Provinces, e.g., Etah, Agra, Mainpuri, and some of the villages near the Ganges even in this district, where the rate of interest is sometimes as high as 48 per cent. per annum.

There are no incidental charges in the case of advances made by the co-operative societies or repayment to it and in the case of moneylenders where they advance money without the execution of a pro-note or security bond which is very rare. The money is

mostly advanced to *zamindar* agriculturists on the security of a land mortgage or to non-*zamindar* agriculturists on their executing a simple bond. In the case of simple bonds the incidental charges are—

Scribe's fee, eight annas per cent.

Legal stamp, *plus* six pies extra, which is illegal.

In the case of land mortgages in addition to the abovementioned charges and the registration fee (which comes to about six annas per cent.), the sub-registrar's illegal gratification, which is a curse throughout the province, comes to about eight annas to Re. 1 per cent.

Question 3.—The most common form of security is land mortgage. After land-mortgage come simple bonds (without any security). Then house property, ornaments, last of all crops.

The landlord is relatively more indebted than the tenants of all classes, but non-occupancy tenants are more indebted than the occupancy tenants.

The indebtedness per bigha of non-occupancy tenants in the year 1928 exceeded that of the occupancy tenants per bigha by Rs. 40.

I worked out the figures of debt secured on land mortgage and unsecured or otherwise secured in the case of five tenants of the village. The result is given below :—

	Secured on land mortgage.	*Unsecured or secured otherwise.*
	Rs.	Rs.
1928	5,000	415
1929	6,400	1,728

This table shows a greater increase in unsecured debt or debt otherwise secured than that of the debt secured on land mortgage.

Question 4.—The co-operative society enforces payment of debts by means of arbitration under the Co-operative Societies Act of 1921, while the other creditors do so through civil courts. There is also an influential *zamindar* in the village who detains the produce (which is chiefly potato) of the agriculturists in their fields if he is doubtful of receiving payment and buys it himself or sells it to the commission agents in his own name and realizes money from the agent.

Sometimes the agriculturalist repays the loan in kind which is potato in the case of Burhnamau, and the rate in such cases is slightly lower (2 or 3 per cent. less) than the usual rate. It is due not to any lack of knowledge of the market rate as the city is quite close but due to the pressure of the moneylender.

Question 5.—The cultivator does not take advantage of the facilities provided by the Agriculturists Loans Act and the Land Improvement Act. The reason is the corruption among the patwaris and kanungos. The agriculturists do not take *taqavi* at all even in abnormal years.

The defects in the *taqavi* system are (i) that the agency employed for identification is corrupt; therefore the agriculturist gets only a portion of the loan; (ii) delay and botheration are too great.

The *taqavi* should be advanced through co-operative societies wherever they are situated but in places where they do not exist the work should be entrusted to the post office savings bank, or loans should be distributed by deputy collectors themselves and identification should be done through *panchayats* specially appointed for this purpose.

Question 6.—The cultivators do not combine together to produce any crop but in some cases they combine in cutting one another's crop in case of tobacco. I think such a combination is both possible and desirable. For this education seems to be necessary.

Question 7.—There is no difficulty in getting money for agricultural purposes in the Burhnamau village has got a co-operative society, but in other places where there are no societies or in those districts where co-operative societies are not working satisfactorily—and even in Burhnamau—there are certain difficulties in the way of agricultural borrowing which are common to the whole province. The root of all evil is the poverty and lack of education among the agriculturists. The main cause of the former are (i) chiefly the dependence of the people upon one solitary industry, agriculture (ii) uncertainty of rainfall, and lack of facilities for irrigation and (iii) the present system of land tenure. But apart from defects which are the result of these causes there are certain others

as, for example, misuse of loans, lack of thrift and want of sufficient security which can be remedied by the co-operative movement if it expands much more than it has done so far. The causes of the slow progress of the co-operative movement have been given by the Oakden Committee and I hope they will be removed gradually and we shall see a network of co-operative societies throughout the province.

Part B.—Agricultural borrowing for purposes of marketing.

(*N.B.—The answers to this part are based on an inquiry in village Bhopat Patti of pargana Pahara, district Farrukhabad.*)

Question 1.—The chief crops of the village are potato, tobacco, and maize. The yield in the year 1929 of the entire village was as follows :—

Potato.—10,000 maunds (5 seers of this weight are equal to 7 seers of the standard weight) which was disposed of as follows :—

7,500 maunds bought in the village by merchants from the Punjab, Calcutta, Gujrat, Bombay, and Nagpur, etc., through the commission agents of Farrukhabad.

2,000 maunds stored as seed which was reduced to 1,000 maunds and sold in the month of October to merchants from the Punjab and other parts of the United Provinces through the commission agents.

500 maunds used for domestic consumption.

Tobacco.—819 maunds which was disposed of as follows :—

750 maunds bought by the village merchants from Agra and Bharatpur.

29 maunds of tobacco dust bought by retail-dealers of the Farrukhabad city.

40 maunds of tobacco dust kept for domestic consumption.

Maize.—800 maunds used for domestic consumption.

The methods of marketing do not vary according as the crop is used for domestic consumption or mainly sold in the market.

Question 2.—Bhopat Patti co-operative society lends money to its members at 15 per cent. per annum and the society gets money from the district bank at 12 per cent. per annum and from its depositors at 9 per cent. per annum. Village moneylenders lend money at 24 per cent. per annum.

A district co-operative stores was established in the district and its bye-laws have been amended lately to enable it to do the work of a sale society and Bhopat Patti society is one of its members. The Co-operative department has been requested to give an extra supervisor to be put in charge of this work. There is a very great need of a co-operative sale society not only for the village Bhopat Patti but also for the whole district. The agriculturists at present sell their produce through the commission agents at Farrukhabad who are very unscrupulous and try to fleece them in every possible way, and sometimes the rate at which the cultivator sells is lower than the rate offered by the merchant and the difference is taken by the commission agents.

Question 3.—Two cultivators of village Bopat Patti had to pay the following amounts in marketing their produce (potato) :—

Cultivator A.—He sold 50 maunds at the rate of Rs. 5 per maund (out of his total produce) in Farrukhabad city in the beginning of December, 1929. He had to pay the following charges :—

	Rs.	a.	p.	
(i) The local moneylender ..				Nil.
(ii) First commission agent through whom the merchant bought the potatoes	1	14	0	(*katauti*) at the rate of 12 annas per hundred rupees.
	0	2	6	for his flock.
	0	1	0	for the *gaushala*.
Second commission agent at whose place the cart waited and who helped in the selling of potato to the merchant through the first commission agent	7	13	0	at the rate of 6 pies per rupee.

	Rs.	a.	p.	
Incidental charges—				
Cart-hire from Bhopat Patti to Farrukhabad *sarai* ..	.. 3	2	0	at the rate of 1 anna per maund.
Octroi	.. 0	8	0	at the rate of 4 annas per cart.
Water-carrier ..	.. 0	1	0	at the rate of ½ seer per cart.
Bribe to the octroi clerk	.. 0	1	0	at the rate of 6 pies per cart.
Sweeper's charges ..	.. 0	0	6	
Person who supplies smoke	.. 0	0	6	
(iii) Brokerage	.. 10	0	0	at the rate of 4 annas per cent.
(iv) Merchant (*beopari*) ..	.. 1	13	0	at the rate of ¼ seer per maund and 1 seer per cart (14¼ seers of potato).

Cultivator B.—Who sold 60 maunds of potato at his field in the village at the rate of Rs. 4 per maund in the end of December, 1929 :—

	Rs.	a.	p.	
(i) Local moneylender				Nil.
(ii) Commission agent ..	.. 3	12	0	at the rate of 3 pies per rupee.
Plus	.. 0	9	6	six seers of potato at the rate of 10 seers per hundred maunds.
	1	13	0	*katauti* at the rate of 12 annas per hundred rupees.
Incidental charges ..	.. 0	2	3	for his flock.
	0	1	0	for *gaushala*.
Coolies	.. 0	9	6	at the rate of 10 seers of potato per hundred maunds.
Weighing charges ..	.. 0	9	6	Ditto Ditto.

Question 4.—Taking the whole district of Farrukhabad into consideration, the chief crops are wheat, potato, and tobacco. The methods of storage are as follows :—

Wheat.—The cultivators store wheat in a portion of their houses known as *bakhari*. The floor of the *bakhari* is about 7 or 8 feet lower than the ordinary level. At first the floor is covered by straw which is about one foot deep. Wheat is placed on it and there is straw between the grain and the walls also. When the *bakhar* is full, the grain is covered with straw on the top. This system is defective because the grain is spoiled by damp and water. Sometimes *bakharis* catch fire because houses of cultivators are often thatched. It will be better if one or two *pakka* houses could be built by all the cultivators in each village for storing grain.

Potato.—Formerly potato used to be kept in baskets which were placed one over the other and it was possible to store a large quantity of potatoes in a small house, but since the year 1905 a disease has been affecting the potatoes and they have to be kept in sand on the ground. The layer should not be thicker than 6 inches. The result is that one maund of potato requires a space of about one square yard. The result is that many cultivators who would like to store potato seed which sells at a higher price a few months after the potato is dug, are not able to do so for want of accommodation. This difficulty can be removed by building warehouses in each village.

The grain is stored in the market in the *khattis* or in *kothas*. The system of licensed warehouses in the United States of America in the market should be introduced as well as in the villages.

Question 5.—Anybody in this district who wants to buy grain for trade purposes and selling at a future date in the hope of making profit and has not got money of his own goes to the commission agent who hires *khattis* and buys grain for him and secures a loan for him either from the Imperial Bank or from other person or himself advances some money. The person wishing to store the grain has to deposit Rs. 25 to Rs. 30 per every hundered rupees worth of grain. The rest of the money is found by the commission-agent for him. The Imperial Bank charges at present annas 9 pies 4 per hundred rupees per mensem, while the commission-agent charges from annas 10 to annas 11 per

cent. per mensem as interest and annas 12 per cent. as commission. Annas 4 per cent. has to be paid to the broker when the grain is sold and 3 pies per rupee as weighing charges when the grain is brought at the time of its being stored in the *khattis*.

Question 6.—As to applying the American system of warehouses to the principal crops in the district which, as has been stated above, are (1) wheat, (2) potato, (3) tobacco—

Wheat.—A great majority of cultivators of wheat have to sell their produce because they have to repay their loans to the moneylender who would not wait after their produce is ready for fear that the grain may be disposed of by cultivators and they may lose their money. The result is that the cultivator does not profit by any future rise in the price and even those cultivators who store their grain have not got a suitable place to do so and the grain is often spoiled. The American system will be very useful in securing suitable warehouses for keeping grain for the cultivators and enabling them to obtain credit.

Potato.—Cultivators of potato also have to sell their produce immediately for the reason given above and for want of accommodation to store potato. The American system will be useful for this crop also but there are certain difficulties in case of potatoes which are more easily perishable; but with certain modifications the system can work very satisfactorily.

Tobacco.—The remarks with regard to wheat apply to tobacco also.

Government assistance will be necessary for building warehouses where there are no suitable private houses which may be licensed and the inspecting staff will have to be maintained and controlled by the Government.

Question 7.—There is very little combination among the cultivators in marketing their crops. A co-operative sale society is badly needed in the district of Farrukhabad which protect them from unscrupulous commission agents.

Part C.—Extent and nature of agricultural indebtedness.

(*N.B.—The answers to this part are based on an inquiry in village Burhnamau in pargana Pahara, district Farrukhabad.*)

Question 1.—The number of agriculturist landlords and tenants in the village is about 81 who cultivate 125 acres. Their indebtedness is Rs. 20,400. The indebtedness of tenants alone is Rs. 9,439.

The amount of debt secured on registered land mortgages is Rs. 8,159; on *zar peshgi pattas*, Rs. 140; on registered simple mortgages, Rs. 245; on houses, Rs. 6,266; ornaments, Rs. 455; on pro-notes of co-operative societies, Rs. 4,000, and on pro-notes in favour of the moneylenders, Rs. 1,135.

Question 2.—The creditors in Burhnamau village are :—
Village co-operative society—to the extent of Rs. 4,000.
Professional moneylenders—to the extent of Rs. 14,700.
The richer agriculturists have lent about Rs. 1,700 to the poorer in Burhnamau.

Question 3.—In Burhnamau land is not passing from the possession of people who are efficient farmers into the hands of people who are not.

Question 4.—Twenty-six landlords in Burnamau village owning about 180 acres of land are indebted to the extent of Rs. 14,425, divided as follows :—

	Rs.
Landlords	4,108
Landlords who are also tenants in some other landlord's patti	10,317

Question 5.—The special causes for indebtedness of the landholders and the amount of debt due to each cause are as follows :—

	Rs.
Bad crops, due to a disease of potatoes, the chief crop of the district	3,125
Litigation	4,000
Extravagance in marriages and funeral ceremonies	6,800
Sickness	500

(For details see appendix.)

MR. BRIJNANDAN LAL.

Question 6.—The rate of interest on land mortgages is from 12 annas to Re. 1 per mensem which is less than the usual rate on other securities, but the registration charges, illegal gratification to the sub-registrar and brokerage to the broker who secures loans or who (the latter) charges them at the rate of 8 annas per cent. have also to be borne by them.

Part F.—Co-operation.

Question 1.—The District Co-operative Bank, Farrukhabad, deposits its cash balance in the Imperial Bank of India. There is no connexion between the co-operative bank and the joint-stock bank or indigenous banks.

Question 2.—The co-operative societies in Farrukhabad have no difficulty in raising either short or long-term capital.

Question 3.—The District Co-operative Bank receives more offers of deposits than it requires. Even the primary village societies receive deposits which amount to Rs. 20,000. They are thinking of reducing the rate of interest. The co-operative movement in this district can safely absorb 50 lakhs of rupees very easily if more societies are organised but the department is against expansion at present.

Question 4.—Exemption from income-tax and other financial concessions would stimulate the growth of the co-operative movement and is desirable.

Question 5.—In most districts the co-operative banks do not get sufficient money to finance their primary societies and in others they do not know what to do with their surplus balances. The provincial bank will help them in both cases.

Part G.—Small industries allied to agriculture.

Question 1.—The subsidiary industries allied to agriculture are as follows :—

(*a*) *Gur*-making and sugar-refining.
(*b*) Hand-spinning.
(*c*) Growth and preparing of tobacco for smoking *hukka* and chewing.
(*d*) Vegetables.
(*e*) Fruit growing.
(*f*) Flower growing and manufacture of scent.

Question 2.—*Gur-making and sugar-refining.*—If a sugar mill is established in this district the cultivators will get a better price for the sugarcane. They will be able to utilise the *gur* which has to be exported at present.

Hand-spinning.—This industry is not in a good condition. If the Agricultural department appoints two or three men to teach spinners the use of the modern handlooms which they may be able to get from the department on credit or through co-operative societies they will be able to turn out better stuff.

Growth and preparing of tobacco for smoking hukka and chewing.—Tobacco is grown in this district on a very large scale. What is needed is the introduction of tobacco which is used in making cigarettes and cigars and a small factory for making cigarettes.

Vegetables.—Potatoes are grown very largely in Farrukhabad district but their yield is decreasing day by day owing to certain diseases and nothing has so far been done to eradicate them. The Agricultural department should try its best to find out the remedy before the industry has been completely destroyed. The establishment of a factory for extracting starch from potatoes will go a great way towards increasing the demand for potatoes.

Fruit-growing.—A large quantity of mangoes are exported to the various parts of these provinces and elsewhere from this district, but they do not fetch a very good price because mangoes cannot last long. A small factory for fruit-canning will increase the price of mangoes a good deal.

Flower-growing and manufacture of scents.—This used to be a very prosperous industry in Kanauj. It has now been declining owing to foreign competition. If a young man of Kanauj is given a State scholarship for going to foreign countries (specially France) and learning to make foreign scent it will give a great impetus to the industry and increase flower-growing to a very great extent.

Question 3.—In my opinion the farmer is busy throughout the year in this district and whatever leisure he gets is badly needed for his rest.

(For oral evidence, see pages 237—242.)

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APPENDIX.

Distribution of debt in village Burhnamau (see answers to part I-C).

(*a*) Classification of debt according to object :—

Object.	Landlords.	Landlords who are also tenants in some other landlord's patti.	Tenants.
	Rs.	Rs.	Rs.
Repayment of earlier debts	200	1,115	1,235
Payment of accumulated interest	50	152	412
Marriage and other social functions	2,300	4,500	200
Famine and others kinds of distress	..	100	2,100
Payment of land revenue or rent	100	100	1,800
Seed	..	200	1,000
Manure	..	400	300
Expenses of cultivation, e.g., wages of labourers	..	100	100
Agricultural implements	..	50	250
Litigation	1,000	3,000	100
Purchase of plough or other cattle ..	..	200	800
Sinking of wells	..	100	400
Subsistence	158	100	106
Sickness	300	200	..
Trade	..	..	636
Total ..	4,108	10,317	9,439

(*b*) Classification of debt according to security :—

Nature of security.	Landlords.	Landlords who are also tenants in some other landlord's patti.	Tenants.
	Rs.	Rs.	Rs.
Registered land mortagages	3,300	8,015	—
Zar peshgi patta	..	..	140
Unregistered simple mortgages	..	..	245
Houses	..	..	6,266
Ornaments	200	302	153
Pro-notes of co-operative society	500	1,815	1,685
Pro-notes of moneylenders	108	185	950
Total ..	4,108	10,317	9,439

(c) Classification of debt according to castes :—

Castes.	Landlords.	Landlords who are also tenants in some other landlord's patti.	Tenants.
	Rs.	Rs.	Rs.
High caste	2,508(*a*)	450(*b*)	..
High caste not primarily agricultural ..	..	..	25
Good cultivating caste, (Kurmis)	..	9,867	7,134
Market gardening castes	..	..	..
Other castes	(*c*)1,600	..	2,280(*d*)
Total ..	4,108	10,317	9,439

(*a*) *Pathan*, (*b*) Brahman, (*c*) Blacksmiths, (*d*) Chamar, Washerman, Teli, Dhanu and others.

Rai Bahadur Babu JAWAHIR LAL SINHA, Landlord and Managing Director, District Co-operative Bank, Ghazipur.

Replies to the questionnaire.

I.—Agricultural credit and credit facilities.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturist borrows from (1) village *mahajans* and moneylenders, (2) Harias, (3) Moghuls, (4) *zamindars*, (5) co-operative societies, (6) Government.

From village *mahajans* he borrows for seed, marriages and funerals as well as for his maintenance. From Harias he borrows cash for payment of rent and takes bullocks on credit. From Moghuls he borrows cash sparingly; generally he purchases cloth on credit. From *zamindars* he borrows money and grain for almost all the purposes for which he borrows from the *mahajans*. From co-operative societies he borrows for cattle, for payment of rent, for payment of old debts and every other need which confronts him. From Government he borrows for seed, for making wells, bunds and tanks, etc.

The proportion of debt for various purposes from loans advanced by the district co-operative bank in the year 1928-29 is as follows. Besides this no statistics are available on the point.

	Rs.	a.	p.
(1) Bullocks	27,332	9	6
(2) Rent	16,597	9	0
(3) Old debt	9,819	15	0
(4) Cattle	1,733	0	0
(5) Marriage	5,276	3	6
(6) Trade	3,257	0	0
(7) House repairs	1,120	0	0
(8) Cloth	105	0	0
(9) Well	660	0	0
(10) Seed	4,796	0	3
(11) Purchase of land	1,174	8	0
(12) Miscellaneous	4,409	2	9
Total ..	76,281	0	0

Of the total debts 15 per cent. is in grain and 85 per cent. in cash. One-fifth is generally for long periods and are seldom repaid in cash. These are obtained on mortgages which are seldom redeemed.

Question 2.—The rate of interest for cash loans varies from 9 to 50 per cent. It varies with different agencies :—

(*a*) *Zamindars* and *mahajans* charge for short-term loans 25 per cent., for long-terms 9 to 15 per cent.
(*b*) Harias charge 37½ per cent.
(*c*) Moghuls charge 37½ to 50 per cent.
(*d*) Co-operative societies charge 9 to 15 per cent.
(*e*) Government charge 7½ per cent.

In the case of grain loans the interest is 25 per cent. for six months. On cloth advances the rate is 25 to 37½ per cent.

Zamindars and *mahajans* make seasonal calculations. Seed lent in October and November is realized in April and May at 25 per cent. interest called *siwai*. Harias and Moghuls make seasonal calculations for only ten months but they take interest for full one year. Government and co-operative societies calculate interest for the exact number of days for which loans remain unpaid.

Rai Bahadur Babu Jawahir Lal Sinha.

In my opinion the rates of interest are exorbitant.

Other charges incidental to documentary debts are :—

(*a*) Stamps which are generally sold for Re. 1-1-0 are actually priced at only Re. 1.

(*b*) Illegal gratification of registration office. Minimum charges are Rs. 2-8 for each document registered; in cases of transactions above Rs. 100 but below Rs. 500, five per cent; for transactions above Rs. 500 according to settlement.

(*c*) Two per cent. *nazrana* to the patwari as scribe fee and identification to the extent of 2 per cent. of the total debts.

Question 3.—Except mortgages all are unsecured debts advanced on personal pro-notes.

It is generally correct to say that the greater the title to land the greater the indebtedness. Big *zamindars* are not so much indebted as petty ones. Fixed-rate tenants are more indebted than occupancy tenants, but the former can lighten their burden by parting with their fixed-rate tenancy while the occupancy tenants seldom get out of their debt. Their condition is really pitiable, and worse is the case of tenants-at-will.

Mortgage debts, where mortgages have been given with possession, are not increasing and as compared with these the non-documentary debts are increasing. Where simple mortgages have been made the amount on them is increasing. Unsecured debts are increasing faster than debts on simple mortgage or debts otherwise secured.

Question 4.—*Zamindar* moneylenders are on the vantage ground in the matter of enforcing payment of debt as compared with other creditors, in that they have a power of distraint. Whatever they realize they credit first to their debts whether they are cash or in kind. When these debts are fully paid up the balance is credited to rent demand otherwise the rent is left in arrears with the notice of ejecting them from the land. They also charge 12 per cent. interest on arrears of rent. For interest on rent they generally take a pro-note to give it the appearance of a genuine cash loan. Moghuls come and torment the borrowers in every possible way, including thrashing, and thus they realize their debts. The Harias visit villages in groups of ten or twelve. They go to the debtors and make their demand. If payment is made then and there well and good, otherwise the debtors have jointly to provide rations for feeding the whole company every day until the debt is fully paid up. The incidence of feeding the company is greatest on the few who make the payment last. In cases of Government *taqavi* the borrowers have to pay *nazrana* to the patwari and kanungo both at the time of borrowing and repayments. When *mahajans* have to bring a suit in the civil courts the borrowers are further saddled with costs incurred by the plaintiff. In the co-operative society it is the *panchayat* which make collections. In very few cases where payment is not made they refer the case for arbitration, where the plaintiffs incur no costs. The arbitrators' award is executed through civil or revenue courts. In cases of execution through civil courts judgement-debtors have to pay the cost of execution. Through revenue courts the amount of award is recovered as arrears of land revenue.

The need for ascertaining the prevailing market rate does not generally arise in cases of grain loans which are made on the *sinai* system, which means that the borrower has to return five maunds of the same grain for four maunds advanced to him.

Question 5.—Government advances loans under the Agriculturists Loans Act and the Land Improvement Act only in years of acute scarcity. Agriculturists do not make it a normal feature of borrowing under these Acts because they cannot do it. No *taqavi* is given by Government in normal years.

The greatest defect in the *taqavi* system is that the Government do not grant *taqavi* loans in normal years. Then there are the malpractices of petty officials of the Revenue department, whose recommendation is a *sine qua non* for getting *taqavi*. The Government ought to make it a normal feature of their administration to make *taqavi* loans in normal years too, which should be fully made known to the tenantry. Malpractices of the patwari and kanungo can be counteracted in cases of villages where there are co-operative societies or which are under jurisdiction of village *panchayats* : these institutions should be utilised to made recommendations and identifications.

Briefly speaking, the Agriculturists Loans Act provides short-term credit to agriculturists for productive purposes generally for purchase of seed and bullocks, while the Land Improvement Act provides credit to *zamindars* only for sinking *pakka* wells, erecting embankments, etc.

RAI BAHADUR BABU JAWAHIR LAL SINHA.

Question 6.—The cultivators combine in irrigating crops of one another as well as in weeding and harrowing. They also sometimes combine together to produce crops—more generally potato, sugarcane and tobacco. Combination is both possible and desirable but more desirable than possible, because it is more economical.

Question 7.—There are defects from top to bottom in the system of agricultural credit and I cannot exhaust them within reasonable space. Frankly speaking there is the land revenue policy of the Government which I cannot deprecate more thoroughly than has been done by the late Mr. R. C. Dutta, I.C.S., decades before, or by Sir Lallu Bhoy Samaldas when he presided over the last United Provinces Co-operative Conference held at Jaunpur. It is in the main due to this policy that the agriculturist can with difficulty eke out a bare subsistence. Exorbitant rates of interest such as charged by Harias and Moghuls and in some cases by other moneylenders too should be penalized. The remedy there is but one and it is expansion, more expansion and still more expansion of co-operative societies for making cash loans as well as stores, for supplying seeds and other necessaries of life as well as formation of land mortgage banks.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—In this district the village *bania* goes with his pack bullock or camel from door to door. It is he who informs the producer of the prevailing market rates. He uses his own weights and himself does weighing. Sometimes he makes cash payment but more often he promises payment on return from the market. There are several important markets in the district. The *bania* carries his purchases on his own bullock or camel to the nearest market. In these markets big wholesale exporters of Benares have got their agencies. If the rate offered by these agencies is favourable the *bania* at once sells his load otherwise he places it in the agency and gets 75 per cent. of its value. The *bania* makes payment to the producer on return from the market but generally he tries to defer payment as long as he can because more often it is the money which he gets from his grain deposit in the agency with which he carries on his business. These agents export grain either to Benares or Calcutta or Bombay, etc., as they get instructions from their head office in Benares.

Agents of sugar mills of Gorakhpur are gradually making their way into this district, and purchase sugarcane for supplying to the mills. They erect their booths at wayside railway stations where the producers carry carts full of sugarcane. The mill agents always offer about one anna less than they are ordered to offer by the mills; they also play the nasty trick of refusing to purchase sugarcane and the producer finding it hard to carry back his load has to accept any terms which the agent offers. The system of marketing the various crops is the same. It is the village *bania* who purchases all the produce which they have got for sale.

Question 2.—No agency makes loans for purposes of marketing. The *bania* has to depend on his own money or the money which he can borrow from *mahajans* as well as the money which he can get by sale or deposit of the grain which he purchases on credit from producers. There are co-operative societies in the district but none has ever done anything in the direction of marketing of crops. There should be special societies which can purchase their produce like the *bania*, and stock or sell it on its own account.

Question 3.—Because the agriculturists in this district sell their produce at their own door, they bear no cost.

There are no incidental charges in marketing crops except the tricks which the *bania* may play because he himself is the weigher and the weights are his own.

Question 4.—In this district storing of grains is done in *kathlas* (huge pots made of mud) or *ambars*, that is, a thick layer of *bhusa* on the floor on which the grain is kept and then another thick layer of *bhusa* placed above and all around it. This keeps off weavels, rats and damp. This is the cheapest indigenous way and for present purposes no improvement seems necessary.

No storing is done in the markets in this district. Grain is exported according to the instruction of the head office at Benares or Patna. When they have to keep stock the grain is kept in gunny bags.

Question 6.—I have carefully gone through the note on licensed warehouses in the United States of America and feel that they could be started in this country too. I differ in details as to their location. With our present undeveloped state of rural

communications, I fear that they will not be of any help to cultivators unless these warehouses are well distributed so as to be within reasonably easy reach of our villages. In the absence of such warehouses it will not be possible to undertake co-operative marketing of produce with any prospect of success. This is not the place to enter into a discussion of the details of their working which must differ with different countries. Generally I am in favour of forming such warehouses.

Question 7.—There are no instances in my knowledge where producers have combined in marketing produce. Such a combination is most desirable because that will not only eliminate the *bania's* profit but also it may lead to direct export to Calcutta or Bombay.

Question 8.—The system of weighments is prejudicial to the interest of the agriculturists because the *bania* uses no weights but his own which he carries with him from place to place. Not only this, he insists on doing the weighing himself and it is always his sleight of hand that gives him more than is apparent to the simple sight of the cultivator. In some villages there used to be a permanent *baya* (weighman) appointed by the *zamindar* for service of the whole village, who used to be paid a fixed honorarium by the *zamindar* out of the income which the *zamindar* made at the rate of one pice per rupee payable by the vendee. I think the Government ought to revive this system and introduce it in every village. The man may be appointed by the tahsildar on the recommendation of the *zamindar*. The tahsil should also provide him with standard weights. The Government appointed a committee in 1912-13 to report on weights and measures but nothing seems to have come out of it. The posts of *bayas* should be recognised by Government and given licences on payment of a fixed fee. The parties not utilising the services of this *baya* and the standard weights should be prosecuted on the complaint of the village *mukhia*, *patwari* or the *chaukidar*.

Question 9.—In my answers to the foregoing questions I have said that it is the village *bania* who declares the market rate of the various articles of produce to the agriculturists who are more often ignorant of the true market rates. This is a question of supply and demand. Exporting firms and agencies always try to make purchases as cheaply as they can and the cultivator at the harvest time being hard pressed for payment of rent, debts, etc., by *zamindars* and *mahajans* has perforce to dispose of his produce on terms offered by the purchasing agencies. The speculative tendencies can be checked to some extent if it becomes the duty of the tahsil to communicate the market rates to every village at harvest time once a week. There should be printed forms wherein rates may be inserted and sent to the *patwaris*, *mukhias* and the *lambardars* of the village. The cost involved in this scheme will be met from the fees realized from weighmen whose appointment has been suggested in my answer to the preceding question. To my mind the poor agriculturists lose 12½ per cent. in all transactions in the sale of their produce which is equally divided between the *bania* and the exporting firm.

Part D.—Credit facilities in respect of agricultural production and marketing.

Question 1.—The part played by the Imperial Bank of India, joint-stock banks and grain merchants in the production of crops is nil. So far as the Government are concerned, all that they do at present is to advance a few selected agriculturists a few hundred maunds of improved seeds to a few selected villages through the Agricultural department. It is in times of acute agricultural distress that the Government make *taqavi* advances. All this is merely a drop in the ocean. Companies trading in fertilizers and agricultural implements have not made any great headway due to almost unsurmountable conservatism of agriculturists which in turn is due to their uneconomic holdings. The most important part is played by indigenous bankers and professional moneylenders who lend seed and cash for cattle. They also make loans for subsistence or cloth and for marriages and funerals. Their functions are performed by co-operative societies in villages where they exist but there are not very many of them.

There are no facilities at all for the poor agriculturist. The accommodation given to agriculturists by moneylenders or indigenous bankers at a very high cost which only serves to make the agriculturists a serf of the moneylenders. Formation of co-operative societies on extensive scale can go a great way in improving the situation. Frankly speaking they have not been able to finance them adequately for all their needs and requirements.

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Question 2.—None of these agencies do anything in respect of marketing of crops. Sometimes the Agricultural department purchase the produce grown from seed supplied by them at their own rates.

In this district, as I have already said elsewhere, the produce is carried from the village to the *mandi* by the village *bania* who purchases the produce at the very door of the cultivator. The *bania* carries on his business with the small capital which he has got of his own supplemented by the loans which he can get from village *mahajans* and co-operative societies. But both the *mahajans* and co-operative societies are chary in making loans for this purpose. Firstly, the *bania* has seldom got any permanent stake in the village and secondly, because his business has always got a tinge of speculation. I have got at least two instances in my personal knowledge in which these *banias* borrowed loans from two co-operative societies in my district, namely, Deokali and Muhammadpur, and left the village when they were called upon to pay. They had no ostensible property in these villages from which societies could recover their loans. They also make purchases from producers on credit. They carry the produce to the *mandi* and sell for cash if they can, otherwise they leave it there taking 75 per cent. of its value and with that amount they carry on their business. From the *mandi* in this district the produce is exported direct to the exporting centres on instructions from distributing centres, which are Benares and Patna.

Wholesale grain merchants in the important *mandis* of this district import sugar, rice. wheat and spices from importing centres direct. They sometimes do it from distributing centres of the province also. They retail it to retail dealers and from them the village *bania* carries these commodities to the villages.

I would suggest formation of co-operative credit societies on a large scale with statutory powers to demand disclosure of previous and outside debts.

Question 3.—There is no co-ordination whatsoever among the various credit agencies. There is a large scope for improvement such as reduction in the rate of interest of *mahajans*, requiring *mahajans* to keep a regular and systematic account of their business by granting proper receipts and pass books, if possible, penalizing the taking of signatures or thumb-impressions on blank stamp papers or pro-notes, fixing a maximum rate of interest, etc.

Question 5.—There are 5,000 villages in the district of Ghazipur. There are co-operative societies in about 100 villages. In these societies is invested a sum of Rs. 1,50,000. The disclosed outside debt of these societies is about Rs. 1,00,000. At least there is an equivalent undisclosed debt. Then there are families in villages with co-operative societies who have not joined the societies. Assuming that these families do not require any credit, the total indebtedness of these 100 co-operative villages come to Rs. 3,50,000. This can give some idea of the money required for the agricultural finance of the whole district.

Part E.—Land mortgage banks.

Question 1.—Landlords obtain long-term loans on the hypothecation of their *zamindari* for as long a period as the law provides for, on rates of interest varying from 4½ per cent. to 18 per cent. This is for simple mortgages.

Fixed-rate tenancy brings accommodation on more or less the same terms on which a *zamindar* does to the *zamindar*. When tenants give possession of the mortgaged land they do not have to pay the interest. The profit accruing from a field is treated as interest. This profit is the difference between the rent payable to the *zamindar* and that which the land can fetch from a *shikmi* tenant. Occupancy tenancy is always mortgaged with possession although it is not recognised by law.

Question 2.—The main difficulty of a mortgage lies in the refusal of the mortgagee to accept piecemeal payments. I know an instance where fixed-rate tenancy worth Rs. 3,000 is mortgaged for a sum of Rs. 500. The mortgagor's resources are too limited to bring him a saving of Rs. 500 in any one year and therefore he is unable to redeem this property. If the mortgagee were agreeable to accept payment by instalments, the property would have been redeemed years before.

Question 3.—My answer here will sound conflicting with my answer to question no. 1 above. Non-transferable land, namely, occupancy tenancy, is accepted in mortgage

with possession where *zamindars* are sleepy or where the mortgagee and the mortgagor both can chalk out a way to give to the mortgage an appearance of legality. Therefore, the impediment due to non-transferability does stand in the way of their getting long-term credit.

Question 4.—The occupancy right does not serve as an adequate security for long-term credit. Mortgages of an occupancy tenancy made for genuine permanent improvements effected in that land or for *bona fide* valuable consideration for production and lawful needs should be a prior charge on that land before ejectment.

Question 5.—I do think that the establishment of a land mortgage bank or banks would solve the problem of long-term advances. I would prefer co-operative land mortgage banks to a bank doing this business where mortgagees have no voice in its administration.

Question 6.—There should be two separate institutions, unconnected with one another. They should have shared capital of their own. Government should guarantee some percentage of dividends if they can. The point I would like to stress most is that the debentures issued by such a bank should have some sort of Government guarantee behind it. Such capital should be at least 20 per cent. of the total working capital of the bank. I would advocate two sorts of shares—preference and ordinary; preference shares to be sold to persons interested in rural uplift who can afford to go in for them; ordinary shares to be sold to mortgagors only.

I would have these banks run on a co-operative basis. Failing that, I would be content with an effective representation of the borrowers on the board of directors who should be equal in strength with the non-borrowers. In cases of difference of opinion I would give both the rights of appeal to the Government, the Governor acting with his Minister in charge of Agriculture and Industries. The principle of "one man one vote" may present difficulties in the administration. There may be an occasion when the interest of a few with very great stake may clash with the interest of many with less stake. To provide against that emergency I would assign votes in some proportion of the interest which one has in the bank. But then I would not allow predomination of any one interest.

The maximum period for which a mortgage bank should make loans should be 20 years and in no case exceed 25 years. Going beyond this period will make the people slack in making repayments.

I am not very much in favour of deposits because by their very nature they will not be available for sufficiently long periods. I will accept deposits only so far as they can enable the bank to tide over temporary difficulties. The chief sources of working capital should be debentures and next to it some central organisation.

The debentures should carry a Government guarantee for both principal and interest. With the Government guarantee behind it, it will be rarely that all the debentures will not be taken up by the public, but when it does occur the Government should purchase debentures to the extent of the immediate needs of the bank with the distinct understanding that the bank should recall those debentures and sell them to the public when the circumstances are favourable. The debentures must rank as trustee securities.

As to safeguarding Government against loss, the system existing in the United States appeals to me. The bank should pledge all the real property it gets in mortgages with the official trustee.

Unless some special arrangements are made in favour of land mortgage banks, they might not be as successful here as they have been in other countries. I would propose, therefore, that—

(i) The registration offices should issue certificates of encumbrances free until five years after these banks have paid 6 per cent. dividends consecutively for five years.

(ii) They should be exempted from registration fee, stamp duty and court-fees.

(iii) After due notification has been made of proposed mortgages claims made after some specified period thereafter should be untenable.

(iv) There should be simplification of the process of foreclosure giving absolute freedom to banks to sell the properties in the event of non-payment of three consecutive instalments.

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(v) The bank should also have power to place the estate under the management of the court of wards. I do not advocate banks taking up the management of these estates themselves because they should have to do as little as possible in the beginning.

I do not see much advantage in co-ordinating provincial land mortgage banks with an all-India central institution.

Question 7.—I would fix the value of land at twenty times its profit. Quality of land is a most important factor which determines the value of land. This profit differs according to the quality of the land and therefore the net profit will be a safe basis for calculation of its value. This net profit will not be taken of any one year but it will be the average of the last five or six years. By profit I mean the difference between the rent paid to the *zamindar* and that derived from a *shikmi* tenant in cases of fixed-rate tenancy. In cases of *zamindari* the net profit should be the difference between the revenue paid to the Government and the rent roll. The chief factors which determine the value of land are its quality, proximity to market towns and railway station and craze for land in that area.

There is a great deal of difference in the value of the same land when it is put to auction by Government and when it is auctioned in a court decree and also when the sale is arranged by private negotiation. The chief reason for this difference is that the purchasers want to take the utmost advantage of the helplessness of the man whose property is for sale. Therefore sales arranged by private negotiations fetch always the highest value.

At normal conditions the net yield of land is one-twelfth its value.

Part F.—Co-operation.

Question 1.—There is no relation between co-operative banks and joint-stock banks including the Imperial Bank of India and indigenous banks except that some joint-stock banks, notably the Allahabad Bank, has allowed cash credit to co-operative banks on the security of rural societies' pro-notes. I know of an instance when a prominent co-operative bank of this province approached the Imperial Bank, Lucknow Branch, for accommodation but the agent refused to help that bank saying that the Imperial Bank Act prohibited lending money on the security which the said co-operative bank offered, namely rural societies' pro-notes or a pro-note to be executed by the directors of the co-operative bank in their personal security. But now the tendency of all the joint-stock banks including the Allahabad Bank is not to offer any accommodation to a co-operative bank on the security of rural societies' pro-notes purely.

There is no competition between co-operative banks and a joint-stock bank in my district because there is no joint-stock bank here. In the province also I have never heard any serious complaint of the existence of any competition.

Question 2.—Co-operative banks have experienced serious difficulties in raising capital in certain districts, particularly Hardoi and Benares. If co-operative banks do not offer so high a rate as they do at present, I fear they will not get any capital. Even at these high rates of interest co-operative banks cannot attract capital for such long periods which their societies require for permanent agricultural improvements such as sinking of wells, raising embankments, etc. This view is supported by the committee on co-operation appointed in the Central Provinces in 1901. For this very reason we have not attempted so far the liquidation of old debts of members on any large scale.

Certain co-operative banks, particularly Unao and Gorakhpur, issued what they called debentures in 1910 to 1913 and raised some long-term capital, but it was not for longer than five years which period is much too short for repayment of capital locked up in permanent agricultural improvements. If co-operative banks could attract capital for periods of ten to twenty years they could launch schemes for effecting permanent improvements in land as well as for the liquidation of old debts—chiefly mortgage debts—of the members. If we were to tackle these problems my district of Ghazipur alone will require something about 5 lakhs. This capital to be fruitful should not be raised on exorbitant rates of interest. We cannot increase our present rates even slightly. Most of the difficulty will be obviated if our provincial Government could come forward with a guarantee such as the Secretary of State did for the Bombay Central Bank.

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Question 3.—The Ghazipur district co-operative bank, provided it had previous notice of societies' requirements, has always raised sufficient funds for its needs. But there have been occasions when it was hard put to it to find funds for meeting unforeseen demands. For want of sufficiently-long-term capital it has not undertaken permanent improvements in land nor liquidation of old debts of members. It has only met short-term or current needs of members. It has also not allowed credits to the extent to which the societies demanded. And where expansion is undertaken very much more capital will be needed even for those short-term requirements to say nothing of the requirements for permanent improvements in land or for liquidation of outside debts of members. The capital, I fear, will not be available locally to any appreciable extent. This can be derived only from joint-stock banks or the Imperial Bank of India on the security of societies' pro-notes or from the provincial co-operative bank when one is started.

Question 4.—Co-operative banks are already enjoying exemption from income-tax and with no stretch of imagination I can foresee the time when the Government may withdraw this concession without material harm to the movement. Co-operators in these provinces have more than once urged the necessity of including the debentures of co-operative banks in the list of trustee securities but this too, I fear, will not go a long way. The only solution of the problem lies in some sort of guarantee being given by the Government. I make this recommendation in spite of the fact that there is a good deal of diversity of opinion among authorities on co-operation.

Question 5.—In answer to this question I would refer to the resolution of the last co-operative conference held at Jaunpur in 1929. I am fully at one with the view of the conference.

(For oral evidence see pages 237—242.)

ORAL EVIDENCE.

Lucknow, January 31, 1930.

Present :

MR. E. A. H. BLUNT, C.I.E., O.B.E., I.C.S., M.L.C.	...	*Chairman.*
DR. RADHAKAMAL MUKERJEE, M.A., PH.D.	...	*Members.*
RAI BAHADUR PANDIT G. S. UPADHYA, B.A.	...	
MR. MOHAN LAL SAH, M.A., LL.B.	...	
RAI BAHADUR BABU MOHAN LAL, M.A., LL.B., M.L.C.	...	
DR. L. C. JAIN, M.A., LL.B., PH.D.	...	*Secretary.*

(*Witnesses* : MR. BRIJNANDAN LAL, *Bar.-at-Law, Honorary Managing Director, District Co-operative Bank, Farrukhabad, and* RAI BAHADUR BABU JAWAHIR LAL SINHA, *Managing Director, District Co-operative Bank, Ghazipur.*)

The Chairman : I find that in certain areas there is an unusually large proportion of old unproductive debt. Is there any particular reason to account for that? I may say at once that the figures we have got are for the last three years and are to a certain extent disturbed by the fact that these have been very bad years.—(*Mr. Brijnandan Lal*) : These people spent a lot of money on marriages.

What particular castes have you in these villages?—The majority are Kurmis.

Rai Bahadur Pandit G. S. Upadhya : I may just mention that the Kurmis spend the least.

The Chairman : Normally they do.—(*Mr. Brijnandan Lal*) : Because among them the custom is so peculiar about marriage and in my district there are fairly big *zamindars.*

Rai Bahadur Pandit G. S. Upadhya : They may have adopted evil methods. (*Mr. Brijnandan Lal*) : I do not know that.

Dr. Radhakamal Mukerjee : Is there litigation?—Yes.

The Chairman : Is it a *pattidari* village?—Yes.

If you take these figures at different times of the year you will find all sorts of variations. In June or July when the *rabi* is reaped a great part of the short-term loan will disappear, because they have got a certain amount of money in their pockets. On the other hand the long-term debt for marriage and the earlier debt will still be there. But if you take the figures for February before *rabi* is reaped there will be a great deal of debt on the productive side and the proportion of unprofitable debt will be relatively smaller?—Yes.

I suppose it would be fair to say that for seed or manure and for other expenses of cultivation and for subsistence also they always borrow?—In this village they do not borrow for seed, because they keep their own seed. For manure and other purposes they borrow and they repay the same year.

Am I correct in saying that practically all social debt is taken for marriage?—Yes.

There is a certain amount of borrowing for such events as a *shradh* and a *bhoj*?—Mostly it is for marriages.

There may be a certain amount of debt for subsistence also?—Yes.

Litigation is occasional but of course once it starts it goes up very quickly?—Yes.

You do not know what the causes of earlier debts were?—The causes will be all those combined.

Exactly. But you cannot possibly say how much of this loan is principal and how much is accumulated interest?—I cannot say.

The debt for subsistence is another thing. It is borrowed more or less every year say for six weeks or for a couple of months?—Yes.

We now come to the purchase of cattle and plough. It is probably right to say that the question of the purchase of cattle depends on the fodder. If they have not got fodder they will not buy cattle. What we found was that when fodder was scarce, they bought cattle at the beginning of the season and sold at the end of the season. The result was that they bought cattle when they required and sold them when they did

not require them.—(*Rai Bahadur Babu Jawahir Lal Sinha*) : Most of them sell their cattle when they are short of fodder and then they buy afresh.

Then, in respect of cattle debt, you cannot establish any sort of principle. Do you breed cattle?—(*Mr. Brijnandan Lal*) : In my district cattle are of big size and they do not breed. They get them from outside.

Then you do not sell very much but keep them because if you have got cattle worth Rs. 150 or Rs. 200 you will think twice before you sell them?—(*Rai Bahadur Babu Jawahir Lal Sinha*) : Generally cheaper bullocks are sold.

Dr. Radhakamal Mukerjee : Are they sold in large numbers in your district?—(*Mr. Brijnandan Lal*) : No. They come from other districts. (*Rai Bahadur Babu Jawahir Lal Sinha*) : Such sale of cattle is very common in the eastern district where cattle are very cheap. They are purchased cheap and sold cheap.

Even serviceable and efficient cattle are disposed of?—(*Mr. Brijnandan Lal*) : Only ordinary cattle they buy and sell.

Good ones they retain?—Good ones are never sold.

Mr. Sah : When the fodder is scarce they will?—Yes.

The Chairman : If you look at the figures, Mr. Brijnandan Lal, your average percentage on the purchase of cattle is 5 per cent. But Mr. Sinha's percentage comes to 40 per cent.—(*Rai Bahadur Jawahir Lal Sinha*) : The fact is that in my district they sell bullocks and buy again. That is why there is this difference. These are actual figures I have taken.

Rai Bahadur Pandit G. S. Upadhya : There is another reason. He has taken them from the co-operative bank.—(*Mr. Brijnandan Lal*) : In the case of co-operative societies it is generally for bullocks that they say they are borrowing, because it is a comparatively long-term loan and that is why the percentage is very high.

Mr. Sah : Mr. Sinha's percentage is very low.

The Chairman : What we have really got at is that when there is insufficiency of fodder you sell cattle and purchase again when you require them. Where you have got good cattle and sufficient fodder you keep them.

Rai Bahadur Pandit Jawahir Lal Sinha : In eastern districts they are very cheap. You can get them for Rs. 30 or Rs. 40. In western districts you cannot get them for less than Rs. 250.

Dr. Radhakamal Mukerjee : And there is a great dearth of fodder in summer?—(*Mr. Brijnandan Lal*) : Yes.

The Chairman : What is exactly the reason for this borrowing for payment of land revenue? I am not talking of the present time as these were bad years, but generally.—(*Mr. Brijnandan Lal*) : They borrow for the payment of rent and after that they sell their produce. The instalment is fixed only for one year and then pay off from their income.

What I gather is this. When the *rabi* comes in they have a good many payments to make. They have to pay the *mahajan*. They possibly have to repay *taqavi*. They have to pay their rent or revenue. In the first place they pay to the *mahajan*, because there is interest on that. Then if their money is exhausted and they still have to pay their rent they borrow once more to pay it. Having once repaid the *mahajan*, he advances money again to pay rent.—(*Rai Bahadur Babu Jawahir Lal Sinha*) : In my district generally they cannot sell their produce quickly. They have to borrow for paying rent to the *zamindar* and when they sell their produce, then they pay to the *mahajan*.

Dr. Radhakamal Mukerjee : They cannot turn their produce into money quickly.

Rai Bahadur Babu Mohan Lal : Is it not the case that all bank payments are made from *kharif* and then they go to the societies to borrow money for the payment of rent?—(*Rai Bahadur Babu Jawahir Lal Sinha*) : It is not so.

In many cases it has been the case. Whenever they borrow it is understood that they could not sell their produce when the demand was made.—(*Mr. Brijnandan Lal*) : In most cases payments are made to societies when the entire crop is sold and they borrow for the payment of rent. Small proprietors and agricultural tenants live from hand to mouth. They have to borrow for every purpose even for the payment of land revenue.

Dr. Radhakamal Mukerjee: For all possible purposes?—Yes.

The Chairman: This living from hand to mouth is not confined to India alone. It is practically the same in every agricultural country in the world. It is due entirely to the condition of this industry. For the whole year you are spending money. You get your money when the crop is reaped. Thus you get your money only at one time and you have got none throughout the rest of the year. You must therefore live from hand to mouth.

Dr. Radhakamal Mukerjee: We have had a bad succession of harvests for the last three years. You do not prevent unproductive expenditure?—(*Mr. Brijnandan Lal*): We do. We have got better living societies and credit societies also have passed resolutions that more than a certain amount should not be spent on such and such a thing.

Are these merely pious resolutions?—They are being acted upon.

You show a percentage of 23 which is very high in your district for marriage and social functions?—Yes.

It is hardly compatible with the spirit of the co-operative movement?—These better living societies have been organised lately and this credit is probably old.

Rai Bahadur Babu Mohan Lal: What is your experience, Mr. Sinha, with regard to better living societies? They have passed resolutions that as a general rule more than a certain amount of money should not be spent on certain objects, *e.g.*, on marriages.—(*Rai Bahadur Babu Jawahir Lal Sinha*): Better living societies have cut down these expenses.

What we do in our ordinary co-operative societies is the curtailment of marriage expenses. What are they doing?—We do our best. In better living societies they try to curtail expenses. They have passed resolutions that they should not spend more than a specified amount on a certain item. If they will spend more they will have to pay a fine of Rs. 50 or Rs. 40.

The Chairman: You talk of some disease here. Have you received much assistance from the Agriculture department—(*Mr. Brijnandan Lal*): Not at all. The Agriculture department has not been able to do anything in this matter. They have not found out the cause of the diseases and its remedy. The Agriculture department was able to help the agriculturists to store seed in sand. Several years ago they taught the agriculturist to take to certain sowings. That prevented to some extent the spread of the disease, but did not remove it. But then another disease cropped up, the cause of which they have not been able to find out.

I know that potato is a very delicate crop. Now there is another thing that we want to ask you about. Is not Farrukhabad rather a centre of tobacco?—There is a village called Kampil where the rent is as high as Rs. 80 per bigha. That land is especially suitable for tobacco; that is the tobacco which is smoked by means of *hooka*.

That is so. I know of course that tobacco needs a very peculiar type of land and indeed it is a very expensive crop. Would it not be possible to develop it?—If the tobacco that is used in cigarettes is introduced and they are able to establish one factory. I think there will be development.

I was wondering whether it was possible. The cigarette tobacco is a very fine stuff. They call it Egyptian, but it is very largely Turkish, or comes from the Greek Islands.

Dr. Radhakamal Mukerjee: There is no attempt at manufacturing the better varieties as in Lucknow?—(*Mr. Brijnandan Lal*): We have no factory.—(*Rai Bahadur Babu Jawahir Lal Sinha*): The Virginia tobacco is very much in demand in every district. I made some experiments by getting some seedlings. I got ten seers of leaves but there was difficulty in curing it. Anyhow I got instructions, got the leaves cured, but now there are no customers. If I ask cultivators to sow, it, they say "Where are we going to sell it?"—(*Mr. Brijnandan Lal*): The tobacco that is used in cigarettes is different altogether.

Rai Bahadur Babu Mohan Lal: Can you grow that cigarette or cigar tobacco here?—(*Mr. Brijnandan Lal*): I think it is possible.

The Chairman: They do it in Madras.

Rai Bahadur Babu Jawahir Lal Sinha: Virginia tobacco can very successfully be grown, and *bidi* making is very profitable.

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Mr. Brijnandan Lal: But in *bidi* there is absolutely little or no tobacco. It is only leaf. It comes from the forests. It is only a substitute for tobacco.

Dr. Radhakamal Mukerjee: Most persons have small plots of land where they grow tobacco.—(*Mr. Brijnandan Lal*): That is a fourth crop. But there is a special village in Farrukhabad which is especially suitable for tobacco where they grow tobacco only. In the rest of the district they grow tobacco on land where potato is grown. First of all they sow *kharif*; then they sow *rabi*, wheat and potato; then they sow tobacco.

Will you describe this manufacture of scent, and how it has declined in recent years?—On account of competition. The foreign scent which comes from France and other places is very strong and cheaper. So that the scent which is manufactured in Kanauj is sold at a loss.

How many families are there which manufacture scent in Kanauj?—Mostly all. There is hardly a single family in Kanauj that does not do this business.

Is it run in cottages or by *karkhanadars*?—They have got big *degchis* and a sort of distillery and they distil that. First of all they spread *til* (oil seed) and then they spread flowers over that. This process is done for four weeks. It is dried in the sun, and when these seeds assimilate some of the smell then it is pressed and taken out.

This is undertaken in cottages?—In their own houses. There is only one factory in Mirasahai, and that man is probably incurring some loss.

Now, taking the isolated scent manufacturer in the cottages, what is his relation with the middleman who sells these scents?—Some of them have got their shops in other countries, Arabia and Calcutta. You may call them middlemen. Otherwise they sell their scents themselves in Kanauj. They have their branches in other districts.

Rai Bahadur Babu Jawahir Lal Sinha: At one time this rose-water business was an indigenous industry in Ghazipur, but now it is dying out. The fact is that the price of rose flowers has gone very high. Every year per hundred thousand flowers it comes to Rs. 120 or 140, whereas in Kanauj they sell by the maund which works out to Rs. 30 or 40 a hundred thousand flowers. So the Ghazipur dealers go to Kanauj; distil their well-concentrated rose-water and bring it to Ghazipur; dilute it and sell it as Ghazipur rose-water. But there is a great deal of loss in this industry on account of the method of distillation. I happened to go to Kashmir year before last and I saw the process being carried on by the State chemist and I saw real *otto de rose* which he had distilled and for which in Ghazipur they charged Rs. 150 a tola.

Dr. Radhakamal Mukerjee: Have you any suggestion to offer with regard to improved marketing?—(*Mr. Brijnandan Lal*): I have suggested that some young men from Kanauj should be sent to France and other countries to learn the modern methods.

That would only improve production?—Yes. The demand for flowers will increase and these agriculturists will grow more flowers than at present.

Could a large number of peasants grow crops as well as flowers?—Some of them grow flowers exclusively, for example rose and jasmin.

Is flower-growing ordinarily a subsidiary occupation?—Some of them have got groves: they have got fields, but along with that they grow these flowers also.

Rai Bahadur Babu Mohan Lal: Some have got this as their sole occupation?—I do not know. This industry is dying gradually and so they cannot grow more. If it should become as profitable as it was some time ago, probably they will grow more.

Dr. Radhakamal Mukerjee: Do you think that if the flower-growers and manufacturers be organised into a co-operative society, there is some chance of saving the industry?—There is no dearth of money. The difficulty is that they cannot compete with these foreign scents which are much better and cheaper. They used *bailu*—a sort of kerosine oil—while these people out here use sandalwood oil which is more expensive. So all that is needed is that they should learn to manufacture cheaper scents which are in great demand. Sometimes they get this *bailu* and use it in place of sandalwood oil. The two causes are: they cannot compete with foreign industry, and this underhand dealing which they have recourse to on account of this competition.

Mr. Sah: Does that apply to the Ghazipur industry too?—(*Rai Bahadur Babu Jawahir Lal Sinha*): I would suggest that these distillers of Ghazipur ought to be taught the proper method. They do not adopt the proper method, with the result that 30, 40 or 50 per cent. is lost in the process of manufacture. At Kashmir I saw they were selling real *otto de rose* at Rs. 30 a tola, whereas in Ghazipur it is Rs. 150, and the chemist told me that it was due to defective distillation, that there was so much loss

in Ghazipur. If the process of manufacture is improved, I am sure the rose cultivation will increase.

Rai Bahadur Pandit G. S. Upadhya : My friend's suggestion will have to be taken into consideration. Will it be possible for you to compete with the French and other foreign scents?—(*Mr. Brijnandan Lal*) : Yes.

You must know that in foreign countries they have gone so much ahead with their industries that if you start here in your Kanauj and expect to compete with them, I think you will be disappointed.—(*Mr. Brijnandan Lal*) : It is quite possible. We do not know the method.

But you are starting a thing just now.—(*Mr. Brijnandan Lal*) : We are not starting. Our industry is older than their's.

Therefore you should not try to compete with them by manufacturing foreign scents, but try to improve our own tastes. We are now patronizing these foreign scents and the result is there is not much demand for your indigenous thing. If you did that, perhaps there would be a better market.—(*Mr. Brijnandan Lal*) : We should have to steer a middle course. We shall have to manufacture these cheap scents which have got something Indian about them, so that we will meet the demand by making them cheaper.

Dr. Radhakamal Mukerjee : You have stated, Mr. Sinha, that in Gorakhpur some sugarcane mills send their agents into the interior to procure sugarcane. What is the system of marketing to which you are referring?—The company allow certain rates and they send their staff to various cane-producing centres on railway lines. When the sugarcane is brought these agents, instead of offering the proper price by the company offer less. So they (the cultivators) have no alternative but to sell it at a lower price.

Is there competition amongst the sugarcane buyers?—Not very much because there are not very many mills in Gorakhpur.

The Chairman : It is more of a concession in Gorakhpur.—(*Rai Bahadur Babu Jawahir Lal Sinha*) : I am talking of the place which is on the border of Azamgarh and Gorakhpur.

You talk about the Harias. Who are these exactly?—They come from Arrah and Chopra. They come in batches, half a dozen of them. They advance money and go back at harvest time, say five or six months afterwards, for collections. Then they go to their clients, all of them in one group of six or seven, and ask their clients to pay. If they do not pay, they will stop in the village and all the clients will have to feed them. Those who will pay up will be excused from feeding them.

Dr. Radhakamal Mukerjee : Does the Haria represent a caste?—No particular caste. They come from Arrah.

What is the rate of interest they usually charge?—Thirty-seven and a half per cent.

Rai Bahadur Babu Mohan Lal : There have been two views before this committee. Some gentlemen are of opinion that if transferable rights are given to occupancy tenants that would be injurious to their interest. Some other people think that it is very essential that it should be given to these occupancy tenants so that they may be able to get cheap credit. Which view do you favour? I may tell you that the object of the legislature in not giving this transferable right to the occupancy tenant was that they might retain land upon which they may live. Then some gentlemen do not want to give them this power that they may have a right to transfer this land. Don't you think that if this power is given, it would do them more harm than good?—(*Mr. Brijnandan Lal*) : I think they have got that power even now to a certain extent. There is a circular of the Board of Revenue to the effect that if an occupancy tenant has sub-let his holding to a *mahajan*, his name should be entered as a sub-lessee, so that they exercise that right even now. If it is legalised, I do not think there will be any harm. I think they will be able to get loans much more easily.

Will it not give them temptation to borrow money unnecessarily, because they will have better security to offer and easier means of getting the money?—The co-operative societies really are meant for that purpose to check that kind of borrowing. The members have to control their fellow members not to borrow unnecessarily. As it is the occupancy tenants are dying out gradually and there should be some way of creating occupancy tenants.

The Chairman: In other words, you prefer to see them in the same place as statutory tenants?—If some sort of land mortgage banks or system of redemption is attempted, we will have to extend their period also, on payment of some *nazrana* to the *zamindars*, until their debts are redeemed.

Rai Bahadur Babu Mohan Lal: They have got life interest.—(*Mr. Brijnandan Lal*): During that period it will not be possible to redeem their debt.

Dr. Radhakamal Mukerjee: Do you propose to make statutory tenure heritable too?—If it becomes heritable, it will not be statutory at all. It could become a permanent tenure, a fixed-rate tenure.

Do you think that such fixity of tenure is necessary?—Yes.

Mr. Sah: But so long as occupancy rights are not made transferable, how can the land mortgage bank lend money to the tenants?

The Chairman: I think we can put it this way, that Mr. Brijnandan Lal thinks by improving the present tenure he will improve their security—(*Mr. Brijnandan Lal*): And their financial condition. My inquiry shows that the condition of the occupancy tenants is much better than that of the non-occupancy tenants.

On the other hand, Mr. Sinha's point of view is that you can go too far in giving them facilities. In other words, if you give them facilities, they would misuse them.—(*Rai Bahadur Babu Jawahir Lal Sinha*): I would give them occupancy tenure.—(*Mr. Brijnandan Lal*): Until you have some system of redemption or land mortgage bank, they will continue to be in debt.

Dr. Radhakamal Mukerjee: In any case both of you are in favour of changing the law in this respect?—(*Rai Bahadur Babu Jawahir Lal Sinha*): Yes.

Do you think it desirable that the moneylender should not be able to take a sub-lease of an occupancy or ex-proprietary tenant either *bona fide* or fictitious or both? We have evidence to show that there is a large amount of fictitious mortgage which is going on in the name of sub-leasing.

The Chairman: In that case if your answer is yes, you are taking away their only present security.—(*Rai Bahadur Babu Jawahir Lal Sinha*): I would not give the tenant power to sub-let because it is not a paying thing to sub-let one's own cultivation.

Dr. Radhakamal Mukerjee: Will you please explain how this right of sub-letting as being misused?—Because in the sub-leased land, he will not get so much profit as by his own cultivation.

That is perfectly true.—(*Mr. Brijnandan Lal*): I do not agree. If you do that, for instance a widow gets land if she is prevented from sub-letting, she will not be benefited.

That is an exception.

The Chairman: In your experience is this sub-letting very common?—(*Rai Bahadur Babu Jawahir Lal Sinha*): It is. As a matter of fact to defeat the credit societies they sub-let their holdings so that nothing can be realised from them.—(*Mr. Brijnandan Lal*): When they have plenty of land that they can spare.

Oh, yes, that is reasonable—sub-letting land that they cannot use.

Rai Bahadur Babu Jawahir Lal Sinha: I have stated in my reply that in one place a man who had Rs. 3,000 worth of land mortgaged it for Rs. 500 and the condition was that if the money was paid in one lump sum then the mortgage would be redeemed. But that amount could never be repaid, and the thing is still going on.

Rai Bahadur Babu Mohan Lal: So it comes out that it is detrimental to the interest of the farmers there to give them powers?

The Chairman: I don't doubt that it is. At the same time I doubt if you could obtain a change in the law.

(The chairman thanked the witnesses, who withdrew.)

Rai ISHWAR SAHAI Bahadur, Chairman, District Co-Operative Bank, Ltd., Fatehpur.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—THE agriculturist borrows from Government, co-operative societies, moneylenders, etc.

He borrows for all the purposes mentioned in the questionnaire.

It is very difficult to give a correct estimate of the proportional percentage of the money needed for the various objects, as tenants belonging to different castes and grades of society have different standards of living, and at different periods of life they need money for different purposes. Thus, money for marriages and other ceremonies is borrowed only when there is an occasion for them. Money for litigation is borrowed only under special circumstances. But ordinarily the agriculturists borrow about 40 per cent. for payment of rent and revenue, 20 per cent. for plough cattle, 8 per cent. for maintenance, 5 per cent. for marriage and other ceremonies, 6 per cent. for wells and other needs of cultivation, 5 per cent. for industrial works, 5 per cent. for seed, 3 per cent. for fodder, 2 per cent. for repayment of old debts, and 6 per cent. for miscellaneous expenses.

Generally, the Government lends money only in times of famine or widespread scarcity and not more than 5 per cent. of the total loans needed. The co-operative societies also cannot meet the wants of more than 5 per cent. of the agriculturists of this district. About 90 per cent. of the loans are borrowed from village and professional moneylenders.

More than 95 per cent. of the total debt is incurred in cash; only about 5 per cent. is borrowed in grain, and that too only for seed and occasionally for maintenance.

The majority, say more than 80 per cent. of the loans are incurred for short periods and the money is to be repaid at the time of the next harvest. But most of the moneylenders do not insist in having all the loans repaid in full at the stipulated time if they consider the borrower to be reliable. They only realise the interest most regularly and allow the principal to stand in case of well-to-do and honest borrowers.

Question 2.—In borrowing cash from moneylenders 25 per cent. per annum is the lowest rate of interest usually paid by the agriculturists and even 37½ per cent. is not uncommon. Exceptionally well-to-do tenants may get money at Rs. 18-8 per cent. or even a lower rate. The co-operative societies of this district charge 12-8 per cent. from the members, except in the case of the old members of the old societies who are entitled to borrow free of interest.

For loans in kind for seed *sawai, e.g.*, 25 per cent. is the most common rate charged by the moneylenders. In some cases they charge even up to 50 per cent. For other loans in kind interest is paid at the same rates.

Generally, interest is calculated and charged six-monthly, but a borrower has to pay interest for the full term of half year even if he may return the loan just one or two months after it is borrowed. Compound interest is calculated quarterly and half-yearly in case of long-term loans or the short-term loans which are not realised.

The general rates of interest charged by moneylenders are certainly exorbitant, and it is only the intense misery and need of the agriculturist which compels him to borrow at these rates. For this very reason it is very rarely that the tenants borrow money for agricultural improvements.

Incidental charges are extremely rare. In cases when *zamindars* borrow considerably large sums they may have to pay something for brokerage, but that too is very rare.

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Question 3.—Standing crops, ornaments and utensils are very commonly pledged y the agriculturists. The *zamindars* occasionally have to mortgage their *zamindari* or obtaining loans, and in times of necessity occupancy tenants mortgage their fields ıdirectly by receiving cash rent in advance and subletting the fields, as mortgage of gricultural holdings of tenants is illegal in our province.

It is correct to say the better the title to land the greater the amount of indebted- ess; but industrious tenants and vigilant landlords are exceptions to this rule.

It is very difficult to give a correct estimate of the extent of indebtedness, but almost 5 per cent. of the landlords are indebted, to some extent at least, and the same is the ase with tenants.

The amount of debt secured on land mortgage is increasing. About 80 per cent. f the landlords have to mortgage land for security, and only about 20 per cent. may e given on pro-notes and bonds; but this happens only in the case of very reliable *amindars*.

Question 4.—The usual method of enforcing payment from agriculturists is to obtain ecrees through the civil courts and getting them executed. But this process is becoming ery costly.

Certainly there is always some difference between the rate at which the cultivator orrows grain or repays it and the prevailing rate. At the time of lending grain, its rice is calculated at about a seer per rupee less than the current market rate, and at he time of payment the price is calculated about 1 seer more than the bazar rates. There s no means by which the cultivator can ascertain what the prevailing rate in the market s from time to time, and in 75 per cent. of cases the borrower is at the entire mercy of the ender.

Question 5.—The cultivator is at the entire mercy of the government officials and it loes not rest with him to take full advantage of the facilities provided by the Agri- ulturists Loans Act and the Land Improvement Act to any extent. In this district enerally no *taqavi* is given to small agriculturists or non-occupancy tenants whose holdings re less than 10 bighas in area, and the amount which is advanced is also very scanty and erves no useful purpose. Only specially lucky agriculturists may get loans for these urposes. The government officials do not care to bother about these matters and take he trouble of making proper inquiries and recommendations for such loans, and mostly the pplications of the cultivators are left uncared for.

It is only in abnormal years that *taqavi* is generally advanced and that too to the elected few agriculturists, and the full amount needed by them is very rarely given. In ordinary years very little *taqavi* is advanced.

There are many defects in the present *taqavi* system. Chief among them are—

(1) The loans are given chiefly on the recommendation of the patwari and his honesty is not beyond question.

(2) Loans are very rigidly collected and no attention is paid to the convenience of the agriculturists or to the fact whether the crops for which loans were taken were really produced or were destroyed for reasons beyond the control of the borrower.

(3) The amount lent is generally quite inadequate.

I suggest that loans should be distributed after consultation with village *panchayats* and *zamindars;* and postponement should be allowed on the recommendation of local officials, *panchayats* and *zamindars* because rigid collection occasionally forces the agriculturists to borrow money at very exorbitant rates of interest for this purpose. Although large amounts should not be distributed to tenants indiscriminately, efforts should be made to satisfy their legitimate wants.

Question 6.—The cultivators very rarely combine together to produce crops. It is very desirable that they should combine.

Question 7.—Most of the defects in the present system of agricultural borrowing have been pointed out above and some remedies have also been pointed out. The co-operative societies can solve this problem to a great extent and they will be discussed at their proper place. If the principles of co-operative societies are kept in mind most of the defects will disappear. But a very important thing which needs the urgent attention of Government in this connection is the lending of seed to cultivators by the Agricultural Department on the *sawai* system, *i.e.*, seed is advanced to cultivators at the time of sowing and they are collected when the harvest is ready; the cultivator has to return 25 per cent. more than what he borrows, and he has to undertake the risk

of bad germination of the seed. In the vast majority of cases, say about 90 per cent., the seed is returned in about six months. So to charge 25 per cent. for six months is too much. In my opinion, if grain of good quality be returned within eight months, not more than 1/10th should be charged as interest. If the grain is of bad quality then more may be charged, and if it is not returned in time then also higher rates may be charged. In case of bad germination of seed the complaints should be immediately inquired into and proper relief granted to the borrowers.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—The small agriculturists sell their produce to the local village *banias* (grain dealers) or the *banias* who go there from the neighbouring grain markets. But bigger agriculturists try to take the produce on their own carts to the bigger grain markets even if they may be at a distance of ten or fifteen miles from their villages.

The methods of marketing vary according as the crop is one mainly used for domestic consumption, or one mainly sold in the market.

Question 2.—In this district there are very few grain merchants, nor are there any joint-stock banks which finance the grain dealers. Usually the grain merchants carry on business with their own money. The bigger merchants purchase grain from small dealers and cultivators. If they do not pay the whole price at once, they promise to pay it in a week or ten days when they expect to get money from the places where they send grain. Sometimes they purchase grain under instructions from exporting firms who send them advances, and business is carried on under telegraphic instructions.

The co-operative societies are much too small to help their members in the grain trade. But some members help their fellow members in getting the grain disposed of at proper prices. It will be rather risky for the co-operative societies to take active interest in the grain trade as even small losses will cause them a great injury.

Question 3.—The cultivator does not ordinarily pay anything to the local moneylender, the commission agent, the broker or the wholesale grain merchant in the case of marketing his crop. But in their purchase these men do keep a margin for their profits and they try to purchase grain at sufficiently cheap rates. But if the produce is brought for sale by the cultivator to some grain market, he has to pay some charge varying from one to two seers of grain per cartload for the proprietor of the market and for other objects.

Question 4.—Generally, the cultivators do not store any considerable amount of grain with them except for their food and seed. In 90 per cent. of cases the produce is sold as soon as it is ready for marketing. Some very good suggestions for storage of grain have been made in an article in the Agricultural Journal of India for July, 1929.

About 75 per cent. of the grain taken to markets is exported from the district. The remaining 25 per cent. is stored in godowns, *khattis* and *kothas*. The grain thus stored generally remains in good condition. It is spoilt if the *khattis* are damp or if they are opened in the rainy season and monsoonish weather. But if it is stored in dry places, protected from damp winds it will remain in good condition.

Question 5.—The grain dealers who need cash advances do obtain credit from indigenous moneylenders on the security of the grain stored in *khattis*, *kothas*, etc. By giving this kind of security they are able to get money at cheaper rates of interest. The smaller dealers generally obtain credit in this manner.

Question 6.—The experiment of licensed warehouses on the lines of the American system is worth trying and we should have a few godowns in some selected areas, and if we find them successful they may be introduced in other places also. Caution is very necessary because it will not be easy to find honest and educated men for grading: great care will be necessary in their selection.

Question 7.—The cultivators very rarely combine for the purpose of marketing particular crops. This combination will be very beneficial to them. At present on account of the general illiteracy of the masses it is rather difficult to combine effectively, but with an expansion of general education and better understanding of co-operative principles it will be much easier to do that. In fact the members of the Khakhreru Co-operative Society of this district have decided to dispose of their ground-nut and sugarcane *gur* in this manner from this year.

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Part C.—Extent and nature of agricultural indebtedness.

Question 1.—We can easily know of the existing indebtedness of the members of the co-operative society of a village by securing their *haisiyat* statements, in which their assets and liabilities are shown properly.

The figures for five societies are given in an appendix. Generally the co-operative societies refrain from advancing loans to those people who are heavily indebted as there we have joint liability and if the borrower is unable to pay up naturally in the first place his sureties and after that all the members of the society are liable for the payment of the debt. For this reason the amounts of loans from outside *mahajans* are so small. As to the difference between secured and unsecured debts in our district the tenants have no proprietary rights and under the existing law they cannot mortgage their holdings so the amount of secured debts is not very large.

Question 2.—The principal creditors of the agriculturists are the professional village moneylenders and indigenous bankers. They supply credit to about 85 per cent. of cultivators of this district. The co-operative societies supply the needs of about 5 per cent. people of this district, and 5 per cent. get loans from Government in times of need. The remaining people do not need loans.

The richer agriculturist lends to the poorer to a very small extent, in the shape of grain loans for seed and maintenance.

Question 3.—The number of peasant proprietors is very small in this district and they are not very efficient farmers. Besides that the vast majority of creditors do not farm themselves. The peasant proprietors who are efficient farmers, like the Kurmis of pargana Dhata in this district, are very well-to-do and their lands and rights do not pass on to inefficient farmers. So the enforced payment of debts is not having any such effect. Of course the estates (*zamindari*) of th landlords are changing hands rapidly, but that has practically very little or no effect on the cultivation of the land.

Question 4.—Roughly speaking about 75 per cent. of the land-owning classes of this district are indebted. Only those who do moneylending or some other occupation along with *zamindari* are free from debt. But 95 per cent. of those who depend entirely on *zamindari* for their income are indebted.

Question 5.—The following are some of the chief causes of the indebtedness of the landlords :—

(1) The income from *zamindari* is realised only twice a year whereas expenses are incurred daily and monthly. So the landlords have necessarily to borrow for their immediate needs.

(2) The land revenue has to be paid at the punctual time whether the landlords may realise anything from the tenants or not whereas the tenants against whom decrees for arrears of rent have been obtained may get postponement after postponement by the courts, the landlords have no such chances.

(3) The expenses incurred in realising arrears of rent through courts are simply awful. The landlords are never able to realise more than 15 to 20 per cent. of the actual expenses incurred by them in filing suits for arrears of rent and getting the decrees executed. The courts of the mufassil honorary assistant collectors cause untold hardships to the petty landlords, and in many cases the *ekka* hire to their courts is more than the amount of the arrears of the rent.

(4) A false regard for their prestige causes them to spend much more money than they can actually afford to spend on their necessities, on the occasion of ceremonies.

(5) The land revenue is also very heavy in this district as Fatehpur is specially liable to calamities.

It is almost impossible to give any correct estimate of indebtedness due to different causes as the cases of all the individuals vary and no generalisation can be drawn with certainty.

Question 6.—Generally the land-owning classes have to pay a lower rate of interest for the loans borrowed by them as they can offer better security. But when the small *zamindars* are hard pressed for the payment of land revenue, they have to pay equally heavy interest on the petty loans borrowed by them.

RAI ISHWAR SAHAI BAHADUR.

Part D.—Credit facilities in respect of agricultural production and marketing.

Questions 1 *and* 2.—As already stated in answers to previous question, the Government lends money only during periods of famine and widespread calamities. In ordinary years it does nothing in this connection. In our district the joint-stock banks and the Imperial Bank have no branches and have nothing to do with this sort of work. The co-operative banks meet the wants of only about 5 per cent. of the total agriculturists of the district. It is only indigenous bankers and professional moneylenders who give substantial help in respect of crop production. Grain merchants and companies trading in fertilizers and agricultural implements also do not give any help to the cultivators of our district.

The existing credit facilities are not adequate. The following are my suggestions for increasing them :—

(1) The co-operative societies should be strengthened and increased, but more help from Government will be needed for their adequate supervision.

(2) If some joint-stock banks and the Imperial Bank open branches in this district they will greatly facilitate the marketing business.

The following are defects in the existing system of agricultural credit and they can be removed in these ways—

(1) The rate of interest charged by moneylenders is very high. In other countries the Government gives loans at much cheaper rates. So if the Government takes an active part in moneylending and gives money at cheaper rates the general rate is sure to come down.

(2) The cultivators, being mostly uneducated and simple men, are at the entire mercy of the moneylenders and they are sometimes badly cheated by paying money and not being given proper receipts. By improving the general education of the masses we can remove this defect.

(3) The cultivators are also cheated by the *bahi khata* system of the *mahajans*, and sometimes fictitious loans are entered in their names or they are allowed to continue in spite of payment. So registration of loans should be made compulsory.

(4) Sometimes when the moneylenders see that the borrower has got good security, they refrain from realising loans and allow the interest to accumulate enormously. Sometimes it becomes four or five times that of the principal. So some enactment like that of the law *Damdupat* which is prevalent in the Bombay Presidency and the town of Calcutta should be enforced in this province also. According to this rule the amount of interest recoverable at any one time cannot exceed the principal.

(5) The provisions of the Usurious Loans Act (X of 1910) should be more liberally followed and the civil courts should pay special attention to them. But what can be expected from the subordinate courts of this province when the Allahabad High Court itself held in Mt. Durjawati Kuar *v.* Jagannath Prasad and others reported in A.L.R., 1929, p. 680, "that interest at Rs. 2-8 per cent. per mensem compoundable quarterly was not unconscionable."

(6) Please also see answers to question 5 and 7, Part A.

Question 2.—Only grain merchants, indigenous bankers and professional moneylenders take part in respect of the marketing of crops.

The existing facilities are adequate.

There is no combination among producers. Co-operative sale societies and general education of the masses are the proper remedies.

Question 3.—There is almost no co-ordination between the various agencies. There is scope for improvement in this direction.

Question 5.—At least Rs. 50 or 60 lakhs will be required for agricultural finance generally in this district. The population of the district was 652,302 in 1921. I have taken the average size of a family to be five. Thus roughly speaking we have about 130,480 families in this district. Of these I think about 75 per cent. families are engaged in agriculture and needing loans, because all the families doing agriculture do not need loans. Thus my estimate is that about 98,000 families need loans. Now we have 2,684 members (representing families) in our co-operative societies who have borrowed to the extent of Rs. 1,83,000 in all. The average loan per member thus comes to about Rs. 70. If we multiply 98,000 families by Rs. 70 we shall, roughly speaking, be needing Rs. 68,00,000. I have taken 50 to 60 lakhs because it may not be safe to advance loans to all the families without any restriction or discrimination.

RAI ISHWAR SAHAI BAHADUR.

Part E.—Land mortgage banks.

Question 1.—It is not easy to obtain long-term loans and not more than 10 per cent. of the total loans are for long terms. The landlords can get long-term loans, and the better the security the better the terms on which they can get them. The same is the case with the tenants also. The better the security and their assets, the better the terms on which they can get loans.

Question 2.—Only on the security of mortgage of land or ornaments can long-period loans be obtained. In fact it is very difficult to get long-term loans, as no moneylenders like to get their capital locked up for long periods for fear of depreciation in the value of the mortgaged property or there being disputes about it.

Question 3.—Non-transferability in the case of tenants acts as an impediment to long-term credit and increases the rate of interest.

Question 4.—The occupancy right does not serve as an adequate security for long-term credit, because mortgage of occupancy rights is illegal. If the tenants are permitted to mortgage their occupancy holdings certainly they will get long-term loans more easily, but this will lead to greater evils. So there is no need of modifying the present law.

Question 5.—Certainly the establishment of land mortgage banks is very essential; they are overdue in our province.

Question 6.—We approve of the institution of land mortgage banks. They may be organised on the lines of the Jhang (Punjab) Co-operative Mortgage Bank, making allowances for particular local conditions.

There should be two separate banks for the two classes of people, one for big landlords and the other for small landlords and farmers, because one loan to a big landlord may be quite sufficient for a score of small landlords and farmers, and by having only one bank the smaller people are bound to suffer because all the loans will be absorbed by the bigger landlords. It will be economical to have both the branches under one management.

The banks which are to lend loans to *zamindars* and *taluqdars* should be located at the headquarters of the districts and they must be affiliated to the provincial bank for finance; and they should be under the special supervision of an expert banker occupying a government post of the status of Registrar of Co-operative Societies. One such bank for the whole of a district will be sufficient in the beginning. It may have one or more branches later on when it becomes unwieldy.

As to the mortgage banks for small *zamindars* and big cultivators I am of opinion that existing co-operative societies can do this work properly, but a special inspector with banking experience will have to be appointed for each district under the special officer for the whole province suggested above.

Land mortgage banks should be encouraged to have their own share capital as far as possible, but it will be very difficult to obtain the required sum without Government guarantee. The amount of such capital or guarantee will depend on the business which has to be transacted. In the beginning it will be small but it will have to increase with the number of members who own such banks. All those who are interested in such banks may purchase shares, but no individual should purchase shares for more than Rs. 2,000. The landlords may be specially induced to purchase shares.

In case the share capital is not taken up by the public, the Government should undertake the obligation of subscribing the balance.

The bank should be managed by a Board of Directors elected by the shareholders. The co-operative principle of 'one man one vote' should be applied, so that the capitalist shareholders may not have it under their absolute control. As the Government will also give financial help to this institution, it should have the right to nominate at least two directors of its own, one of whom should be the Managing Director or the Chairman of the Executive or the Working Committee of the Board of Directors.

For the present the maximum period of loans should be ten or fifteen years, and the amount of loan should not be more than half of the market value of the property mortgaged.

Land mortgage banks should obtain working capital from (i) deposits, (ii) debentures, and (iii) a central institution.

Debentures should carry a Government guarantee both for principal and interest. If

debentures are not taken up by the public within a certain time, Government should take up the balance. Debentures should rank as trustee securities.

Government should be safeguarded against loss by having special control over the land mortgage banks by means indicated above, and, if a sufficient number of such banks are started in the province, by having a special officer for their supervision.

The following changes in the existing law, or special arrangements, in favour of land mortgage banks are suggested :—

(i) Issue of certificates of encumbrances by the registration office either free, or at a nominal charge;
(ii) There should be only nominal charges for stamp duty, registration charges and court-fees;
(iii) Notification of proposed mortgages;
(iv) Simplification of the processes of foreclosure and sale in the event of non-payment;
(v) Power to manage defaulting estates.

All these points are specially necessary.

An all-India central institution is not necessary.

Question 7.—The value of land should be calculated on the basis of the government revenue paid for it. It should in no case exceed from fifteen to twenty times the amount of the land revenue paid to the Government. Good land always fetches better prices. The kind of soil, the means of its irrigation and its situation are the chief factors which determine the value of the land.

There is always some difference between the prices obtained for land. The following are the causes of the difference :

(i) In Government auction for non-payment of revenue and court sales, the land is bound to be sold and its price is determined by the number of purchasers present at the time of auction or sale. If some purchasers are taken about buying a particular piece of land or village, and there is keen competition between them, they offer fancy prices for it, sometimes even amounting to fifty times the annual profit. Otherwise it is difficult to get good prices in sales.

(ii) Good prices can be obtained by private negotiation, but there also the law of supply and demand plays its part. If the vendor is keen about the sale, he may sell. the land at a cheap rate, or if the vendee is anxious to buy he may offer a good price for it. No general rule can be stated about these matters.

Under normal conditions land is sold at 5 per cent. in this district, *i.e.*, the price of land amounts to twenty times the annual net yield, *e.g.*, if the net profit from a village is Rs. 1,000, it will be sold for Rs. 20,000.

Part F.—Co-operation.

Question 1.—As already stated we have no branch of the Imperial Bank or any joint-stock bank in this district, and there is no relation between the indigenous banks and the co-operative banks.

Question 2.—Generally co-operative societies have no difficulty in raising either short or long-term capital. They have no long-term capital and the vast majority of deposits are held on two or three years' notice of withdrawal, but some of the depositors have not withdrawn their deposits from the local District Co-operative Bank, Ltd., for the last 25 or 30 years.

Question 3.—The amount of capital available for financing the co-operative movement in my district is sufficient for the existing number of societies. But with the increase in the number of societies we will need more capital and I think we will get it without any difficulty. On the average one member needs about Rs. 75 in a year, and the larger the number of members and societies the larger the amount of capital that we shall need.

Question 4.—It is possible to stimulate the growth of the co-operative movement by financial concessions and this is very desirable.

Question 5.—A provincial co-operative bank is badly needed for our province. It would certainly stimulate the co-operative movement.

RAI ISHWAR SAHAI BAHADUR.

Part G.—Small industries allied to agriculture.

Question 1.—With the exception of sericulture and sugar refining all the small subsidiary industries mentioned in the questionnaire are more or less prevalent in certain parts of this district.

Question 2.—Their condition is very ordinary. If the producers adopt co-operative methods for the joint purchase of the raw material and joint sale of produce their condition can greatly improve. But without an improvement in the general education of the people and change in their spirit it is difficult to make any great progress. The various industrial schools of the Government are doing a lot of good, but up to this time the training given in them is mostly theoretical. It is necessary that, in addition to giving such training, students should receive instruction in actual marketing, etc., buying the raw produce and disposing of the finished product. If our unemployed educated young men take interest in the industries noted above and receive proper training in various government institutions made for them, they can do a lot to improve the industries as well as make an honest living by them.

Question 3.—In our district efficient farmers are never idle. They grow extra crops and this is the best and most profitable way in which they can spend their spare time. But the industries allied to agriculture can be taught to the other farmers who do not belong to the abovementioned class by means of demonstration and extensive propaganda work. Hand-spinning can also be very profitable to those who do not grow extra crops, and the women and grown children of the cultivators can do this work without much difficulty and secure additional income and save expenditure in the purchase of cloth. Co-operative societies can help in this matter as well as those men who have capital with them. If they see that their money can be safely employed in such works, they will be only too pleased to lend it for them.

Part H.—Small urban industries.

Question 1.—The cottage or art industries are financed through the indigenous moneylenders.

The artisans generally purchase their supply of raw materials and implements on their own behalf from the local dealers, and if that is not possible or convenient they get them from the other places where they are available. In special cases big artisans get their supplies directly from Cawnpore or Calcutta.

Their wares are disposed of locally or in *melas* and other markets.

In the vast majority of cases the artisans themselves dispose of their produce without the intervention of middlemen or large dealers.

Question 2.—There are no regular big *karkhanas* here. Sometimes when there is a great demand for some special thing the local artisans employ some of their poorer caste or professional fellows to help them in this work, but one artisan never employs more than three or four workmen. The only and chief helpers of artisans are the members of their families.

As mentioned above there are no big *karkhanas* here and nothing is produced on a sufficiently large scale to need the middlemen, etc.

Question 4.—We had a whip-makers society in this district which has been liquidated, and a country tanners' society is still doing work but not quite satisfactorily. These societies have not been a success. The ingrained habit of professional jealousy and mutual mistrust never permitted the members to derive the full benefits of co-operation.

Co-operative organisation is a very good remedy, but illiterate members of co-operative societies cannot make any definite improvement so long as their general education does not improve. Co-operative credit is certainly cheaper than that obtained through indigenous bankers, but artisans can derive greater benefit from joint purchase of raw materials at wholesale and cheap rates and joint sale of products in suitable markets. But they do not trust one another and cannot therefore make any great progress.

Question 5.—A co-operative industrial bank would be more suitable for financing small industries than a joint-stock bank.

It will be safer to advance money to societies only and they in turn should supply it to individual artisans of a particular class who join the society. In this way the money will be more secure on account of the principle of joint liability followed in co-operative societies.

RAI ISHWAR SAHAI BAHADUR.

Question 6.—Sales' associations, dépôts or emporia will be of effective assistance in advertising and marketing art wares. They should be organised and managed by those who have practical experience of such work. The directly appointed government official can never guide them properly. Co-operative societies will finance them very easily.

Part J.—Internal remittance and negotiable instruments.

Question 1.—Cheques, *hundis* and money-orders are generally used for internal remittance. The money-order fee is too high. It should be lowered.

Question 2.—In this district negotiable instruments are very rarely used.

Question 5.—I would approve of the extension, cheapening and improvement of post office agency for handling internal remittances.

Question 6.—Generally only two classes of *hundis* are current in this district: (i) the *darshani hundi* requiring payment on presentation, and (ii) the *mudatti hundi* which requires payment after a specified time.

Question 7.—Money is borrowed on the security of railway receipts and invoices. Suppose a grain dealer despatches one wagon load of wheat in his own name "Self" to Calcutta. For this he receives a railway receipt. This railway receipt he takes to the local *arhatia's* firm (commission agents), who have also got a branch at Calcutta. The grain dealer gives the railway receipt to the *arhatia* and borrows up to 80 per cent. on its security from him. The *arhatia* sends this railway receipt to his firm at Calcutta and they take the delivery of the grain and sell off the grain to the consignor's best advantage. When the grain has been sold off the local *arhatia* on the receipt of news from his Calcutta branch, settles the account with the grain dealer deducting their commission and interest for the money lent.

II.—INDIGENOUS BANKING.

A.—Organisation of indigenous banking.

Question 1.—There are no big firms of indigenous bankers in this district which regularly receive deposits and lend that money in a well organised manner. There are private moneylenders whose chief business is to lend money, dealing directly with the borrowers by lending them money, and they may be divided into three classes:

(i) Big moneylenders who advance large sums of money for long terms to landlords, ranging from Rs. 500 to Rs. 30,000, generally on the mortgage of immovable property like *zamindari*. Occasionally they deal with big tenants as well. In their case the rate of interest is from 9 to 12 per cent. and in special cases of very good security only 6 per cent. They do not try to realise money from the debtors if they have sufficient property but to purchase that property when the borrower is unable to pay up the loan.

(ii) Smaller moneylenders who supply money to the majority of the agriculturists on the security of ornaments, utensils, standing crops and pro-notes and bonds. Sometimes they take sub-leases for terms of 5 to 7 years from the occupancy tenant by way of mortgage and they sublet it in turn at a much higher rate of rent to needy agriculturists who want to cultivate more land. They live in the city, big towns and large villages and charge interest at the rate of 18¾ per cent. to 50 per cent. according to the credit and the need of the borrower. The loans which they advance may reach up to Rs. 200 or Rs. 300.

(iii) Village *mahajans*, who are to be found in most of the villages, lending small amounts to needy cultivators for short terms at exorbitant rates of interest and accepting all the securities which may be available. In the hope of receiving large amounts of interest very frequently they lose their principal as well.

All the abovementioned classes of moneylenders keep their accounts regularly in their *bahi khatas* and in case of default realise money by filing suits in the civil courts.

Indigenous bankers generally combine other business with their own. Banking is their principal business. Those who live in small towns or big villages very frequently do some agriculture also. Besides that some of them deal in grain by purchasing grain from agriculturists in villages and sending it to big *mandis* or outstations by means of the railway. Some do cloth business also, purchasing cloth from the city or centres like Cawnpore and getting it sold in the village itself or neighbouring village markets.

RAI ISHWAR SAHAI BAHADUR.

Question 2.—The indigenous bankers are the chief suppliers of credit to all these people.

(i) They finance about 90 per cent. of the agriculturists, and it will be impossible to do agriculture without their help. The methods have already been stated in answers to previous questions.

(ii) They trade on their own behalf and lend money to small traders as well, and about 60 per cent. of the traders borrow short-term loans from them.

(iii) There are no industries in this district, but small artisans borrow money from them on pro-notes, bonds or by pledging their ornaments, utensils, etc. Without borrowing money from indigenous bankers the artisans cannot carry on their work.

Question 3.—It is impossible to form any correct estimate of the resources of the indigenous bankers.

The resources of indigenous moneylenders can only be increased by an increase in the wealth of the people in general. Just as in the Punjab the number of indigenous moneylenders has increased as the cultivators of the canal area have grown very rich, in the same way when the people of other places will grow rich then only can we hope that the resources of the indiengous bankers will increase.

Question 5.—Indigenous bankers keep *bahi khatas*, a cash book in which daily transactions are recorded and a ledger where the sorted entries are posted.

B.—Raising of funds by indigenous bankers.

Question 2.—The smaller indigenous bankers borrow money from the larger bankers in times of need. In this district they do not obtain any assistance fom the Imperial or the joint-stock banks.

Question 3.—Very few of the local indigenous bankers receive any deposits and it is very difficult to give any correct information about this matter.

C.—Advances by indigenous bankers.

Question 2.—An improvement of the organisation of banking can be effected by increasing the number of the co-operative societies and starting land mortgage banks. But for some time to come strict Government control will have to be kept over their activities.

Reduction in the present rates of interest is sure to benefit the agricultural community, and if proper control and supervision is maintained the village moneylenders will not be able to intercept the benefit.

Question 3.—The clients of bankers have no particular facilities for inspecting their accounts with them.

E.—Defects of indigenous banking.

Question 1.—The indigenous bankers are generally disliked for charging high rates of interest. But their existence is extremely necessary and no agricultural work of rural or urban industries can be done without their help. In fact it is only these people who supply loans to the most indigent agriculturists and artisans, sometimes without any security whatsoever, simply relying on their luck to receive money from them.

The same can be said about all moneylenders because shrewd business men insist on getting all the accounts cleared up at the earliest possible opportunities and very few people like to pay up the loans or interest, so most of the moneylenders are disliked.

Question 2.—Indigenous bankers do not experience any legal or other difficulties in carrying on their business.

Question 3.—Indigenous bankers are sufficiently protected by law; in fact the illiterate agriculturists need protection against them.

F.—Co-ordination.

Question 1.—There is very little or no co-ordination between indigenous bankers of the same class. All deal separately on their own behalf.

Sometimes under special circumstances the smaller indigenous banker may borrow from the bigger one.

In this district there is no relation between indigenous bankers and other banks.

RAI ISHWAR SAHAI BAHADUR.

C.—Consolidation of indigenous banks.

Question 1.—At present it is very difficult to consolidate the indigenous banking system. Formation of joint-stock banks by the help of indigenous bankers is probably the only means of uniting them, and if joint-stock banks are opened in larger numbers they are sure to benefit the people of their locality.

Question 2.—Indigenous banks would secure an increased clientèle if they were recognised by Government. The conditions of such recognition should be that they should get their accounts properly audited, publish their balance sheets and invest a certain amount of their funds in government paper by way of security.

Question 3.—Indigenous bankers will be strongly opposed to measures designed to regulate their operations and publication of their balance sheets.

Question 4.—It is seldom that money lies idle with indigenous bankers except the money which they have hoarded. In the months of May and June they have some idle money. It is very difficult to give a correct estimate of the amount. Only a small percentage of them who deal in grain employ their money in that work.

It is very difficult to induce the indigenous moneylenders to organise and make improvements so long as they do not study economics and modern banking systems of different countries.

Question 5.—The indigenous banking system is not connected in any way with the principal money markets. It is very difficult to form such a connexion, but certainly it is desirable. If the hoarding of the indigenous bankers be employed usefully there can be nothing better than that. But as already stated above it is very difficult to induce the *mahajans* to do that, so long as their general education and knowledge of economics does not improve.

It will be very useful to have a branch of some reliable joint-stock bank in every district of this province where there is no branch up to this time, like the Fatehpur district. The establishment of a local joint-stock bank with a local directorate in every district where at present there is no joint-stock bank too is desirable, but in many places it will be impossible to obtain suitable local directors.

If branches are not started the establishment of agencies is certainly very desirable.

The amalgamation of the business of the local indigenous bankers into a joint-stock bank owned and controlled by those local indigenous bankers will surely happen when branches of influential banks are started and public opinion grows strong in their favour.

The establishment of a bank on "commandit" principles will be very desirable, but in the beginning it should proceed very cautiously until sufficient local experience is gained.

There will be no danger that the new joint-stock bank will by competition swallow up the indigenous bankers for a long time to come.

It should be made compulsory for the new joint-stock bank to have suitable local directors or advisers if any are available. If there are respectable and competent local directors and proper audit is done the danger that the new joint-stock bank might not inspire confidence in the depositing public of the locality will not arise.

It should be made compulsory for the branch to invest a certain percentage of their capital locally.

It is not necessary to have a big branch of this type in the beginning. They should be started on a small scale. When people will see the advantages they will have a great inducement for combination.

There will not be any danger of competition as a very wide field of activity is open for the banks and they are very badly needed in large numbers.

The joint-stock bank will be able to attract enough business to make its establishment profitable.

A Central Reserve Bank is not needed at present as it may complicate matters. But when these banks are firmly established and people understand the system of working them, a Central Reserve Bank may be established. Indigenous banks should be linked directly with the Central Reserve Bank.

III.—INVESTMENT HABIT AND ATTRACTION OF CAPITAL.

A.—Encouragement of savings and investment habit.

Question 1.—Private moneylenders are the chief existing banking resources in this district. As already stated the co-operative societies cannot meet the want of more than

5 per cent. of the cultivators of this district and Government lends money only on special occasions. The existing banking resources are not adequate. At least about Rs. 40 lakhs are required for this purpose.

Question 2.—Co-operative societies and the post office savings banks are the only existing institutions for encouraging the habits of saving and investment in our district. They provide full facilities to the public for the investment of their savings, but the lower rate of interest offered by the post office savings banks is a sort of hindrance to greater investments.

The existing facilities require improvement or extension.

Question 3.—Exceptionally well-to-do people are in the habit of investing in gold or silver. But the poor crops for the last three years have made it very difficult for anybody to do that now, and the old custom of getting heavy gold and silver ornaments is dying out gradually.

Question 4.—Postal cash certificates are popular in my district. Their popularity will be encouraged by (i) revision of the rate of interest, and (ii) change of the existing terms of issue.

Question 5.—Post office savings banks afford adequate facilities to the investing public to great extent, but their number is very small so they should be increased, and the rate of interest should also be slightly increased.

Government servants and members of the legal profession generally, and a few well-to-do people occasionally, take advantage of the various facilities for investment offered by the post office.

As already stated above, increaing the rate of interet and opening more branches would attract those classes that do not resort to this type of investment.

Question 6.—There can be no question of competition between Government and the joint-stock banks as the latter are no match for it. It may be so in those palces where there are joint-stock banks, but not at other places.

Question 7.—Gold cash certificates will accelerate the savings and investment habit to some extent.

Question 8.—It will be very unsafe and improper to delegate savings bank facilities to the municipalities and district boards as the majority of them cannot perform their existing duties efficiently or satisfactorily.

Question 9.—In this district government securities are purchased generally through the post offices.

Post office cash certificates of smaller denominations, *i.e.*, up to Rs. 5, should be offered for sale and properly advertized in local vernacular newspapers. They may be made available for purchase at all the post offices of a district and government treasuries.

Question 11.—Various classes of people in my district with money surplus to their normal xpndiutre purchase *zamindari*, or employ the money in trade or in moneylending as well, and occasionally they are ruined in this way. Formerly people used to hoard the money, but very few do that now.

Question 12.—Farmers use their surplus funds in a prosperous year in making ornaments, purchasing utensils, purchasing better bullocks, making wells or tanks, and sometimes hoarding.

They lend to fellow agriculturists, generally at rates ranging from 25 to 50 per cent.

It is very difficult to give any correct information regarding the amount of capital in the possession of the agricultural population. It is not distributed in any systematic manner and it is generally decreasing.

Question 13.—I agree with the view that in India the banking and investment habit is of very slow growth. This is due to the general illiteracy of the people and lack of co-operation in them.

Improving the general education of the people, and increasing their earning capacity will lead people to invest their savings in productive undertakings. Propaganda by Government will also do a lot of good.

RAI ISHWAR SAHAI BAHADUR.

B.—Cheque habit.

Question 1.—The cheque habit is growing in India.

Question 2.—The abolition of stamp duty on cheques has led to an increase in the use of cheques and the opening of more accounts.

Question 3.—Only well-to-do educated people living at places where there are joint-stock banks use cheques. In big cities traders and merchants use cheques very frequently.

Question 4.—To further promote the cheque habit it is desirable that government servants and bank employees should be paid by cheques, and there should be free receipt of cheques in payment of government dues.

Post offices should open cheque accounts, particularly at places where such facilities do not exist. The savings banks rules may be applied to cheques as well.

Question 5.—It will be possible for the illiterate to use cheques by increasing their education.

(For oral evidence, see pages 257-258.)

APPENDIX.

Serial number.	Name of society.	Date of registration.	Number of members	Details about holding.		Details of cattle.		Details of trees		Other property.	Total value of property.	Loans due to money lenders.	Capital employed in work.	Number of ploughs.	Total loans due from members.
				Area.	Rent.	Number.	Probable value.	Number.	Value.	Value.					
				Rs. a.	Rs. a p.		Rs.		Rs.	Rs.	Rs.	Rs.	Rs.		Rs a.
1	Asi Agricultural Society.	December 18, 1905.	50	758 0	2,339 12 0	142	3,097	527	4,640	8,820	16,557	..	..	51	6,482 0
2	Pura Pahari Agricultural Society.	November 4, 1923, June 16, 1926.	29	634 12	2,200 10 6	190	5,778	1844	10,745	20,315	36,338	60	..	15½	2,822 0
3	Tilokipur Agricultural Society.	July 17, 1911.	41	589 0	1,878 6 0	201	4,619	530	3,872	4,755	13,246	..	100	12½	2,929 0
4	Palipur Agricultural Society.	July 17, 1911, June 16, 1926.	44	1,078 10	3, 61 8 0	242	5,811	1100	7,725	11,690	25,226	526	..	59½	3,815 6
5	Supa Sangaon Agricultural Society.	November 4, 1923.	41	508 0	1,004 8 0	179	3,569	743	5,355	13,905	22,829	353	..	36½	2,292 3

ORAL EVIDENCE.

Lucknow, January 30, 1930.

Present :

MR. E. A. H. BLUNT, C.I.E., O.B.E., M.L.C.	*Chairman*,
DR. RADHAKAMAL MUKERJEE, M.A., Ph.D.	*Members*.
RAI BAHADUR BABU MOHAN LAL, M.A., LL.B., M.L.C.	
MR. MOHAN LAL SAH, M.A., LL.B.	
RAI BAHADUR PANDIT G. S. UPADHYA, B.A.	
DR. L. C. JAIN, M.A., LL.B., Ph.D.	*Secretary*,

(*Witness* : RAI ISHWAR SAHAI BAHADUR, *Chairman, Fatehpur Co-operative Bank, Ltd., Fatehpur.*)

The Chairman : What I would like to inquire about these proportions.

Rai Bahadur Pandit G. S. Upadhya : The purposes are not stated in this one, but he says that he took this from the annual statements prepared for the societies. In the district there are 98 co-operative societies.

Rai Bahadur Babu Mohan Lal : What is your opinion about the right of transfer in the case of occupancy tenants?—Is it good or bad?—It is very injurious to the tenants.

Mr. Sah : Will such rights not enable them to obtain long-term credit?—They will be able to secure long-time credit on their present rights. In my opinion they should not be given any extended rights of transfer.

In what way can they obtain long-term credit?—I do not think it will be in their interest to allow them to mortgage their property. Once they begin to borrow they are gone for ever.

How can they obtain a loan for a year or two?—They have now got life-tenancy.

Suppose Rs. 1,000 are advanced to a tenant and he dies after paying Rs. 100 only, how will the balance be realized?—Even after his death the land will remain in the same family.

Suppose the borrower does not repay the loan and the lender is not in a position to get the land sold, how will he get his money back? Nobody will be willing to advance money unless there is some security behind it.—(*Witness*) In my opinion the tenant should not be given money as loan more than what he can easily pay back, say, in five years.

Rai Bahadur Pandit G. S. Upadhya : Suppose he requires more money for making improvements?—He should be given only as much money as it is within his means to pay back.

If he does not possess the right to transfer his land, he will not get any loan?—He has life-tenancy. He should not be lent more than what he can pay off within a few years. Otherwise, there will be no limit to his borrowing and he will never be able to repay it.

Rai Bahadur Babu Mohan Lal : Under the present law a tenant can sub-let his holding for a period of three years. What happens is this, that the *mahajan* lends money to the tenant and privately becomes a *shikmi* in the holding. Will it be to the good of the tenant if this right is taken away from the *mahajan*?—I think this should continue as it is. It is quite possible the crop may fail or the tenant may fall ill. In that case he will require money and there must be something on which he may be able to fall back upon in time of need.

Dr. Radhakamal Mukerjee : Suppose he continues sub-letting from one period of three years to another period of three years and it goes on like that?

The Chairman :No, he cannot do that. He has to stop after three years.

Dr. Radhakamal Mukerjee : When credit is needed badly, these people get over legal difficulties in some way or other and sub-letting goes on from one period to another.

The Chairman : No, it does not go on like that.

Rai Bahadur Babu Mohan Lal : At least he will have to hold it himself for one year after three years' sub-letting.

Rai Bahadur Pandit G. S. Upadhya : It seems that your opinion is that an absolute right of transfer should not be given, but if for a specific term, say, three years, it is made legal, then it will not be injurious to the tenants—In that case there is no harm.

Mr. Sah : Do you think that a transfer should be allowed in favour of a land mortgage bank or a co-operative society?—No. Even in their cases it should not be for more than three years.

Dr. Radhakamal Mukerjee : You know that one of the chief causes of indebtedness has been the smallness of the holdings. Many of the holdings are so small that they cannot produce enough to support an average family. How would you protect a small holder, whose holding is absolutely inadequate to meet his needs?—He can meet his needs only by good cultivation. You cannot help the smallness of holdings; that will always continue to exist. Suppose a tenant possesses a sufficiently large holding; he dies and leaves four sons. His holding will naturally be divided among his four sons and each of them will then become an uneconomic holding.

Is there any possibility of a change in the law of inheritance?—Yes.

Do you think that there should be a change something on the lines of the law of inheritance in some countries in Europe, where the eldest or the youngest son is preferred?—I think it will be very useful, because it will make people more enterprising. The eldest son will inherit the property, but the remaining sons will have to depend upon themselves and find their way in the world. That ought to lead to greater enterprise on their part.

So you think it will be very desirable?—Yes.

Do you think it is possible in the near future?—Yes, it is possible.

Rai Bahadur Babu Mohan Lal : In what way is it possible?—Government may enact such a law.

Dr. Radhakamal Mukerjee : If we pass such a law, do you think that the property should be made inalienable? Suppose we determine the size of economic holdings and prevent their sub-division by law, do you think it necessary to make them also non-transferable to anybody?—Yes.

Whoever the transferee may be, either a tenant or a moneylender?—Yes.

So you would make the economic holding at once non-transferable as well as indivisible? Yes.

I quite agree with you and I might tell you that this kind of law does exist in some small countries of Europe. It is not a distant possibility?—No, it can be made possible at any time.

The Chairman : Can there be such a law to-morrow or the day after? (No reply).

(The Chairman thanked the witness, who withdrew.)

Thakur RAGHUBIR SINGH, Honorary Magistrate and Assistant Collector, Member, District Board and Director, District Bank, Aligarh.

Replies to the questionnaire.

I.—AGRICULTURAL CDERIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—Agriculturists borrow from village moneylenders, Government and co-operative societies, where they exist.

The purposes for which they borrow are—

(1) Agricultural implements, (2) purchase of plough or other cattle, (3) repayment of earlier debts, (4) payment of land revenue or rent, (5) sinking of wells, (6) payment of accumulated interest, and (7) subsistence.

The debt is divided proportionately between village moneylenders, Government and co-operative societies in the order named.

Eighty per cent. of the debt is incurred in cash and 20 per cent. in grain.

Sixty per cent. is incurred for long and 40 per cent. for short periods.

Question 2.—The rates of interest are—(1) for cash advances Rs. 2 per cent., and (ii) for loans in kind a quarter or a half more than the amount advanced.

The rate is calculated at simple or compound interest.

The rates of interest are exorbitant.

An incidental charge is the broker's charge of 2 per cent.

Question 3.—Land mortgage, house property, ornaments and, lastly, standing crops are the kind of security usually given.

It is correct to say that the better the title to land the greater the amount of indebtedness.

The amount of debt secured on land mortgage is increasing.

Question 4.—Payment of debt from agriculturists is enforced by suit or instalments by agreement.

In regard to loans in kind, the cultivator borrows with a promise to pay a quarter more than what he borrows; if he fails to pay on time he pays a half more.

Question 5.—The cultivator takes full advantage of the facilities provided by the Agriculturists Loans Act and the Land Improvement Act.

He borrows more in abnormal than in ordinary years.

The defect in the present *taqavi* system is that the patwari, and sometimes even qanungos, share the *taqavi*.

Sub-divisional officers should distribute *taqavi* direct to tenants, and they should inquire the extent of their needs from villagers.

Question 6.—There are instances where cultivators combine to produce particular crops. Such combination is possible and desirable.

Question 7.—There are defects in the present system of agricultural borrowing. Credit is generally shown to be big while it is small; as a matter of fact exact credit should be ascertained by officers rather than by petty officials.

Part B.—Agricultural borrowing for purposes of marketing.

Question 8.—In the case of marketing his crop the cultivator usually pays 3 pies a rupee; (i) he pays to the local moneylender, Re. 1 per cent., (ii) to the commission agent, annas 12 per cent., (iii) to the brokers, annas 5 per cent., and (iv) to the wholesale grain merchant, one anna 3 pies per cent.

These charges vary with different crops.

Incidental charges are municipal charges and charities.

THAKUR RAGHUBIR SINGH.

Part C.—Extent and nature of agricultural indebtedness.

Question 1.—The existing indebtedness of the agricultural classes is 80 per cent. Only small sums are advanced on unregistered deeds.

Of the total debt, 20 per cent. is advanced on ornaments, 40 per cent. to 50 per cent. on crops and the rest on other securities. Houses have not much value in villages.

Question 2.—The principal creditors of the agriculturists are—Government, indigenous bankers, co-operative societies and professional moneylenders, respectively.

The richer agriculturist lends to the poorer up to Rs. 200 or Rs. 300 at the most.

Question 4.—The estimate of the indebtedness of the land-owning classes is 75 per cent.

Question 5.—The special causes for this indebtedness are—(i) want of good crops, 20 per cent., (ii) difficulties in realization, 10 per cent., (iii) bad management, 30 per cent. (iv) Council votes and canvassing, 10 per cent., and (v) women and wine 30 per cent.

THAKUR RAGHUBIR SINGH.

The MANAGER, CO-OPERATIVE BANK, Banda.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturist borrows from (1) Government, (2) co-operative societies, and (3) village moneylenders.

He borrows for—

(i) Repayment of earlier debts, 2 annas in the rupee.
(ii) Marriage and other social functions, 1 anna in the rupee.
(iii) Payment of land revenue and rent, 2 annas 6 pies in the rupee.
(iv) Seed, 1 anna 6 pies in the rupee.
(v) Expenses of cultivation, 1 anna in the rupee.
(vi) Purchase of plough or other cattle, 5 annas in the rupee.
(vii) Subsistence, 3 annas in the rupee.

The proportion of debt is divided as follows :—

To Government, 5 per cent.
To co-operative societies, 70 per cent.
To village moneylenders, 25 per cent.

Of the total debt 80 per cent. is incurred in cash and 20 per cent. in grain.

Cash is advanced for long periods, over six months, while grain is advanced for short periods.

Question 2.—For loans in cash the rates of interest are 2 per cent. per month, *i.e.*, 24 per cent., in the case of village moneylenders, and 15 per cent., in the case of co-operative societies.

For loans in kind for seed, *sawai* is charged, *i.e.*, 25 per cent.

Village moneylenders calculate interest six monthly. Co-operative societies calculate it at the time of payment in *rabi* and *kharif*.

The rate of interest charged by village moneylenders is exorbitant.

Question 3.—Co-operative societies advance money on personal securities. Village moneylenders generally advance it on land mortgage and on the pledge of ornaments.

It is correct to say that the better the title to land the greater the amount of indebtedness.

The comparative extent of indebtedness is 60 per cent. landlords and 40 per cent. tenants.

The amount of debt on land mortgage is increasing.

Question 4.—Co-operative societies regularly get payments in both the *fasals* in due course. Only the defaulters have to pay through revenue or civil courts.

When the cultivator borrows grain in the village and repays it there the village rate is used. They ascertain the rates from the nearest market when they carry their produce there.

Question 5.—The cultivator does not always borrow *taqavi* as he gets loans easily from his co-operative society.

I do not find any defects in the present *taqavi* system.

Question 6.—I know of no instances where cultivators have combined together to produce particular crops, but such combination is desirable.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—The tenants themselves bring the produce to the nearest market in their carts.

MANAGER, CO-OPERATIVE BANK, BANDA.

Question 2.—Money is obtained to finance the marketing of crops from grain merchants and exporting firms. Nine per cent. is the usual rate.

There are co-operative societies in my district, but there are few members who assist in the marketing of crops. I think it is not undesirable.

Question 3.—The cultivator ordinarily pays in the case of marketing his crop—

(*a*) to the *bania*, weighing charges 8 annas to Re. 1 on goods worth Rs. 100,

(*b*) to the *arhatia*, weighing charges and *hat* Re. 1-4-0 on Rs. 100.

The commission agent pays the *dalal*.

These charges do not vary with different crops.

Question 4.—The cultivator stores his grain in *khattis* or *mandas*. It is suitable to them.

In markets grain is stored mostly in underground *khattis*.

Part C.—Extent and nature of agricultural indebtedness.

Question 1.—An estimate of the existing indebtedness of the agricultural classes is 70 per cent. in the case of members of the co-operative societies.

Question 2.—The principal creditors of the agriculturists are co-operative societies and the village moneylenders.

The richer agriculturist lends to the poorer about 5 per cent. of the whole debt.

Question 5.—The special causes for the indebtedness of the landowning classes are that mostly the landlords cultivate land on a small scale and depend much on rent, etc.; they have no estimate and accounts of their earnings and spend more than their income. Litigaion is always their ruin.

Question 6.—The land-owning classes pay no special rates of interest in respect of their borrowings.

Part D.—Credit facilities in respect of agricultural production and marketing.

Question 1.—Co-operative societies provide ready loans for every need to the cultivators.

The existing credit facilities are adequate.

There are no defects in the existing system of agricultural credit.

Question 2.—So far as the co-operative movement is concerned it plays no part in respect of the marketing of crops.

Part F.—Co-operation.

Question 1.—Co-operative banks can deposit their balances in the Imperial Bank of India and joint-stock banks or contract a cash credit with them in order to facilitate their finances.

Question 2.—Co-operative societies have difficulties in this district in raising either short or long-term capital.

Question 3.—The amount of capital available for financing the co-operative movement in my district is sufficient.

Question 4.—It is possible to stimulate the growth of the co-operative movement by financial concessions, and this is desirable.

Question 5.—The establishment of the provincial co-operative bank would stimulate the co-operative movement in the province.

MANAGER, CO-OPERATIVE BANK, BANDA.

The MANAGER, CO-OPERATIVE BANK, Mahoba.

Replies to the questionnaire.

I.—Agricultural credit and credit facilities.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturist here borrows from village moneylenders, co-operative socieites, Government and Punjabis called *Aghas*.

He borrows for all the purposes mentioned in the questionnaire with the exception of manure, agricultural implements and building of tanks, for which he does not care much and hence takes no loans. The proportion of the debt due to the various purposes mentioned in the questionnaire for which he borrows is as follows :—

	Per cent.
(i) Repayment of earlier debts	... 5
(ii) Payment of accumulated interest	... 5
(iii) Marriage and other social functions	... 10
(iv) Famine and other kinds of distress	... 5
(v) Payment of land revenue or rent	... 5
(vi) Seed	... 5
(vii) Expenses of cultivation	... 5
(viii) Litigation	... 5
(ix) Purchase of plough or other cattle	... 10
(x) Sinking of wells	... 1
(xi) Other agricultural improvements	... 4
(xii) Subsistence	... 10
Total	... 70

The proportion of debt is divided as follows :—

(1) Village moneylenders—35 per cent.
(2) Co-operative societies—20 ,,
(3) Government— 10 ,,
(4) Punjabis or Aghas— 5 ,,

Of the debt 47 per cent. is incurred in cash and 23 per cent. in kind.

Thirty-five per cent. of the debt is incurred for long periods and 35 per cent. for short periods.

Question 2.—The rates of interest are—

(i) For cash advances, 75 per cent., 37½ per cent., 24 per cent., Rs. 18-12 per cent., 15 per cent., 12 per cent., 9 per cent., 6 per cent., per annum, and Rs. 12 are realized for Rs. 9, 10 or Rs. 11 given on monthly instalments called *r. uhti*.

(ii) for loans in kind for seed, *siwai*, in six months or at the next harvest, that is, principal *plus* one quarter more is realized at the next harvest.

(iii) For other loans in kind, 24 per cent. per annum.

The interest is calculated yearly, half-yearly and quarterly, sometimes at the next harvest. Sometimes compound interest is charged. The village moneylender usually settles his account at the harvest in six months, or sometimes in a year, and calculates compound interest by changing the deed, stamp, etc. The co-operative societies charge 12 per cent. and 15 per cent. simple interest on the principal only at every six months or *fasl*.

The rates from 75 per cent. to Rs. 18-12 per cent. are exorbitant.

The *mahajans* deduct *battachota* or discount and sometimes even writing charges at the time of grant of loans and at the time of advance of seed: he (the *mahajan*) gives a seer or so less than the market rate and takes the borrower's harvest at a price much below the fair normal market price.

Manager, Co-operative Bank, Mahoba.

Question 3.—Land mortgage, house property, cattle, and ornaments are the securities usually given and accepted.

It is correct to say that the better the title to land the greater the amount of indebtedness.

The comparative extent of indebtedness is—

Landlords—60 per cent.

Occupancy tenants—25 per cent.

Non-occupancy tenants, etc.—15 per cent.

The amount of debt secured on land mortgage is increasing—50 per cent.

Question 4.—The usual method of enforcing payment of debt from agriculturists is by decrees through courts and village *panchayats*. Co-operative societies obtain awards and execute them through civil or revenue courts.

There is no method of ascertaining what the prevailing rate in the market is except by going to the nearest market.

Question 5.—The cultivator does not take full advantage of the facilities afforded by the Agriculturists Loans Act and the Land Improvement Act because he does not know the rules, etc., and finds it troublesome to obtain *taqavi*.

The defect in the present *taqavi* system is that in case of inability to repay the loan the borrower is hard pressed for repayment. This should be remedied. The rules should be published in vernacular and freely circulated among the agriculturists.

Question 6.—The cultivators combine together to produce sugarcane. It is better if they also combine to produce potatoes, vegetables and fruits.

Question 7.—The defects in the present system of agricultural borrowing are that the rates of interest are very high, because the agriculturists are poor and unorganised. They do not combine together to make joint efforts to procure loans on cheaper rates as in their individual capacity they have no substantial security for loans. Famines generally destroy their crops and make them poorer.

The Government should fix the rate of interest at 12 per cent. or 9 per cent. per annum, and no *mahajan* or moneylender may be allowed to receive more than 5 per cent. of the principal on account of the total interest, and no interest should be given by the courts at the time of decrees on loans other than for productive purposes. Large loans on long terms may be given by the Government. Old loans should be enquired into at once by the Government by notification and dealt with by suitable measures for liquidation. Concealed debts may be declared time-barred or invalid.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—The principal crops are brought to the market by the middlemen, petty tradesmen, and seldom by the producer himself.

Question 2.—Money is obtained from grain merchants, exporting firms, and moneylenders or *mahajans* to finance the marketing of crops.

The co-operative bank or society does not assist in any way in the marketing of crops either by lending money or otherwise. It should assist by money and other kinds of help.

Part. F.—Co-operation.

Question 1.—There is no other bank here except the co-operative bank.

Question 2.—Sometimes the co-operative societies are not able to enjoy the assistance of the commercial middle classes who can conduct any bank safely and can easily secure financial support from their class in time of panic or famine when the co-operative societies are unable to raise local funds either for a short or long term. Therefore the societies have only occasional difficulties in raising either short or long-term capital.

Question 3.—The capital available is not sufficient for financing the co-operative movement in our district. The local capital is nominal. Two lakhs more will be required to finance adequately the present co-operative movement in the district. It will proportionally increase as the movement expands. It can be raised from the *zamindars* and *mahajans* of the district by the influence of the district authorities and the balance, if any, may be found by the provincial co-operative bank when formed.

Question 4.—Financial concessions are necessary and desirable to stimulate the co-operative movement. Moreover, the Government should include the co-operative banks in the list of public bodies and the Insolvency Act should not be applicable for the dues

MANAGER, CO-OPERATIVE BANK, MAHOBA.

of the co-operative societies. The properties of the defaulters of co-operative societies may be allowed to be attached in advance as is the case in ordinary decrees when the creditor is allowed attachment before getting the decree.

Question 5.—The establishment of the provincial co-operative bank in this province will greatly stimulate the co-operative movement. It will easily co-ordinate and control the finances of district and central banks by equalizing the supply of funds and thereby cause the banks to flourish. It will have connexion with other provincial banks, joint-stock banks, etc., and can secure capital at cheap rates and favourable terms. It may also spread higher co-operative education, accountancy or improved and higher business methods.

MANAGER, CO-OPERATIVE BANK, MAHOBA.

Babu SHYAM SUNDER LAL, Vice-Chairman, and Babu JAGDESHWAR PRASAD, Director, District Co-operative Bank, Mainpuri.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturist in our area or district borrows mostly from village moneylenders and from co-operative societies, wherever they exist, as a member of the society. He also borrows from Government but very infrequently, during drought and famine.

He borrows for all the purposes mentioned below and also for repairing and building of residential houses.

So far as co-operative societies in our district are concerned the proportion of debt worked out is as follows :—

	Rs.	Per cent.
(1) Repayment of earlier debts	1,909	3·16
(2) Payment of accumulated interest	...	...
(3) Marriage and other social functions	2,494	4·13
(4) Famine and other kinds of distress	17,943	29·71
(5) Payment of land revenue or rent	15,444	25·57
(6) Seed	1,217	2·02
(7) Manure	...	...
(8) Expenses of cultivation	580	0·96
(9) Agricultural implements	...	...
(10) Litigation	10	0·02
(11) Purchase of plough or other cattle	15,522	25·70
(12) Sinking of wells	806	1·33
(13) Building of tanks (house)	1,124	1·86
(14) Other agricultural improvements	...	...
(15) Subsistence	3,348	5·54

Such debts are mostly incurred for the whole year and sometimes for a longer period even. Short-period loans, *i.e.*, only for one harvest, are generally taken in the form of grain.

Question 2.—The rates of interest generally charged are as follows :—

(i) For cash advances, 2 per cent. per mensem. Sometimes more or less is also charged.

(ii) For loans in kind for seed, 50 per cent. for the harvest.

(iii) For other loans in kind, 25 per cent. for the harvest.

The method of calculating the rate of interest is compound, yearly or six-monthly.

The rates are really exorbitant.

It has come to our knowledge that sometimes a lesser amount is actually borrowed but a greater amount is put down as loan in the deed.

Question 3.—In the case of *zamindars* borrowing for agricultural purposes land mortgage and house property are the securities generally resorted to. A tenant as such has nothing to mortgage; his house and agricultural implements do not form the subject of hypothecation under the law. Ornaments have sometimes pawned as security by both, but this practice has now almost died out.

It is correct to say that the better the title to land the greater the amount of indebtedness, because the better the title the greater the willingness to advance on the part of the creditors.

The debt secured on land mortgages is increasing; as the tenantry forms the major part of the population, the unsecured debts must exceed the other kind.

Question 4.—As soon as the harvest is ready, moneylenders prevail on the debtor to part with his harvest to pay up the debts. If the moneylender apprehends non-payment, he obtains a decree before the harvest is ready and gets his decree executed by attaching and having it auctioned.

There is generally no difference between the rate at which the cultivator borrows grain or repays it and the prevailing rate for that grain in the village at the time of borrowing or repaying respectively, but he does not always obtain the market rate sometimes owing to his ignorance and sometimes owing to the fact that he has to incur conveyance charges to take it to the markets lying far away from his village. There are really no means available to a cultivator by which he can easily ascertain the prevailing rates in the market from time to time.

Question 5.—The cultivator does not take full advantages of the facilities provided by the Agriculturists Loans Act and the Land Improvement Act. He does not freely borrow *taqavi* for the purposes mentioned.

The reasons are :—

(i) Ignorance.
(ii) Illiteracy.
(iii) Following old ways and customs.
(iv) Poverty.
(v) The money is not advanced according to requirements, *i.e.*, he is not given sufficient money to meet the demand.
(vi) The most important one is the demand made by *patwaris* for themselves and as tools in the hands of their immediate officers, and also by *chaprasis*.

There are a good many defects in the present *taqavi* system. We suggest that a separate department be established, persons in charge of such department being recruited from amongst the officials and non-officials in suitable proportions. The money required may be advanced according to their needs after due inquiry, and a special eye may be kept on its utilization.

Question 6.—Cultivators do not combine to produce particular crops; but such combination is desirable, although at present it seems impracticable.

Part B.—Agricultural borrowing for purposes of marketing.

Question 3.—Nothing is paid to the *bania*, the *arhatia*, the *dalal* or the *beopari*.

Incidental charges are as follows :—

(1) Sweeper—one-fourth of a seer per cart, or one chattack per other conveyance;
(2) *Chaudhri*— Ditto.
(3) *Bhisti*—Half the above.
(4) *Thakurji*— Ditto.

Question 4.—The cultivators in my district very seldom have the chance of storing grain, but whenever they do, they do so in earthen baked big jars or like vessels especially constructed of mud.

In markets, grain is stored in *bora bandi*. Considering the poverty of the local traders no effective improvements are possible.

Part C.—Extent and nature of agricultural indebtedness.

Question 2.—Generally, the agriculturists borrow from *mahajans*. The richer agriculturist very seldom lends to the poorer, and to a very small extent.

Question 5.—The following seem to be some of the special causes for the indebtedness of the land-owning classes :—

(i) Expensive litigation.
(ii) High rates of interest.
(iii) Expensive social customs.
(iv) Often incurring large expenditure to obtain or maintain the goodwill of the officers (high or low), and trying thereby to obtain government titles and honorary offices, such as honorary munsifships and magisterial power.
(v) Adopting modern costly ways of purchasing fashionable commodities.
(vi) Mostly idling away their time without any enterprising spirit or additional occupation or profitable engagement.
(vii) To some extent immoral habits.

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Part E.—Land mortgage banks.

Question 2.—Long-period advances are available on the security of landed property. The special difficulty of long-period borrowers is the absence of creditors who would be prepared to give loans for long-periods.

Question 3.—Certainly non-trsnaferability acts as an impediment to long-term credit and increases the rate of interest.

Question 4.—We cannot suggest any modification of the law without the risk of the permanent loss of holdings to cultivators.

Question 6.—There should be only one land mortgage bank for farmers, small land-owners and big land-owners.

There should be Government guarantee in lieu of the land mortgage banks' own share capital. This guarantee should be fixed in view of the needs to be ascertained.

As we have suggested a Government guarantee in lieu of banks' share capital, the whole concern should be managed by the Government itself by its own machinery. If it is still open to provide share capital by calling the public to subscribe, any deficit in the share capital should be made good by the Government, but the management should be by the public like joint-stock companies in which Government should have an effective voice.

The maximum period of loans advanced by a land mortgage bank should be 40 years.

Land mortgage banks should obtain working capital from (i) deposits, (ii) debentures, and (iii) a central institution.

Debentures should carry a Government guarantee for both principal and interest. If debentures are not taken up by the public within a certain time, Government should take up the balance. Debentures should rank as trustee securities.

To safeguard Government against loss a margin should be left in calculating the rate of interest to be charged for long-term loans so as to suffice for meeting such loss.

The following changes of the existing law in favour of land mortgage banks are suggested :—

(i) Abolition of stamp duty, registration charges and court-fees.

(ii) Issue of certificates of encumbrances by the registration office free of charge. Nothing more is desirable under this head.

(iii) Present law for foreclosure and sale is, we think, simple enough.

(iv) Power to manage defaulting estates should be given to banks if they like,—otherwise the powers may be given to collectors or courts of ward.

If provincial land mortgage banks can be co-ordinated under an all-India central institution it would be all right. That institution should be formed on the basis of representative vested interests of provinces.

Part F.—Co-operation.

Question 1.—In some parts of the province some of the district banks deal with the Imperial Bank, as well as with the joint-stock banks. These banks are generally used as the safe custodian of the district co-operative bank's money. Some of the banks do take loans from them as well, but such instances are very few.

Question 2.—In our district we have not yet felt any special difficulty in raising either short or long-term capital. In fact we have to raise very little short-term capital.

Question 3.—In the district of Mainpuri sufficient capital is available for financing the co-operative movement.

Question 4.—It is possible to stimulate the growth of the co-operative movement by financial concessions, and in our opinion such action is desirable.

Question 5.—The establishment of the provincial co-operative bank will certainly stimulate the co-operative movement in this province.

BABUS SHYAM SUNDER LAL AND JAGDESHWAR PRASAD.

Mr. A. K. BANERJI, Vakil and Director, District Co-operative Bank Ltd., Mirzapur.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturists in my district (Mirzapur) borrow in 98 per cent. cases from the village moneylenders and in only about 2 per cent. cases from the co-operative societies. They seldom borrow from the Government, except probably by way of *taqavi*.

The agriculturist borrows money for :—

(i) Repayment of earlier debts., 10 per cent.
(ii) Marriage and other social functions, 20 per cent.
(iii) Payment of land revenue or rent, 15 per cent.
(iv) Litigation, 30 per cent.
(v) Purchase of bullocks 15 per cent.
(vi) Subsistence or maintenance, 10 per cent.

They never borrow anything for manure and other items detailed in the question but not mentioned above.

Eighty per cent. of the debt is incurred in cash and 20 per cent. in kind.

About 60 per cent. to 80 per cent. is taken for long-terms and 20 per cent. to 40 per cent. for short-terms. Only loans obtained in kind are short-term.

Question 2.—Interest in Mirzapur district is charged at the following rates :—

(i) For cash advances, 18 per cent. per annum to 37½ per cent. per annum; but the usual rate for sums exceeding Rs. 100 is 24 per cent. per annum and for smaller sums, *i.e.*, less than Rs. 100, the rate is 2 pies per rupee per mensem. The agriculturist generally takes small sums less than Rs. 100 from a large number of persons and hence has to pay at Rs. 3-2-0 per cent. per mensem. The above rates are not charged by the co-operative society.

(ii) For loans in kind for seed, the rate is 25 per cent. to 50 per cent., but generally for all grain except wheat and linseed it is 25 per cent.; in the case of these two it is 50 per cent.

(iii) The same rates apply to other loans in kind.

Simple interest is charged in cases of money taken on pronotes and bonds but on mortgages the interest becomes compoundable with quarterly to annual rests. Compound interest is charged very rarely.

The rates of interest commonly charged are unconscionably high. In my opinion there should be legislation penalising rates of interest exceeding 12 per cent. per annum. The usual rate of interest should be 6 per cent. per annum and only in exceptional cases 12 per cent. per annum interest should be declared valid and enforceable. The present Usurious Loans Act has totally failed to combat the evil. The proposed legislation should be retrospective in effect.

A few big *mahajans* (money lenders) who lend money to agriculturists charge 5 per cent. to 10 per cent. of the amount advanced as *gaddikharch*. They deduct this amount from the sum advanced. Sometimes the borrowers have to pay brokerage ranging from 2 per cent. to 3 per cent. and at other times they have to pay something to the money-lender's *munibs* or *gumasthas* as the case may be. This practice is nearly unknown in villages.

Question 3.—The most common and usual kind of security is land mortgage. Then comes house property and then ornaments.

It is absolutely wrong and baseless to say that the landlord is relatively more indebted than the occupancy tenant and the occupancy tenant than the sub-tenant. The state of affairs is just the reverse. The above may be a fact in the case of petty, individual, idle *zamindars*.

The comparative extent of the indebtedness of the various classes is—sub-tenants, over 50 per cent.; non-occupancy (statutory) tenants, 50 per cent.; occupancy tenants, 30 per cent ; fixed rate tenants, 15 per cent. and *zamindars* in permanently settled districts, 5 per cent. In villages the landlords are indebted to the extent of 15 per cent.

The proportion of debt secured on land mortgage is increasing. The proportion of secured debt is 40 per cent. and unsecured debt 60 per cent.

Question 4.—The methods of enforcing repayment of debt are attachment and sale of immovables, crops and then movables and bullocks, and arrest. The above is the method followed when the matter is brought before the court. Generally, the debts are realised in the village at harvest time through sheer brute force, and sometimes, by repaying through manual labour.

There is a difference in the rates at which cultivators borrow and repay and the prevailing market rate. At present there is no method for knowing the market-rate. If the village is near a town or market, they come to the town or market and there get the desired information. When the village is far off from the town there is no means by which they can ascertain the prevailing rate of grain.

Question 5.—The agriculturist does not borrow *taqavi* freely for, being illiterate, he is unable to avail of the opportunities provided by the two Acts.

The chief reason is his ignorance. About 90 per cent. of the agriculturists do not know that they can get *taqavi* for these beneficial improvements. The Government also does not freely advance *taqavi*.

Taqavi is taken in abnormal years about twenty to twenty-five times as much as in ordinary years.

The defects in the *taqavi* system are many. They are—

(i) The junior staff of distributing authorities harass the agriculturists by making them run from their respective villages for a number of times—in short they have to come more than ten times before they receive the money.

(ii) The junior staff including the patwari and kanungo deduct about 10 per cent. of the amount paid to the agriculturists with a minimum of Rs. 2 or thereabouts. The amount so withheld is the share of the junior staff of *taqavi* distributors, patwaris and kanungoes. If the agriculturist does not agree to pay the above set of men according to the scale fixed by the above staff, he does not get any loan, so much trouble is undergone at the time of advancement of loan. The trouble does not end there. At the time of realization the agriculturist has to pay about 1 per cent. *nazarana* to the receiving authorities with a minimum of Rs. 2.

(iii) If the agriculturist does not pay on the due date, the realising staff reap a very good harvest. The peon gets his share who goes to serve the notice and then the amin is also fortunate enough to get something. In this way the agriculturist has to pay about twice as much as he gets from the Government as *taqavi*. The amins at the time of realization coerce the tenants and trouble them in every possible way.

The improvements I suggest are :—

(*a*) The task of distribution should not be left in the hands of junior staff. The sub-divisional officers should be entrusted with this work and if this is not possible, at least a tahsildar should personally see the distribution of the money. He should not merely be a supervising authority.

(*b*) Education of agriculturists in this direction so that they may not part with any portion of their money to the paying officer.

(*c*) The function of realisation should be conducted on the same lines as is done by the co-operative bank officers, though the bank system was not free from evils about two years ago. The only consolation in adoption of the latter method in preference to the former then was that the latter method was the lesser of the two evils. Now of course cases of bribery, if any, are confined to the secretaries of the societies.

(*d*) Such cases of bribery should be made cognisable by the Government and informants or complainants, in case such an offence against an officer is not proved, should be burdened with compensations under section 260, Criminal Procedure Code, as is freely practised now by the trial courts and investigating courts. The law should be amended in this respect.

Question 7.—In regard to the defects in the present system of agricultural borrowing, I have already described above those in the *taqavi* system.

In regard to loans from village moneylenders, the chief defect is that the lenders charge an exorbitant rate of interest. In fact these moneylenders suck the vital sap

of the tenantry. Whenever a tenant happens to get into the clutches of these moneylenders it is well-nigh impossible for him to get out of them. In the course of a few years these moneylenders not only rob him of all his immoveable properties but also rob him of everything he is possessed of. In fact he is left when he begins to starve. In respect of loans from co-operative societies money is not always advanced at the real time of need because the loan application has to get through a lot of red-tape.

The remedies are—(*a*) The Government should freely grant *taqavi*. (*b*) More co-operative societies should be opened—in fact there should be one for every two or three villages.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—The principal crops of Mirzapur are brought to the market direct by the producers in very small quantities. Even when they are brought to market, the producers generally sell their produce to the consumers through the class of persons called "*arhatia.*" Generally—in 90 per cent. cases—the village *bania* or his servants and agents go about from village to village purchasing the produce. They even go a step forward. They make advances after settling the rate of the would-be grain long before they are ready for the market. These *banias* in their turn bring the crops to commission agents—*arhatias*—where they are sold to retail merchants and consumers.

The methods of marketing do vary but not according as the crop is one mainly used for domestic consumption or one mainly sold in the market. The fresh things, *e.g. gur*, etc., are brought by the producers to the market from neighbouring villages and there the crops are sold to the consumers through the agency of *arhatias*. But in the case of other crops, viz., wheat, barley, etc., the method described in the first paragraph is generally followed.

Question 2.—Generally, as indicated above, the crops are seldom brought direct to the market. The grain merchants or their agents or agents of exporting firms advance money to cultivators after settling the rates of the crops before the harvest time. The ever-needy at that time falls into the clutches of these *banias* little knowing the consequences of their foolish actions and as such they buy the crop at a cheaper rate. So far as known these *banias* seldom charge interest for the money they advance for a month or so—but cases do incur in which people charge interest at 2 per cent. per mensem on the sum advanced.

The present co-operative society does not help in any way in the marketing of crops. It most certainly should.

Question 3.—In cases where the cultivator sells his produce to the village *bania*, he pays no other charges except that he sells his crops at a much cheaper rate—about 15 per cent. to 20 per cent. cheaper than the market rate. He has sometimes to pay interest at 2 per cent. per mensem on the sum received.

In cases where the cultivator does not sell his produce to the *bania* he pays interest on the sum received from the village moneylender at about 3 per cent. per mensem. He brings his produce to the godowns of the commission agents (*arhatias*) who charge 2 per cent. of the price of the grain sold and their rent of the godown. They also charge other incidental charges from the cultivator. Then comes the turn of the broker (*dalal*). He also gets his brokerage but he gets half of his charges from the buyer and the other half from the seller. The charges as above detailed are generally invariable. Other charges are transportation, labour, octroi, correspondence and personal subsistence expenses.

Question 4.—The cultivator stores his grain in earthen *kothlas* and *khattis* or *pals*. There are several defects, viz., wastage on account of rats, putrefaction on account of dampness of soil, and destruction and wastage by white-ants.

In markets the grains are stored in jute bags, which are piled one over the other. The chief defect is wastage due to rats and vermin. In order to save loss through dampness the bags should be put on a straw bed a foot thick.

Question 5.—The scope of advancing money is very limited. Only persons, in whose godowns the grains are kept (stored) will advance money. No other person advances money on the security of grain kept in another godown. In some districts, *e.g.*, Etawah, grain kept in *khattis* is mortgaged but this system is unheard of in Mirzapur.

Question 6.—I think the American system of licensed warehouses can flourish in India. Government assistance will be absolutely necessary in the form of legislation and active co-operation.

MR. A K. BANERJI.

Question 7.—I do not know of any instances of combination between cultivators for the marketing of crops. No doubt such combination is both desirable and possible if the cultivators are given some education regarding its uses and benefits.

Part C.—Extent and nature of agricultural indebtedness.

Question 1.—Nearly 90 per cent. of the village tenants are indebted to some people or other in my district (Mirzapur).

The secured unregistered (mortgage) debt is very small in extent and amount. The amount of debt incurred on the security of houses is also small for nobody wishes to advance more money on the brittle security of a village house. Ornaments are pledged commonly. Agricultural implements and crops are not mortgaged. Generally people who advance on pronote seize such things as standing crops, utensils and other assets by attachment.

The amount of debt against fields is about 30 per cent., on ornaments about 25 per cent., on houses about 5 per cent. and on pronotes, bonds, etc., about 40 per cent.

The above is an estimate of a few villages I have surveyed personally and through my friends.

Question 2.—The grain dealer generally advances money near about the harvest time to the cultivator. He does so not with any aim to earn interest but with a view to buy the product of the agriculturist at a cheaper rate—15 per cent. to 20 per cent. cheaper than the market rate. The principal creditors are rich agriculturists, professional moneylenders, indigenous bankers, grain-dealers and the co-operative societies. Co-operative societies are not very freely resorted to by the agriculturist for loans for the following reasons :—

(i) Their rate of interest is rather high;
(ii) fear of joint responsibility;
(iii) delay in getting a loan at an hour of need;
(iv) inconvenience caused by technicalities of co-operative societies.

In order to make them a success it is necessary to give loans on attractive terms, say at 6 per cent. per annum. In order to do so the societies must get cheap money to finance the movement. This can be had by legislating that every landholder paying Rs. 100 as rent or revenue annually must be a shareholder of the co-operative bank and he must buy a share worth Rs. 100 for every Rs. 100 he pays as rent or revenue.

The distribution of the debt between lending agencies is as follows :—

Indigenous bankers	40	per cent.
Rich agriculturists	30	,,
Professional moneylenders	28	,,
Co-operative societies	2	,,

Question 3.—It is a fact that as a result of the enforced payment of debt land and rights in land are passing every day from the possession of people who are efficient farmers into the hands of creditors who are not themselves efficient farmers. This does cause the cultivator to produce less and less efficiently and that for several reasons. The agriculturist knowing that he is a tenant only from year to year does not try to improve the plot and hence the quantity of produce is very meagre. When the creditors cultivate the fields themselves the inefficient farmers cannot reap good harvest and hence they sub-let the plots. When the creditors employ labour for the work in fields, the labourers also do the work in an inefficient way.

Question 4.—In my district (Mirzapur) the *zamindars* are comparatively better off for they enjoy the benefits of permanent settlement. But still 20 per cent. of the *zamindars* being generally very petty *zamindars* are indebted to some extent.

Question 5.—The special causes for the indebtedness of the *zamindars* are :—

(*i*) Mismangement of landed property	20	per cent.
(*ii*) Extravagance, addiction to wine, prostitution and gambling in various forms	20	,,
(*iii*) Heavy expenses in marriage and other social functions and customs	50	,,
(*iv*) Government debt	10	,,

Question 6.—Landlords get interest at a cheaper rate than the tenants. But they have got to pay a certain amount of brokerage and sometimes *gaddi-kharch*, etc.

MR. A. K. BANERJI.

Part D.—Credit facilities in respect of agricultural production and marketing.

Question 1.—Only the co-operative bank helps in providing agricultural credit in respect of crop production, though the Government also helps in a very limited way by granting *taqavi* loans and sometimes through its Agricultural department by giving seed With the exception of the above no other organisation helps in providing agricultural credit. The help given by the professional moneylender in the shape of advancing loans to needy cultivators at an exorbitant rate of interest cannot strictly be called "help in providing agricultural credit in respect of crop production." The chief aim of the moneylenders is not to help the tenants, but to earn a high rate of interest.

The existing facilities are very inadequate. My suggestion—to put it in a nutshell is the spreading of co-operative societies just like a network throughout the whole district. In order to do so the following things are necessary :—

(*a*) Legislation penalising people who charge rates of interest higher than 12 per cent. per annum. The present Usurious Loans Act has totally failed in this respect. In fact what I suggest is to legislate that all contracts permitting rates of interest higher than 12 per cent. per annum should be deemed illegal and unenforceable.

(*b*) Another thing that is necessary is that co-operative banks should be able to advance loans to cultivators at a cheaper rate of interest, say 5 to 7 per cent. per annum. The bank should have enough cheap money, so that it can advance at the above rate. By cheap money I mean both share capital as well as fixed deposits and loans. The share-holders should not be greedy to get huge profits. I suggest in this connexion that all landholders who pay Rs. 100 as revenue or rent should be share-holders. These landholders should purchase a share for every hundred rupees they pay to the Government as revenue or rent.

(*c*) Education regarding the benefits of co-operative banks and its working by lectures, lantern slides, etc.

The defects in indigenous bankers, professional moneylenders and grain merchants are :—

(1) All the above are quite indifferent to the interests of borrowers and poor tenants.

(2) Their rates of interest are unconscionably high and they realise much more money than their dues by various illegal methods.

(3) Their methods of realisation of their dues, which are mostly unjust, are very painful, to say the least.

The above is a common feature of all but there is a little difference among the first two classes of moneylenders and the third. The grain merchant not only takes interest on the sum he advances but over and above he buys the crops of the poor tenants at a much cheaper rate. There is also some difference in the habits of the first and second classes. The indigenous banker is generally a rich tenant or a village *bania*. They advance money with a direct aim to rob the poor tenants of their tenancies where the tenancies are transferable and, where the tenancy is not transferable, to rob the poor tenants of the crops he produces. The professional moneylender generally resides in towns and cities. He advances money solely with the aim of earning earnest.

The Imperial Bank of India, Mirzapur branch so far as I know, does not advance to agriculturists, hence I cannot say anything of the Imperial Bank. There are no joint-stock banks working in Mirzapur.

The only remedy as I have suggested above is to penalise high rates of interest. The creditors should submit a statement of full accounts half-yearly to the debtors. The defects in the *taqavi* system has been dealt with in my answer to question no. 5 of Part A. So far as co-operative societies and banks are concerned the defects are due to lack of thorough supervision. The members do not get loans at their hour of need. The members are unwilling to shoulder joint responsibility and also do not want all sorts of office work before they can get the money *e.g.*, dancing attendance on supervisors, etc.

Question 2.—So far the above agencies do not take any part in respect of marketing of crops. Only the village *bania* robs them indirectly by buying his produce long before the same is ready for the market. It is a misnomer to call this help in respect of the marketing of crops.

The facilities existing are inadequate. The only suggestion I can make is to spread a network of purchase and sale co-operative societies and give the agriculturist a sound education regarding its benefits.

MR. A. N BANERJI.

There is no organisation which advances money to agriculturists directly in respect of marketing of crops in Mirzapur district—except of course village *banias* whose case has been fully dealt with. There are *arhatias* or commission agents who help not the agriculturists but big merchants (*beoparis*).

Question 5.—An estimate of the total amount of capital required for agricultural finance generally can be worked out if we know the number of men who have borrowed from the co-operative societies with the amount they have borrowed; by multiplying the number of people of a district with the average loan of a member of the co-operative society we get the rough estimate of unsecured debts. Then we must look up the registration department and see the amount of secured debts. By adding both—secured and unsecured debts—we can find out roughly the amount of money required for advancing the agriculturists. On this basis I think the amount comes to about twenty lakhs for this district and about ten crores of rupees for the province.

Part E.—Land mortgage banks.

Question 1.—Landlords can get long-term loans by means of mortgages only. In the case of usufructuary mortgages *zamindars* are hypothecated with this end in view that the mortgagee should get usufruct equivalent to interest on the sum advanced at 6 to 10 annas per cent. per mensem. In the case of simple mortgages the rate of interest varies from Re. 1 to Re. 1-8 per cent. per mensem. In case of small sums the rate of interest rises up to 2 per cent. per mensem.

The fixed-rate tenants get loans at a rate equal to that of the landlords. Sometimes their rates are a bit higher: it is never lower than in the case of the landlords.

The other kinds of tenants, viz., statutory, occupancy and exproprietary tenants and sub-tenants cannot get money legally on mortgages. They, however, sometimes do mortgage their lands. Generally these tenants get loans on pronotes, bonds and pledging of ornaments and household effects including their utensils, etc., with a higher rate of interest.

Question 2.—Generally long-term money is advanced on the security of immovable property. As people are unwilling to advance money on usufructuary mortgages, they are naturally asked to advance money on simple mortgage, when the borrowers have to pay the heavy interest of Re. 1-8 per cent. per mensem which sometimes becomes compoundable with three-monthly rests. They have also to pay brokerage charges and sometimes *gaddi kharch*.

Question 3.—As above indicated the tenants' interest in land being inalienable they cannot get money on mortgage. They can get money on the basis of pronotes, bonds, etc. The lenders accepting such brittle securities naturally charge higher rates of interest from such clients, with the result that it sometimes becomes impossible for the borrowers to repay the debt.

Question 4.—The occupancy right does not serve at all as a security for long-term credit. The longest term they can expect is three years. I suggest that exproprietary and occupancy tenancies be made alienable. It is only then that the tenants can get long-term loans and will take more interest in the land.

Question 5.—The establishment of a mortgage bank on the combined principle of the German Land Mortgage Bank and the Punjab Land Mortgage Bank will solve the problem of long-term advances in this province. The bank proposed must have a co-operative basis.

Question 6.—I think it will greatly facilitate the working of the proposed land mortgage bank if there be only one bank to provide long-term credit alike for farmers and landowners.

The land mortgage banks should have share capital of their own. This can be raised by legislating that every landowner, whether cultivator or landlord, must subscribe at least a share of Rs. 100 for every Rs. 100 he pays as rent or revenue. Private individuals can also subscribe. The shareholder will pay their share in easy monthly or annual instalments. The public may also be given an opportunity to subscribe to the share of the bank. In the beginning of course Government will have to come to the aid of the bank. The authorised capital of the bank ought to be about a crore of rupees.

The share capital should primarily be available to the *zamindars*, cultivators and then city people. If it is not taken up fully by these classes the balance should, naturally, be taken up by the Government.

MR. A. K. BANERJI.

The management will differ greatly whether the Government has subscribed the major portion of the issued capital or the public. The management if run generally on the lines of the United Provinces Co-operative Union Limited will meet the situation for the present.

The maximum period for loans in my opinion should be twenty years and the margin between the amount of loans and the value of mortgage the same as in the case of the Punjab Co-operative Mortgage Bank at Jhang.

The bank should obtain working capital from the shares subscribed and deposits and then if necessary debentures. I mean from a combination of all the sources indicated.

In the beginning in order to foster faith a Government guarantee will be necessary.

The debentures may rank as trustee securities.

To safeguard against loss there should be several members in the board of directors and the affairs of the bank should be inspected by a competent staff. If in spite of all this there is a loss it will naturally have to be borne by the Government.

The law should be amended so that the land mortgage bank should get the following concessions :—

(i) It should get certificates of encumbrances from the registration office free of charge. The certificates of encumbrances should give particulars of all deeds and not only of simple mortgages as is done now. By all deeds I mean mortgages of all kinds, sale deeds or deeds of exchange and registered money bonds having charges on the immovable property in question. The certificates issued should contain particulars of deeds over 60 years old as well.

(ii) When I suggest that the proposed land mortgage bank should be a co-operative land mortgage bank, I mean that it should be given all the concessions regarding stamp duties, etc., registration charges and also court fees, which are given in the case of ordinary co-operative banks. In short it should be exempted from all these duties, registration charges and court fees.

(iii) Notification of proposed mortgages should be given to all persons by means of beat of drum or issue of notices.

(iv) Simplification of the process of foreclosure and sale in the event of non-payment is very necessary for the proposed bank as the procedures now in force and the one enacted by the Transfer of Property Amendment Act of 1929 which came into force from April 1, 1930, for foreclosure and sale are very cumbersome. The method should be such that it can be done without much fuss and speedily. I think the necessity for foreclosing or selling will be very few and far between for the instalments will be so low that they shall be paid by the cultivators (borrows) without much difficulty.

(v) Power to manage the defaulting estates be handed over to court of wards authorities or any other similar institution under the control of the co-operative land mortgage bank.

I think it will be better if the provincial land mortgage bank be co-ordinated under an all-India central institution. The constitution of such an institution should be of the type of the Federal Farm Loan Board of the United States of America.

Question 7.—The value of land depends upon the amount of rent on which it can be let out. This has been fixed and is being fixed by the Roster officer appointed under the provisions of the Agra Tenancy Act (Act III of 1926). We can roughly calculate the value of land at fifteen times its rental value. This method of calculation will work well.

In the district the value of land depends upon the number of crops on it as well as on several other factors, e.g., proximity to town or habitation, irrigation facilities, liability to ravages of wild animals, and means of transport, etc. The price of land depends on its rental value.

Fixed-rate tenancies being alienate in all respects fetch the highest price. They do so also because the rent of the land is low. The other common varieties of tenancy land, *e.g.*, occupancy and statutory, being non-alienable, do not fetch a good price. But tenants of these kinds can get loans on the crops.

There is not much difference in the price of land obtained by sale by Government auction for non-payment of rent and auction in accordance with a court decree. The price which a court auction fetches is about ten times the rental value of the land. The price obtained by private negotiation is higher and comes up to 15 or 20 times the rental value. The cause of the difference is that the land sold in auction is purchased by people not because they are keen about it but simply because they get the land cheap.

If the price is raised no bidders can be had for the same. Secondly, people living at some distance generally do not get any notice of the intended auction sale.

As already stated the value of land generally depends upon the rental value. It does not directly depend upon the annual yield of the land. The rent of the land depends upon the quality of land and hence on the produce. A field valued at about Rs. 150 can be let out for about Rs. 10 a year and the produce of such field will be about 10 maunds a year.

Part F.—Co-operation.

Question 1.—So far as the district of Mirzapur is concerned a few years ago there was no joint-stock bank working. It is only of late that the Imperial Bank of India have opened a branch here, but there exists no relation whatever between it and the co-operative bank. The co-operative bank has no relation with any indigenous bank. The indigenous banker of course—as is natural—looks upon the bank as a great rival and a thing never to be helped but always to be obstructed in its work if possible, e.g., by spreading false rumours against its mode of work, etc.

The competition in Mirzapur district between the co-operative bank and joint-stock banks is not perceptible. There is a neck-to-neck struggle, however, between the co-operative banks and the indigenous moneylender (village moneylender). The nature of the competition is that the village moneylender instigates the members of the societies not to pay their dues in time, but they get their own dues with exorbitant interest, and then, due to non-payment of their arrears, the bank adopts harsher methods. These interested moneylenders discredit the working of the co-operative bank by spreading all sorts of gossip and rumours.

Question 2.—The co-operative banks and societies have very great difficulties in raising long-term capital at a reasonably cheap rate of interest. It is necessary in order to make co-operative banks more useful that they should be able to advance money to poor cultivators at as cheap a rate of interest as possible. It should be the idea of the bank that a cultivator gets the money he wants at a maximum rate of interest of 12 annas per cent. per month. i.e. 9 per cent. per annum. In order to arrive at the desired end it is necessary that the bank should be able to get money to finance the societies at a maximum rate of interest of 5 to 7 per cent., per annum. It is at present very difficult if not impossible to get money for the working of the bank as fixed deposits for say two years or more at 5 per cent. per annum. The banks in order to get depositors have to lay out attractive rates of interest, say 6 per cent. to 8 per cent. per annum, which is very high for co-operative banks.

Question 3.—The amount of money necessary to finance the co-operative movement is very much more than what is available, *i.e.*, the amount of money available to finance the movement is far too short of what is necessary for the same. From the working of the district bank I am of opinion that at least a couple of lakhs is necessary for my district (Mirzapur).

The method I suggest of raising the required capital is very simple. I propose there should be legislation to the effect that all landholders (landlords and tenants both) paying revenue or rent to the extent of Rs. 100 or more should be preference or shareholders of the district co-operative bank. All persons paying Rs. 100 or more as income-tax should also be shareholders of the bank. The above classes of men viz., landlords, tenants and assessees must purchase a share worth Rs. 100 or two shares worth Rs. 50 each for every Rs. 100 they pay as land revenue, rent and income-tax. The shareholders will not have to pay the total sum in one instalment but they can pay the same in a few convenient instalments. I do admit that income-tax is variable for every person hence it may be said that the number of shares to be brought in the bank will not be determined in an easy way. Another point in which I should not be misunderstood is that the above class of men will not have to buy shares every year but only once, *i.e.*, in the year in which the proposed legislation comes into force. In this way the bank will have a substantial capital of its own and if the bank requires money to finance the co-operative movement it can issue debentures, take fixed deposits for long-terms, etc. Thus the money required for financing the movement can be had without much difficulty. Something of the above kind is necessary for otherwise the co-operative societies cannot flourish healthily.

MR. A. K. BANERJI.

In this connexion it will not be out of place to mention that further legislation penalising high rates of interest will be necessary, *i.e.*, contracts involving promises to pay interest at more than 12 per cent. per annum should not be enforceable. The usual rate should be 6 per cent. per annum. If the proposed law comes into effect then the people generally will not like to endanger their money for practically a negligible profit but will be glad to invest their money in co-operative banks where they can get 5 per cent. per annum interest with no risks.

Question 4.—It is possible to stimulate the growth of the co-operative movement by the methods suggested in this question. I do regard the latter method viz. the inclusion of the debentures of provincial co-operative banks in the list of trustee securities, as desirable—nay, we feel it to be a necessity. For then we hope to get people who will be willing to advance money on debentures; at present they hesitate thinking that the money may not be recovered and the bank may also go into liquidation.

Question 5.—The establishment of the provincial co-operative bank is a necessity which we feel every day. I believe its establishment is long overdue. It will stimulate the co-operative movement in this province. Not only will it facilitate the working of the present district co-operative bank but it can also reform the working of the present district bank and spread its activity in various other directions. It can regulate the wants (pecuniary) and surpluses of the district co-operative banks.

(For oral evidence and a further note, see pages 278—285.)

ORAL EVIDENCE.

Lucknow, January 31, 1930.

Present :

MR. E. A. H. BLUNT, C.I.E., O.B.E., I.C.S., M.L.C.	*Chairman.*
DR. RADHAKAMAL MUKERJEE, M.A., Ph.D.	*Members.*
RAI BAHADUR PANDIT G. S. UPADHYA, B.A.	
RAI BAHADUR BABU MOHAN LAL, M.A., LL.B., M.L.C ...	
MR. MOHAN LAL SAH, M.A., LL.B.	
DR. L. C. JAIN, M.A., LL.B., Ph.D.	*Secretary.*

(*Witness* : MR. A. K. BANERJI, *Vakil and Director, District Co-operative Bank, Ltd., Mirzapur.*)

Rai Bahadur Pandit G. S. Upadhya : We just want to know about the percentages that you have given. How have you arrived at them?—Two of my friends and I went out to several villages and gathered this information there.

The Chairman : You got it by actual inquiry?—Yes.

They could not tell you any percentage. Have you got any note of the figures they gave you?—I had, but I might have misplaced them.

If by any chance you come across them, could you let us have them?—By all means.

Did you find in your district that besides the professional moneylender money is lent by amateur moneylenders, for instance landlords or other tenants?—They do. In my answer to question no. 1 of Part IA, where I have said about 60 per cent. to 80 per cent. for long-term and 20 to 40 per cent. for short-term, it means that short-term loans are generally in kind and long-term loans are generally in cash.

Do they borrow seed in Mirzapur from co-operative societies or the *bania*?—The co-operative society does not advance seed. It is the Agricultural department that advances the seed on *sawai*. It is the big *kashtkar* who gives on *deohri* and *sawai*.

Dr. Radhakamal Mukerjee : What is the period of such loans in kind?—For one *fasil* to the next *fasil* about six months and the rate, of course, varies from 25 to 60 per cent. excepting linseed which is at 50 per cent.; others are charged at 25 per cent.

Why do they make a difference in linseed?—Because linseed is generally sent abroad and as such they want a higher price. It is more valuable.

The Chairman : You mention here a charge "*gaddi kharch*". What is it supposed to represent? What has it got to do with the *gaddi*?—It is a way to take more from the poor traders.

That is the object, but what does it mean?—It means the *kharch* of the *gaddi*, payment of *munim* or servants or those who go out to realise money. And this *kharch* is specially high with the rich creditors.

They call it all sorts of things. Elsewhere they call it *ganth khulai*.—(*Witness*) *Gaddi kharch* is generally charged by the grain merchants and rich and big moneylenders. This *gaddi kharch* is really a very illegal charge.

Rai Bahadur Pandit G. S. Upadhya : By experience perhaps you could tell us something about the Usurious Loans Act?

The Chairman : Could you tell us in what way it has specially failed?—In courts a man sues on a pro-note or a mortgage-deed. The rate of interest is say Rs. 3-8 per mensem. In that case the court only sees whether the debtor was under some compulsion to be overridden by the creditor to accept that rate of interest. If not, the court does not interfere. So the court only sees whether by the way in which the money was advanced any fraud or undue influence was exercised upon the debtor to accept that rate of interest. That is their only look-out. So that when the court determines that

there has been coercion it does not allow the contractual rate of interest but otherwise, in all other cases, it allows the contractual rate of interest however high it may be. There should be a law penalising a higher rate of interest than 12 per cent. per annum.

In other words, there is no definition of usury?—No. In fact, I have just said the rate of interest must be mentioned. Twelve per cent. must be the highest amount.

That is a point I want to ask you about. We know that the rates are very high. At the same time the security is very poor mostly?—It is a very wide question. In the case of pro-notes the security may be poor, but in the case of mortgage-deeds the security good.

What can they mortgage?—They can mortgage fields and pawn ornaments.

Let us take the ordinary person who has nothing which he can mortgage; leave the *zamindar* alone. Well, he has got practically no security. He may have a few ornaments or standing crops. But that is not enough. And then apart from that, as you know, a tremendous amount of debt is left unpaid from generation to generation. Don't you think that the very high rate of interest in part is due firstly, to the lack of security, and then, largely to the inability of the debtor to repay. In other words, the man hopes to make up in interest what he has lost in principal?—You have made a wrong assumption in the beginning. In short, in answer to the first part of your question, my views are that as the non-payment of debt is a sin according to Hindu ideal and law, the debtor tries his level best to pay off the debt. In case of his death, his son and even grandson pays the debt as the duty devolves on them. Secondly, the pressure and earnest demands of moneylenders hardly leaves any debt unpaid. In my opinion very few debts are written off as "bad" by the village moneylenders. Hence I beg to differ from your statement that a tremendous amount of debt is left unpaid from generation to generation. No doubt the high rate is due partly to the lack of security and mostly to the existing practice to charge as high a rate as is possible, but certainly it is never due to the inability of the debtor to repay; because if the creditor were afraid of non-repayment of his money, he would never advance however high the rate the debtor may agree to borrow at. As a matter of fact, generally, the moneylenders realize their debt by every possible hardship they can think of. Hardly anything is left out. Again, about the rate of interest, when you have got enough money you cannot hoard it. You must make some profit out of it.

Do you find in your district that the small village moneylender has an ample supply of capital?—Some of course, are very rich. They can afford it, but the majority are not. The majority of tenants are very poor.

I am not speaking of the tenants, I am talking of the moneylenders.—(*Witness*) Yes, they can afford it. In our districts where we have got permanent settlement specially the *zamindars* and fixed-rate tenants reap a good profit from the sub-tenants.

Before we pass on can you tell me anything of Robertsganj? Of course, they are a much more primitive population. What is the situation there?—Robertsganj is divided in two parts, Dudhi and Robertsganj. Robertsganj is settled and surveyed, while Dudhi is unsettled and unsurveyed. In Dudhi which is directly under Government the people are generally backward. I do not know whether it really concerns this committee or not, but I think it is not necessary to keep them under the control of the Collector.

Do they borrow and lend? Who are their moneylenders?—Various moneylenders, but they generally deal in grain, not in cash.

Dr. Radhakamal Mukerjee: The rate of interest must be very exorbitant among the more primitive people of Dudhi?—It is about the same, Rs. 3-2 per cent. per mensem.

Who are the moneylenders?—The rich tenants, sometimes *zamindars*, not in Dudhi but in Robertsganj.

Rai Bahadur Pandit G. S. Upadhya: They are not perhaps indebted to a very large extent in those parts?—No, of course the Government makes some concession to them.

The Chairman: And also because their wants are fewer?—Yes. But we find that tahsildars have been appointed who very often rob them and because they are primitive they fear any *lal pagri*.

Rai Bahadur Pandit G. S. Upadhya: But then they are not very well off to be able to bribe these people?—I am not referring to the poor, those who have got scarcely enough to feed themselves, but to the well-to-do class of people who have got money to bribe people who have got enough land.

MR. A. K. BANERJI.

The Chairman: In Part C you have given us another set of percentages. Are those also based on personal inquiry?—Yes, from my personal inquiry.

And the same in these other ones about the rich agriculturists?—Yes, but this is not personal but from my friend. But I have gathered that this 30 per cent. should have been 70 and not 30.

Rai Bahadur Pandit G. S. Upadhya: Will it add up to 100?—The rich agriculturists here include those who are indigenous bankers. By professional moneylender I mean the one living in towns.

The Chairman: The rich agriculturist also comes into classes 1 and 3 and between them come to 70 per cent.?—Yes.

And then in question 5, causes of indebtedness of *zamindars*—that is from personal inquiry?—Personal. I have asked the *zamindars* personally, those who came to me for advice and whom I met in the way. I also learnt that you have sent a questionnaire to *kanungos*, some of whom came to me for advice and of course I felt the same difficulty that they feel. The *zamindars* who are poor do not want to give the truth, because they do not want to expose themselves, and those that are rich do not want to give the truth, because they fear the income-tax department, and as such these are not, I fear, exact.

Rai Bahadur G. S. Upadhya: You have said "In order to do so, the societies must get cheap money to finance the movement. This can be had by legislating that every landholder paying Rs. 100 as rent or revenue annually must be a shareholder of the co-operative bank and he must buy a share worth Rs. 100 for every hundred rupees he pays as rent or revenue." Do you think it would be fair to legislate on that?—Probably it is within your knowledge, specially as deputy registrar, that the co-operative society as such is not very popular with the agriculturist for obvious reasons. The first reason is joint responsibility; and in order to induce people to join in spite of the above objections you must enable them to take at a low rate; and hence you must have cheap and enough capital. This you can only do if you have got a large capital paying no interest. We are running our banks with small capital. We are taking money from the people on fixed deposits and we are paying them interest at 6 to 8 per cent. when we ourselves are paying interest at 8 per cent. We cannot lend money at less than 12 per cent. The co-operative department has fixed 15 per cent. as a maximum and we charge 15 per cent. from the societies. The village moneylender can get from 18 to 37 according to circumstances. He says "Why need I bother myself with a joint responsibility, attending meetings twice a month, becoming a surety, etc., when there is hardly any advantage in it?" In order to induce them I want that we should be able to give them cheap credit, i.e. at 6 per cent. If we want to give them at 6 per cent., we must ourselves have some cheap capital. The *zamindars* are directly benefited, they are directly fed by the tenant class. As such I want that they should give some capital to the district co-operative banks.

You have said that a cause of the unpopularity of the co-operative societies was that there was joint responsibility. Under that joint responsibility you will bring in the *zamindars* also?—No, the tenants.

Dr. Radhakamal Mukerjee: You mean that they will not accept the principle of unlimited liability, but they will become shareholders?—Yes.

Rai Bahadur Pandit G. S. Upadhya: You mean to say that you will not pay any interest?—We will not, but will give the shareholders dividends subject to the restrictions imposed by the Act of 1912.

Dr. Radhakamal Mukerjee: In reply to question no. 3 of Part C you have stated that rights in land are passing from the possession of efficient farmers into the hands of inefficient farmers. Does it lead to inefficient cultivation?—Yes. The position is this. Suppose, for instance, there is a tenant who has got three bighas of land and his only means of sustenance is this land. If he cultivates it fully, as he must do in order to maintain himself, he will put as much labour and manure as circumstances and his position allow and he will do it as efficiently as possible. He knows that by doing so he will improve not only the letting value of the land but the price as well. The case of a subtenant, who cultivates from year to year, is different. He knows that he has to cultivate his field for one year only and that he will cultivate another field next year. In the circumstances he will put forth only the minimum labour that will produce the crop.

Is the practice of evicting sub-tenants prevalent?—Yes, it is prevalent. Sub-tenants are frequently evicted, but tenants cannot be evicted because they become statutory tenants. Sub-tenants of *sir* can be evicted, and in fact *zamindars* always increase their *sir* as much as they can by fraudulent use of the Act. They cultivate land for five years and then it becomes their *sir*. When they acquire the right of *sir* in a particular land, they sub-let it. As a matter of fact they increase their area of *sir* only for the purpose of sub-letting and not for cultivating it themselves.

In the existing law there are some restrictions on sub-letting, but it is understood that they are easily got over. Do you favour more stringent restrictions on sub-letting by legislation?—The intention of the present Tenancy Act has not been fulfilled. In fact, it has given rise to more serious difficulties than we had under Act II of 1901. One of those difficulties is about the *sir* land. So far as your question is concerned, I can only say that in the case of tenants it will be very useful. I do not know how Government will take it.

You may approach this question from the point of view of solving the problem of indebtedness.—(*Witness*) It goes without saying that if sub-letting is not allowed it will very much benefit the tenants. But I do not think you will be able to pass such a law.

That is a different matter.

The Chairman: My friend wants to know your views about sub-letting of tenancies. You are talking of sub-letting of *sir*.—(*Witness*) I am saying about both.

I do not quite see how they could stop the sub-letting of *sir*. The land belongs entirely to the landlord and he could certainly sublet it.—(*Witness*) Formerly we had no statutory tenants, but under the present law we have such tenants. We can restrict subletting in the same way by legislation.

I have a piece of land of my own, and it does not matter whether I cultivate it myself or sub-let it to someone else.—(*Witness*) If you want to sub-let your *sir* land, then it must be sub-let for a period of ten or twelve years. I do not want that one should be allowed to sub-let it for one year in order to get over the Act.

But why should one not be allowed to sub-let one's own land for a year? A man must have the right to let his *sir*, which is absolutely his own land, for any period of time.—(*Witness*) Of course now it is his land, but if there is legislative restriction it will not become absolutely his own.

You mean that you are taking away from him the right of letting his land?—We want to restrict that right.

You do not want to give him the right to let land which is absolutely his own? Why should you restrict it?—In order to improve the quality of the land.

Does not the landlord himself know what is best for his land?

Rai Bahadur Pandit G. S. Upadhya: I will just explain the position. There is some *sir* land which belongs to *A*. Certainly he knows how best to look after his land; he knows his own interest. So why should Government step in and legislate restricting his power of sub-letting it? You say that he should sub-let it for ten or twelve years, in which case the sub-lessee will take care to improve the land. If it is only for one year, he would not. I say that the *zamindar* knows his interest and it is his business to sub-let it either for one year or for ten years.

The Chairman: This is not a question of sub-letting a tenancy but of *sir* which is his own land.—(*Witness*) If Government takes care of a thing, it will do so for the benefit of both the tenant and the landlord; but if the landlord is left free to look after his benefit, he cares twopence for the tenant.

I am not talking of tenancy, but only of *sir*.—(*Witness*) When a landlord sub-lets he does it to get as much money as he can and not with the intention of helping the tenant who cultivates the land.

Dr. Radhakamal Mukerjee: Your point probably is that if tenants are changed from time to time the land would not be cultivated efficiently at all.

The Chairman:—It is not a question of sub-letting tenancies at all, but the question of letting *sir*. In other words, you want to take away his own land from him?—It may be a little hard on him. I do not want to take away his land, but he should sub-let it for ten or twelve years.

If you carry the argument to its full conclusion it comes to this: This ceases to be your land and you cannot do with it as you choose.—(*Witness*) Take the case of a statutory tenant. He cannot sub-let for more than five years. That is the statutory restriction. Similarly, we can restrict the right of the *zamindar* also.

Dr. Radhakamal Mukerjee : You mean to suggest that the incidence of proprietorship should be restricted by legislation according to social and economic circumstances?—Yes. He should not be given the right of sub-letting *sir*. If the right of sub-letting is restricted by legislation both of *sir* and of tenancies then the proprietors as well as tenants will live in the same village and will themselvs cultivate and try to improve their lands.

Under the law of pre-emption the peasant-proprietor could not alienate his land. So you might say that there was no proprietorship if the law restricted sale.—(*Witness*) I want simply to restrict his right.

The Chairman : Well, this is a matter of opinion.

Rai Bahadur Pandit G. S. Upadhya : As you are on the directorate of the co-operative bank I would like to clear one point. You have emphasized this point more than once in your note that the co-operative bank should be able to finance loans at as cheap a rate of interest as possible. The principle of co-operation is that the rate of interest should not be only cheap, but also such as would control the extent of borrowing, because the cheaper the credit the more indebted the people become. If they can get loans at a very low rate of interest they will borrow much more than they do at present. I hope you realize that.—(*Witness*) I beg to differ here. Among the Hindus debt is regarded a sin. Even the son, grandsons, and great-grandsons are liable to pay their ancestors' debts. I think that the high-caste Hindus will not borrow simply for the sake of borrowing. They borrow only when they are hard-pressed.

The question of being hard pressed comes in this way. You may create so many wants and needs.—(*Witness*) I admit some are luxurious and given to wine and prostitution.

I am not talking of that. I am simply dealing with cultivators.—(*Witness*) In my opinion if they are well-off they will never borrow. They have to face innumerable difficulties in repaying their debts. I do not know how far you have seen it, but I can say that I have seen it myself that they have to remain standing neck-deep in water in cold weather and moneylenders even stripe them in order to realize their money.

That is not done now.—(*Witness*) Well, I have personally seen that.

I, however, simply wanted to tell you the principle that borrowing should also be controlled. If credit was very cheap they would like to borrow as much as they can.

Mr. Sah: You say that the establishment of a mortgage bank on the combined principle of the German Land Mortgage Bank and the Punjab Land Mortgage Bank will solve the problem of long-term credit. Will you please explain your scheme?—I can send you a note* later on.

You say that the bank should have a co-operative basis. Do you think it will have sufficient capital?—Yes. If every *zamindar* subscribes shares worth Rs. 100 for every Rs. 100 which he pays either as rent or as revenue, there will be more than enough capital.

Do you think that legislation compelling *zamindars* to subscribe at least Rs. 100 would involve a good deal of opposition?—I think there will not be tooth and nail opposition, but of course there will be some opposition.

Dr. Radhakamal Mukerjee : What will be the public opinion?—I am afraid the opinion of the educated classes means the opinion of the *zamindar*. The poor tenants are quite illiterate, and they have hardly any voice in the present society.

Can you get legislation like this passed in the Council?—Not in the present Council.

In any other Council?—I do think it can be passed in Councils consisting of more agriculturist members.

Do you think that cultivators will be in a position to pay Rs. 100 towards the share capital of the bank?—Yes. Those cultivators, who pay Rs. 100 as rent or as land revenue, have an annual income of at least Rs. 1,000 or Rs. 1,200. The rent of a bigha of land is only Rs. 2 or Rs. 3 in the case of an occupancy or fixed-rate tenant and he can easily sub-let it at ten times the rent. So payment of Rs. 100 in rent means an annual income of Rs. 1,000.

Mr. Sah : What sort of aid from Government would you propose in the beginning?—If in the beginning the full capital is not subscribed Government should subscribe the balance. Government can also help in various other ways, e.g., exemption from so many taxes, court-fees, etc. Government can help the bank by asking people to support it. In fact, it can itself set an example.

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*See pages 276-277.

Would you like Government to guarantee a minimum dividend?—From the point of view of investors it will really be a good thing.

Do you think that people would be inclined to take more shares if a Government guarantee is forthcoming?—Yes, certainly.

As regards debentures, you say that in the beginning, in order to foster faith, a Government guarantee will be necessary. Would you suggest a guarantee for the interest or the capital only?—For both.

What should be the maximum period for which deposits should be received by the land mortgage bank?—I think the period should not be less than five years.

Do you think that people would be willing to deposit their money without any guarantee?—I never said "without guarantee."

Will debentures or fixed deposits for ten or twelve years be more popular with the public?—I think debentures will be better than fixed deposits for the debentures are transferable.

What should be the maximum period of fixed deposits and the minimum period of debentures?—So far as fixed deposits are concerned I do not think anybody would go beyond five years, while in the case of debentures they can easily run for ten years, and more.

So you prefer debentures to fixed deposits?—Yes.

In case you have to deposit money in fixed deposits, would you like to do so for more than five years?—No.

The Witness: Now there is one point which I would like to take up about this co-operative movement. I have given simply a cursory answer to question 4 in Part F. So far Government has given us financial concessions in the shape of exemption from income-tax, from registration fees, and stamp duties, but there is one other direction in which we feel that a similar concession is necessary, *viz.*, exemption from court-fees. Only a few days ago we had a case from a society in which one Raghubar Misra brought a suit against a Kurmi, a member of the society, for a sum of Rs. 200, and was going to have his property attached and sold. This Kurmi was also indebted to the extent of Rs. 350 to the society. Under section 19 of the Co-operative Societies Act we have priority over other debts and we had to apply under sections 19 of Act II of 1912 and 73 of the Civil Procedure Code for priority in distribution. We had to spend about Rs. 10 in court-fees and various other ways, and thus raised the amount of debt from Rs. 350 to Rs. 360. It can be argued that the cost in court can be recovered from the opposite party, but in this case the opposite party is the judgment-debtor himself, and his land would bring not more than Rs. 56, and the rest will have to remain outstanding on which interest will run in a year's time to more than the sum realized. Thus the debt will not be paid up soon. There are many such cases, and I think a concession in this direction is very desirable. So far as the provisions of the Co-operative Societies Act go it is laid down that if there is a dispute between the co-operative society and a member or among the members of the society, the matter will be referred to the Registrar for arbitration and no court-fee will be payable, but I have given above the instance of a case in which the co-operative society, a member of the society and an outsider are concerned, and naturally the matter has had to be fought out in the court. I think that either the provision in regard to arbitration should be widened so as to include an outsider also, or Government should grant exemption from court-fees.

The Chairman: This is a point which is outside our line, but we will make a note of it.

(The Chairman thanked the witness, who withdrew.)

Scheme for a land-mortgage bank.

The land mortgage bank will be on a co-operative basis. The membership of the bank will be open to every one residing or owning property (immovable) in the district or province. Every member must take at least one share but not more than 100 shares in the Bank. Shares are transferable though formal sanction of the Board of Directors will be required. The funds of the bank shall include share-capital loans, deposits, debentures, grants, but at no time shall the liabilities of the bank exceed ten times the subscribed share capital plus reserve fund. The value of a share shall be Rs. 20 (twenty) only and the share money shall be fully paid. Every member will get a loan up to 25 times the value of the fully paid up shares he subscribes, i.e., a member possessing one share will get a loan up to Rs. 500. A member who is also a member of the co-operative society will get a loan up to Rs. 600. The liability of the shareholders shall be limited. If the shares are not fully subscribed by the public the Government should come to its aid. It can help by providing capital for the bank to run. This can be done by issuing a loan or debentures for the use of the Bank.

Loans granted by the bank shall bear interest not exceeding 9 per cent. per annum. The loan and interest shall be discharged by a system of equated payments. Loans shall be granted by the bank only on the mortgage of immovable property situated in the district. Besides the specific security a borrower is required to mortgage all his immoveable property as additional security, besides two personal reliable sureties. Loans granted by the bank shall not exceed 50 per cent. of the value of property or 15 times the estimated net annual income.

The mortgage shall be without possession, subject to the condition that if the mortgagor fails to pay principal and interest according to his contract, the bank shall be entitled to take possession of the land and get the land managed through Court of Wards or such other body till the debt is realized.

The valuation of the properties offered as security for loans shall be made by the bank in accordance with rules to be framed for the purpose.

Loans are liable to be recalled (*a*) if after the grant of a loan the information obtained regarding the property, charges thereon, or the rights of disposal thereof is found to be incorrect, (*b*) if a loan is utilised for a purpose different from that for which it was granted, (*c*) if the property on which it is secured has in the opinion of the bank deteriorated in value and the borrower fails to furnish additional security to the satisfaction of the bank, (*d*) if the mortgaged estate becomes subject to forced sale, or if it is in danger of being swept away by river or floods, (*e*) if the debtor makes default in the payment of any instalment on the due date.

If in any case not expressly provided for the above, the bank considers that a debt is in danger, they shall recall the loan with the approval of the Registrar. When a loan recalled by the bank is not paid within three months from the date of recall, the bank shall apply for a foreclosure of the mortgage to the Registrar. The orders of the Registrar shall have the same effect and shall be executed in the same manner as if passed by the Civil Court. The debt of the bank shall have priority over all other debts except land revenue and rent. The maximum period for which loans are granted should be fixed at 25 years. The borrower is at liberty to repay to the bank the whole or part of the amount borrowed at any time, but in the event of his doing so he has to pay interest for six months on all bonds that have to be withdrawn in consequence of his premature payments.

The debentures as in the Punjab shall carry interest not exceeding 6 per cent. per annum. The amount of debentures should not be greater than the assets represented by the mortgages held by the bank. The bank can redeem debentures before they are due for repayment on giving three months' notice. If the debentures are not presented for payment within one month of the prescribed date after due notice has been given the holder can have no claim on the bank for interest. The debentures can be issued for any period not exceeding 25 years. Debentures shall not be issued except with the previous sanction of the Government and they shall be in such form and contain such covenants and provisions as the Bank may, with the previous sanction of Government, prescribe in this behalf.

Mr. A. K. Banerji.

The borrower has to pay all expenses incurred for the valuation of the property offered for mortgage and also those in getting it redeemed from a previous mortgage if the bank undertakes this.

The administration of the bank shall be vested in the following :—

(*a*) Board of Directors,

(*b*) Board of Supervision,

(*c*) The general body of the members of the bank.

The Board of Directors shall consist of seven members, four of whom shall be elected by the members, two will be representatives of debenture-holders selected by the Government and one other member nominated by the Government, all the members holding office for two years. This board shall administer and conduct the affairs of the bank, prepare and issue agreements, declarations, etc., and represent the bank by one of its members selected for that purpose at all legal proceedings. It shall appoint, control and dismiss officials like book-keepers, cashiers, local agents, etc.

The Board of Supervision shall consist of seven members, three of whom shall be elected by the members, two representatives of debenture-holders selected by the Government or elected by the debenture-holders and two others nominated by the Government. This board shall have control and supervision over the affairs of the bank. In particular it will, (*a*) cause the account of the bank to be audited at least twice a year by two of its members, (*b*) present to the general meeting a statement of accounts, (*c*) prepare all necessary subsidiary rules for the carrying out of the above byelaws and (*d*) settle the principles of land valuation, etc.

The accounts of the bank shall be audited by a government auditor at least once a year.

A reserve fund shall be formed by the bank. The dividends should be declared with the present restrictions imposed by the Co-operative Act (II of 1912).

Mr. RAGHUNATH PRASAD, B.A., LL.B., Managing Director Co-operative Town Bank, Sultanpur.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturist generally borrows from the village moneylenders. He borrows for the following purposes :—

(i) payment of land revenue or rent	40 per cent.
(ii) seed	
(iii) litigation	40 ,,
(iv) subsistence	
(v) repayment of earlier debts	
(vi) marriage and other social functions	20 ,,
(vii) famine and other kinds of distress	
(viii) purchase of cattle	

My estimate of the above distribution of debt is based on an agriculturist's two years average expenses.

About 30 per cent. of the debt is taken in cash and 70 per cent. in grain.

The debt is generally incurred for short periods. In a few instances it has been incurred for long periods.

Question 2.—Twenty-five per cent. is the prevailing rate on cash loans, but on some occasions the lender charges from 37½ per cent. to 75 per cent. per annum. For loans in kind for seed, the rate varies from 25 per cent. to 50 per cent. For other loans in kind the rate is 25 per cent.

Interest is generally calculated at simple interest, but lenders of the Shylock type calculate compound interest.

In my opinion the rates of interest are exorbitant.

Question 3.—No formal security is generally given for the loans, but in some instances the debtors give a security of land or ornaments.

So far as my experience goes it is true in the case of small proprietors, under-proprietors, and unprincipled big landlords to say that the better the title to land the greater the amount of indebtedness, but not in the case of a well-managed estate of a landlord. The comparative extent of indebtedness is 50 per cent. landlords, exproprietors and under-proprietors; 2 per cent. occupancy tenants, and 30 per cent. other tenants.

The amount of secured debt is increasing so far as the security is limited to land Moneylenders prefer to advance loans on securities.

Question 4.—The usual methods of realizing the debts are—

(i) constant demand from debtors;
(ii) private persuasion; and
(iii) law courts.

I think there is no difference between the rate at which the cultivator borrows grain or repays it and the prevailing rate. There is no fixed rule or means for ascertaining the rate. The only means is to ascertain from the *banias* of a neighbouring market.

Question 5.—Cultivators do not take full advantage of the facilities provided by the Agriculturists Loans Act and the Land Improvement Act, partly on account of their ignorance and partly on account of the troubles they are put to at the time of taking the loans and at the time of realizations. The subordinate officials expect something from the debtors before they help them in getting the *taqavi*.

More *taqavi* is taken in abnormal years than in ordinary years.

The present system is certainly defective because the subordinate officials, through whose recommendations and through whom *taqavi* is advanced, expect some gratification. Either the high officials should exercise proper supervision and control over their subordinates, or the *taqavi* should be distributed through unofficial channels, *i.e.*, through *zamindars* and *taluqdars*. Long-term loans should be encouraged.

Question 6.—There is no combination of cultivators to produce particular crops in my area, nor do I think it possible or desirable under the present circumstances.

Question 7.—There being no provision for lending money to agriculturists other than the village moneylenders, they charge exorbitant rates of interest. Establishment of agriculturists' or co-operative banks, in which there should be full facilities for loans, will remedy the defects.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—The produce of a crop which the agriculturist requires to sell is disposed of through village *banias* or other grain dealers at his own house.

The methods of marketing do not vary according as the crop is one mainly used for domestic consumption, or one mainly sold in the market.

Question 2.—In my part of the district there are no banks or exporting firms. The village grain merchants, mostly *banias*, advance some money to the agriculturists to meet the expenses of diet and rent, etc., in the months of August, December and January, i.e., *Bhadon*, *Pus* and *Magh*, and take usually one to two seers per rupee above the rate prevailing in the market when the crop is reaped.

Question 3.—The cultivators ordinarily pay 2 per cent., approximately, to meet weighing dues, charitable funds, *dalals*, etc.

Question 4.—The agriculturist generally stores his grain in a *dehri*, a *kachcha* earthen pot, in *pakka* earthen pots and in *gands*, *i.e.*, a small plot of land surrounded by brick walls. The rats generally do harm to the grain. In my opinion if *pakka* storehouses, godowns, or big *pakka* earthen pots and iron tubs of big size be made available to the cultivators, they would be greatly benefited.

Question 6.—The establishment of licensed warehouses like those in the United States of America is not only workable but desirable, and will give great facilities to agricultural credit. In this matter Government assistance is absolutely essential, because without such assistance very little is possible in India in the present circumstances. The masses, specially the ignorant, have little confidence in the people's movements.

Question 7.—Proper arrangements could be made whereby cultivators would combine to market particular crops and the combination will prove beneficial to the agriculturists.

Question 8.—The present system of weighment is not satisfactory in my area inasmuch as the weights in use in villages vary in weight in various places. In some places a *panseri* is equal to two seers two chhataks, in others it is equal to two seers and three chhataks, and in others it is equal to two seers and four chhataks. In my opinion one weight, say a seer of 80 tolas, prevalent in cities, should be the only weight in use in all places and localities and other local weights should be stopped.

Part C.—Extent and nature of agricultural indebtedness.

Question 1.—The estimated indebtedness of my village Pachhiana, where I usually reside, is about Rs. 10,000. The approximate area of the village is about 600 acres. Out of this sum the amount of debt secured on land mortgages of various kinds is about Rs. 7,000. The balance Rs. 3,000 is incurred against other assets.

Question 2.—The principal creditors in my area are moneylenders and grain merchants.

The richer agriculturist advances loans to poorer ones to the extent of 25 per cent. of the total debts incurred by the agriculturist class.

About 75 per cent. of the moneylenders are *banias* and grain dealers, and 25 per cent. rich agriculturists.

Question 3.—An efficient and well managing farmer seldom incurs debt and therefore there is little possibility of change of possession of land by transfer.

Question 4.—Out of a debt of Rs. 10,000 in my village, the land-owning classes, *e.g.*, under-proprietors, sirdars, and occupancy tenants, are indebted to the extent of nearly Rs. 8,000.

MR. RAGHUNATH PRASAD.

Question 5.—The special causes of indebtedness are—

(i) Mismanaged and inefficient cultivation.

(ii) Extravagant expenditure on the occasion of marriage, death and other Indian rites.

(iii) Litigation.

(iv) Irregular payment, and non-payment of revenue and rent, etc.

The percentage of debts is (i) 25 per cent., (ii) 35 per cent., (iii) 15 per cent. and (iv) 15 per cent., respectively.

Part D.—Credit facilities in respect of agricultural production and marketing.

Question 1.—In my part of the district the Government farms provide the following agricultural requirements in respect of crop production :—

(i) Seed of wheat, sugarcane, and cotton, etc.

(ii) *Rahat* for irrigation purposes.

(iii) Ploughing implements.

Moneylenders and grain merchants advance seed and cash for seed, oxen and other necessary requirements.

The existing credit facilities are meagre. In my opinion the establishment of co-operative banks in various centres is absolutely essential. In such banks provision should be made to supply seed, implements, irrigation materials, *e.g.*, pumping machines, tube wells, *rahat* and other machines, and cash advances should be made for productive purposes only.

Question 2.—Only indigenous bankers and grain merchants purchase grain from the farmers direct, or through petty dealers in grain at the *mandi*, and from there they despatch the grain to distributing centres or direct to Calcutta or Bombay, the exporting ports and, similarly, big merchants send for grain from Burma, Australia and other foreign countries to the distributing centres, whence the village *banias* or other petty dealers take them to villages to consumers.

Question 5.—A rough estimate of the total amount of capital required for agricultural finance generally is possible in the case of my district.

The calculation may be based on the amount of total cultivated land at Rs. 20 per acre for seed implements, oxen, irrigation, etc., deducting of course half or 50 per cent. for well-to-do farmers who require no credit at all.

In the case of Sultanpur, if the area of cultivated land is 50,000 acres or more, the amount required for agricultural credit would be Rs. 5,00,000.

Part E.—Land mortgage banks.

Question 1.—In the case of landlords the major portion of the debt is for long periods, specially in case of mortgage with possession, but in the case of tenants the debt is for short periods, because, in the case of the former there is no fear of non-payment of debts, while in the case of tenants the moneylender generally expects his money back by the harvesting of the crops.

Question 2.—Long-period loans are available on land security.

The special difficulties of long-period borrowers are the want of banks or other facilities for loan.

Question 3.—Moneylenders generally hesitate to advance money to tenants on their personal security, *i.e.*, the tenure is not sufficient guarantee for the repayment of loans.

Question 4.—If occupancy tenants are given power to transfer their land temporarily, *e.g.*, mortgage with possession, they will in that event get advances for long terms.

Question 5.—I highly recommend the establishment of land mortgage banks in our province as described in the first paragraph of the note annexed to the questionnaire and proper facilities given to agriculturists; they would derive great benefit on account of low rate of interest and long terms of payments.

Question 6.—The number of *taluqdars* and big *zamindars* being small, and the dealings little, I don't think there is any necessity for separate banks for various classes.

Even if land mortgage banks have their own capital, I think the Government guarantee is essential in the present circumstances of the country.

MR. RAGHUNATH PRASAD.

Shares should be subscribed by the cultivators, but if the full amount of the authorised capital is not subscribed, shares may then be opened to the public. Certainly the Government should subscribe the balance.

The management of the bank should be entirely in the hands of the Government. The directors should be appointed from (i) government officials, (ii) land-owning classes, (iii) tenants, (iv) moneylenders and (v) merchants. The rights and votes of share-holders should be in accordance with the provisions of the Indian Companies Act with certain modifications if desirable.

The maximum period of the loans advanced should not exceed 30 years and the margin between the amount of the loan and the value of the mortgage should be 25 per cent *i.e.*, if the property is worth Rs. 100, the loan may be advanced up to Rs. 75, but in such a case the banks should have full powers as mentioned in the note.

In my opinion working capital should be obtained from (i) deposits and (ii) a central institution, and if the capital is not sufficient, either from debentures or from Government.

The Government should have a lien on the assets of the bank excluding the amount of its liabilities and assets of the share-holders to the extent of their shares.

Full facilities should be given to the applicants for loans by the following methods :—

(i) Certificates of encumbrances should be issued at a nominal charge.

(ii) Reduction of stamp duty, registration charges and court-fees.

(iii) Simplification of the process of foreclosure and sale.

(iv) Power to manage defaulting estates.

The provincial bank should be independent to avoid complexity and heavy expenditure of management.

Question 7.—I think twenty times the net profit of a property is its full value.

The value of the land per acre differs according to the crops grown on it, *e.g.*, the value of the land growing two or three crops in the year will be of more than twice the value of the land growing only one crop. The basis of calculating the value of the land is 20 to 25 times the net profit after deducting the revenue or rent as the case may be.

The value of the land is affected by—

(*i*) Competition among moneylenders, *i.e.*, if in a locality the number of moneylenders is sufficiently large, the value of the land rises high.

(*ii*) Competition among cultivators requiring the land for their own cultivation.

(*iii*) Competition amongst well-to-do gentlemen requiring the land for their own cultivation, groves and orchards, etc.

The purchaser of (i) land sold by Government auction for non-payment of revenue gets the land cheaper than the purchaser of (ii) land sold on a court decree, and the latter gets land cheaper than the purchaser of (iii) land obtained by private negotiation. The cause of the difference is due to the fact that in the case of (*i*) and (*ii*) sufficient notice is not given to the public, and, secondly, the Government calculation of the value is based on 16 to 20 times the net profit, and the purchasers noticing the estimated price do not bid above that price. But in the case of (*iii*) competition has full swing to fetch full value to the landlords.

If the net yield, after deducting the expenses, rent and seed, etc., is Rs. 5 per bigha, its market value would be Rs. 100.

Part F.—Co-operation.

Question 1.—There are only two banks—the Co-operative Town Bank with a capital of Rs. 5,000 and the District Co-operative Bank.

Question 2.—Co-operative societies do feel difficulties in raising capital for short or long terms on account of the misgivings prevalent in the illiterate classes about the banking system. The public have little confidence in the good working of a bank and hence do not make deposits for long-terms. Again, Sultanpur is a very poor district.

Question 3.—The capital at the disposal of societies is not sufficient to meet the present needs of the district. In my opinion a capital of at least Rs. 4,00,000 is required to meet the demand. This amount can be raised either by additional shares, debentures with a government guarantee, or government subsidies.

Question 4.—It is possible to stimulate the growth of the co-operative movement by financial concessions, and this is desirable in the interests of the country and the agriculturist.

MR. RAGHUNATH PRASAD.

Question 5.—The establishment of the provincial co-operative bank would certainly stimulate the co-operative movement, if the problem is tackled in a business-like manner and with the help and co-operation of persons interested in the banking movement.

In my opinion the unsuccessfulness of the co-operative banks in these provinces is due to (*i*) high interest charged and joint responsibility of the debtors, (*ii*) bad methods of realizing debts, (*iii*) unfair and sometimes dishonest dealings with their clients, (*iv*) aloofness of bank authorities, and (*v*) ignorance of the masses.

Part G.—Small industries allied to agriculture.

Question 1.—There are no subsidiary industries in the proper sense of the word. But some agriculturists keep buffaloes and cows and supply milk and *ghi*, make *gur* and *rab* out of the sugarcane crop, and grow tobacco and vegetables, specially potatoes. Hand-spinning is done in certain localities and particularly by professional classes, *e.g.*, Jolahas and Chamars.

Question 2.—The establishment of some industries, *e.g.*, dairy farming, hand-spinning, tobacco growing, vegetable and fruit growing will prove beneficial both to the producers and consumers. They should be stimulated by government subsidy or by establishing industrial banks with full facilities to the clients. The advance of loans should be at very low rates of interest, and proper arrangements should be made for marketing.

Question 3.—In my opinion *charkha* or hand-spinning, if properly popularised by Government or co-operative societies, will give a good return to the agriculturists. I suggest this industry because it is very old, cheap and economical. Other industries may be left to the taste of each individual.

The establishment of co-operative or industrial banks will for the present do to secure working capital for such enterprises.

Part H.—Small urban industries.

Question 1.—The cottage or art industries are financed either by the artisan himself, or by taking loans from moneylenders, or by taking materials from dealers in those articles, *e.g.*, the Jolaha or weaver purchases thread for cash or on credit from merchants.

If the artisan is a man of note, his wares are disposed of at his own place, but in ordinary cases he has to go out hawking or to bring them to some neighbouring market.

I think no part is played by either middlemen or large dealers in my area.

Question 5.—Industrial banks would greatly help the financing of small industries. In my opinion either a co-operative or joint-stock bank would do but a joint-stock bank will be more appropriate.

Such a bank should issue loans to artisan societies as well as to individual artisans or firms, according to the status and circumstances of each case.

Question 6.—Sales associations, dépôts or emporia would assist in the disposal of wares. They should be organised, financed and managed either by unofficials or by Government, but in either case there should be direct supervision of Government. Without Government control nothing would be done.

II.—INDIGENOUS BANKING.

A.—Organisation of indigenous banking.

Question 1.—Only a few individuals deal in *hundis* and moneylending so there is only one class of indigenous bankers. They deal in *hundis* and lend money but seldom receive deposits.

They adopt the old method of keeping accounts, etc. They do not work on the modern system of banking.

Indigenous bankers also do other business. Some of them deal in grain, some sell clothes, others make bricks and do *zamindari* and cultivation work. Moneylending is their principal business and the others subsidiary.

Mr. RAGHUNATH PRASAD.

Question 2.—Indigenous bankers simply advance money on interest to agriculturists, traders and artisans, and if some deal in raw materials, *e.g.*, cotton, cotton thread, etc., they give these materials also on credit.

Question 5.—Indigenous bankers keep two books in general, one for daily income and expenditure, and the other for separate accounts of each client, called *bahikhata*.

C.—Advances by indigenous bankers.

Question 1.—Indigenous bankers advance loans on the execution of (*i*) pro-notes, (*ii*) simple money bonds, (*iii*) mortgage-deeds, but in certain cases they simply get the signature of their clients on their *bahis*.

These loans are some for short periods and some for long periods.

Generally, loans are advanced on personal security, but in certain cases they are given on the security of land, houses, other immoveable property, *e.g.*, groves, etc., crops cattle and ornaments.

The rate of interest varies from 12 per cent. to 25 per cent. according to the status and personality of the individual client.

Question 2.—The agriculturist has to pay interest usually at 25 per cent., but in certain cases even up to 37½ per cent. In the case of grain the charge is from 25 per cent. to 50 per cent.

The rate of interest may be reduced either by mutual consent or by legislation; a fixed rate of interest may be decided.

In my opinion if the agriculturists have direct dealings with banks, they would be greatly benefited.

E.—Defects of indigenous banking.

Question 1.—The public views indigenous bankers with favour and respect, and consider their existence necessary in the absence of better banking organisations.

Question 2.—I do not think that indigenous bankers experience any legal or other difficulties in carrying on their business. The only difficulty is in the way of realization of debts when they have to go to the law courts. The process of execution is so expensive and complex that one thinks it better not to sue for small amounts.

Question 3.—Indigenous bankers are not sufficiently protected by law and require additional privileges.

Question 4.—I do not think there are any defects in the dealings of indigenous bankers with their clients other than the high rate of interest taken from the clients. The only remedy is the establishment of banks where money may be advanced at low rates of interest, or by legislation to reduce the rate of interest.

Question 5.—Sometimes indigenous bankers cannot meet the demand for want of insufficient funds.

They may be allowed special facilities in borrowing from the Imperial or other banks at low rates of interest on giving sufficient securities.

G.—Consolidation of indigenous banks.

Question 1.—There is little chance of consolidating the indigenous banking system, but improvement is possible if indigenous banks are given facilities for getting loans from the Imperial or other banks, *e.g.*, low rates of interest, and special privileges in the matter of realizations. But they should be asked to charge low interest and this should be prescribed by legislation.

Question 2.—Of course, indigenous banks would secure an increased clientèle if they are recognized by Government, because, in that event, their dealings will be methodical and people will have more confidence in them.

Question 2-*A*.—It is very desirable to set up a class of registered moneylenders with special facilities and privileges and under the control of the Government. The only restrictions that may be imposed on them are to ask them to charge the prescribed or fixed rate of interest from their clients. In the present state of society it is not desirable to restrict their lending for productive purposes only.

MR. RAGHUNATH PRASAD.

Question 3.—I think indigenous bankers will look upon measures designed to regulate their operations with suspicion, simply from sentiment rather than from principle; but legislation will improve matters.

Question 4.—I do not think that there are times when money lies idle in the hands of indigenous bankers, because they have various subsidiary businesses wherein they invest the money.

Question 5.—The indigenous banking system in my locality is not connected with the principal money markets, but I think it is desirable to create such a connection.

I think either the establishment of a local joint-stock bank with a local directorate in every district where at present there is no branch of a joint-stock bank, or the establishment of a bank on what are known in Germany as "Commandit" principles will be a suitable method to create the required connexion.

In the case of a local branch of a joint-stock bank in a small centre, it may be made to keep sufficient money for local requirements before sending the deposits to headquarters.

So far as my district Sultanpur is concerned a joint-stock bank will attract enough business.

I do not think the establishment of a Central Reserve Bank in the present circumstances necessary, but after seeing the working of the banking system suggested, one may be established in future.

H.—Defects in statutory and customary law regarding recovery of debt.

Question 1.—The statement referred to in the beginning of this question is absolutely true The locality of courts is at such distances that moneylenders prefer to forego small debts than to go to court on account of the heavy expenses incurred and which do not form part of the costs in the suits.

Bribery is so prevalent amongst the low officials, from the peons to the readers and munsarims, that it is difficult to realize the amount of decree through the courts without incurring heavy expenses. The litigants have to gratify all subordinate officials concerned in the execution of decrees, and even in so doing they are not quite sure of realizations. If immovable property is put up to sale, the process is so tedious, expensive and lengthy that decree-holders seldom resort to it.

After decree judgment-debtors make various applications in execution proceedings simply to harass the decree-holder and to delay executions.

The remedies are—

(i) either the debts may be realised like government revenue by the law courts exercising, of course, all the powers of a collector. An application with a copy of the decree is enough for the process;

(ii) or creditors should have a lien over the property of the debtors after the payment of the rent, *e.g.*, crops, trees, houses, etc.

Question 2.—I agree with the conclusion of the Royal Commission on Agriculture in India in so far as the courts are given discretionary powers to open old transactions, and though the Usurious Loans Act is not a dead letter, the courts in most cases exercise wrong discretion in these matters.

The discretionary powers given to courts give ample power to misuse them and hence serve as obstacles in performing their duties with justice and fairness. Communal feelings amongst the officers even, with of course few exceptions, and human weakness to partiality, are great obstacles in the exercise of just discretion.

For the present there should be hard-and-fast rules for the courts to follow, *e.g.*, fixed rate of interest, and the particular cases in which the old transactions may be reopened.

III.—INVESTMENT HABIT AND ATTRACTION OF CAPITAL.

A.—Encouragement of saving and investment habit.

Question 1.—In my district there are (i) one co-operative town bank, with an authorised and subscribed capital of Rs. 5,000, and (ii) the district co-operative bank. Neither of them meets the present demand of the district. For want of sufficient capital clients have to go unheeded.

The establishment of a new bank, or an additional capital of Rs. 4,00,000, will meet the requirements.

Question 2.—The existing means of encouraging the habit of saving and investment are (i) post office savings banks, (ii) co-operative banks and (iii) indigenous bankers.

They provide full facilities to the public, but the low rate of interest paid by post office savings bank is a drawback.

In my opinion an extension of such institutions outside trade centres is essential to encourage the habit of saving amongst the agriculturists.

Question 3.—The people in my locality are not in the habit of investing in gold or silver.

Question 4.—I think postal cash certificates are popular in my district.

Their popularity may be encouraged by (i) enhancing the interest, and (ii) some interest should be allowed even if the client withdraws his money after three months.

Question 4-A.—People in this country are shy of investing their money in banks or other institutions, and as the rate of interest prevalent in the villages is so high people will not resort to a national savings' movement because they would get little return for their savings, say 6 per cent., whereas they would get 25 per cent. at least if they lent their money in villages. Hence, in my opinion the national savings movement is not desirable in the present circumstances.

Question 5.—I consider the post office savings bank affords adequate facilities for investment. In my opinion a little enhancement in the interest will make it more popular.

Government servants the educated public, traders and merchants, and private employees take advantage of the various facilities for investment offered by the post office.

To attract those classes that do not resort to this type of investment I would suggest propaganda either through government officials or private associations.

Question 6.—I consider the allegation that the rates of interest on postal cash certificates and treasury bills are so favourable as to create competition between Government and banks in attracting money, is true.

I think such competition not only healthy but essential to induce other banks to create more confidence in them by the public.

Question 8.—People have little faith in the working of municipalities and it would not promote the savings habit if they were to afford savings bank facilities.

Question 9.—Government, the Imperial Bank of India and other banks serve as middlemen between the seller and the purchaser.

For small agriculturists and investors securities should be issued of small valuations.

Question 10.—Some facilities are afforded by banks in the matter of sale and purchase of securities, other than government securities, by helping the parties in the transaction of purchase and sale.

Question 11.—Some people invest the money surplus to their normal expenditure in ornaments for their females; some in land; some in grain, and others in the lending business.

They keep the money with them or in post office savings banks, and those who do neither of the above hoard it underground.

Question 12.—In prosperous years agriculturists either keep the produce with them till a more favourable time for disposal, or, if they sell it, they keep the money with them.

They lend to fellow farmers on the terms prevailing in the vicinity.

On an average in a well-to-do village the amount of money with agriculturists does not exceed Rs. 2,000. The major portion of it remains with the well-to-do farmers.

On the whole the capital is increasing. Well-to-do farmers are better off because they can resist the consequences of famine and drought.

Question 13.—I agree with the allegation that in India the banking and investment habit is of very slow growth because people in this country are in the habit of hoarding

their money underground, and the majority still have no idea of the banking system or its advantages. Also, they have little confidence in banks. Some of them do not like that others might know the amount of their capital, and they also do not like that their real status may be known to others.

People should be educated to invest their savings in productive undertakings by holding meetings, conferences, distribution of leaflets and other propaganda.

B.—Cheque habit.

Question 1.—The cheque habit is growing slowly in India.

Question 8.—Educated people, traders and merchants use cheques.

C.—Vernacular scripts in banking.

Question 1.—As the country is attaching more importance to vernaculars, and English is being given secondary place in educational activities, I think the introduction of vernaculars in banks will be beneficial.

Question 2.—I think Nagri is the most complete and efficient vernacular, but even the introduction of Urdu will do.

Rai Sahib Babu CHIRANJI LAL, B.A., Managing Director, Co-operative Bank, Etawah.

Replies to the questionnaire.

Introductory.

The agriculturist may be divided into two classes—

(1) The landlords.

(2) The cultivators and their helpers in cultivation.

The landlords form but a small minority; they are generally literate or at least possessed of sufficient intelligence so as not to require much looking after. They borrow their capital from (1) indigenous bankers, (2) joint-stock banks, and also (3) from each other. As they have property to offer as security, they are able so long as their property is not sufficiently encumbered to obtain loans on rates of interest which may not be deemed to be excessive, but which at the same time are not sufficiently low to make it possible for them to improve their property or take up any other profitable works to increase their income, or even to pay off the debt easily. In most cases the interest and compound interest go on multiplying and with the increase in indebtedness the rate of interest they are required to pay on subsequent borrowings or renewals of their old debts, also keeps on increasing. A succession of bad years, moreover, due to an irregular and inadequate rainfall, has greatly added to their indebtedness in late years, so that the demand for money now exceeds the available supply and a very appreciable rise in the rate of interest has been the consequence. To save the landlords from ruin it is necessary to provide at an early date an agency which may command sufficient funds and may lend them out on a very moderate rate of interest with repayments in easy instalments spread over a sufficiently long period, and which may also be able to advise and even help in arranging repayments by taking over the management of their properties if necessary.

The cultivators and their helpers who form by far the largest majority and constitute in fact the backbone of India, as it is purely an agricultural country, are unfortunately in the most deplorable condition. They are extremely poor, generally illiterate and quite ignorant. Their whole attention at present is engrossed only in how to manage to live; most of them have not even a realisation of their real requirements such as (1) supplementing and improving their live-stock so as to make it the means of increasing their outturn from cultivation as well as a source of additional income; (2) providing themselves with improved agricultural implements; (3) adding to their irrigation sources by construction of *pakka* wells, etc., and improving their holdings in other ways; (4) procuring good seeds, manure, and fertilisers in sufficient quantities; (5) taking up auxiliary small industries which can be carried on along with cultivation, etc. Even if in good and prosperous years they get anything over and above their immediate requirements they usually waste it in amusements, pseudo-religious functions or useless litigation, or at best in lending out to needy cultivators to be wasted later on.

The sources available at present for obtaining their capital from are :—

(1) The government *taqavi*,

(2) the co-operative banks,

(3) moneylending landlords,

(4) well-to-do cultivators, and

(5) village *mahajans* or *beoharas*.

The first is almost negligible as, in normal years, the cultivators rarely resort to it because of the difficulties they have to encounter in obtaining it, chiefly owing to their iliteracy and extreme ignorance.

The operations of the second are restricted to but a small portion of the district and even in it to but a portion of the residents; moreover, they have to work under certain other disabilities which prevent them from proving really useful.

The number of moneylending tenants also is very small and they are no better in rapaciousness than the village *mahajans* who are the chief supplier of capital and who

charge very exorbitant rates of interest, viz. 24 to 48 per cent., the higher rates predominating greatly. Their loans moreover, are usually for a very short time only, *i.e.*, from crop to crop; and in calculation of interest, valuation, etc., when advances and repayments are in kind, all sorts of expedients are resorted to, to the prejudice of the borrower, so that the cultivator's whole outturn is absorbed and still the debt continues to hang heavy over his head and crush him down. In this the lenders also are not very much to blame; the cultivators have no real property or transferable rights to offer as security, even their holdings are liable to ejectment for arrears of rent and irrigation dues and can also be relinquished voluntarily at any time; cultivation, moreover, is mostly dependent upon rainfall which is frequently irregular and inadequate. The lender has therefore to be very careful, specially as he has no real influence or hold upon the borrower except what he can do through civil courts the machinery of which is very cumbersome and expensive. His means also are limited and he has often to lose considerable sums through irrecovery from insolvent and dishonest borrowers and he naturally tries to get what he can and while he may from those under his grip.

What is really needed is an organised, sustained and vigorous effort on a very big scale for bringing about an all-round improvement in the condition of the agriculturists (provision of a cheap, long-term and sufficient capital forming a subsidiary, though a necessary, part of it) in which both the agriculturists and the Government must join. With this object an agriculturists' association should be established in each district with its membership open to all eligible agriculturists with the Collector of the district as its Chairman and all departments which can conduce to the well-being of the agriculturists represented on its governing body. It should have a separate executive committee for each of its principal activities, viz. :—

1. Health and sanitation;
2. Education, social, and moral improvement;
3. Agriculture and storing and marketing of outturn;
4. Cattle-breeding, ghee, butter-producing, etc.;
5. Consolidation of holdings;
6. Auxiliary small industries;
7. Financing of cultivators and their labourers;
8. Financing of landlords, etc.;

and should have a branch in each village with corresponding sub-committees or co-operative societies as each activity may demand, along with a village *panchayat* for deciding disputes and petty suits and cases. In this note I will confine my further remarks to its financing activities only.

The existing district co-operative banks should serve as its committee for financing the cultivators by organising and establishing co-operative credit societies in all the villages. They will certainly need to increase their capital very considerably to finance the whole district—for Etawah alone something about 15 lakhs will be required—but it should not be difficult to do it with the active help of the Government: their share capital can be suitably increased, deposits invited on more attractive terms, and a substantial help taken from the Government in the shape of loans and subsidies. When the outlet for private capital is greatly restricted by the banks' activities that capital is sure to be diverted towards increasing the banks resources.

For the satisfaction of the Government as well as for inspiring greater confidence in the public their accounts should be audited every year by a government auditor. At the same time they should be authorised like the Court of Wards department to ascertain by notifications in the government gazette, district gazette or other approved local paper the liabilities of its members with a view to settle them off; their loans should be made to have preference after rents and irrigation dues and their decrees should be made realisable by the Collector as arrears of revenue on a requisition from the Managing Director of the bank. Their connexion with the Co-operative department must continue as at present with necessary modifications which will be of a very minor nature.

As in this way the banks will work side by side with various committees mentioned above all needs of the cultivators—agricultural, physical, social, moral, intellectual and economic—will receive due attention; and, as they will have the co-operation of all departments under the direct help and guidance of the Collector, who among the officials commands the greatest influence with the masses, and at the same time their activities will extend practically to the whole village, they are bound to prove more successful than has been the case till now.

RAI SAHIB BABU CHIRANJI LAL.

Financing of landowners cannot be done on co-operative lines nor is there any necessity for it; it cannot therefore be entrusted to co-operative banks. Some other agency is needed. District mortgage banks seem appropriate but they are not likely to be successful: they will not have sufficient business and large idle balances will be frequent unless they are authorised to undertake other banking business which will involve them in an undesirable competition with other commercial banks. It will also, I am afraid, not be possible for them to raise their own capital, as the capital available locally will barely suffice even to meet the requirements of the co-operative banks. A State department doing the business through the Imperial Bank with the assistance of boards, in each district composed of officials and non-officials, will be the best solution. These boards may consist of the Collector as Chairman, one deputy collector, the sub-agent of the Imperial Bank, the Special Manager, Court of Wards (where there may be one), an *ex officio* members, and five to seven other non-officia members elected by the governing body of the agriculturists' association. Failing it a provincial mortgage bank with a working capital partly subscribed in shares, partly raised in debentures, partly contributed by Government as a temporary advance, and with branches in each district, may do. Etawah district alone will probably require eight to ten lakhs though not all at once, and at this rate the requirement for the whole province will amount to over four crores; but it will be spread over many years and will not prove difficult to arrange for, as most of the private capital at present locked up with the indebted agriculturists will become free and will naturally be diverted towards financing the new agency. Issue of debentures carrying six per cent. interest income-tax-free under a government guarantee and left open for being taken up for a sufficiently long time will bring it in; the loss to the Government, if any, will not be much and it will be more than compensated for by the income in other ways that it will lead to. From the landowners a general rate of 7½ per cent. interest may be charged on their borrowings which, with the principal, may be made repayable in fixed easy half-yearly instalments spread over twenty to thirty years. On overdue instalments an additional charge at 1½ per cent. may be made as a penalty to encourage punctual repayments. Stamp duty and the encumbrance certificate and registration charges may be reduced by half, and the process of foreclosure and sale in the event of non-payment may be simplified. The proposed mortgages should also be notified and power to manage the defaulting estates vested in the boards referred to above.

It is only when something is done on the lines suggested above so that along with a check and sufficient capital a sympathetic and influential guiding and educating agency also is provided, that real good can be expected to result.

I.—Agricultural credit and credit facilities.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturists in this district (Etawah) usually borrow from :—

(1) Government,
(2) Co-operative bank, where there is one,
(3) *Zamindars* doing moneylending business,
(4) Other tenants who have any money to spare, and
(5) Village *mahajans* or *beoharas*.

The purposes and proportion of borrowings are given below: they are based upon figures collected from co-operative societies for the years 1927-28 and 1928-29 :—

——	Co-operative societies' figures.		Average figures for normal years.
	1927-28.	1928-29.	
(i) Repayment of earlier debts	3·0	2·5	5
(ii) Payment of accumulated interest			
(iii) Marriage and other social functions ...	·5	1·5	2

	Co-operative societies' figures.		Average figure for normal years.
	1927-28.	1928-29.	
(iv) Famine and other kinds of distress ..	..	..	..
(v) Payment of land revenue or rent ..	57·0	57·0	55·0
(vi) Seed	·75	18·0	8·0
(vii) Manure	2·75	2·0	3·0
(viii) Expenses of cultivation			
(ix) Agricultural implements			
(x) Litigation	..	..	1·0
(xi) Purchase of plough or other cattle ..	28·0	13·0	18·0
(xii) Sinking of wells	..	·75	1
(xiii) Buildings of tanks	..	..	..
(xiv) Other agricultural improvements ..	..	..	..
(xv) Subsistence	1	1	1
(xvi) Miscellaneous (including business) ..	7	3·5	5

The proportion in which the debts are obtained from the different agencies varies greatly in different localities and in different conditions. It cannot be exactly stated without collection and compilation of necessary statistics. Roughly, the borrowings from the Government in normal years are extremely small; co-operative banks' operations are confined to a few villages in the district and even in them to a small number of residents in them only, as many yet fight shy of the principle of joint responsibility and do not join while some who are already heavily indebted and past redemption are excluded by the bank; the number of *zamindars* doing the business as also of well-to-do cultivators who have any money to share is not very large. The biggest suppliers of capital at present are *mahajans* and *beoharas*. For this district the following figures may probably indicate the proportion for normal years :—

1 : 2 : 30 : 20 : 47.

Debts for seed and subsistence given by the *zamindars*, cultivators, or village *banias* are generally in kind; the rest are in cash.

Ten to one may indicate the proportion of loans in cash to loans in kind.

The loans from the village *bania* who is the principal moneylender are generally for short terms only, i.e., are repayable from crop to crop. The loans from other agencies are for short terms for seed and subsistence only; for other purposes they are for longer terms; 3 to 2 may indicate the proportion between short-term and long-term loans.

Question 2.—For cash advances the usual rates of interest are :—

Government ... ... 7 per cent.
Co-operative bank ... ... 12 ,,
Zamindars ... ... from 18 to 24 per cent.
Village *banias* and cultivators ... ... ,, 24 ,, 48 ,,

The interest on cash loans is generally calculated with six-monthly rests. Cash loans are also given by *mahajans* and cultivators on the instalment system under which

Rs. 12 are recovered for Rs 10 in monthly instalments of Re. 1, payment commencing immediately, which gives to the lender about cent. per cent. interest.

For loans in kind for seed the "*sawai*" system is adopted except by the co-operative bank, i.e., the value of the seed supplied is calculated by market rates at the time of supply; to it is added 25 per cent. thereof for interest; and for the amount so obtained grain is taken when the outturn is ready at the market rate prevailing at the time of repayment.

For loans for subsistence the same procedure is observed as for seeds, while the loans for milk cattle, especially for she-buffaloes, are recovered in *ghee* on the calving of the cattle, at rates which fetch to the lenders 30 to 40 per cent. interest.

The rates charged except by the Government and the bank are exorbitant.

Question 3.—In the borrowings for seed the whole outturn is morally deemed to be mortgaged though there is no legal liability for other loans; no security is generally taken but sometimes houses, ornaments and trees are mortgaged and sometimes loans are obtained by sub-letting holdings; standing crops are mortgaged very rarely.

The need and distress is general, but those who have any security to offer obtain loans easily and are the most heavily indebted; the occupancy tenants come after the landlords and the non-occupancy tenants the last.

Question 4.—The usual method of enforcing payments is to get together a number of village people and to demand payment in their presence as generally the cultivators, so long as they can afford it, do not like to be called dishonest. Sometimes recourse is had to civil courts. The latter method is now on the increase.

Both in the grant and re-payments of loans in kind the rates applied are stretched in favour of the moneylender which adds to his income by about 10 per cent. In most of the villages the prevailing market rates are correctly known to the cultivators as communications between the markets and their own village or neighbouring villages are almost constant.

Question 5.—Sufficient advantage of facilities provided by the Agriculturists Loans Act and Land Improvement Act is not taken.

Taqavi advances from the Government are not taken largely, first because in spite of the precautions taken by the Government the cultivators on account of their illiteracy and ignorance are subjected to a heavy toll in obtaining them, and, secondly, because they cannot manage to evade or delay re-payment when it falls due and are sometimes very hard hit.

The borrowings under the Acts in years of security and famine far exceed the borrowings in normal years because in those times the cultivators cannot do without them.

Direct dealing by the Government with the individual borrowers who are quite illiterate and ignorant is responsible for the difficulties stated above. They can be overcome by extending the activities of the co-operative banks to all villages as suggested in my introductory note, and making all such advances through it.

Question 6.—Combination is sometimes resorted to in the growing of sugarcane crops only which involve considerable expenditure and looking after. Its extension is both desirable and possible but an agency like the one suggested in my note is needed to educate and guide the cultivators.

Question 7.—The present system of agricultural borrowings is highly detrimental to the interest of the cultivator; it is, in fact, ruinous. Besides making him pay exorbitant interest which involves him more and more in debt, it does nothing towards increasing his producing capacity. So long as sufficient capital on easy terms with repayments extending over five to ten years along with a suitable agency to control and guide its utilisation is not provided, no improvement is possible.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—The outturn from crops is brought to market by—

(1) the cultivators themselves,

(2) persons who have made it their business to purchase in the villages and sell in the market.

There is, so far as I am aware, no variation in the methods whether the crops be those mainly used for domestic consumption or those mainly sold in the market.

Question 2.—Advances for fetching the outturn to the market are taken usually by persons mentioned in my answer to question no. 1 above from commission agents.

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(*arhatias*) to whose shop the outturn is brought by them, but they are limited to small sums; usually no interest is charged on such sums but those who take them are under moral obligation to bring grain, etc., for sale to the shops of the givers of advances. No other financing is in practice here.

The co-operative bank at present only lends money to cultivators to enable them to retain their outturn and market it when suitable, but it contemplates forming shortly co-operative societies for marketing, and is educating its members with that object.

Question 3.—The cultivator in marketing his crop has not to pay anything to the local moneylender or the broker. He has to pay to the commission agent at different rates for different commodities, viz. :—

(1) *ghee* in bulk, 8 annas per cent.;
(2) *kapas*, i.e., unginned cotton, 12 annas to Re. 1 per cent.;
(3) other grain and oilseeds, 12 annas to Re. 1 per cent.;
(4) for potatoes, *ghee* in small quantities and other miscellaneous articles, 3 pies per rupee;
(5) on *bhusa*, wood and similar articles, 1 anna per rupee.

To the *beopari* he has to pay as under :—

(1) On *kapas*, 2½ chattacks per maund out of which 6 pies per rupee is refunded to the cultivator.
(2) On wheat and oilseeds, 1¼ chattacks per maund as *jhori*; on barley, maize, etc., 2½, chattacks per maund as *jhori* with 3 pies per maund for *palledari*.

These charges are, in fact meant for expenses incurred by the *beoparis*.

The other incidental charges are :—

(1) For charity fund, 6 pies per cent.
(2) About 7 seers per cartload of grain and *kapas* and ¼ seer per maund on *ghee* are charged for the menial staff of the commission agent.
(3) Nine pies per cent. are charged on *ghee* for *ghee* association.

Question 4.—The cultivator stores grain in *khattis*, i.e., underground *kachcha* circular cavities like a half-dug well, narrow at the mouth but broader as it goes downwards, and *bokharies*, *i.e.*, half underground and half above-ground open cellars built in any room or verandah *Pakka* rat and dam-proof stores of the approved pattern will prove better, but they are too costly to be contemplated at present.

In the market grain is stored in *khattis* and godowns. In *khattis* the lowest portion is usually damaged and in godowns shortage through thefts is not infrequent. For improvements, see my answer to question no. 6.

Question 5.—The grain stored in the markets is used as security by the storers and speculators in grain who generally deposit one-fourth of its price, the rest being met by the *arhatias* or banks.

Question 6.—The system of licensed warehouses followed in the United States of America seems quite practicable for India. Its introduction will not only facilitate transactions but also ensure safe storing of grain by leading to the construction of proper warehouses. Government assistance in the manner given in America will, of course, be necessary.

Question 7.—Cultivators do not at present combine to market any crops but the introduction of the practice is likely to prove very useful. The Etawah co-operative bank contemplates starting it.

Part C.—Extent and nature of agricultural indebtedness.

Question 3.—As the result of enforced payment of debts ownership of land is passing from the agriculturist classes to moneylenders and efficiency is certainly affected as the original owners used to do farming themselves and cared for their lands, whereas the look-out of the new owners is only to get the highest rent from them and the lands; consequently the lands are let frequently to less efficient and such cultivators as cannot afford to spend anything on their improvement.

Questions 4 *to* 6.—These points have been summarily dealt with in my introductory note. No exact estimate can be given. The indebtedness of the land-owning classes is due to—

(1) Rise in the standard of living.
(2) Rise in prices of commodities.
(3) Frequency of unfavourable years.
(4) Decrease in income from additional sources.
(5) Deterioration in the productiveness of land.

The amount due to each cause cannot be given separately.

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Part D.—Credit facilities in respect of agricultural production and marketing.

Question 1.—In respect of crop production, help is given only by the co-operative bank, the *zamindars* and the professional moneylenders in the shape of seeds and cultivation expenses.

The existing facilities are quite inadequate. My suggestions for their improvement are embodied in my introductory note.

The present system, excepting the part played in it by co-operative banks which is insignificant, is simply ruinous as it takes away a very substantial part of the cultivator's outturn. Extension of help through co-operative banks will go a great way to remedy the defect.

Question 2.—None of these agencies render any help towards marketing of crops.

Formation of co-operative societies in villages and the establishment of selling agencies in the market under a body like the co-operative bank the aim of which is purely the cultivators' welfare is necessary.

Question 5.—For agricultural finance generally something in the neighbourhood of 15 lakhs will be needed for the cultivators in the Etawah district; for landowners another 8 to 10 lakhs will be required. The estimate for cultivators is based on the transactions of the co-operative bank with them and may be taken as fairly accurate, that for landowners is only a guess based on a consideration of their known indebtedness.

Part E.—Land mortgage banks.

Question 1.—Landlords can obtain long-term loans to the extent of the capacity of their landed property which differs in different localities, and is also influenced by the general condition of the landlord and his personal credit. Ten to fifteen times the land revenue may be taken as an approximate estimate of the amount of loans they can obtain.

Occupancy tenants' loans vary with the extent of their holdings and the value of their live-stock and their personal credit. In the case of other tenants long-term loans are rare and are given in small amounts by those only who have some hold on them.

Question 2.—Large amounts for long terms can be had only on the mortgage of landed property; small amounts can be obtained on pronotes, simple deeds or *hundis*. Personal factor plays a great part.

Question 3.—Non-transferability in the case of tenants certainly acts as an impediment to long-term credit and also increases the rate of interest.

Question 4.—Occupancy right alone does not serve as an adequate security unless the holding is sublet with the consent of the landowner.

No modifications of the existing law seem desirable. If the holdings are made transferable they will in many cases soon pass into the hands of moneylenders as happens in the cases of village property. What is necessary is to increase the cultivators' sources of income and also to increase their credit by making them members of co-operative credit societies.

Question 5.—A State department with a board in each district composed of officers and non-officials and failing it a provincial mortgage bank will solve the problem of long-term advances.

Question 6.—The institution referred to in my preceding answer should devote itself to the financing of landowners only; the supply of credit to the cultivators should be entrusted to co-operative banks.

The working of the two agencies should be unconnected except in the matter of utilisation of surplus funds.

If a provincial mortgage bank is established it should have some share capital of its own; the rest of the funds it may require should be raised by issue of debentures carrying a government guarantee. For Etawah district alone from eight to ten lakhs will probably be required.

Part of the share capital as well as of that to be raised in debentures should be available for subscription by the general public and part carmarked for the agriculturists and made available for a much longer period. If the share capital and debentures are not taken up immediately by the public the deficiency should be made good by a temporary loan from the Government.

The maximum period of loans advanced by the bank should be 30 years and the margin between the amounts of loans and value of lands should be such as may be sufficient to cover the amount with interest and the expenses incidental to recovery,

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making at the same time an allowance for the possible depreciation in the value of the mortgaged property. It will necessarily differ in different districts; ordinarily it may be between 10 to 15 times of the land revenue.

It should obtain its working capital from—

(i) sale of shares,

(ii) sale of bonds or debentures,

(iii) temporary loans from the Government.

Debentures should carry government security both for principal and interest. They should be available for a sufficiently long time as they will be in requisition greatly after the private capital at present locked up in mortgages is released. The bank may meet its requirements in the meantime by a loan from the Government. The debentures should not necessarily rank as trustee securities.

Under the above proposal the Government will not be put to much loss, if any, and it will be more than compensated for in the increased prosperity of cultivators which will add to the government income in other ways.

The registration office should issue certificates of encumbrance at a nominal charge. Stamp duties, registration charges and court-fees should be halved. The proposed mortgages should be notified in the district gazette and in its absence in any other local paper having the largest sale, and also in the village or villages shares of which are proposed to be mortgaged. Some simplification of the present process of foreclosure and sale in the event of non-payment is also necessary. The bank should not undertake management of defaulting estates but a separate association should be formed from among the *zamindars* which may take up this business on the recommendation of the bank.

Co-ordination of provincial land mortgage banks does not seem necessary.

Question 7.—In this district sales are generally made of village shares and valuation is based upon their profits; sales per acre are very rare and when made the valuation is based upon the situation of the land and the quality of its soil rather than upon the crops grown.

Forced sales, by government auction or under a court decree, generally fetch a lower price than that obtained by private negotiation because the one is compulsory and the other optional, which makes a world of difference.

In this district the valuation is generally based on profits *i.e.*, excess of rents over revenue paid to the Government and varies from Rs. 3 to Rs. 6 of every Rs. 100.

Part F.—Co-operation.

Question 1.—The co-operative bank in this district has no relation with any joint-stock bank or indigenous bankers except that it keeps its cash balances and current account in the Imperial Bank.

There is no competition, as the sphere and nature of the operations of the co-operative bank are quite distinct from those of other banks.

Question 2.—If by co-operative societies the co-operative bank is meant, it does not need to raise short-term capital and does not experience any difficulty in raising long-term capital. If village co-operative societies are meant, they are provided with as much short and long-term capital by the co-operative bank as can be done with safety, and it is generally enough for their immediate requirements.

Question 3.—The capital available is sufficient for the present financing of the co-operative movement in this district.

Question 4.—A succession of unfavourable years leading to general distress has intensified the demand for the extension of the co-operative movement as a money-lending agency and consequently village co-operative credit societies can be multiplied to any extent.

What is really wanted is a better comprehension of co-operative principles and a determination to work up to them and thereby bring about an all-sided improvement in their conditions. This cannot be achieved by mere financial concessions. The introductory note may be perused.

Part H.—Small urban industries.

Question 1.—The workers in cottage industries generally raise their own capital, sometimes by mortgaging their outturn and even house property. Some financial help is also sometimes given to some of the weavers by commission agents.

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They purchase their raw material and implements locally. Sometimes they obtain them from neighbouring markets of Cawnpore and Agra.

Their outturn is mostly disposed of locally. Part of the cloth outturn however is exported by a few commission agents and sometimes the weavers themselves take it to the adjoining towns and dispose of it personally.

The middleman or commission agent purchases from the weavers at a cheap rate and exports on his own account, appropriating the whole profit to himself.

Question 2.—There are no industries in which there are *karkhanas* in the district.

Question 3.—Labour on a large scale is employed here for a few months in ginning factories and it has to work hard there, sometimes to the detriment of the health. A properly organised and controlled workers' union may improve matters.

Question 4.—No co-operative artisans' societies exist in this district.

Question 5.—There is not much scope for a separate industrial bank. The existing co-operative bank if assisted by the Industries department in the organisation of industrial societies can easily meet the requirements.

Question 6.—An association to organise, improve and finance as well as to arrange for suitable raw material at proper rates, and export or otherwise dispose of the outturn is certainly needed for the weaving industry, as also for leather goods, both of which industries have great possibilities in this district. This can be done by the formation of joint-stock companies.

III.—Investment habit and attraction of capital.

A.—Encouragement of saving and investment habit.

Question 1.—There are branches of the Imperial and Allahabad Banks and a District Co-operative Bank. There are also a number of indigenous bankers in this district.

These credit agencies are not quite adequate even for ordinary requirements; but for helping the agriculturists, in organising and improving agriculture as well as the existing and possible small industries, agencies like those suggested in the introductory note are required

Question 2.—The existing means for encouraging habits of saving and investment are the post office savings banks, its cash certificates and the district co-operative bank. The activities of the latter are confined at present to only about 50 villages in this district.

They do not provide full facilities specially to the rural population and are altogether inadequate.

Associations like the one suggested in my introductory note which may undertake education and guidance as well as provide facilities for small investments on suitable rates of interest will prove of great benefit.

Question 3.—The people do invest in gold and silver in the shape of ornaments but the investments are small and gradually decreasing on account of the growing poverty of the masses as also on account of the realisation by the educated classes of the wastage they entail. If calculation be possible they will not, I am afraid, amount to even ½ per cent. of the total income.

Question 4.—Postal cash certificates are popular. Their popularity can be further encouraged by (i) revising the rates to the previous scale, *i.e.*, Rs. 7-8-0 may fetch a certificate of the face value of Rs. 10 and (ii) by making some interest obtainable after the lapse of three months from the date of purchase.

Question 5.—Post office savings banks afford adequate facilities to the urban public only. To popularise them in the rural area, education of the masses is necessary.

The various facilities for investment offered by the post office are taken advantage of mostly by the educated classes. Educative propaganda through the *patwaris* may do something to attract others though the villagers fight shy of having their money converted into paper.

Question 6.—The allegation that the rates of interest on postal cash certificates and treasury bills are so favourable as to create competition between Government and banks in attracting money is in a measure true, but in the interest of the public no change is necessary.

(For further evidence, see pages 304—308.)

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Report of an enquiry in villages Sarai Bhopat and Zainpur Nagar in the Partapner estate, district Etawah.

(This enquiry was conducted by Rai Sahib Babu Chiranji Lal, b.a., *Managing Director, Co-operative Bank, Etawah, jointly with* Babu Prem Narayan, *Special Manager, Court of Wards, Etawah.)*

Our notes are short as our remarks are restricted to those points only for which figures could be obtained in these villages for answering the questions in Parts I A and C of the questionnaire.

These villages differ from non-Court of Wards villages in this respect that the estate has no moneylending business there and also that it charges no interest on arrears of rents or canal dues which is generally charged by the other *zamindars* at the rate of 2 per cent. and which goes greatly to enhance the indebtedness of the cultivators.

The area, population and the extent of the indebtedness of the villages selected are given below :—

		Sarai Bhopat.	Zainpur Nagar.
1.	Number of rented holdings	75	60
2.	Gross income	Rs. 2,440	2,584
3.	Land revenue	Rs. 1,211	1,238
4.	Population	300	400
5.	Total area	acres. 602	395
6.	Area under cultivation	„ 373	336
7.	Area uncultivated	„ 229	59
8.	Total indebtedness	Rs. 6,711	10,021

The replies to the questionnaire are :—

I.—Agricultural credit and credit facilities.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The cultivators in these villages borrow from—

(1) Government.
(2) Co-operative bank.
(3) Village moneylenders or *mahajans.*
(4) Other tenants.

The objects for which they borrow and the proportion of the debt due to each object are as follows :—

	Sarai Bhopat. Per cent.	Zainpur Nagar. Per cent.
Payment of earlier debts	1·50	..
Marriage or other social functions	9·38	10·01
Payment of rent and canal dues	18·97	29·05
Seed	15·47	4·72
Litigation	3·48	7·99
Sinking of wells	1·04	4·72
Subsistence	25·75	22·24
Purchase of cattle	24·41	21·27
Total ..	100·00	100·00

The following is the proportion of the debt divided between the various classes of lending agencies :—

	Sarai Bhopat. Per cent.	Zainpur Nagar. Per cent.
1. Government	1·79	1·49
2. Co-operative bank	8·00	..
3. *Mahajans*	84·63	83·30
4. Other tenants	5·58	15·21

The exact proportion of the debt incurred in cash and grain could not be ascertained as the cultivators do not keep any record, but generally advances for seed and about 50 per cent. for subsistence are taken in kind and the rest in cash.

About 32 per cent. in Sarai Bhopat and 26 per cent. in Zainpur Nagar is for short periods and the rest for long periods.

Question 2.—The following rates of interest are charged in these villages :—

Rs. a. p.
6 4 0 per cent. per mensem
4 4 0 ,, ,, ,, ,,
3 2 0 ,, ,, ,, ,,
2 0 0 ,, ,, ,, ,,
} on cash advances.

Sawai system which works out at about 4·4 per cent. per mensem is followed for loans in kind for seed.

For 50 per cent. of advances for subsistence, which are in kind, the *sawai* system as above is followed.

On all cash advances interest is calculated with six-monthly rests and on advances in kind one and one-fourth times is charged at the end of the first half-year; if not paid, interest at 2 per cent. is charged thereon and further interest is calculated with six-monthly rests.

The rates of interest except those charged by the Government and the co-operative bank are certainly exorbitant.

No other charges incidental to the grant or repayment of loans are made in these villages

Question 3.—The loans are generally given without any security, but sometimes holdings are sub-let, though such instances are rare.

It is correct to say that the better the title to land the greater the amount of indebtedness as the following figures will show :—

	Occupancy.		Non-occupancy.	
	No. of holdings.	Indebtedness.	No. of holdings.	Indebtedness.
		Rs.		Rs.
Sarai Bhopat	55	5,265	21	1,446
Zainpur Nagar	48	9,161	11	860

The indebtedness of the various classes of tenants in these villages is as below :—

	Sarai Bhopat.		Zainpur Nagar.	
	No. of tenants.	Amount of indebtedness.	No. of tenants.	Amount of indebtedness.
		Rs.		Rs.
1. Higher castes, namely, Brahmans, Thakurs and Kayasthas	5	870	5	1,414
2. Good agricultural castes, namely Ahirs ..	13	3,111	..	..
3. Market gardening castes, *i.e.*, Kachis	..	..	13	2,526
4. Other castes, such as Chamars, Dhanuks and Barhis, etc. ..	23	2,730	30	6,081

No debt is secured on land mortgage.

Question 4.—The usual method of enforcing payments is to get together a number of village people and to demand payment in their presence, as generally the cultivators, so long as they can afford it, do not like to be called dishonest. Sometimes recourse is had to civil courts; the latter method is now on the increase.

Both in grants and the payment of loans in kind the rates applied are stretched in favour of the moneylender which adds to his income. These excess charges vary from half a seer to one seer.

These villages being close to the city have constant communication with the grain market.

Question 5.—Sufficient advantage of the facilities provided by the Agriculturists Loans Act and Land Improvement Act is not taken.

Taqavi advances from the Government are not taken largely because—

(1) They are not generally obtainable in time and according to requirements,

(2) in spite of the precautions taken by the Government the cultivators have to incur extra expenses in obtaining it,

(3) because they cannot manage to evade or delay payment when it falls due.

The borrowings under the Act in years of scarcity and famine far exceed the borrowings in normal years because in those times the cultivators cannot do without them, as *beoharas* in such years do not come forward to make any advances

Taqavi may be advanced on a more generous scale and recovered in very easy and long-term instalments and a stricter check may be exercised in its grant so as to save the recipients from unnecessary extra expenses.

Question 6.—No instances have been found in these villages where cultivators combined together to produce particular crops, but it has been noticed that they generally combine in harvesting and pressing sugarcane and *gur*-making.

Question 7.—The present system of agricultural borrowing is highly detrimental to the interest of the cultivators; it is, in fact, ruinous. Besides making him pay an exorbitant interest which involves him more and more in debt, it does nothing towards increasing his producing capacity. So long as sufficient capital on easy terms with repayments extending over five to ten years with a suitable agency to control and guide its utilisation is not provided, no improvement is possible.

Part C.—Extent and nature of agricultural indebtedness.

Question 1.—The existing indebtedness of cultivators for Sarai Bhopat and Zainpur Nagar, two of the Court of Wards villages, is as under :—

	Rs.
Sarai Bhopat	6,711
Zainpur Nagar	10,021

In both the above villages these figures have been ascertained by close and careful personal enquiries. The statements of indebtedness were first prepared through the *patwaris*, *ziladar* and *sarbarakar*, which were verified by us on the spot by personal enquiry from each tenant as well as from the village *mahajan* and other influential residents.

All debt is unregistered and without security.

The debts incurred are all against the assets generally.

Question 2.—The principal creditor of the agriculturists of these villages is the village *mahajan*.

Loans advanced by the richer cultivators work out to 5·21 per cent. in Sarai Bhopat and 15·06 per cent. in Zainpur Nagar.

The debts due to the various lending agencies are as under :—

	Sarai Bhopat.		Zainpur Nagar.	
	Amount of debt. Rs.	Percentage.	Amount of debt. Rs.	Percentage.
1. Government ..	120	1·79	150	1·49
2. Co-operative bank ..	537	8·00	..	..
3. Village *mahajan* ..	5,679	84·63	8,347	83·30
4. Other tenants ..	375	5·58	1,524	15·21

Question 3.—The land and the rights in land are not affected by the enforced payment of debt in these villages as no moneylending is done by the *zamindar*.

RAI SAHIB BABU CHIRANJI LAL AND BABU PREM NARAYAN.

Report of an enquiry in village Akbarpur, district Etawah.

(*By* RAI SAHIB BABU CHIRANJI LAL, B.A., *Managing Director, Co-operative Bank, Etawah.*)

A separate report has been made regarding the agriculturist's indebtedness for villages Sarai Bhopat and Zainpur Nagar. Those, however, are small villages owned by a single big landlord, and immune from the payment of interest on the arrears of rents and irrigation dues, by no means a small factor in adding to the indebtedness of the cultivator, as they are under the management of the Court of Wards which charges no interest on arrears. I now give below the figures collected for a bigger village, Akbarpur, which is owned by several *zamindars*, big and small, and which represents more truly the condition prevailing in an average ordinary village.

There are five *zamindars* in Akbarpur, out of whom only one is free from debt; the rest are all indebted to the extent given below :—

	Rs.
One	40,000
Second	34,000
Third	26,000
Fourth	25,000

Debts secured on mortgages carry interest from 6 to 12 per cent. per annum; small unsecured debts from 12 to 24 per cent. per annum.

The indebtedness of the *zamindars* in this village is, perhaps, greater than is the case generally, but there can be no question about the very deplorable condition of this class of the agriculturists as is sufficiently disclosed by the ever-increasing mortgages and frequent transfers of property by sales and auctions.

The condition of the cultivators also is not much better. Their indebtedness is found to amount to Rs. 33,886 for this one village only; a succession of very lean years has certainly increased it considerably at present, but even normally it is sufficiently great.

The loans of cultivators are found to have been contracted for the following purposes :—

		Rs.		
1.	Arrears of rents and irrigation dues ..	4,694	or	13·8 per cent.
2.	Agricultural purposes	18,423	,,	54·5 ,,
3.	Subsistence	2,889	,,	8·5 ,,
4.	Social and ceremonial purposes	4,420	,,	13·0 ,,
5.	Litigation	482	,,	1·4 ,,
6.	Business	2,837	,,	8·4 ,,
7.	Other purposes	141	,,	·5 ,,

They were obtained from the following sources :—

		Rs.		
1.	Government	110	or	·3 per cent.
2.	Co-operative bank	1,569	,,	4·6 ,,
3.	*Zamindars*	5,309	,,	15·6 ,,
4.	*Beohras*	21,635	,,	64·0 ,,
5.	Others	5,263	,,	15·5 ,,

and classify as under as regards rates of interest and the ways in which they were obtained :—

1. On general liability, Rs. 27,888, or 82·3 per cent., on interest at Rs. 2, Rs. 3-2-0 and 4¼ per cent. per mensem, Rs. 3-2-0 per cent. predominating.
2. On mortgages of gardens, etc., and sub-letting of fields, Rs. 2,645, or 7·8 per cent., on interest at Re. 1-8-0 per cent. per mensem.
3. On the security of ornaments, Rs. 2,778 or 8·2 per cent., on interest at 2 per cent. per mensem.
4. On instalment system, Rs. 575 or 1·7 per cent., Rs. 12 being payable for every Rs. 10 by monthly payment of Re. 1, payments commencing immediately.

With regard to the classes of tenants they divide as under :—

1. Higher castes, numbering 23, Rs. 6,532 or Rs. 284 per man.
2. Kachhis who grow also garden crops, numbering 53, Rs. 13,128 or Rs. 248 per man.
3. Ahirs, Gadarias and Chamars, who may be classed as other good cultivators, numbering 36, Rs. 6,909 or Rs. 192 per man.
4. Other castes, numbering 71, Rs. 7,317 or Rs. 103 per man.

The Managing Director, District Co-operative Bank, Ltd., Moradabad.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part F.—Co-operation.

Question 1.—The relations between the co-operative banks and other banks have already been good. In fact, in many cases the surplus funds of co-operative banks, as in the case of the District Co-operative Bank, Limited, Moradabad, are deposited with the local branches of the Imperial Bank of India and the Allahabad Bank.

The rates of interest on long-term fixed deposits in the co-operative banks, as in the case of the District Co-operative Bank, Limited, Moradabad, are comparatively higher than the rates on fixed deposits paid by the Imperial Bank of India and the Allahabad Bank, and a large number of depositors want to avail themselves of the advantage of the higher rates, but many applications for deposits have to be refused by the managing directors of the co-operative banks as only a limited amount of deposits is required and the depositors have to go to the Imperial Bank or the Allahabad Bank or other banks.

Question 2.—There are no special difficulties, at least in this district, in raising either short or long-term capital by co-operative societies.

Question 3.—The amount of capital available for financing the co-operative movement is sufficient, at least in this district. The majority of depositors of this bank are local men. The Managing Director was compelled to refuse a large number of applications for deposits both of outside men as well as local men, for the reason that the bank had sufficient money for the present needs of the existing societies.

High rates of interest paid on deposits as well as public confidence go a great way in raising capital. In case of difficulties in raising it, propaganda work will also be very helpful. The propaganda work which is being carried on by the officers of the Co-operative department in villages at present is confined to education, including co-operative education, agricultural and industrial improvement and sanitation, etc. The societies in villages are also being reorganised as far as possible. But it is desirable that the officers of the Co-operative department may come more in touch with capitalists, *zamindars* and *raises*, and they may be invited to co-operative meetings as visitors as often as possible. Big *melas* and exhibitions which are held for several days continuously, among other occasions, provide suitable opportunities to hold special meetings.

Question 4.—Financial concessions will certainly give a stimulus to the co-operative movement. Such concessions as are possible are certainly desirable.

It seems also desirable that priority be given to the claims of co-operative societies over the claims of other creditors without restrictions. Such priority is at present given by Act II of 1912 with certain restrictions only and much advantage of the concession cannot be taken at present. With this end in view some amendments in the said Act and the Provincial Insolvency Act, in order to safeguard the interests of co-operative societies and realisation of loans, appear desirable. Such concessions as well as financial concessions will go a great way towards stimulating the growth of the co-operative movement.

Question 5.—The establishment of a provincial co-operative bank seems desirable and is likely to stimulate the co-operative movement in this province.

DISTRICT CO-OPERATIVE BANK, LTD., MORADABAD.

Pandit RAJNATH KUNZRU SAHIB, Director, Co-operative Bank, Agra.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—THE agriculturists in this district mainly borrow from village moneylenders and, to a certain extent, from co-operative societies. Only in exceptional years of distress do they receive *taqavi* from Government.

The borrowings of the agriculturists are generally for all the purposes enumerated in the questionnaire, but seldom is any money borrowed for building of tanks or for "other agricultural improvements."

It is very difficult to indicate any proportion of the debt distributed amongst the various purposes, but the majority of debts is incurred for the following purposes :—

Repayment of earlier debts, payment of accumulated interest, marriage and other social functions, famine and other kinds of distress, payment of land revenue or rent, expenses of cultivation, purchase of plough or other cattle and subsistence.

I am not in a position to distribute the debt between the various lending agencies, but the major portion of it comes from the village moneylenders.

I think the debts incurred in cash and grain are almost equal.

Almost the whole of the debt is for short periods, adjustable in *kharif* or *rabi*, as the case may be. A very small portion of it may be for a longer period than six months.

Question 2.—The general rates of interest, as far as I am aware, for cash advances are Rs. 2 to Rs. 3-2 per cent. per mensem. In some cases I have seen bonds bearing interest as high as 6¼ per cent. per month with monthly rests.

For loans in kind the cultivator is debited at 40 but receives only 39 seers per maund. On repayment six months later he is to pay 25 per cent. more at 41 seers per maund. The rate of interest will work out to more than 50 per cent. If he does not make a repayment at the stipulated time, he also incurs a penalty which varies in every case.

The interest is generally compounded six-monthly and in some cases even monthly. Sometimes in cases of default, a penal rate of interest is also charged.

Undoubtedly the rates of interest are exorbitant.

I am not aware of any other charges incidental to the grant or repayment of loans, except those mentioned above.

Question 3.—The security of land mortgage, standing crops and ornaments is accepted, where available, in the case of borrowing for agricultural purposes. The security of house property and agricultural implements is neither offered nor accepted.

The landlord is relatively more indebted than the occupancy tenant, but the occupancy tenant is not so much in debt as the statutory tenant, who is more indebted than the occupancy tenant.

The indebtedness in this district is rather heavy. It is believed to be 3 to 3½ crores of rupees. In pargana Kirauli in this district very few *zamindars* are free from debt, while more than 90 per cent. of the tenants are in debt. In pargana Agra, 234 out of 421 *zamindars* are indebted, while more than 70 per cent. of the tenants have debts against them.

The amount of debt secured on land mortgage is believed to be increasing. The amount of unsecured debt or debt otherwise secured is many times more than the debt secured on land mortgage.

PANDIT RAJ NATH KUNZRU.

Question 4.—The usual method in this district of enforcing payment of debt from agriculturists is sheer exercise of might. The *bohra* goes to his client accompanied by his trustworthy men and takes possession of the entire produce. In a small number of cases the help of a court of law is sought.

I have explained above the difference between the rate at which the cultivator borrows grain and repays it. As far as I am aware there is no other difference. The cultivator has no means of ascertaining the current market rates from time to time.

Question 5.—The cultivator hardly takes any advantage of the Agriculturists Loans Act and the Land Improvement Act. The reasons for his failure to do so are manifold. First, he is quite ignorant and mostly does not know how to obtain loans under these Acts. Secondly, if he cares to apply, he is put to needless worry and is fleeced. Thirdly, he is not treated with sympathy and attention by those to whom he has to apply. Fourthly, there is no proper organisation to look into such applications and grant the loans promptly. Fifthly, there may be more applicants than for whom money might be available.

In abnormal times the cultivator borrows *taqavi* more freely because he cannot help it, but he does it after losing a deal of his principal in oiling the various wheels of the administration.

There are many defects in the present *taqavi* system. It is not based on a uniform principle, and the cultivator has mostly to depend on the *patwaris* and other unscrupulous underlings who literally bleed him white. Other defects I have mentioned above.

In my opinion *taqavi* should not be left to be distributed by the ordinary revenue officials of the district, who, due to their pressure of work, are unable to take the proper interest likely to popularise it amongst the tenantry. A separate organisation altogether, conversant with agriculture and the needs and mentality of the tenants, should have control of *taqavi*. The services of co-operative banks, where in existence, and of the officials of the co-operative department, may in my opinion be profitably utilised in this connection.

Question 6.—The cultivators do sometimes combine in producing tobacco, potato and sugarcane. Such combination is both possible and desirable, but it requires a little educative propaganda to be popular and appreciated.

Question 7.—There are numberless defects in the present system of agricultural borrowing. In fact there is no regular system at all. The tenant is entirely at the mercy of the village moneylender who may treat him in any way he likes, and such are the latter's methods of manipulation that even in favourable circumstances the tenant can hardly free himself from his debt. His ignorance and helplessness are heartlessly exploited. The only remedy that I can think of is proper legislation regulating the dealings of the tenant and the moneylender and the simultaneous expansion of the co-operative movement.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—The produce passes to the village moneylender or the *bania*, either of whom takes it to the market.

Question 2.—I doubt if the cultivators get any money to finance the marketing of crops. There are co-operative societies in some portions of this district, but as far as I am aware they do not lend any assistance with money or otherwise. In my opinion it will be to the cultivator's advantage if they do give such assistance in deserving cases.

Question 3.—The cultivator as mentioned above, does not market the produce direct. It is the village *bania* who does it and as far as I am aware he incurs the following expenses, which vary slightly in some cases :—

(i) He generally pays interest, when he borrows money, at 7½ to 9½ per cent.

(ii) He pays the commission agent 12 annas per cent.

(iii) The broker receives from him 3 annas to 6 annas per cent.

(iv) The difference between the wholesale and retail rates is not fixed and always varies according to the condition of the market.

There are other incidental charges also, as, for instance, weighment charge and a slight levy for charity.

PANDIT RAJ NATH KUNZRU.

Question 4.—The cultivator in this district has hardly any grain to store. In negligible cases in which he is able to store any grain, he places it in bags or *kachcha kothis* or underground cellars according to the quantity at his disposal. The small quantity of grain available for storage does not seem to warrant any suggestion for improving the system of storage.

In Agra city proper, grain is stored in the market in bags, in *kothas* and bank godown, while in the district it is stored in bags as well as in underground granaries.

There are defects in the present system of storage. There is a deal of loss by rats and dampness, while the grain stored in granaries is in most cases rendered injurious to health. If any improvement, commensurate in expense with the advantages accruing therefrom, may be possible they will certainly be desirable, but I am unable to make any suggestions.

Question 5.—Grain stored in markets is used as security for obtaining credit to a considerable extent in Agra.

Part C.—Extent and nature of agricultural indebtedness.

Question 2.—As far as I am aware the principal creditors of the agriculturists are professional moneylenders.

The richer agriculturists do lend to the poorer members of their class but to a very negligible extent.

Question 3.—The suggestion that land and the rights in land are passing from the possession of people who are efficient farmers into the hands of creditors who are not themselves efficient farmers may be true to a certain extent, but the difficulty of the peasant is mainly due to other potent causes. His ignorance is the primary factor. He gets money very dear and is unable to invest sufficiently in manure and other requisites. The result is decreased productivity. He is hopelessly in debt from which he cannot expect to extricate himself, while successive years of distress have simply broken his heart. As a result of all this, he has lost all faith and interest in agriculture which he only follows because he can think of no other work to do.

It is not possible to improve the cultivator's lot unless his difficulties mentioned above are possible to be relieved. Unless he gets cheaper money, is extricated from his appalling indebtedness and the size of his holding is bigger, I fear there is little hope for him. Any restriction limiting the right of owning land to any particular class or classes will only depreciate the value of land, without giving any corresponding advantages to the cultivator.

Question 5.—The reasons for the indebtedness of the landlords generally are—

(1) Ruinous litigation.

(2) Want of control over collections of their *zamindari* as well as their expenses.

(3) Profligacy.

(4) False pride and vanity, as, for instance, the passionate anxiety of some *zamindars* to become chairmen of district or municipal boards and to get into legislative bodies and add the three letters M.L.C. or M.L.A. after their names, unmindful of any cost, even if they have to incur heavy debts. I know in some cases Rs. 50,000 and even more have been spent over elections.

(5) Vain gloriousness to show themselves off, beyond their means, at social functions, specially marriages.

(6) In some cases it is unavoidable and is due to famine and such other causes.

I am unable to give an estimate of indebtedness due to different causes, but in many cases, especially of big *zamindars*, it is avoidable.

Question 6.—The rate of interest at which landowners can get loans generally depends upon individual credit, but in the generality of cases it is rather high compared with the security which is offered.

Part D.—Credit facilities in respect of agricultural production and marketing.

Question 1.—Co-operative banks and professional moneylenders alone provide the agricultural credit for the production of crops to the cultivator. I am not aware if

fertilisers can be obtained on credit. In some instances agricultural implements may be available on credit, on the hire-purchase or any other system, but these implements generally do not suit the present conditions obtaining in this district.

I do not consider the existing credit facilities at all adequate, nor is it possible, in my opinion, to effect any improvement unless the Government takes a genuine interest in the present state of the peasant and tries to expand the co-operative movement as fast as possible.

The agriculturist is moving in a vicious circle. He has absolutely no credit left and unless his credit improves his condition cannot improve. It is impossible for him to effect any improvement in his present condition without the help of the Government or any other agency.

Question 2.—Considerable part is played by the credit agencies referred to in respect of the marketing of crops. They make advances against goods, stored or in transit; make recoveries and collections on behalf of firms and dealers; discount *hundis* of respectable parties, but, except in the case of the co-operative banks, the agriculturists do not derive any direct benefit from their activities. I do not know if any organisation dealing in fertilisers and agricultural implements make themselves useful in this connexion.

The existing credit facilities are quite adequate for the middleman. The agriculturist can only benefit if he gets due facilities from the co-operative banks.

Question 3.—As far as I am aware there is no co-ordination amongst the various credit agencies affecting the agriculturists.

I cannot conceive of any improvement in this direction except that the Imperial Bank and other joint-stock banks may help the co-operative banks freely with overdrafts on reasonable rates in times of need. At present this facility is refused.

Question 4.—There is little overseas trade in Agra, but as far as I am aware there are always much better facilities available for overseas trade than for internal trade.

Part E.—Land mortgage banks.

Question 1.—Hardly any loans for long periods are available. They may sometimes be available against the security of land for not more than ten or twelve years. The tenants can hardly expect to obtain any loans for long periods.

Question 2.—As I have said above long-period advances can be available, if at all, on the security of land. Investors are reluctant to lock up their money for long periods unless they have an eye on the property which is offered as security, or there is certainty of regular payment of interest by the borrower. There are very few cases in which the borrowers are able to keep to the terms of their agreements and make regular payments of interest. The methods of enforcement of payment are very cumbersome and expensive, while generally an old debt is contrived to be contested on one plea or another.

Question 3.—Non-transferability in the case of tenants does to a certain extent act as an impediment to long-term credit and increases the rate of interest, but the change of law giving a right of transfer is sure to affect the *zamindar's* right adversely but it is not likely to improve the tenant's position. It may help him only to get more loan than he is at present able to get. This will, however, not solve his difficulty. His economic position can only improve if there is possibly any improvement in his general outlook and methods of cultivation. In this connexion the Government has a very onerous responsibility to discharge.

Question 4.—The occupancy right does not serve as an adequate security for long-term credit.

I do not consider desirable any modifications of the law in the indicated direction for reasons mentioned in reply to question 3.

Question 5.—I think that the establishment of a land mortgage bank would considerably help the solution of long-term advances in the province.

PANDIT RAJ NATH KUNZRU.

Question 6:—I have no personal experience of the working of a land mortgage bank and my opinion is solely based on the note attached to the questionnaire. As far as I can see it will be rather a complicated affair and, in order to be successful, will require a very strong and intelligent directorate as well as a very strict control by the Government. Under no circumstances should any one be allowed to be on the directorate on account of sheer influence or position in society if he has failed to manage his own affairs and is not otherwise properly qualified.

In my opinion there is no necessity to have any separate organisation, and only one bank should do to provide long-term credit to all approved farmers and landowners.

The capital of the bank should be offered to the public for subscription, but to inspire confidence and justify Government control, the Government should also guarantee and subscribe a portion thereof. To begin with, the capital of the bank should be one crore at least with powers to increase it if necessary, and not less than 35 per cent. of it should be subscribed by the Government.

The share capital should be available for subscription to the general public.

If the Government guarantees subscription of 35 per cent. of the capital, as suggested above, I believe the necessity for Government undertaking to subscribe any balance not taken up by the public will not arise. If, however, it does arise against every expectation, the Government should subscribe the balance of the share capital.

One-third of the directorate should consist of experts nominated by the Government. The rest of the directors should be elected by shareholders from amongst themselves, provided they have subscribed a certain prescribed minimum number of shares. In my opinion the minimum subscription should not be less than Rs. 20,000. If it is higher it would be safer. Every shareholder should be given a right of vote on a sliding scale according to the number of shares held by him, and in no case should one shareholder have more than ten votes. The Government votes may be considered to be in the same proportion to all the votes of the shareholders in which the Government subscribes to the capital. In case the Government guarantees the principal or interest or both of the bank on the bank's debentures, the Government should be entitled to further representation on the directorate. I must insist on the strict control of the bank's activities by the State. Any shareholder indebted to the bank should forfeit his right of voting. No director, so long as he continues on the directorate, should be allowed to contract any debt with the bank.

The maximum period of loans should be thirty years, and the margin between the amount of loan and the value of mortgage should be 40 per cent.

I think the bank should be allowed to obtain working capital from (i) deposits, (ii) debentures and (iii) a central institution.

At any rate in the beginning the Government should guarantee the principal as well as the interest of the debentures. This will ensure cheap interest and careful supervision.

In order to inspire public confidence the Government should buy a certain proportion of the debentures but need not necessarily take up the entire unsubscribed balance.

The debentures should rank as trustee securities. The investment is safe, and if the debentures are treated as trustee securities, they will inspire further confidence among the public.

If Government undertakes any financial obligations, the question how it should be safeguarded against loss is not an easy one to answer. If in America and Germany any safeguards against such loss are provided, similar safeguards applicable to the conditions in this country may also be provided here. I do, however, believe that if the Government do exercise proper control, and their experts due vigilance, there will be very little risk of any loss.

I do suggest changes in the existing law to simplify and cheapen the various processes in connexion with the advance and recovery of money by the bank, on the lines as far as practicable followed in the case of co-operative banks and co-operative societies. The registration office should issue certificates of encumbrances preferably free, but, if this may not be possible, at a very nominal charge only. The stamp duty and the registration charges may be reduced to half, while, on the lines of co-operative banks and co-operative societies, decrees should be obtainable by arbitration and no court-fee should be charged. Notification of proposed mortgages is very desirable; while simplification of the process of foreclosure and sale in case of non-payment is essential. As far as possible the help of the court may be avoided and decision obtained through arbitration.

PANDIT RAJ NATH KUNZRU.

I am strongly in favour of the power to manage defaulting estates being given to the bank.

Every province should in my opinion have a separate bank.

Question 7.—As far as I am aware, a big joint-stock bank which used to make heavy advances against land, made it a rule not to advance more than ten times the Government revenue. I think the principle of calculating price on the basis of land revenue will be much safer than on the basis of profits, because in the former case there will be no room for dishonest inflation of the rent roll, if the *zamindars* and the tenants may in extreme cases, with the help of the *patwari*, try to cheat. Generally the advances may not be allowed to exceed 15 times the land revenue.

As far as I know the value of land is not calculated in this district per acre or per bigha. It is always calculated on profits. The profits do however vary according to the quality of the soil and the crops possible to be grown on the soil. The factors affecting the value of the land generally are—

(1) Productivity of the land.
(2) The financial condition of the tenantry.
(3) The class to which the tenants belong.
(4) Facilities for water.
(5) Distance from the headquarters of the district, the tahsil and the nearest railway station.
(6) The fancy of the purchaser.

The best price for land is generally obtained by private negotiation unless there be any special competition amongst the purchasers. The reason is quite plain. In the case of land obtained in sale by Government auction for non-payment of revenue and in that of land obtained by sale on a court decree, the purchaser knows that the owner is helpless and naturally wants to take advantage of his weak position. In the case of land sold by private negotiation the owner is free to use all possible means to secure the best possible price.

In Agra, Firozabad, Etmadpur and Fatehabad tahsils the price of land is 20 to 30 times the profits. In certain portions of Kiraoli and Kheragarh tahsils also the price is almost similar. In other portions of the district the price is much cheaper.

Part F.—Co-operation.

Question 1.—As far as my experience goes there is no relation between the co-operative banks and the other banks, except that the co-operative banks are obliged for their own convenience to keep their accounts with the Imperial Bank of India or other joint-stock banks, but the latter do not allow any facilities to the former in times of need. There is absolutely no connexion whatsoever between the co-operative banks and indigenous banks.

I do not think there is any competition between the co-operative banks and the joint-stock banks. Their spheres of activities are quite different.

Question 2.—Few co-operative societies are able to raise any capital. They do not inspire sufficient public confidence, while it is always in the interest of the village moneylenders to thwart them from raising any capital.

Question 3.—The capital available for financing the co-operative movement in this district is not sufficient. There are four co-operative banks working in the district with an investment of about 7 lakhs of rupees. Of this amount more than a lakh and a quarter is, I believe, from outside the district. If more money is required to be raised it will not be easy to find it in the district. One great difficulty in raising the proper capital is that the investors are generally shy to put their capital into the co-operative banks. The land revenue including cesses according to the new assessment amounts to about Rs. 20 lakhs. The rent-roll of the tenants will amount to 55 or 60 lakhs. Calculating the tenant's need at three times his rent, the amount required for the co-operative movement, if it could be extended to the whole of the district, will roughly come to 175 lakhs. Making an allowance of 25 lakhs for tenants who will not require any advances, the amount required will be 150 lakhs. It may be possible to manage with even 1 crore. This amount it will be difficult to raise in the district.

Question 4.—Financial concessions are likely to stimulate the growth of the co-operative movement, and such action seems possible as well as desirable.

PANDIT RAJ NATH KUNZRU.

Question 5.—In my opinion the establishment of the provincial co-operative bank will stimulate the co-operative movement in this province, provided the money is not raised at a high rate of interest.

Part G.—Small industries allied to agriculture.

Question 1.—As far as I know there are no small subsidiary industries allied or supplementary to agriculture except durrie-making and shoe-making in Fatehpur-Sikri, shoe-making in Dhandupura and tanning in Achnera.

Question 2.—The industries in the villages referred to above have registered societies which are affiliated to the district co-operative bank, Agra. They are in a very unsatisfactory state. The leather industry suffered lately on account of unusually sharp fluctuations in the market. Some of the societies have been re-organised and they are working under the expert advice of the officials of the co-operative department. Two of them cater for the needs entirely of the villagers and do not find any difficulty in marketing their produce. The difficulty is only in the case of the Dhandupura society which prepares English shoes which have to be marketed in Agra. They are more or less at the mercy of the dealers in the town and as yet no solution of this difficulty has been found. The difficulty of the durrie-makers is similar. They also suffer by competition with the jails.

Question 3.—I can conceive of no other industry suited to the farmer's present condition except weaving and spinning. Durrie-making and dyeing should also prove useful to a certain extent. The Government will, however, have to take the initiative in popularising the idea and providing due facilities for learning these arts.

I do not think much capital will be required. In a number of cases the agriculturist may be able to find his own capital. In other cases the capital may be found by forming co-operative societies of the weavers and spinners. If the industry does expand, I have strong hopes that enterprising organisations will soon be formed to provide capital in deserving cases and also to find a market for the surplus produce.

Part H.—Small urban industries.

Question 1.—The cottage and art industries mainly depend for their finances upon the *bohra*, the middleman and large dealers in those trades. A few registered societies of durrie-makers, weavers, and shoe-makers are financed by the district co-operative bank.

There is no special organisation for the supply of raw material and implements which the artisans generally purchase at the ruling market rate wherever they may be available. For the supply of materials for the members of the registered co-operative societies lately a central industrial stores has been opened, but members of the societies have not yet been able to take full advantage of it.

The question of the disposal of the artisans' wares is a very difficult one to solve. They are under the thumb of the middleman or the shopkeeper and have generally to accept his price. Even in the case of members of the registered co-operative societies, it has not yet been possible to find a proper and suitable market for their produce, In the case of durries there is an additional difficulty due to undesirable competition with the Jail department. The durrie-makers' recklessness, ignorance and lack of business methods and morality constitute a serious stumbling block. They always prefer to produce their stereotyped designs and do not care to study current tastes and requirements. They are too conservative to adopt any change, however desirable it may be.

The main industries of Agra are durries, carpets, marble, stoneware, and shoes. I do not think that any of these industries is in a prosperous state. The bulk of the produce is, however, handled by middlemen and large dealers only in those lines, but in their turn very few of them also are prosperous. I doubt if most of them are earning profits commensurably with the investments and labour. The middlemen are practically more organised than the artisans, and in some cases have their regular organisations through which they can exercise undue influence detrimental to the artisans' interests.

Question 2.—There are generally *karkhanas* of shoes, carpets, and stoneware.

PANDIT RAJ NATH KUNZRU.

The *karkhanadar* invests money on his responsibility; he is responsible for the manufacture of an article; the profits and loss are entirely his. The middleman buys the article from him, if he approves of it, and the consumer gets the article from the middleman. The *karkhanadar* invests his capital and manufactures any article he thinks proper and employs the workers and apprentices according to his choice and pays them according to the quality of their work. They have no interest in the *karkhana*.

I am not aware of any tendency in these industries for the artisans to drift from their homes to small workshops, or *vice versâ*, in any marked degree.

Question 3.—I am not aware of any instances of sweated labour.

In my opinion the home workers can only be organised by means of registered co-operative societies. As regards protection against exploitation by middlemen, it will only be possible if the Government come forward to give them effective assistance in the beginning to carry their goods to the proper markets without the intervention of the middleman. Co-operative workshops may also be given a trial on a proper scale.

Question 4.—I am acquainted with the working of all co-operative artisan societies in this district. Co-operative organisation will surely remedy sweating and exploitation but this protection would only be effective if it is possible to find a market for their produce. One of the difficulties in shoes and durries is that mufassil dealers make their purchases only on credit for indefinite terms. The credit goes on increasing, and if the creditor ever cares to make a stiff demand for his money, he is met with a threat that all future dealings with him would be stopped and the debtor never considers it his moral obligation to clear off his dues. As a result of this unbusinesslike practice there are heavy bad debts which the middleman has always to count and face. The manufacturer naturally cannot accept this kind of unfair risk but does suffer in his turn as a consequence.

Question 5.—I do not think a separate industrial bank is required for improving the present system of financing industries. In my opinion a co-operative bank can usefully do it and it is being done in this district.

The co-operative banks should issue loans only to societies and not to individuals or firms, because the chances of success of business are greater and risks of loss of money to the banks lesser, if the workers realise and appreciate the advantages of the co-operative principle.

Question 6.—I do think that sales associations, depôts, and emporia can be of effective help in advertising and marketing art-wares if their activities are duly co-ordinated. They should be organised, financed, and managed by the Government on strict business lines. In my opinion there should be a regular net-work of such associations, depôts and emporia throughout the country, and every local government should contribute towards their finances and expenses in proportion to the representation of the arts and industries of their areas on them.

Part J.—Internal remittance and negotiable instruments.

Question 1.—Internal remittances are possible by cheques, supply bills, demand drafts, *hundis* and government currency notes in insured covers. These facilities are mostly confined to big trade centres and urban areas; in rural areas remittances have to be carried by hand in bullion or paper.

The supply bills are not easy to be had by members of the public, who have to waste an unnecessarily long time in obtaining them as well as in cashing them. The departmental employees concerned do not consider it any part of their duty to conduct the work in a businesslike manner with full regard to the convenience and comfort of the public.

Question 2.—Negotiable instruments play a considerably important part in the internal trade of the province: but for them most of the trade would be paralysed.

Question 4.—If the investors of *hundis* are given better protection and there is a reduction of duty, I do believe that the use of bills of exchange will be considerably extended to the advantage of trade. In this district, however, *hundis* have practically lost their character as such, for they are drawn not only for purposes of trade but for domestic financing as well, as, for instance, to raise money for a marriage or for buying

some property, and on due dates they are not paid in full or in part, but only renewed after payment of discount. I consider this a very undesirable feature and to a certain extent responsible for disorganising the trade and money market of Agra.

Question 5.—I would certainly like it if the various methods of extension, cheapening and improvement of post office agency are introduced to the extent and in a manner that there is no unhealthy competition between the post office agency on one side and banks and bankers on the other.

Question 6.—Generally two different classes of *hundis* are current in this district, namely, usance bills and demand drafts. Usance bills are mostly used for raising funds, while demand *hundis* are employed for withdrawing funds or realising dues from customers at out-stations.

I do, however, suggest that the dues on *hundis* should have preference over all other dues except mortgage debts, and holders of *hundis* should not rank on the same level with other unsecured creditors.

The *hundis* in this district are held by all sorts of men and in some cases they also pass freely from hand to hand. There are some private parties also who are neither businessmen nor bankers who invest their surplus money in *hundis*.

The *hundis* of this district are generally discounted in this district only. There is another feature which, I think, is peculiar to this district. Certain bankers who are proud of their status consider it derogatory to their position to raise money in case of necessity by a *hundi* drawn up payable in Agra. They draw up *hundis* at Calcutta, Bombay or some other place but make private stipulation with the buyer that the payment would be made in Agra.

Question 7.—It is possible to borrow money during the process of marketing on the security of railway receipts and invoices if they are accompanied with proper bills of exchange. It is not easy for everyone to raise money against railway receipts and invoices, even if they are accompanied with proper bills of exchange. Only respectable and known parties can do so. I think it will facilitate business if railway receipts are made negotiable.

II.—Indigenous banking.

A.—*Organisation of indigenous banking.*

Question 1.—As far as I am aware, there are four classes of "indigenous bankers" in Agra. There are none who deal in negotiable instruments only and provide credits :—

(*i*) Those who advance money against certain classes of goods, especially cotton, yarn, sugar, cloth, *zeera*, grain and bullion, and charge certain commission on sales and purchases.

(*ii*) Those who do the aforesaid business and also advance against negotiable instruments.

(*iii*) Those who do their own business only.

(*iv*) Those who combine their own business with commission agency. Their system is the old system known as the *sarafa* system. The above classes of bankers are known as *sahukars*.

There is a fifth class known as *bohras*, who make advances against immovable property and ornaments to agriculturists and on *qists*, and also finance cottage industries.

The principal business of those who combine other business with their own is commission agency.

Question 2.—The various classes of indigenous bankers of the *sahukar* class help to finance certain lines of trade, as, for instance, cotton, *zeera*, yarn, cloth, sugar, grain and bullion. Agriculture and industry receive little help from them. In fact they consider it precarious to invest their money in these lines. Agriculture is only financed by professional "village moneylenders." The *bohras* also and a certain class of tradesmen finance the cottage industries.

Question 3.—I doubt if it can be possible to arrive at an estimate of the resources of the indigenous bankers in the district or province. It is in the essence of their business to keep the extent of their resources secret, while they will always try to show

themselves off better than they actually are in this respect. This is what they call establishing a *bhram* (prestige). It is believed that one crore rupees are invested by *sahukars* in Agra.

The average net return of *sahukars* may be taken at about 9 per cent. as far as I have enquired; it may be more, but will not be less. It is difficult to make any exact estimate, due to the existence of the vicious practice of some local firms of charging a secret premium, over and above the stipulated interest, which they call *chutnee* and do not show in their accounts.

Question 4.—There are no financial houses dealing solely in the provision of credit facilities in this district. I attribute their absence to lack of enterprise and sufficient funds. One additional reason in Agra is that there has been persistent and steady decline of trade and credit during the last several years, due to speculation and fall in the standard of business morality.

Question 5.—The Indian system of accounting, which corresponds to the single entry system, is followed by indigenous bankers in keeping their accounts. They have a *kachchi rokar bahi* in which all the cash transactions of the day are entered. From this *bahi* all cash transactions are copied in the *pakki rokar bahi*. They maintain a *khata bahi*, which corresponds to "ledger," while in the *nakal bahi* they register all their transfer entries, quantities, and disposal of goods. Some firms also maintain a *sauda bahi* or contract register. There is a *tol patti bahi* also which shows details of weighments. In *hundi bahi* all *hundi* transactions are entered.

B.—*Raising of funds by indigenous bankers.*

Question 1.—Only usance and demand bills are used as credit instruments by indigenous bankers in this district. Usance bills are more in use than the demand bills, which can only be used by firms who have their branches outside Agra, or have their undisputed funds with some outstation banker. There is no agency system in vogue as it is understood amongst the banks.

Samples of *hundis* and promissory notes are enclosed.* I do not know if any local firm receives fixed deposits and issues receipts for them.

Question 2.—The indigenous bankers raise funds on *hundis* by sale or mortgage of their movable and immovable property. But it is difficult for a banker, who has not normally been negotiating his *hundis* in the normal course of business, to raise any money on them in time of need. The moment he executes a *hundi* he excites suspicion.

Only a small minority within a charmed circle can obtain assistance from the Imperial Bank of India and the joint-stock banks; others find it difficult to obtain financial help even against proper securities. I have known cases in which advances were refused on very odd grounds. Sometimes it is difficult to obtain an advance against government promissory notes even. The treasurer has much too important a position in the Imperial Bank and the customers have to secure his influence and support. In fact the complaint is that the banks are generally not sympathetic to Indian customers. Indians do not look upon the Imperial Bank as a public bank. They consider it as one of the various government departments, cold and frigid, indifferent and unsympathetic.

A change in the present outlook of Indian banks is required. The foreign banks help the trade and industries of their countries and do not care to help Indian trade and industries. The Indian banks, which are mostly in a state of infancy, imitate the methods of the foreign banks as far as they relate to their business in India, and thus unconsciously adopt a policy adverse to the trade and industry of this country. It would be very desirable if "equitable mortgages" of property could be extended to all the trade centres in India, and *bonâ fide* advances against negotiable instruments could be treated as secured debts.

Question 3.—As far as I am aware the deposits received by indigenous bankers are "at call."

Respectable bankers allow a uniform interest of 6 per cent. per annum in all seasons.

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*Not printed.

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C.—*Advances by indigenous bankers.*

Question 1.—Loans and cash credits are generally made against securities, and in some cases on personal security.

The terms vary with the nature of the loan. It is 61 days against usance bills. If the loan is against a registered bond, the term will vary according to special agreement. In cash credits, so long as the account is properly running and interest is regularly paid, there will generally be little difficulty. If the advance is against ornaments and goods, it will continue for a reasonable length of time, so long as there is no deterioration or decline in price and there is sufficient margin to cover loss.

The securities generally accepted are marketable goods and jewellery. In some cases security of fixed property is also accepted.

Nine per cent. is the general rate of interest, and in some cases much higher interest is also charged. The rate of interest of commercial *hundis* varies between Rs. 1-8 and Rs. 15 per cent. These are rates for commercial circles. For others the rate of interest is 12 to 24 per cent.

Question 2. Please refer to my reply to question 2—Part I A. The *bohras* sometimes exact free services from their clients for tilling, sowing and watering their fields.

I do believe that if the dealings of the *bohras* are regulated by proper legislation, it would be possible to reduce the present rate of interest and the agriculturists will benefit thereby. The real solution, however, lies in the expansion of the co-operative movement.

Question 3.—The *sahukars'* clients have every facility of inspecting and examining their accounts. Periodical statements of accounts are passed by the *sahukar* to his client, who is expected to confirm the same if he is satisfied. If he wants to examine the books and compare the various entries, his request is readily accepted and he is given every reasonable facility to satisfy himself on any point in any way he likes. It is generally not so with the *bohra.*

D.—*Exchange and money market.*

Question 1.—Local money markets are linked with such important money markets as Cawnpore, Calcutta, Bombay, and Delhi by export and import trade, banks and bankers who have their branches and connexions.

Question 2.—There is hardly any money transaction, especially of negotiable instruments, without the help of a broker who is remunerated at nine pies per cent. for usance bills.

Question 3.—There are no fixed rates for the purchase and sale of *hundis* which always fluctuate according to the supply and demand of money. The recent restriction against cutting government currency notes of Rs. 100 and less in halves has created serious inconvenience.

There are seasonal variations in these rates which always depend upon the condition of the supply and demand of money.

As far as I can see, there is no direct connexion between the Imperial Bank of India rate and the bazar rate.

Question 4.—The local market is supposed to be influenced by the local *panchayat sarafa,* which has some printed rules, but they are mostly observed in the breach.

Question 5.—I am not aware of any particular local usage governing or affecting the trade of the markets in my district.

E.—Defects of indigenous banking.

Question 1.—My impression is that a majority of the customers of the indigenous bankers would prefer to go to joint-stock banks if it were possible. Even those who borrow from them in need would not like to deposit their money with them or place their valuables for safe custody with them.

Question 2.—I am not aware of any special legal or other difficulty to indigenous bankers in carrying on their business. In fact there is an impression that the Insolvency Act gives him undue protection and facility, and all sorts of accounts are easily accepted by the insolvency court without adequate scrutiny.

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Question 3.—I think indigenous bankers are sufficiently protected in law. Mostly their difficulties arise in the execution department or in cases of *hundis* where their debtors not infrequently fraudulently transfer their assets. As I have said elsewhere, it seems rather hard that a creditor who advances money against a *hundi* should bank on the same level with other unsecured creditors.

Question 4.—The great defects in the case of *sahukars* are that they do not maintain proper vouchers and most of their contracts are oral. It is desirable to have these omissions rectified. In the case of *bohras*, their clients are entirely at their mercy in every manner. It will immensely improve matters if it is made compulsory for all bankers to maintain vouchers, to send six-monthly statements of account to their clients and get the same confirmed by them, as is the practice of the joint-stock banks.

Question 5.—Indigenous bankers are not infrequently obliged to refuse acceptable demands for accommodation for want of sufficient funds.

At present any man who has a little capital sets up as a banker. There are *sahukars* who are running their business with much less than a lakh as their capital. Naturally their expenses are comparatively high, their business inefficient and their credit not satisfactory. If a number of bankers combine in registered partnership, submit their accounts to regular audit, and publish periodical balance-sheets, they will increase their efficiency, credit and resources and comparatively reduce their expenses of management.

F.—*Co-ordination*

Question 1.—I do not think that any particular relations exist between the various classes of indigenous bankers and other bankers and banks. The notions of the indigenous banker are sometimes very queer. Even if it be convenient and advantageous to him to deal with a joint-stock bank, he will refrain from doing so, because it is considered derogatory for men of his class to deal with a joint-stock bank.

Question 2.—I do not think that the indigenous banker has any idea of co-ordination. Everyone of them mainly cares for himself. They have certain rules of etiquette, which also are not observed. For instance, the seller of a *hundi* pays 1 per cent. to the buyer over and above the discount. Three-fourths of this one anna is expected to be paid to the broker and one-fourth to be spent in charity. I fear many firms treat the one-fourth, meant for charity, as their own money. In many cases the broker is paid much less than 9 pies per cent., and in some cases so low as annas 4 per thousand and the balance is appropriated. On other transactions also every banker charges a fixed customary amount for *dharmadha* (charity), but there are many firms who have piled large sums under this head, which they are unjustly retaining in their own hands without applying them to the purpose for which they are meant. The interest which this money earns is adding to the private earnings and not to its proper head.

I think co-ordination amongst private bankers is desirable at least to the extent and in the manner in vogue amongst the joint-stock banks. A provincial bankers' association, with branches in important trade centres, will, in my opinion, supply a great want. It will help to create solidarity and general awakening amongst the bankers and improve their outlook and organisation.

Question 3.—I am not personally aware but I do believe that difficulty must be experienced in the collection of cheques on bankers in out-of-the-way mufassil towns. I know very few bankers on whom cheques are issued. A good solution in such cases will, in my opinion, be that the collection of the cheques may be allowed through the agency of the post office on cheap terms.

G.—*Consolidation of indigenous banks.*

Question 1.—I think it will consolidate and improve indigenous banking if the *sahukars* and *bohras* are required to possess a prescribed minimum capital, get themselves registered, maintain proper accounts—which at present are loosely kept by the *bohras*

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and publish their balance-sheets. I suggest a minimum capital of rupees three lakhs for the *sahukars* and of Rs. 20,000 for the *bohras*. Proper legislation regulating the conduct of their business seems also desirable.

Question 2.—I do think that the indigenous banks will secure an increased clientèle if they are recognized by Government.

In my opinion the conditions of such recognition should be—

(1) Possession of a minimum capital of Rs. 10 lakhs.

(2) Publication of balance-sheets at least once a year.

(3) Audit at least once a year by authorised and qualified auditors.

(4) Disallowance of all speculative business.

(5) Periodical audit by Examiners of Local Fund Accounts in addition to audit by private auditors. In fact it will lead to a very healthy improvement of affairs if this condition is imposed on all joint-stock banks also without exception. It will put an effective check on the vagaries of the directors and leave no room for dishonest window-dressing. In various banks the directors and their relations not infrequently borrow money at unfairly cheap rates, but just before the closing of half-yearly accounts, manage without actual payment to manipulate the accounts in such a manner that the necessity of showing their liability in the balance-sheets is avoided. Sometimes bogus outstation cheques are passed which are credited in their accounts and shown as 'money in transit.' They are ultimately received back unpaid and redebited to the connected accounts. Such malpractices will become impossible if a government audit is imposed.

Question 2-A.—I am in favour of the compulsory registration of all bankers and moneylenders without exception. It is possible as well as desirable. No moneylender should be allowed to set up his business to finance agriculture, small scale trade and small scale industries unless he has a minimum capital of Rs. 20,000. His dealings, if any special privilege or State protection be extended to him, should be confined to productive purposes only. He should keep regular accounts in a prescribed form and should not charge a higher rate of interest than a certain prescribed maximum, which should not exceed normally 12 per cent. and in special cases 15 per cent. His accounts should be subject to State audit.

Question 3.—I have no doubt that in the beginning the indigenous bankers will put in a very stout opposition to the introduction of measures designed to regulate their operations and enforce the publication of their balance-sheets, but, I believe, the general public will welcome it.

Question 4.—The money in some cases during three months or so of the monsoon does practically, but not quite actually, lie idle in the hands of the indigenous bankers, but not to a very great extent. It is invested at very low rates of interest, or diverted to the other trade centres, where it can be more profitably invested by those who have branches and special connexions outside Agra.

Question 5.—I am not aware of any connexion between the indigenous banking system in my locality and the principal money markets. Such connexion will surely be desirable but whether it will also be possible is very difficult for me to say.

I am strongly in favour of the establishment of a bank on what are known in Germany as "Commandit" principles, wherever it may be practicable. It has obvious advantages which other schemes do not possess and is likely to appeal to the imagination of the public and the bankers. It will give the best opportunities and scope to indigenous talent. In cases where it may not be practicable the establishment of agencies of joint-stock banks or the Imperial Bank of India, held by local indigenous bankers may be given a trial.

If the above suggestions are judiciously adopted, I do expect that the banks will attract sufficient business and make their establishment profitable. I do not advocate the establishment of such banks and agencies at each and every place without regard to local conditions of finances and trade.

I consider it highly desirable that a central reserve bank be established to create a bond of connexion between all the elements of the banking system.

The indigenous banks with a certain minimum paid-up capital only may be linked directly with the central reserve bank and others through a joint-stock bank of certain prescribed minimum status.

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III.—Investment habit and attraction of capital.

A.—Encouragement of saving and investment habit.

Question 1.—The existing banking resources in the district are indigenous bankers, the Imperial Bank of India, three joint-stock banks and five co-operative banks. The exact value of their investments is hard to calculate, but may be taken at 4 to 5 crores. I do not think these resources are adequate. I think it will materially increase the prosperity of Agra if at least 50 or 60 lakhs more could be found for investment in the urban area alone.

Question 2.—The existing means or institutions for encouraging the habits of saving and investment are various banks and bankers and fixed deposit and savings bank accounts with them, including the post office agency. In my opinion they afford fairly sufficient facilities to the public for investment. An experiment might be made by improving and extending them in the prosperous tracts. As far as this district is concerned, I fear people have little spare money to invest anywhere. I consider it a myth that hoards of money are buried underground and kept out of circulation. My belief and experience is that there is actually no money with the people.

Question 3.—I do not think that people of Agra invest their money in gold or silver. Some of them who can afford to, do provide some ornaments for their womenfolk, but it is almost the same everywhere in the world. This jewellery in most cases stands in good stead in times of adversity because the creditors cannot touch it. It provides, therefore, something to fall back upon in case of pressing need.

Question 4.—I do not exactly know, but I believe, that post office cash certificates are fairly popular. If the certificates yield 5 per cent. or more, and interest is made payable every six or twelve months, they will become more popular. The period of repayment might be fixed and the principal may only be payable on the expiry of it.

Question 4-A.—I do think that a scheme on the lines of the national savings movement in England is worth giving a trial.

Question 5.—I think post office and other savings banks and postal cash certificates afford fairly adequate facilities to the investing public. Only the rate of interest allowed by the post office on savings bank accounts is very low compared with other investments.

Mostly low paid persons and persons with limited means and not able to repose confidence in institutions not controlled by the State, in my opinion, invest their savings with the post office. In some cases investments are made because certain departmental rules make it obligatory, as in the case of the provident fund of teachers of aided schools. Some deposit money there because they find it convenient, and, in the case of postal cash certificates, remunerative. A little improved rate of interest, increased annual as well as total limits of deposits in savings banks, and proper propaganda will, I think, attract more people to invest their money with the post office.

An attractive savings movement also on the lines of the movement in England may prove helpful.

Question 6.—I do think that the allegation is true. So far as I know there is not much of an unhealthy competition between Government and banks as yet. It will become unhealthy if in the case of postal cash certificates the present limit to the extent of their purchase by an individual purchaser is removed.

Question 7.—Gold cash certificates are likely to prove attractive, but their success depends upon the rate of return on the investment.

Question 8.—The various public bodies hardly inspire any confidence even within their legitimate sphere of activities, and my fears are that if they are allowed to have banking business as suggested, it will at least for the present prove a failure.

Question 9.—The purchase and sale of government securities are easily effected by the various agencies, Government, the Imperial Bank and other banks. Difficulties do, however, arise when an advance is required against them.

I can only think of a national savings movement scheme on the lines tried in England to allow of small agriculturists and small investors taking up some form of government security.

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Question 10.—As far as I know there are no facilities afforded by the various financial agencies in this district for purchase and sale of securities other than those of Government.

Question 11.—I do not think that the people in this district generally have any surplus money with them. Whenever they have a surplus, they bank or invest the same in one form or other. Mostly these surpluses are meant for meeting emergent ceremonial expenses.

Question 12.—Farmers, if they ever have any surplus, invest the same in improving their cattle and implements and meeting their wants which may have been waiting for want of funds. Any balance remaining on hand after meeting these requirements is invested on interest.

Farmers do lend to fellow agriculturists on Rs. 2 to Rs. 3-2 per cent.

Question 13.—It is true that banking, as followed in the West, is of very slow growth in India, but I do not think that the same can be said about the investment habit.

I think propaganda and offer of attractive schemes will prove very useful in educating the people to invest their savings in unproductive undertakings.

B.—Cheque habit.

Question 1.—I think the cheque habit is growing. The number of people who appreciate the convenience and advantages of dealing by cheques is steadily increasing. The indigenous banker, however, is rather conservative and does not much favour their use. In fact many of them will not accept them.

Question 2.—If the abolition of stamp duty has not so far helped to increase the use of cheques and number of accounts, it should do so before long.

Question 3.—Cheques are used mostly by the informed and educated classes. The *sahukars* and the *bohras* as a class do not seem to favour them.

Question 4.—A freer use of cheques in all government dues and payments by cheques by district and municipal boards, schools, colleges, universities and other public bodies will popularise them considerably and help to remove the present vague suspicion against them amongst the various sections of the population.

I am in favour of the idea of cheque accounts being allowed to be opened only at places where such facilities do not exist. The post office should not compete with joint-stock banks in this matter or be allowed to have such accounts where banks do exist: if at a place where the post office introduce the new system, a bank comes into existence later, the post office should close their cheque accounts. If any interest may be proposed to be paid, reasonable restrictions may be placed on the operations and amounts to be deposited and withdrawn. If, however, no interest is allowed, no restrictions on operations and withdrawals need be placed.

Question 5.—I do not think that it will be free from risk to allow an illiterate persons to draw on his account by means of cheques in their present form. If special cheques of various denominations like promissory notes are supplied to him, not payable to bearer, but only to order, to be used by him in place of ordinary cheques, they may prove useful. They may be payable only to order, *i.e.*, to known parties, so that in case of their loss or theft their misuse may not be possible.

C.—Vernacular scripts in banking.

Question 2.—I would not insist on the use of any script. The banker should be free to use *sarrafi*, Nagri or Persian script according to his choice and liking.

D.—Imperial Bank of India.

If any investment habit has been encouraged by the opening of new branches of the Imperial Bank of India it must be confined to a very limited circle. It does not seem to be much marked and palpable. The opening of new branches has probably

helped the trade and industry of the fortunate few, within a certain charmed circle. It has made movement of money easier and cheaper. I do not think it has helped the encouragement and consolidation of the indigenous banking system. Nor do I think there has been any increase in facilities for agricultural credit, or that it has caused reduction in the general prices of money.

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Rai Bahadur Pandit GOPAL DAS SHARMA, B.A., LL.B., Advocate, and Vice-Chairman, District Co-operative Bank, Ltd., Oral, district Jalaun.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—THE agriculturists in this district borrow from Government, co-operative societies, and village moneylenders.

The purposes for which they borrow are all those mentioned in the questionnaire except manure, building of tanks and other agricultural improvements.

I cannot give the proportions asked for about government loans and village moneylenders but from the books of the district co-operative bank I fix a rough estimate as follows :—

	Per cent.
(i) Repayment of earlier debts	4
(ii) Payment of accumulated interest	2
(iii) Marriage and other social functions	4
(iv) Famine and other kinds of distress	1
(v) Payment of land revenue or rent	50
(vi) Seed	15
(vii) Expenses of cultivation, e.g., wages of labourers	1
(viii) Agricultural implements	1
(ix) Litigation	1
(x) Purchase of plough or other cattle	15
(xi) Sinking of wells	1
(xii) Subsistence	5

I cannot give any idea of the proportion in which the debt is divided between the various classes of lending agencies, but generally, Government advances money for seed and bullocks, whereas the village moneylender advances money for seed, subsistence, bullocks, social functions, and other household expenditure. The co-operative bank makes only cash advances, whereas Government, advances cash and seed grain, and the village moneylender too advances grain and cash. But a definite idea cannot be given about the proportions of cash and grain. Practically, all grain borrowed is borrowed from moneylenders.

Advances for seed are for short terms, whereas advances for other purposes are generally for long terms.

Question 2.—For cash advances co-operative societies charge interest usually at the rate of 15 per cent. per annum, while the village moneylenders charge at the minimum rate of 24 per cent. per annum. In the instalment system the process is that for every Rs. 10 advanced they charge Rs. 12, repayable in twelve monthly instalments, and in case of default they charge half an anna per rupee; on the pawn of ornaments they charge rates of interest varying from Re. 1 per cent. to Re. 1-9-0 per cent. per mensem. On the security of landed property the interest varies from 9 per cent. to 24 per cent. For loans in kind for seed the interest is on the *sawai* system for the *rabi* seed. For *kharif* seed it is only in rare cases that loan is taken. For other loans in kind the village moneylender charges *sawai* per crop, i.e., if loan is taken for a year, he will charge two *sawais*.

The co-operative society charges only simple interest, whereas the village moneylender at times charges compound interest with yearly rests.

The case of Bundelkhand is a peculiar one. Having regard to the difficulties that lie in the way of the moneylender when he proceeds to recover his dues, I am very much inclined to think that the rates charged by him are not exorbitant. There is the contingency of insolvency petitions. The decree-holder cannot attach the *zamindari* property

of the debtor owing to the provisions of the Bundelkhand Land Alienation Act. Even if the debtor has means to pay he can very easily evade payment. Besides these points there are many cases of bad debts which are irrecoverable. In spite of the fact that he is charging rates which are termed by many as exorbitant, I find that the village *bania* is not in a prosperous condition. In my opinion the *sawai* system is far cheaper than the 15 per cent. rate of co-operative societies, because at the time of making advances of seed grain the rates are generally higher, whereas at the harvest time the rates are comparatively low, and if the actual prices at the market rate be taken into consideration about the times of advance and repayments, the margin for interest is rather poor. Under the Bundelkhand Land Alienation Act, when possession of the mortgaged property is given to the moneylender, he is allowed no interest during the period he remains in possession, and thus the interest which has accrued during the earlier years is automatically cut down by the no-interest period.

In the co-operative societies there are no incidental charges to the grant or repayment. In the case of advances by village moneylenders, the borrower has to pay stamp duty, writing charges, travelling expenses for going out to purchase stamps, and in several cases a small sum in the shape of *dharta*. Some moneylenders make some deductions out of the advanced money in the shape of charitable contribution. The borrower has to be under the influence of the *mahajan* for fear of refusal of an advance to be asked for in future; and on occasions he has to render honorary services to the *mahajan*. At the time of repayment there are no incidental charges except when a receipt is demanded—cost of receipt stamp and the writing fee, both to be borne by the borrower. In the matter of government advances the incidental charges are as follows. Sometimes they have to be incurred but in rare cases they are not incurred :—

(1) Travelling and food expenses from the village to the headquarter of the district at the time of making application.

(2) Writing charges for the application.

(3) Bribes to the *patwari*, the *qanungo* and sometimes the treasurer.

(4) Sometimes the *zumindar* also charges something for making a recommendation.

(5) Writing charges of the bond.

(6) Cost of feeding the *chaprasi* when he goes for collection.

(7) Some *haq* to the treasurer at time of repayment of the loan, otherwise the borrower is detained for several hours and some of the coins are pretended to be counterfeit or of light weight.

(8) Travelling and food charges while coming to the treasury to deposit money.

Question 3.—House property and agricultural implements are taken as security only in rare cases, while ornaments, standing crops and land are taken as security. Land is not mortgaged for smaller loans.

The assertion that the better the title to land the greater the amount of indebtedness is generally correct. Personal security is regarded as sufficient in few cases : the greater the property the greater the credit of the man.

The co-operative societies do not advance money on the security of landed property, but they do take into account all the property of the borrower at the time of appraising the normal credit of the man, though sometimes his honesty is also a factor.

Land mortgage is not popular with creditors in Bundelkhand, the chief cause being the law of Land Alienation, whereby the creditor can neither foreclose on the property nor sell it. He is entitled to get possession of the mortgaged property for such period as the Collector thinks proper, and for the period of possession no interest is allowed. If the debt is repaid by the usufruct before the period fixed by the Collector, the property can be released before the time fixed.

Question 4.—If the debtor happens to be an honest man he will pay his creditor as much as he can, but if it becomes very necessary to obtain the assistance of the civil court, the creditor can get all the costs incurred by him, judicial and extra judicial, with some difficulty.

Afghan methods of collection are employed in our district only by a few Punjabis. Attachment of property is the usual procedure, but as soon as the debtor is arrested, in most cases he applies to be declared an insolvent. It is only when the debtor is so poor that he cannot defray the expenses of an insolvency petition that he remains in jail. Co-operative societies can recover their dues as arrears of revenue through the Collector. This is a great convenience.

There is not much difference in the market rate of grain and the rate charged by the lender. Cultivators generally know the market rate as they or their neighbours have to go to the markets to make purchases and sales.

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Question 5.—As the agriculturist is heavily indebted he is always prepared to take advantage of the facilities provided by the Agriculturists Loans Act and the Land Improvement Act. But in my opinion the loans advanced by the Government to the agriculturists are not sufficient to meet his needs. Under the Land Improvement Act loans are granted very rarely. But under the Agriculturists Loans Act they are granted comparatively on a large scale. The Collector sends his proposals to the Government, but it is not always that the full amounts are sanctioned by the Government, and it must be remembered that the Collector has first to curtail the demands sent on by tahsils.

In abnormal years Government advances *taqavi* more freely than in normal years.

The chief defect in the *taqavi* system is that officers of Government are not in direct touch with the cultivator. In fact they cannot possibly be owing to the shortness of the touring season and press of "paper work." The moral standard of the cultivator and the revenue underlings being so low, the tipping system comes in. Besides this, all the cultivators are supposed to be able to repay the loans incurred by them by the same date and on the same standard. In the matter of obtaining *taqavi* the cultivator is naturally tempted to put forward a false pretext, *e.g.*, he stands in need of money for subsistence, but at the time Government is going to advance money only for bullocks; he will say that his bullocks are dead or that they have become incapacitated. In order to keep his body and soul together he will make a false oath, if necessary, and will tip the necessary persons. Unless the moral standard is raised and the Government feels the necessity of supporting the agriculturist to the full extent of his needs, no remedy can be suggested.

Question 6.—I am not aware of any instances where cultivators have combined together to produce a particular crop. No doubt such combinations are desirable as they have proved very beneficial in other countries, but having regard to the want of responsibility in the cultivator during the present times the combination suggested is not possible.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—Cultivators bring their own crops on their bullock-carts to the market. Sometimes shop-keepers go to the villages and make direct purchases there. During the rains the grain is brought to the market on asses. The railway is not used for short distances.

Crops for domestic consumption are not sent to market unless the cultivator is very badly in need of money or his stock is in excess of his needs. But other crops are not stored and are directly sent to market for sale.

Question 2.—Cultivators never borrow money for marketing purposes.

The district co-operative bank in this district does not assist in the marketing of crops, nor is this necessary.

Question 3.—In the case of marketing his crop nothing is paid by the cultivator to the moneylender. Some commission is paid to *arhatias*. This is generally from 8 to 12 annas per cent. Where there are *dalals* something is paid to them also. The wholesale grain merchants make some charges for the maintenance of their own staff and for some religious and charitable purposes as contributions.

Generally the charges are the same for all crops.

In the markets the cultivator has to pay octroi in some cases, and he has to pay *tehbazari* for his carts.

Question 4.—If the cultivator can lay by any grain he will store it in *khantis*. These *khantis* are fairly satisfactory. Some grain is certainly spoiled in many of the grain pits, but I have no idea of the Western system of storage and have no suggestion to make.

In markets the grain is stored in *khantis* or in gunny bags. No suggestions need be made for improvement.

Question 5.—Cultivators do not store their grain in the markets and hence they obtain no credit on the security of grain.

Question 8.—The system of weighment is satisfactory in my district except in so far that the system of weights is not uniform. It should be made uniform.

Question 9.—Agricultural products of this district are not controlled by speculative dealers.

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Part C.—Extent and nature of agricultural indebtedness.

Question 1.—The principal creditors of the agriculturists are the Government, co-operative societies, indigenous bankers, professional moneylenders and grain dealers. There are no joint-stock banks in this district.

Richer agriculturists lend to the poorer to the extent their purse allows.

Question 2.—Owing to the existence of the Alienation of Land Act in Bundelkhand, land cannot pass as the result of enforced payment of debt in the shape of sale or foreclosure. The property of a member of an agricultural tribe cannot be transferred to a person who is not a member of an agricultural tribe without the sanction of the Collector, and hence the current is otherwise, *i.e.*, the property is passing from the hands of non-agriculturists to the hands of agriculturists but very little is passing from agriculturists to non-agriculturists.

In cases where property is given to the creditor by way of *theka* for a certain number of years, the cultivator would not try to produce less or less efficiently as to do so he will be causing loss to himself.

Question 3-A.—The operation of the Bundelkhand Land Alienation Act has resulted in an undue restriction of an agriculturist's credit. For petty sums it is costly and difficult to obtain mortgage-deeds. Money on personal solvency can be advanced only on a small scale. Moneylenders cannot attach profits of *zamindari*. The court is not empowered to grant *theka* of the property in cases of simple money decree. As soon as the moneylender arrests his judgment-debtor, there is an application for insolvency immediately. The judgment-debtor has got enough of *zamindari* but the judge cannot touch it. The Punjab High Court has held that the judge can deal with the property to the extent of anything short of sale. But unfortunately the Allahabad High Court has held otherwise. The result is that a *zamindar*-debtor can easily evade payment and save his *zamindari*. If necessary I can discuss this point in detail and at length.

Question 4.—The landowning class is no doubt indebted but not as a class. Where there are good irrigation facilities and the soil is rich the landowner is well off; but where they have to depend on rain water and the soil is bad they are as a rule indebted.

Part D.—Credit facilities in respect of agricultural production and marketing.

Question 2.—Generally the producer himself carries the goods to the market. But in some cases the village *banias* purchase the produce and carry it to the *mandi*. There is no financing to the producer, nor is it necessary. From the *mandi* to the distributing centres, the wholesale merchants come and take away the goods. They pay a part of the price and for the rest they write a *hundi*, or else the commission agent (*arhatia*) sends the goods by rail and the railway receipt is sent to his own *arhatia* who in return collects the money from the merchant and sends it to the consignor. Local dealers go to Cawnpore and purchase goods partly on cash and partly on credit. They have to pay interest at 7½ per cent. per annum. The balance due is remitted from time to time at the convenience of the purchaser.

Part F.—Co-operation.

Question 1.—Co-operative banks take loans from the joint-stock banks. Joint-stock banks advance money to co-operative banks on the security of promissory notes of societies or government and other securities. This is the only relation between the two. Sometimes joint-stock banks grant cash credits to the co-operative banks.

There is no joint-stock bank in this district.

Question 2.—Co-operative societies have no special difficulties in Jalaun district in raising either short or long-term capital.

Question 3.—The amount available for the co-operative movement in our district is more than sufficient. This district finances other district and central banks.

Question 4.—Government has already exempted co-operative societies from income-tax.

Question 5.—The establishment of the provincial co-operative bank would stimulate the co-operative movement in this province.

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II.—Indigenous Banking.

H.—Defects in statutory and customary law regarding recovery of debt.

Question 1.—I consider the statement to be quite true. The creditor always finds the debtor "protected" by law at every step. After leaving aside the protected things, there remains practically nothing for the decree-holder in the majority of cases. The amins and *chaprasis* have to be paid handsomely before the decreeholder can except to get anything. The difficulties are in the process of law many and of different varieties. Amendments can be made in some of the laws. I cannot suggest any remedy for the dishonesty of amins or the *chaprasis*.

Question 2.—From my personal experience, I can say that the Usurious Loans Act is almost a dead letter.

III.—Investment habit and attraction of capital.

A.—Encouragement of saving and investment habit.

Question 4-A.—I do think something similar to the national savings movement in England is possible in India. The probabilities are that it will work well.

(For oral evidence, see pages 331—335.)

ORAL EVIDENCE.

Lucknow, January 30, 1930.

Present:

MR. E. A. H. BLUNT, C.I.E., O.B.E., I.C.S., M.L.C.	*Chairman.*
DR. RADHAKAMAL MUKERJEE, M.A., PH.D.	*Members.*
RAI BAHADUR BABU MOHAN LAL, M.A., LL.B., M.L.C. ...	
MR. MOHAN LAL SAH, M.A., LL.B.	
RAI BAHADUR PANDIT G. S. UPADHYA, B.A.	
DR. L. C. JAIN, M.A., LL.B., PH.D.	*Secretary.*

(*Witness*: RAI BAHADUR PANDIT GOPAL DAS SHARMA, B.A., LL.B., *Advocate and Vice-Chairman, District Co-operative Bank, Ltd., Orai, district Jalaun.*)

The Chairman: I want to ask a general question. Your estimate of the debt is divided into various sub-heads. Would you tell me on what basis you built up those percentages?—I should say it is guess work.

That is a drastic condemnation. I would prefer to say that those percentages are based on your experience.

Rai Bahadur Pandit G. S. Upadhya: He says in his written note that he took his figures from the books of the district co-operative bank.—(*Witness*): They are not a good criterion for coming to any definite and true opinion. In their case it is wholly uncertain whether they actually spend the money or not.

The Chairman: Also the books of a co-operative bank would not be very helpful, because there are so many things for which a co-operative bank would not lend money?

Rai Bahadur Pandit G. S. Upadhya: They do lend money for all these objects because it is allowed under the law.

The Chairman: But only to a small extent.

Rai Bahadur Pandit G. S. Upadhya: Yes.

The Chairman: You have put down 50 per cent. for payment of land revenue. Is that not a very high figure?—The position is this. As soon as they sell their crops they deposit the whole money in the bank. When the time comes for payment of land revenue, they borrow from the banks and pay the land revenue.

Rai Bahadur Pandit G. S. Upadhya: That would apply only to your bank and a few other societies. This does not apply to societies in other districts?—I have said that in regard to my district.

So this is a special case?

The Chairman: Fifty per cent. is a very high figure, but it is explained in the way that first they deposit their whole income into the bank and then they borrow for payment of land revenue.

Dr. Radhakamal Mukerjee: Does the bank sell their produce?—No.

The Chairman: What is the effect of the Bundelkhand Land Alienation Act on the moneylender?—The moneylender is not now inclined to advance money to *zamindars*, because he thinks that he cannot recover his money. The court cannot sell the property of an agriculturist under the Land Alienation Act. The position is this. Suppose a man owes Rs. 1,000 and the creditor obtains a decree from the court for his money, but even after the decree is obtained, he cannot recover the debt. There is another point. If a debtor dies, his heirs are not liable to pay the debt and the property cannot be sold.

It means that as the land has become non-transferable there is no security for the creditor to advance on?—The Act requires amendment. When the debtor can mortgage his property, there is no reason why the court should not appoint a receiver for the collection of the profits or allow the judgment-debtor to sell his property.

In the Punjab also there is the Land Alienation Act and there the High Court has held that in certain circumstances they could allow the sale of the property, but the Allahabad High Court does not agree with the Punjab view.

Rai Bahadur Babu Mohan Lal: The court cannot appoint even a receiver for profits?—No. A case went to the court of the District Judge of Jhansi, and he ordered the appointment of a receiver. An appeal was filed from his decision in the High Court and the High Court said that the lower court had no power to appoint a receiver. If there are arrears of land revenue, then the creditor can get possession of the property under the Land Revenue Act, but the civil court has no such power. When the revenue courts have that power, there is no reason why civil courts should not also have that power.

Dr. Radhakamal Mukerjee: You will agree that complete sale or transfer to the moneylender is out of the question?—Yes.

The Chairman: Would you suggest the extension of the Bundelkhand Land Alienation Act to the entire province?—Yes.

Do you think it would be a good thing, by reducing the credit of the landlord, to prevent him from borrowing beyond his means?—As a matter of fact, the Act is already in force in the Mirzapur district, some portion of Allahabad district and part of Etawah district, and if it is extended to other districts also it will, I think, have a good effect.

Rai Bahadur Babu Mohan Lal: Will you confine its application to agriculturists only?—Yes. The Act provides for a declaration by Government of certain tribes as agricultural tribes, viz. Brahmans and Thakurs.

Suppose a Thakur has got a full village, but he actually cultivates only 20 bighas. In respect to which will he come under the Act?—It is not a question of actual cultivation. The law provides for the declaration of certain tribes as agricultural tribes irrespective of the fact whether they actually cultivate or not. For instance, a *bania* is not considered to be of an agricultural tribe, and even if he cultivates 2,000 bighas of land he cannot be declared as such.

Dr. Radhakamal Mukerjee: The actual intention of the law, I believe, is to protect the actual tiller of the soil. If the law prohibits the transfer of holdings of actual cultivators, whether by way of mortgage or sale, it will, I think, serve the purpose better?—That may have been the idea, but we have to take the Act as it stands.

The Chairman: The idea was to prevent land passing from old *zamindars* to the hands of non-agricultural tribes.

Dr. Radhakamal Mukerjee: That was also the idea behind the Land Alienation Act that was passed in the Punjab, i.e., the actual tiller of the soil should not be expropriated. When you want this Act to be extended to the whole of the province, do you want that all holdings including areas which may not be cultivated by the *zamindar*, should be made non-transferable or only the land actually cultivated by the *zamindar*?—The law requires certain changes in the matter of moneylending. It is in fact a provision to keep the *zamindari* in the hands of persons who have been holding it. That is the idea.

The Chairman: On the other hand you may transfer the land from one *zamindar* to another *zamindar*. So it is not quite the same thing; but certainly it is meant to keep land in the hands of the old *zamindar*, if it is possible, or at least in the hands of *zamindars* of the same agricultural class.

Dr. Radhakamal Mukerjee: Do you think that such legislation should not be undertaken unless there is a very careful inquiry in the districts as to who should be regarded as *zamindars* and agricultural tribes? Is it not possible that those persons who are *zamindars* in one part of the country, may not be *zamindars* in the other part?—Yes.

Who cultivates land in such cases?—Either the *mahajan* himself or he sub-lets to some one else.

The Chairman: Who are the *mahajans* in this case? Do tenants and landlords, who are *mahajans*, take these sub-leases?—Those, who are *zamindars*, will gladly take the land if they can afford to take it.

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But the average moneylender does not take land unless he is desirous of cultivation?—He takes land very seldom for cultivation.

He may enter into partnership with some one else and take land?—Yes, that he can do.

Dr. Radhakamal Mukerjee : Should we also restrict this kind of sub-leasing of the occupancy and exproprietary holdings in the same way in which the transfer of land from a *zamindar* to a moneylender has been restricted?—There are already sufficient restrictions under the law.

Rai Bahadur Babu Mohan Lal : Should there be no restriction on sub-leasing?—No. Tenants very often stand in need of money.

So do *zamindars* also.—(*Witness*) : That is the reason why I say that there should be no restriction on mortgage or sale to an agriculturist, though they should not be allowed to sell their property to a non-agriculturist. My point is that civil courts are not authorised to give a lease or *theka* of the property. That is the chief difficulty of the moneylender.

Dr. Radhakamal Mukerjee : You say that there are cases in which a non-cultivating moneylender takes the lease and then sub-lets the holding to somebody else. In that case you have a sub-tenant who is evictable within the period of the lease?—In the *patwari's* papers he will not show the name of the sub-lessee. Also, you cannot stop this practice, because cultivators stand in need of money and that is the only way in which they can raise it.

The Chairman : It is practically their only security.

Dr. Radhakamal Mukerjee : You might obtain better facilities from co-operative banks?—If they are organized on a very large scale. There is not a co-operative society in every village. In Jalaun there are 1,000 villages, while there are only about 125 co-operative societies.

Do you know that in some other provinces there are more effective restrictions on sub-letting?—I do not know.

Mr. Sah : Has not the passing of the Land Alienation Act reduced the value of land?—Yes. Non-agriculturists cannot purchase land and agriculturists have not got the money to purchase. Naturally the price has come down.

Can you say to what extent?—I cannot give that information. All I can say is that they cannot find a purchaser when they want to sell their property. Cases often arise in which the Collector sanctions the sale in favour of a non-agriculturist when he finds that an agriculturist is not willing to pay the proper price.

The Chairman : There is another point. In some of the evidence I have received it has been suggested that this new Agra Tenancy Act passed in 1926 had the effect of reducing the value of land by 40 per cent. Do you think that is possible? The statement seems to be totally incredible.—(*Witness*) : At first I myself thought that the value of the land would be reduced, and in some cases it had the effect of reducing the value. The position is this. There were cases in which the tenant was paying actually Rs. 10, but in the *patwari's* papers Rs. 2 only were entered. The *zamindar* quietly put the extra Rs. 8 into his pocket and had not to pay any land revenue on that amount. At that time he had power to eject the tenant within a certain period, but now he could not do that and if only Rs. 2 were entered in the *patwari's* papers, his profits were reduced to that extent. So in the case of those *zamindars*, who resorted to these questionable means there was a loss, but those who had put down the full value in the papers, did not lose anything. That is the exact position.

Can you not enhance the rent every ten years?—Yes, you can by 25 per cent.

Rai Bahadur Babu Mohan Lal : If the co-operative movement is better organised and extended to every village, would it not fully meet the requirements of the agriculturist?—No.

Why?—Because co-operative societies fix a certain amount of credit which they call normal credit, and beyond that normal credit they would not advance, except in very exceptional cases, say at famine times. If the man stands in need of more money, he will have to go to other sources.

Would not other lenders look to the maximum credit of the man?—He will go to one *mahajan* first, then to another and so on, and ultimately he will be insolvent.

So he will go on cheating people. But if co-operation extends and people acquire a better mode of living, would that not have a salutary effect?—No, you cannot help that.

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The Chairman: Pandit Sahib seems to be altogether pessimistic about human nature.

Dr. Radhakamal Mukerjee: With better finance and better normal credit can we induce him not to go to any other moneylender?

Rai Bahadur Pandit G. S. Upadhya: The bank has got sufficient money, but we have to see to the security that the debtor can offer.

Rai Bahadur Babu Mohan Lal: If others are willing to join him?—But there can be no check upon him.

Dr. Radhakamal Mukerjee: The security will be of unlimited liability. Will it not be a sufficient check?—No, that is not a sufficient check.

That has been a check elsewhere.—(*Witness*): When once a surety learns that he has to pay for others, he will never again enter into it.

Instead of withdrawing from the bank altogether, will he not supervise the expenditure of his fellow cultivators and control it?—No, he cannot do it.

Rai Bahadur Babu Mohan Lal: I have found that practice in some areas of the province.—(*Witness*): They try, no doubt, but they do not succeed.

The Chairman: Is it never desirable to kill competition?

Rai Bahadur Pandit G. S. Upadhya: The agricultural moneylenders are there and you cannot do without them.

Mr. Sah: If the moneylenders are given the same facility for realisation as the co-operative societies, do you think it will be helpful?—Yes.

The Chairman: You consider that one method of cheaping credit is to give the moneylender more facilities for recovering his debt?—Yes.

Your point of view is that the average debtor hopes to borrow up to the maximum of his credit from A, and then he goes to B, and then to C, and so on. In other words, he has got as many credits as he has moneylenders?—Yes.

That seems to me to suggest that a little co-operation between creditors is needed?—Yes.

A suggestion has been made to us that there should be a co-operative society of moneylenders. In other words, they should pool together their resources. I think you see the difference between an ordinary co-operative society and a society of moneylenders. Instead of A, B, C and D lending individually there would be a society of persons for lending to outside people.—(*Witness*): It would not do, unless it be a society for the whole district.

It depends upon circumstances. It may be by tahsils or by districts.—(*Witness*): I have not thought over this question.

It is a line possibly worth following up.—(*Witness*): It might do some good.

Mr. Sah: Do you think that moneylenders will give up their position of active business and merge themselves into a co-operative society, a co-operative society of their own?—It is not a question of merging themselves into a society. If a moneylender finds that a person has borrowed money elsewhere, he will be shy to advance further sums.

He will have to give up his active business.—(*Witness*): He will be able to save himself.

Rai Bahadur Babu Mohan Lal: The question of cheating will disappear and the *mahajans* will combine together to see that they are not cheated.—(*Witness*): Yes. In fact many *mahajans* are surprised when the notices reach them from insolvency courts about the indebtedness of their debtors.

Dr. Radhakamal Mukerjee: If the moneylenders are too scattered to form into a co-operative society of *sahukars* and if we license the village *sahukar* to prevent him from charging more than a fixed rate of interest, and if we lay down that no land of the peasant can be transferred either by sale or by mortgage, do you think that with such restrictions an easy and protected credit would be available to the tenants?—What will be the protection?

The protection is this that the rate of interest is guaranteed.—(*Witness*): You guarantee this, but how are you to realize money?

We won't license any other moneylender in that area.—(*Witness*): There is not much competition. There are not many moneylenders. I should call them a dying race.

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The Chairman: It will take a long time for them to die.

Rai Bahadur Pandit G. S. Upadhya: They will never die.

Rai Bahadur Babu Mohan Lal: They are not dying: they still hold the sway in villages.

Dr. Radhakamal Mukerjee: What do you think of licensing the moneylenders under certain conditions?—There should be licensing of monylenders and we should put some restrictions on their books also.

That you think would be useful?—Very useful. Cases do arise when the debtors make their payments and these are not entered into books and decrees are passed against them.

Mr. Sah: By whom do you think should the books be audited?—Auditors should be appointed.

Don't you think they will abuse their position?—There is always room for abuse everywhere.

Supposing there is a case like this. A man pays his creditor a sum of Rs. 5 and it is not entered in his books. What remedy do you suggest?—Creditors should be compelled to give receipts.

Do you think the people are keen for taking receipts?—If the law is passed to this effect, people will insist on this.

Do you think that they will insist upon this?—Yes.

Don't you think that these receipts can be fictitious? Supposing a man pays Rs. 5 and only Re. 1 is entered in the account and the man concerned is illiterate.—(*Witness*): At times such cases might arise; it is not generally the case.

As regards moneylenders, do you think that they are generally honest?—They are not generally dishonest, but there are stray cases of this type.

Rai Bahadur Babu Mohan Lal: Quite so.

The Chairman: The average moneylender of the village is a small man. His capital is somewhere about a thousand rupees. Suppose there is a succession of bad years and he has not been repaid. The result is that at the end of the time he has got no money left and he is as badly off as his own debtors. Would it not be better to pool together their resources in the shape of these co-operative societies of moneylenders? Do you agree to that?—Yes.

A lot of difficulty in the matter of agricultural credit is due to the fact that it is broken up in small parcels all over the country?—Yes.

Rai Bahadur Babu Mohan Lal: As to marketing, what is your experience? The agriculturists being ignorant are at the mercy of the village weighmen. Do you think that the present system of marketing is better, or, is there any room for improvement so that the middleman's profits may be decreased?—On our side, the agriculturists come direct to the *mandi* and sell their produce at the market rate. It is rare that it is sold in villages. I should say that in 95 per cent. cases they come direct to the market. Even if they have got one seer of *ghi*, they will go to the market.

There are no middlemen?—Not many.

Dr. Radhakamal Mukerjee: You have spoken of *dalals* and *arhatias*. Are you aware that co-operative marketing has been a great success in other parts of India?—I have no knowledge about that.

You may not have personal knowledge, but you may know that co-operative marketing has been tried in other parts of India with great success?—I am not aware of it.

Do you think that co-operative marketing is not a possibility, or that it cannot be tried even as an experiment in your district?—It might be tried as an experiment, but I cannot say whether it will be a success, because it will entail additional expenditure. The whole thing has to be collected at a place and under some management which has to be paid for and then it has to be brought to the market in hired carts.

In co-operative societies expenses are defrayed from the profits which are at present taken by the middlemen.

Rai Bahadur Pandit G. S. Upadhya: It is a question of organisation. If it can be organized there is a possibility of its success?—I cannot say that there is a possibility. Bareilly tried the experiment of carepentry work, but it did not succeed.

Dr. Radhakamal Mukerjee: This co-operative marketing is for agricultural produce.—(*Witness*): I have doubts.

(The Chairman thanked the witness, who withdrew.)

RAI BAHADUR PANDIT GOPAL DAS SHARMA.

Pandit PARMESHWAR NATH SAPRU Sahib, Managing Director, District Co-operative Bank, Ltd., Fyzabad.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturist borrows from the following classes of moneylenders in my district :—

(1) Village moneylenders.
(2) *Zamindars.*
(3) Grain dealers in the vicinity.
(4) Co-operative societies.
(5) Government.
(6) Kabulis or Punjabi moneylenders.

The purposes for which he borrows and the proportion of debt due to the various objects are as follows :—

	Per cent.
Repayment of earlier debts and accumulated interest ...	15
Marriage and other social functions	10
Famine and other kinds of distress	5
Payment of land revenue or rent	25
Agricultural expenses, including purchase of seed and implements and wages of labourers	20
Litigation	3
Purchase of plough and other cattle	10
Sinking of wells and building of tanks	2
Subsistence	10

The debt is divided between the various classes of lending agencies in the following proportion :—

	Per cent.
Government	5
Co-operative societies	3
Village moneylenders	40
Grain dealers and *zamindars* who advance grain and moneylenders who advance grain	50
Kabuli and Punjabi moneylenders	2

Of the total debt half is incurred in cash and half in grain, while 50 per cent. is incurred for short periods and 50 per cent. for long periods.

Question 2.—The rate of interest charged in my district varies according to the credit of the agriculturists.

For cash advances it is from 25 per cent. to 75 per cent. This rate is charged usually by village *mahajans.* The co-operative societies, however, charge 15 per cent. per annum.

For loans in kind for seed the usual rate is *sawai, i.e.*, 25 per cent., but the moneylenders who do this sort of business also and the *zamindars* charge *deorhi, i.e.*, 50 per cent. For other loans in kind the rates are practically the same.

As regards the methods of calculating interest, so far as the interest in kind is concerned the method is plain. The cultivator does all the threshing but the whole process is watched by the lender or his men. The threshing being over the grain is repaid to the lender, 1¼ or 11 times the total grain received being returned. Cash interest is calculated monthly and at the end of the year it is compounded.

The rates of interest are in my opinion exorbitant.

Other charges incidental to the grant or repayment of loans are—

(1) Share in grain of the person watching on behalf of the lender.
(2) Deduction from the total amount lent, advance interest for the first month or first half-year, as the case may be.

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(3) Pay of the debt collected at the rate of 2 annas or 4 annas a day for the number of days he is required to remain at the debtor's door for realization.

Question 3.—Where the agriculturist has land in which he has transferable rights the security taken is land mortgage. In some extreme cases ornaments are also pledged as security. Standing crops are not formally pledged, but as soon as the crops are ready, the creditors torment the agriculturist for payment of their debt either in cash or in kind. Agriculturists' implements are not given in security in this district. But the houses, trees, live-stock, etc., are taken into consideration by the co-operative societies before granting loans to agriculturists.

The better the title to land the greater the amount of indebtedness.

My idea is that 95 per cent. of tenants are indebted. The small landlords or under-proprietors are also in debt to the extent of 90 per cent.; of these, the tenants (at-will) with no rights in land are cent. per cent. in debt, whereas the occupancy and ex-proprietary tenants' debt varies from 80 per cent. to 90 per cent.

The amount of debt secured on land mortgage is increasing. It is difficult to draw a comparison, but those that have land prefer to mortgage a portion with possession so as to be immune from the exorbitant rate of interest and also from the payment of any interest as the usufruct is taken in lieu of interest. When better days return they redeem their mortgage.

Question 4.—Payment of debts from agriculturists is enforced in my districts by the following methods :—

(1) Attaching standing crops or recovering the debt from the crop as soon as it is brought on the threshing floor.

(2) Taking service as ploughmen, etc., in lieu of debt.

(3) Obtaining a lease or sub-lease of a portion of the land and paying off the debt from the usufruct.

(4) Obtaining decrees from courts and getting the family chattels attached and sold.

So far as my district is concerned, grain is borrowed on the *deorhi* or *sawai* system, as the case may be, and is paid when the crops are ready, *i.e.*, for every seer of grain borrowed 1¼ seer or 1½ seer is paid when the crops are harvested. The question of rate, therefore, does not come in.

There is no means by which the cultivator may be able to ascertain the prevailing rate in the market from time to time.

Question 5.—The cultivator does not usually take advantage of the facilities provided by the Agriculturists Loans Act and Land Improvement Act. In fact he is loath to take loans from the Government. He does so usually under great pressure of circumstances.

The reasons are that—(1) his habits are not regulated and he cannot pay the instalments in time. The result of this default is that the money is realized as arrears of government revenue, and he has either to allow his cattle and other property to be sold, or to borrow from a *mahajan* at an exorbitant rate of interest, (2) the full amount of the loan does not reach him. The *patwari*, the *kanungo* and other *amlas* charge from him their *haq*, which in itself comes to about 3 or 4 per cent.

In abnormal years the cultivator borrows *taqavi* freely. He borrows it for the purpose of providing himself with food, but under the pretexts of purchasing seed and cattle or sinking a well. At a rough estimate he borrows 100 per cent. more than he borrows in ordinary years.

The defects in the *taqavi* system are that a very cumbrous method of distribution is provided and the cultivator is in consequence exposed to trickery and peculation. The instalments are also not as easy and as far between as they should be.

The best way to distribute *taqavi* is to give the money through co-operative banks and societies, to fix very easy instalments and to spread the payment over a period of 30 to 40 years.

Question 6.—The cultivators do not combine together to produce particular crops. They, of course, help each other in ploughing, watering and sowing some crops. Combination would certainly be of great advantage. It is both possible and desirable. When once the cultivator has realised the benefits of collective farming he would, I am sure,

welcome the system. But this system will appeal to the poorer tenants more than the richer ones.

Question 7.—The present system of agricultural borrowing is very defective. It throws the cultivator at the mercy of the *mahajan*. There is no document executed for the money borrowed. The debt is a *parole* one and is entered in slips or irregularly-kept books of accounts. The tenant does not know how much interest has accrued. There is no accounting. There is no informing the tenant every year or six-monthly that so much interest has accrued. The payments made by the tenants are not certified and in course of time the tenant forgets how much he paid and how much is still due. He has to rely upon unscrupulous Shylocks. The result is that the poor tenant is not free from debt as long as he lives, and when he dies his heirs are pledged to the *mahajan* for their lives. Where grain is paid in lieu of cash the *mahajan* usually employs weights of greater weight, and when advancing grain as loan he uses lighter weights. Thus the tenant gets less in weight and pays more.

The whole trouble is due to the following causes :—

(*a*) Illiteracy of the cultivators.

(*b*) Irregular and extravagant habits of the cultivators.

(*c*) Dishonesty of the *mahajan*.

(*d*) There being no system of account-keeping by the tenant or the *mahajan*.

(*e*) Extreme poverty of the cultivator and his having no right in the land he cultivates.

I suggest the following remedies :—

(1) Free and compulsory education both for boys and girls.

(2) Adult education.

(3) Passing of some law whereby the *mahajans* should be compelled to give a *sarkhat* to the cultivator for the loan he takes and to enter in it all the payments he makes.

(4) Making it penal to charge interest at more than 25 per cent.

(5) Granting occupancy rights to the tenants.

(6) Carrying out village uplift work amongst the tenantry and teaching them regular living and regular habits.

(7) Teaching the cultivator to learn how to keep some account of his tenancy, *i.e.*, how much land he cultivated; how much he spent on seed, manure, ploughing, watering, threshing, etc., and how much he got by sale of the crop, thus enabling him to know the result of his labour and to find out his annual gain or loss and to remedy the causes that caused him loss.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—There are four ways in which the principal crops of my district are brought to market—

(1) The crops are sold while in fields after appraisement; such method is adopted by big grain exporters.

(2) The *banias* go to the cultivators after the crops are stored and purchase them at their house.

(3) Those cultivators who have large holdings take their crops to the nearest market on pack animals.

(4) Still larger cultivators take their crops on bullock carts to the principal markets of the district or of adjoining districts.

The methods of marketing vary according as to the crop is one mainly used for domestic consumption or one mainly sold in the market. The latter (*e.g.*, *gur*, wheat rice of good quality, etc.), are invariably taken to the principal market of the district, while the former is mostly sold in adjoining markets or in the village itself, but it is sold under great economic pressure as the tenant keeps it in reserve for himself.

Question 2.—The money to finance the marketing of crops is obtained from the following classes of lenders :—

(1) Banks, (2) grain merchants, (3) exporting firms, (4) village *banias*.

The banks generally deal with established firms of buyers and its doors are closed to the poor cultivator. They keep godowns where the crops are stored after purchase by the dealers in grain. Certain percentage is taken as deposit in order to ensure against any loss and the crops are sold at the bidding of the purchaser. Interest is usually

charged from 7½ to 10 per cent. in addition to insurance charges, house-rent and watch and ward charges.

Grain merchants open *baras* or houses in the countryside and cultivators take their crops there and sell them to the dealers for cash. If no purchaser is found or full value is not obtained the grain is stocked in the *bara* on payment of rent and the merchants advance money on its security in order to cater to the immediate necessities of the cultivators.

The exporting firms usually make some advances for particular crops to the tenants through their agents; when the crop is ready they pay the price after weighment. But in such a case the balance of profits is always on the side of the exporter.

There is a co-operative society in my area as well as in my district, but it does not resist in the marketing of crops either by lending money or otherwise. I do think that it should help in marketing. It would certainly entail great work, excessive supervision and huge organisation, but I am convinced that such a system would immensely help the cultivator and do him incalculable good,—it would bring to him higher value and ensure to him the full price for his goods and it would save him from a lot of trickery, peculation and dishonesty of the purchasers.

Question 3.—The cultivator ordinarily pays the following charges in the case of marketing his crop to—

(i) *The local moneylender*—(*a*) Weighing dues, (*b*) charitable institutions, (*c*) servants.

(ii) *The commission agent*—(*a*) His share of crop as commission, (*b*) his servants, (*c*) charitable institution, (*d*) weighing dues. Over and above this the cultivator is swindled of his crop in various ways, *e.g.*, weighing more, etc.

(iii) *The broker*—The broker gets his *dalali.*

(*iv*) *The wholesale grain merchant* (*beopari*)—(*a*) The wholesale grain merchant gets a chattack for every 5 seers that is weighed; (*b*) He gets 5 seers for every cartload of grain for his servants; (*c*) Subscription in grain is in every case given out of the grain; (*d*) Weighing dues; (*e*) *Arhat* to the man through whom it is sold.

These charges vary with different crops. There are other incidental charges, *e.g.*, giving alms or something to the local deity or *Ramlila* fund, *gaushalla* or similar objects. The sweeper, the waterman and the hangers-on always get their share of the spoil also.

Question 4.—The cultivator stores his grain in his own house in mud cells called *dehri.* Where the co-operative societies do the marketing business, the crops are stored at a common place in *khatis* or grain pits. The poverty of the tenant does not leave any room for improvement in the existing state of affairs.

In markets grain is stored loose in large godowns. *Gur* is kept in the second storey in rooms where air and light cannot penetrate.

If the floor of the godown is well cemented or paved with stones and the walls also cemented it would be a decided improvement and would save the grain from contamination as well as from being spoiled and eaten by rats.

Question 5.—It is only merchants who do grain business and have not sufficient funds to feed their full business that use the grain stored in markets as security for obtaining credit.

Question 7.—I know of no instances where cultivators combine together to market particular crops. It is only combination that the cultivators lack. If this can be stimulated or developed in them it would open a new era to them.

Part C.—Extent and nature of agricultural indebtedness.

Question 1.—The existing indebtedness of the agricultural classes of Oudh is appalling. So far as Fyzabad district is concerned it is no exception. The report on the settlement of the land revenue of the Fyzabad district compiled by A. F. Miller, Esq., I.C.S., officiating settlement officer, published in 1880, presents a very gloomy picture, and I make no apology for quoting it in full as showing what the state of the agricultural

classes was then. Paragraph 89 runs as follows :—"Next above there come cultivators whose profits are probably just what they are in other parts of Oudh, just enough to pay for the labour and the keeping up of their stock." Even this may, however, be above the mark, for cultivators do not always possess sufficient stock for independent cultivation. There are many who have not more than a single bullock, and the only way they can pull on is by mutual assistance, such as combination of stock and of labour. In further illustration of the condition of this class it may be added that some years ago it was considered to demand special enquiry, and it was then elicited that no less than 90 per cent. were in debt. A second more recent enquiry was made last year, and though a change for the better appears to have taken place in the Fyzabad tahsil, even there 50 per cent. are still in debt (some up to double their income). In the Akbarpur and Bikapur tahsils 50 per cent. are in debt (half up to more than a year's income), and in Tanda the percentage remains as before at 90 per cent. This was the state of affairs 50 years ago. They have gone down since. My estimate therefore is that the indebtedness of the agricultural classes can fairly be assessed at 90 per cent.

Question 2.—The principal creditors of the agriculturists are—

(*a*) Government.
(*b*) Co-operative societies.
(*c*) Indigenous bankers.
(*d*) Professional moneylenders.
(*e*) Grain dealers.
(*f*) *Zamindars*.

There are very few rich agriculturists, and even where there are any they can be counted on one's fingers. They very rarely help their poor brethren; and where they do so it is only for the sake of obtaining their labour.

My estimate is that 60 per cent. of the total debt is advanced by professional moneylenders, 30 per cent. by grain dealers and *zamindars* who deal in grain, about 5 per cent. by indigenous bankers, about 4 per cent. by Government, and less than 1 per cent. by co-operative societies.

Question 3.—I think that as the result of the enforced payment of debt, land and the rights in land are passing from the possession of efficient farmers into the hands of creditors who are not efficient farmers, and that production is thus affected.

Question 4.—I think the land-owning class in my district is in no better position than the cultivators. Their indebtedness also I assess at 90 per cent.

Question 5.—The following are the special causes of the indebtedness of the landowners :—

(1) They do not work in the fields themselves and take work from hired labourers. (Ten per cent.)

(2) Their extravagant habits, excessive marriage expenses and other social expenses. (Forty per cent.)

(3) The rise in the standard of living. (Thirty per cent.)

(4) Litigation expenses and low productive power of land due to neglect for want of money. (Twenty per cent.)

Question 6.—The land-owning classes do not pay any specially high rate of interest; on the contrary, their rate of interest is comparatively low. Their land is mortgaged with possession. This reduces their means of support and the result is that they are further involved in debt in order to keep their body and soul together and to maintain the prestige of their family. This results in course of time in the total extinction of their land which is sold or foreclosed. They have thus either to depend on labour or migrate to Calcutta, Bombay or Rangoon and eke out their miserable existence. Some of them take to crime.

Part D.—Credit facilities in respect of agricultural production and marketing.

Question 1.—The Imperial Bank of India and the joint-stock banks play absolutely no part in my district in providing agricultural credit in respect of crop production. The Government does play its part. It gives money on easy interest to the cultivators for making improvements in the land, *e.g.*, sinking of wells, building of tanks, etc., and

for seed. It is particularly useful during famines and days of scarcity in providing cultivators with work. The co-operative banks also help to the utmost of their capacity, but their resources are limited and reach only the members of the societies affiliated to them. They touch only a fringe of the population. Indigenous bankers, professional moneylenders and grain merchants contribute their share of help, but the cultivator has to pay dearly for such help which he is forced to accept on their terms.

In my opinion the existing credit facilities are not adequate. The only suggestion that I can make is to expend the sphere of co-operative credit. There should be no village without a co-operative society. But such society should be adequately financed.

The existing system of agricultural credit, if system it can be called, is defective. The causes are—

(i) Absence of adequate facilities.
(ii) High rate of interest.
(iii) Short-term loans.
(iv) Insufficient credit,

The remedy for all these ills is the establishment of co-operative societies with cheap, sufficient and long-term credit.

Question 2.—In the matter of marketing of crops the village *banias* play the most important part. They go from house to house with their ponies and purchase the grain produced by average cultivators. The large cultivators take their crops to district markets, where the *mahajans* and great exporters market their crops either to outside purchasers or purchase the same themselves. When they lack money the joint-stock companies come to their assistance.

The existing credit facilities are sufficient, but they are not very beneficial to the cultivators. Co-operative credit is the only remedy that I can suggest.

Question 3.—So far as the agriculturist is concerned there is no co-ordination between the various credit agencies. But so far as middlemen are concerned, there is some co-ordination between grain merchants and the various banks and indigenous bankers.

There is very little scope for improvement in this direction.

Question 4.—There are greater credit facilities in respect of overseas trade than in the case of internal trade. The reason is that overseas trade is in the hands of big capitalists who have got large capital, better credit and strong backing on the part of the Government as well as capitalists at home.

Question 5.—The amount of capital required for agricultural finance generally can be calculated on the basis of present borrowing in each village. I think a capital of five lakhs will be required for my district.

Part E.—Land mortgage banks.

Question 1.—Landlords can obtain loans for long periods by mortgaging their land up to half the value of the land. Tenants in my district as well as in Oudh do not possess transferable rights in land and therefore they cannot obtain any loan by mortgage.

Question 2.—Such long-period advances are available on the security of land only. The special difficulty of long-period borrowers is that such mortgages are usually with possession and the mortgagor is deprived of the use of his land for his own purposes. Where the mortgage is without possession, the land mortgaged is seldom redeemed and passes out of the hands of the mortgagor.

Question 3.—Non-transferability of tenants' rights is an impediment to long-term credit.

Question 4.—Occupancy rights do not serve as adequate security for long-term credit. I would suggest that an amendment may be made in the law, making occupancy holdings transferable. But the transfer should be only in favour of the members of the village community.

Question 5.—I think land mortgage banks would solve the problem of long-period advances to a very great extent.

Question 6.—The land mortgage bank should be organised on the co-operative system. There should be two provincial banks for each province and the central or district banks should be its shareholders just as the societies are the shareholders of central

or district banks. One bank should be exclusively for farmers and small landholders and the other for big landlords and *taluqdars*. The two banks should be quite separate. The directorate, management or supervision may be the same. Both can co-operate in the matter of investment on short-term deposits with each other and keeping each other's idle money invested. The total capital of the bank should be one crore of rupees out of which 50 lakhs should be subscribed by the Government and 50 lakhs by the shareholders.

The share capital should be available to central banks or district banks, unions and the societies, *e.g.*, *taluqdars'* societies.

Some percentage of the shares may be left open to preference shareholders, *i.e.*, individual shareholders.

The Government should undertake the obligation of subscribing any balance of the share capital not taken up by the public.

The management should be in the hands of the directorate of which the number may be twelve. Four of these should be the nominees of the Government and the rest elected. Every society or bank holding shares should have one vote.

The individual shareholders may be allowed one-sixth the number of directors to be elected by majority of votes.

The maximum period of loans advanced by a land mortgage bank should be 35 years, and the margin between the amount of loan and the value of mortgage should be twenty times the revenue or rent.

The land mortgage banks should obtain working capital principally from deposits, and if more capital is needed then from debentures and a central institution.

The debentures should carry a government guarantee for principal and interest, both.

Government should take up any debentures not taken up by the public within a specified time; and the debentures should rank as trustee securities.

The amount in the reserve fund should be a guarantee to the Government against loss.

I suggest the following modifications in the existing law in favour of land mortgage banks, viz., such banks should be exempted from stamp duty, registration charges and court-fees. The registration office should issue certificates of encumbrance free of charge. Proposed mortgages should be notified and the process of foreclosure and sale in the event of non-payment should be simplified. The banks should have power to manage defaulting estates and the application of the processes of the Land Revenue Act for realisation of land revenue in respect of overdue instalments or interest.

Provincial land mortgage banks should not be co-ordinated under an all-India central institution.

Question 7.—Revenue papers would be the safest guide for knowing the title, value and quality of land.

In my district the value of land depends on the quality, *e.g.*, *goind*, *manjhor* and *palo*, and all these are given in the assessment statement.

Land sold by Government auction fetches the highest value. Next comes the land sold through courts. Least value is obtained by negotiating the sale privately. The cause of the difference is that sales through courts carry certain amount of sanctity and there is a rivalry in biding. Purchasers think that the sale through Government is a *pakka* and a final thing, and if they delay in bidding they lose all chances of acquiring property. In private sales, purchasers think that the vendor is needy and exploits his adversity or necessity to its utmost limit.

If the net yield of average land is Rs. 4 its price is usually Rs. 100.

Part F.—Co-operation.

Question 1.—The only relation existing between co-operative banks and other banks is that of (*a*) depositor, (*b*) borrower. Usually co-operative banks have cash credit accounts with the local bank, whether it be the Imperial Bank or a joint-stock bank. Where there is accumulation of funds in the co-operative bank it deposits it in the Imperial Bank or other joint-stock bank either on short-term deposits or on yearly terms.

There is no competition between the co-operative banks and the joint-stock banks.

Question 2.—Co-operative societies in my district have no special difficulties in raising capital.

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Question 3.—The amount of capital available for financing the co-operative movement is sufficient so far as my district is concerned.

Question 4.—The only things that can stimulate the co-operative movement are—

(*a*) Diffusion of mass education.

(*b*) Cheaper rate of interest.

(*c*) Long-term loans.

Question 5.—The establishment of the provincial co-operative bank would stimulate the co-operative movement in the province.

Part G.—Small industries allied to agriculture.

Question 1.—There are on a small scale the following industries allied to agriculture :—

(1) *Gur*-making.

(2) Hand-spinnisg. This is confined only to the *julaha* class or *koris*.

(3) Vegetable growing. This is confined to *muraos* or a small fraction of other people.

Question 2.—The condition of the above industries is stagnant. If there be provision of co-operative stores there will be a better return to the producer.

Question 3.—Spinning and weaving is the only other enterprise within the means of the average cultivator which may give him employment in the off-season.

Co-operative societies can secure them enough capital for outlay on such enterprises.

Part H.—Small urban industries.

Question 1.—Cottage or art industries in my area are financed by money borrowed from *mahajans* or merchants who are purchasers of the produce of such industries and who sell them in the market or export them.

Artisans get their raw material or implements from the merchants who carry on that trade. They give raw material and take the finished article instead at rates settled between them which is usually to the advantage of the merchant.

They sell their wares to their suppliers of capital or raw material and occasionally by hawking them in the market on market days, or hawking them in the vicinity.

Middlemen and large dealers get the lion's share of the profits. The middlemen are usually the local *mahajans* and dealers in those wares and they make advances for the same. In their turn they sell to bigger merchants who are exporters of the commodity.

Question 2.—*Karkhanas* are to be found in the weaving and calico printing industries.

The relations between *karkhanadars* and the various people are these: The *karkhanadar* collects together workers and pays them a living wage. With the workers also come their children who learn the work and do odd work. They are also paid something by *karkhanadars*. When the goods are ready they are passed over to the middlemen of the trade who in their turn export the articles. Where *karkhanadars* are men who work with their own capital they sell the thing retail to the customers through a local shop which they keep and also export directly to places where such articles are in demand.

There is no tendency for the artisans to drift from their homes to small workshops, or *vice versâ*.

Question 3.—I know of no instances of sweated labour. To protect the home worker against exploitation, it is necessary to have an emporium or stores on the co-operative basis, and to advance money to the home worker for his immediate needs and then to sell his wares at the best time and for the best price.

Question 5.—An industrial bank would be a suitable method of improving the present system of financing small industries. A co-operative bank would be preferable to a joint-stock bank.

Such a bank should issue loans to artisan societies as well as to individual artisans or firms.

Question 6.—Sales' associations, dépôts or emporia would be of effective assistance in advertising and marketing art wares. They should be organised and financed by co-operative societies who would organise or manage them.

Babu BIND BASNI PRASAD SAHIB, M.A., B.Sc., LL.B., Officiating Subordinate Judge and Honorary Managing Director, Kashi Co-operative Bank, Benares district.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part F.—Co-operation.

Question 1.—THE only relation which exists between the district co-operative banks and the Imperial Bank or other joint-stock banks is that the latter allow cash credit to the co-operative banks on the basis of guilded securities. Thus, the Kashi Bank has an arrangement with the Allahabad Bank that the latter would advance the former up to Rs. 7,000 on the basis of its government securities. I have the experience of four district banks, namely, those at Allahabad, Bijnor, Jaunpur and Benares, and I did not find that other joint-stock banks offered any greater facilities to the co-operative banks.

My suggestion is that the Imperial Bank and other joint-stock banks should extend this facility by advancing money up to, say, fifty or sixty per cent. of the face value of the pro-notes executed by the primary co-operative societies in favour of the central banks. Such an arrangement will obviously give an assurance to the co-operative institutions that they will not suffer from dearth of money.

To my knowledge no relation exists between the co-operative banks and indigenous banks. Here in Benares we have an arrangement with a private banker of standing, who is also a director and treasurer of our bank, that he will keep the current cash balances and pay 4½ per cent. interest upon it. This arrangement solves the difficulty of idle balances to some extent.

There is no competition in this district and none in the province, to my knowledge, between the co-operative and joint-stock banks. So far as the lending business is concerned, there can be no competition between the two kinds of banks, as the co-operative banks advance money mostly to petty cultivators, a class of persons with whom the joint-stock banks have as yet no dealings. The co-operative banks do not discount *hundis*, etc., and so there is no competition in this field also. As regards the raising of money from the public, there also no keen competition exists. The share money is contributed in the co-operative banks by two classes of persons—(1) primary co-operative societies which consist of either petty cultivators or artisans, and this class hardly takes any shares in the joint-stock banks; (2) the landed class or professional people or other educated persons. These gentlemen buy shares more with the idea of helping the cultivators than as an investment.

In the case of deposits, the fact that the co-operative banks allow higher rates of interest, the circumstance that so far no depositor in any co-operative bank has suffered any loss, and the belief that these banks are under the strict supervision of the Government, do not cause any great difficulty to them to raise the requisite deposit.

The time is, however, not distant when competition may arise between the co-operative and joint-stock banks. It is easy to see that the co-operative activities of the province will increase more and more in future, and larger and larger amount of capital will be in demand by the movement. A time is bound to arrive when these two classes of banks will be rivals in the money market. To avoid the struggles of this competition the proper remedy seems to be to interlink the co-operative, Imperial and joint-stock banks.

Question 2.—Co-operative societies rarely have difficulty in raising capital. Thus, during the last three years this bank experienced such a difficulty only once. But I know that other banks have experienced such difficulties more often. Specially do such difficulties arise in famine and scarcity seasons, as then the collections are poor and the demand for fresh loans are greater.

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Question 3.—In this district the capital available for financing the co-operative movement is sufficient at present. In fact, we have advanced a few thousand rupees to Agra to help it in financing its societies this year as it felt difficulty owing to the failure of the crops.

In the province as a whole, in my opinion, the capital available sometimes falls below requirements. It is difficult to estimate the amount of additional capital required. It is a varying figure changing with the demand and supply at particular moments. Broadly speaking, if an additional capital of twenty lakhs were made available to the seventy central banks in the province, they would never suffer from the difficulties of capital as long as the number of primary societies affiliated to them remains the same. Of course, this figure will vary with the number of societies in the province.

Question 4.—To my knowledge no co-operative bank is assessed to income-tax. But as the law stands they are not immune from this tax. If the income-tax authorities turn their attention to these banks it will be a blow to them. I am of opinion that as long as the central co-operative banks do not build up a strong reserve fund, a rule should be made that they should not be taxed on income. There are very few co-operative primary societies which have an income of over rupees two thousand annually. For the growth of such societies I am of opinion that the concession should be extended to them also.

At all events, the co-operative institutions should be exempted from the taxes imposed by the local bodies. Our Local Government has recently addressed the local bodies a letter asking them not to levy any tax on co-operative societies.

The inclusion of the debentures of provincial banks in the list of trustee securities would, no doubt, be a great help to them, but from what I have read of the Burma and Central Provinces' provincial co-operative banks, I would advise caution in the matter. At all events, if such debentures are included in the list of trustee securities, I would advise that the Government should, at least for some time, keep a strict control over it by appointing a banking expert of eminence to control its affairs.

Question 5.—The demand for a provincial bank now exists in this province. After the Oakden Committee Report the Government has allotted funds for the supervision of the societies, and it is my view that the movement is now running on far sounder lines than before. Societies of various kinds will now grow up after the period of consolidation is over in a few years. The provincial bank will be the best agency to absorb the idle balances of the societies and to supply funds to the societies which are in need of the same.

Although not covered by any of the questions I beg to submit a point on the subject of co-operation. Experience has revealed the great importance of supervision of the primary co-operative societies. With this object the United Provinces Co-operative Union has been started, and the Government is also helping it. But the funds at its disposal are not enough to enable it to exercise as effective a supervision as it desires. For paucity of funds it has to entrust about thirty societies to every supervisor. I am of opinion that in the present stage of the movement not more than fifteen societies can be properly supervised by one man. For this larger funds should be made available to the Union.

Babu Bind Basni Prasad.

The UNAO TOWN BANK, Ltd., Unao.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturist borrows from Government, co-operative societies and village moneylenders.

He borrows for all the purposes mentioned in the questionnaire.

Loans have been advanced by the Unao Town Bank in the year 1928-29 in the following proportion, which may be taken as a rough guide in this respect :—

	Amount. Rs. a. p.	Percentage.
Purchase of cattle	24,605 5 3	42
Repayment of earlier debts	18,197 0 0	31
Payment of rent	3,751 0 0	6
Agricultural purposes	5,040 8 0	9
Seed	6,729 12 0	12
Total ...	58,323 9 3	

It is not possible to give in what proportion the debt is divided between the various classes of lending agencies. The village moneylenders still predominate. Next come the co-operative societies, where they exist, and then the Government.

Loans are incurred in cash only from the bank, but moneylenders also give in kind.

Grain is generally taken at the sowing season and is generally payable at the time of harvest. It may also be taken for a shorter period. The proportion cannot be given. Advancing of cash on pronotes is increasing. It is also for a short period generally, being payable on demand. The bank, however, advances loans in instalments for *rabi* and *kharif*.

Question 2.—The moneylenders generally charge interest at the following rates :—

(i) For cash advances, not less than 24 per cent. The usual rate contained in the bonds and pro-notes is 37½ per cent. and also compoundable yearly. *Ugahi* system also prevails in which the debtor pays Rs. 12 for an advance of Rs. 10 by instalments of Re. 1 every month.

(ii) For loans in kind for seed and for other loans in kind, the usual rate of interest is *deorha* payable in the month of *Baisakh*, *i.e.*, Rs. 50 payable in six months. Sometimes the rate of interest is *deorha*, *i.e.*, 1½ repayable in *Baisakh* for a loan advanced in the month of *Kuar* or *Katik* at the sowing season. If, however, it is not paid in *Baisakh* then he will have to pay with an addition of three-fourths at the next *kharif* harvest.

The co-operative societies charge interest on cash at 15 per cent. per annum. Grain is not advanced by them.

The rates of interest are exorbitant in the case of private moneylenders.

Question 3.—Standing crops, house property and ornaments are the usual kinds of security given and accepted.

It is correct to say that the better the title to land the greater the amount of indebtedness.

Land mortgages are on the whole increasing, but the agricultural classes are generally not possessed of transferable interest in land, and therefore unsecured debts and debts otherwise secured predominate.

Question 4.—Payment of debt from agriculturists is generally enforced through law courts and *panchayat* and by arbitration.

THE UNAO TOWN BANK, LTD.

Agriculturists generally pay grain for grain and the question of difference of rates does not arise. The cultivator can certainly know the prevailing rate as markets are held in the neighbourhood at least twice every week.

Question 6.—It is very seldom that cultivators combine to produce particular crops. In my opinion it is both possible and desirable.

Question 7.—So far as loans from co-operative societies are concerned, the money borrowed is the first charge on the agricultural produce though very often the rent takes precedence. About other moneylenders I cannot say with certainty.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—In some cases the grain dealers purchase the produce in the villages, and in other cases the agriculturists either bring their produce or only a sample of it to the market.

Question 2.—Money to finance the marketing of crops is obtained generally from grain merchants.

There is no co-operative society in my locality. I think the existence of such a society will be of great use to the agriculturists.

Question 4.—Generally the cultivator stores grain at his house. The best thing will be for some bank to have store-rooms for keeping the grain and advancing loans on its security up to a certain percentage so that the produce may fetch a better price when the market is tight.

Grain is generally stored by grain merchants in their shops adjoining the market.

Question 5.—The practice of obtaining credit on the security of stored grain is prevalent only among the grain merchants about which I am unable to give any details.

Question 8.—I think the system of weighment in the markets is satisfactory.

Part D.—Credit facilities in respect of agricultural production and marketing.

Question 1.—The Government advances *taqavi*, the co-operative bank advances money to agriculturists and for agricultural purposes, and professional moneylenders also do so. Owing to want of co-operative education the moneylenders with their high rate of interest still predominate. Improvement is only possible when co-operative education improves the condition of the agriculturists.

Question 3.—There is no co-ordination that I know of among the various credit agencies.

Part F.—Co-operation.

Question 1.—The relation existing between our bank and other banks is only this that whenever there is some surplus money in our bank, we put that in a joint-stock bank with the permission of the Registrar and we take a loan on its security when we stand in need of it.

Question 2.—Last year we experienced difficulty in raising short-term capital when the demand increased owing to famine.

Question 3.—The amount of capital available for financing the co-operative movement in this district is sufficient.

Question 4.—I think it is highly desirable to give an impetus to the co-operative movement by financial concessions.

Question 5.—The establishment of a provincial co-operative bank would stimulate the co-operative movement in the province.

Part H.—Small urban industries.

Question 1.—There are no cottage industries known to us in Unao.

III.—INVESTMENT HABIT AND ATTRACTION OF CAPITAL.

A.—Encouragement of saving and investment habit.

Question 1.—The banking resources of this district consist of the Unao Town Bank and Unao Commercial Bank. I think they are sufficient.

Question 2.—The banks have savings bank accounts in them.

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Question 3.—The people in this district do invest in gold or silver.

Question 4.—Postal cash certificates are popular only among the educated classes. They can be made more so—but only among the educated classes—by revision of the rate of interest.

Question 4A.—I think it is possible to have something similar to the national savings system in England provided it is such as to be within easy reach of the lower classes with a view to popularize it.

Question 5.—Post office savings banks do afford adequate facilities for the investment but mostly to the educated public. If branch post offices also open up savings bank accounts, it is possible that the illiterate classes may be attracted.

Question 6.—It is true that the rates of interest on postal cash certificates and treasury bills are such to create competition between Government and banks in attracting money, but such competition is healthy.

Question 9.—There is no branch of the Imperial Bank in this district. The Unao Town Bank does not undertake to afford any facilities for purchase of government securities. The local joint-stock bank, I am told, deals with them.

If the government securities are issued of a smaller denomination it is possible to attract the small agriculturists and investors.

Question 10.—There are little or no facilities for the purchase and sale of securities other than those of Government.

Question 11.—Only the upper classes put their money in banks and post offices or lend it. The lower classes bury their money if they have any surplus.

The upper classes use their money for lending or ornaments; the lower classes, if they have any, for purchase of cattle, on marriages, etc.

Question 12.—The farmers keep their surplus funds with them or purchase cattle. They do not lend the money which does not exceed their non-recurring expenses *e.g.*, repairs of agricultural implements or purchase of cattle, etc.

Question 13.—I agree with the view that in India the banking and investment habit is of very slow growth. People are wanting in such habits because their income is hardly sufficient for their legitimate requirements.

B.—Cheque habit.

Question 3.—I think cheques are used simply by the mercantile classes and also by educated men.

Question 4.—Payment of government servants and bank employees by cheques may be tried, but I think it will not gain popularity with the middle-class people who are not businessmen.

C.—Vernacular scripts in banking.

Question 1.—In co-operative societies the vernacular is used. The figures should be in English or Hindi as in societies.

Question 2.—I would insist on the use of the Nagri script.

D.—Imperial Bank of India.

The rules of deposit and withdrawal are very restricted inasmuch as smaller investors can have no dealings with the Imperial Bank.

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THE UNAO TOWN BANK, LTD.

Kunwar SULTAN SINGH, Honorary Magistrate, Lakhnau, district Aligarh.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—Agriculturists mostly borrow from village moneylenders and partly from Government and co-operative societies.

The purposes for which they borrow are different at different times of the year, but specially they borrow for—

(1) payment of accumulated interest and earlier debts	...	30 per cent.
(2) seed	...	10 ditto.
(3) litigation	...	10 ditto.
(4) wages of labourers	...	20 ditto.
(5) marriage and other functions	...	10 ditto.
(6) cattle	...	10 ditto.
(7) other unforeseen demands	...	10 ditto.

Agriculturists borrow from the Government only when famine occurs, but at other times money is seldom advanced by the Government and so the only source that remains is the village moneylenders or the co-operative societies. The proportion of debt may be divided thus—70 per cent. from village moneylenders, 20 per cent. from co-operative societies and 10 per cent. from the Government.

75 per cent. of the debt is incurred in cash and 25 per cent. in grain.

Almost all the debt is for short terms.

Question 2.—The rate of interest charged in this area is—

(i) For loans in cash, generally Rs. 3-2-0 per cent. per mensem compoundable half-yearly.

(ii) For loans in kind for seed the rate is the same as for cash.

(iii) For other loans in kind, one and a half times of the principal or one and a quarter of the principal compoundable half-yearly or annually.

There are two methods of calculating the interest—one is so much per cent per month, and the other so much per rupee per month.

The rates are exorbitant.

There are some incidental charges at the time of granting the loan and at the time of its repayment as well. About 1 per cent. or more is charged for getting the loan granted, and at the time of repayment, in the case of agriculturists, one seer of grain or its price is charged over and above the amount.

Question 3.—In regard to security, the creditor gets the nominal sale-deed of the crops executed in his name from the debtor, or gets the name of the debtor entered in the papers of the patwari as a sub-tenant; or sometimes security of ornaments is also taken.

It is correct to say that the better the title the greater the amount of indebtedness.

The debt secured on land mortgages is increasing, but by far the largest amount of debt is unsecured or otherwise secured. Roughly the proportion is 1 : 3.

Question 4.—The methods employed for enforcing payment of debt from agriculturists are attachment and sale.

When the cultivator borrows he is charged at least half seer per rupee more than the prevailing rate in the market, and when he repays he is charged to the same extent less as there is no means for the cultivator to ascertain the current rate, or, if there be any, even then necessity is the root and he has to accept the decision of the moneylenders.

KUNWAR SULTAN SINGH.

Question 5.—Although everyone wishes to take full advantage of the facilities provided for him by the Agriculturists Loans Act and the Land Improvement Act, the poor cultivator is debarred from that too, because patwaris always send wrong reports and never place the actual demand before the authorities. Then the amount granted is never sufficient to meet one necessity much less others. For attestation he has to make a good many rounds and thus spends in securing the *taqavi* more than what he gets.

In ordinary years cultivators hardly take *taqavi* and it is seldom given.

The defects in the *taqavi* system are as follows :—

(1) Lack of education amongst the villagers so as to save them from the clutches of the patwari and qanungos.

(2) Reports are taken from patwaris who give an absolutely bogus report and make use of the chance as a favour to the tenants.

(3) Tenants who are actually not in need of *taqavi*, if they are the men of the patwari, have their names sent in, whereas those who are not in the favour of the patwari are doomed to suffer.

(4) The whole amount of the *taqavi* does not reach the tenant as it is given through some agency.

My suggestions to rectify the defects are—

(1) Report of an educated head of the village in the shape of a statement should be taken.

(2) *Taqavi* should be given directly to the person concerned and be distributed in the village so that the tenant be put to little expense.

(3) *Taqavi* should be given for a long term.

Question 7.—There are some defects in the system of agricultural borrowing and they are—

(i) The rate of the interest is very exorbitant.
(ii) Lack of intelligence and non-acquaintance with calculations prove harmful.
(iii) Lack of information about the current rate of interest.
(iv) Adherence to the old mode of cultivation.
(v) Disintegrity and selfishness of moneylenders.
(vi) Daily increasing necessity, above all.

They are due to—

(i) Daily increasing demand for money.
(ii) Lack of professional education, hence undeveloped mentality.
(iii) Fact that farm demonstrations are insufficient.
(iv) Lack of the supply of good seed and new implements.
(v) Insufficient supply of water to meet famine and daily needs.

These defects may be rectified thus—

(i) By establishing more seed stores.
(ii) By appointing one man in each village, or in two or more villages as may be deemed proper, to make the tenants understand the new methods of cultivation and to induce them to adopt them.
(iii) By enforcing compulsorily the new methods for improved crops.
(iv) By having persons in different circles who supply implements which may be obtainable on hire.
(v) By utilising the pumping system for irrigation, the expenses of which should be payable in instalments to the Government.
(vi) Cash for manure should be supplied to tenants and its recovery made a first charge like revenue.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—In this circle or at the most in this tahsil the mode of bringing crops to market differs with the amount of produce. If the tenant finds that the produce is large, he himself brings it to the market; whereas, if the produce is not large, he sells it to the *banias*.

The only difference is that crops mainly used for consumption are brought to market only in time of need, whereas others are mainly brought to market.

Question 2.—Money is obtained to finance the marketing of crops from grain merchants and banks, on the following terms :—The grain merchant at 14 annas on *hundi*, or at Re. 1-4-0 per cent. per month; banks (co-operative) at 14 annas; other banks at 10 annas per cent. per month, but the interest is to be paid quarterly or the mortgaged articles are sold off. The sum borrowed must never be less than Rs. 300.

KUNWAR SULTAN SINGH.

The co-operative bank does not assist in the marketing of crops, but it should.

Question 3.—The charges that the cultivator ordinarily pays to different persons in marketing his crops are as follows :—

(i) One seer per rupee more than the current bazar rate to the *bania*.
(ii) One pice per rupee to the commission agent.
(iii) Two annas six pies per cent. to the *dalal*.
(iv) One and a quarter maund per hundred maunds to the wholesale grain merchant.

These charges vary with the kind of crop. The incidental charges that are borne by the person who brings his crops to market are different at different business centres; however, here in Hathras, they are as follows :—

One anna six pies per cent. for *gaushala* (one anna for *gaushala* on grain); six pies per cent. for *Ramlila* or other things (three pies on grain); 12 annas per hundred maunds of grain for other charges; six pies per cart or ass for octroi.

Question 4.—The cultivators store their grain in *khattis* or *kothas*. I have no suggestion to offer for improving storage nor is any possible.

Grain merchants store the grain in the same manner as cultivatos, and I can make no suggestion for improving the method as all other manners have been tried.

Question 6.—Licensed warehouses can be worked in India at the principal business centres. In the beginning the assistance of the Government will be necessary.

Part C.—Extent and nature of agricultural indebtedness.

Question 2.—The principal creditors of the agriculturists are Government, co-operative societies and, especially, moneylenders.

It is an admitted fact that the richer cultivators lend to the poorer, but to what extent is not known.

Question 3.—As a result of enforced payment of debt, land and the rights in land are passing in a marked degree from the hands of efficient cultivators into the hands of inefficient farmers. It does cause the cultivators to produce less and less efficiently as the creditors are less efficient farmers. At a rough estimate it may be given that one-twelfth of the whole land has thus passed out; though in my area there is none

Question 5.—There are special causes for the indebtedness of the land-owning classes and they may be arranged as follows :—

(i) Extravagance and show.
(ii) Moral turpitude.
(iii) Litigation.
(iv) Lack of means to meet unforeseen emergencies.

Question 6.—Land-owning classes have to pay special charges, but they receive concessions in the rate of interest, although in the end they have to pay more than the ordinary debtor.

Part D.—Credit facilities in respect of agricultural production and marketing.

Question 1.—The different classes which provide credit to the agricultural classes play different parts. The Government credit is merely nominal; that of the Imperial Bank of India is almost *nil* as no one goes to it, and so is the case with the joint-stock banks; whereas the co-operative bank tries to mend the daily living manner, teaches them to live a reformed life, teaches them sanitation, etc. etc. Indigenous banks do nothing and moneylenders have a perfectly ruinous effect. Grain merchants help, of course, but this is very rare.

Facilities are not adequate to meet the daily demand and scarcity of money. The suggestions for increasing them may be as follows :—

(i) Seed godowns should be increased in number.
(ii) Implements should be given out on hire, which may be realized with the rent without interest.
(iii) Fodder godowns should be opened from which fodder can be given out on credit with lesser interest.
(iv) Scientific manure should be supplied and the price realised as a first charge with the rent.

KUNWAR SULTAN SINGH.

The defect in the existing system of credit is that an improper advantage of the facilities is taken by cultivators who do not appropriate them for the right purpose. The credit provided is absolutely in cash which can be utilised in any work. The credit facilities provided are not easily accessible; though from the moneylender credit can easily be got, but this is ruinous. The remedies are the same as mentioned in 1 above.

Part F.—Co-operation.

Question 2.—Here in this circle the co-operative societies never lend for a long term. But if they would begin to lend for a long term, of course there would be a great demand, or if the process placed under the heading Land Mortgage Banks is adopted, the facilities would be increased very much. In realising the capital there would be no difficulty. As for the short term, of course there are certain difficulties which come in the front, *e.g.*, the date of raising the bank dues is fixed just after the rent, say a day or two later, whereby the tenant is compelled to sell his produce for a cheaper price, and for this reason the agriculturists make false promises and the dues are raised with difficulty.

Question 3.—In this district capital for financing the co-operative movement is not sufficient. Out of the total capital one large share is held by one society, whereas that of the rest is very little.

Question 4.—It is possible to stimulate the growth of the co-operative movement by financial concessions, and such stimulation would be desirable.

Question 5.—The establishment of the provincial co-operative bank would stimulate the co-operative movement.

Part G.—Small industries allied to agriculture.

Question 1.—Small industries are carried on in different parts of the district, *viz.*, dairy farming (tahsil Koil); *gur*-making (tahsils Sikandra Rao and Atrauli); cotton-ginning (tahsil Hathras, and on a small scale in other tahsils as well); tanning (almost all tahsils); hand-spinning (all tahsils); and growth of tobacco (tahsils Koil and Atrauli) but it is not manufactured.

Question 2.—The condition of the industries is not very flourishing.

The means of improving them may be as follows :—

(i) Co-operative societies should encourage the industry by loans for industrial purposes in kind.

(ii) Centres should be established for purchase of materials which should be given on loan to the industrial person.

(iii) After preparation, the article should be stored and sold in village markets or in bazars or to the villagers, either directly or through the man who has prepared it.

(iv) Co-operative societies should supply better seed and manure.

Part H.—Small urban industries.

Question 1.—Cottage or art industries are financed by borrowing from moneylenders.

Artisans get their supply of raw materials and implements either from their small capital or by borrowing at exorbitant rates.

Thei rwares are disposed of either in *painths* of the villages or in the bazars.

Middlemen and the large dealers really get the true benefit of the industry and trade, and make money therefrom.

Question 2.—In lock factories, in glass factories, in ginning mills, in dairy farmings, in tanning, in sugar-refining factories, in indigo factories and in oil mills there are *karkhanas*.

There is a tendency for artisans to drift from their houses to small workshops.

Question 3.—Sweated labour is found amongst the men; women are engaged only in ginning mills, whereas men are engaged in glass factories and in metal works.

KUNWAR SULTAN SINGH.

Question 5.—There is great demand for an industrial bank, and I remember that at different addresses presented to the Minister for Industries it was said that there is an absolute necessity of opening such banks in business centres. In my opinion they must be joint-stock banks.

In my opinion, such banks should issue loans to artisan societies, and artisan societies being established at different places should issue loans to firms and the firms should issue loans to artisans.

Quetion 6.—There is a great demand for sales associations, etc., and dépôts must be opened. They would prove of effective assistance in advertising and marketing, and must be opened in the vicinity of railway stations or on *pakka* roads.

KUNWAR SULTAN SINGH.

Rao Bahadur Thakur ADYA SARAN SINGH, Zamindar and Honorary Magistrate, Jahanabad, district Fatehpur.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturist borrows from village moneylenders. He borrows for the following purposes :—

(i) Repayment of earlier debts.
(ii) Payment of accumulated interest.
(iii) Marriage and social functions.
(iv) Famine and other kinds of distress.
(v) Payment of land revenue or rent.
(vi) Seed.
(vii) Expenses of cultivation.
(viii) Litigation.
(ix) Purchase of plough or other cattle.
(x) Sinking of wells.
(xi) Subsistence.

The largest share of the debt goes to items (iii) and (xi).
Three-fourths of the debt is incurred in cash and one-fourth in kind.
Most of the debt is incurred for short periods.

Question 2.—The rate of interest for cash advances is 24 per cent. per annum. For loans in kind or seed and for other loans in kind it is at *sawai* rates.
Compound interest is charged.
Compound interest is charged.

Question 3.—Security is given by execution of pro-notes in most cases, also land mortgage and house property.

It is correct to say that the better the title to land the greater the amount of indebtedness. Landlords are greater indebted than the tenants.

The amount secured on land mortgage is increasing.

Question 4.—Legal proceedings and private influence are the usual methods of enforcing payment of debt from agriculturists.

There is a difference between the rate at which the cultivator borrows grain or repays it and the prevailing rate. But the cultivator is too ignorant to inquire about the latter.

Question 5.—The cultivator takes full advantage of the facilities provided by the Agriculturists Loans Act and the Land Improvement Act.

In abnormal years cultivators apply for almost the whole amount that they require.
There are defects in the present *taqavi* system. Patwaris must be eliminated. The officer distributing the *taqavi* must visit the area affected and should not trust patwaris and kanungos.

Question 7.—The following are defects in the present system of agricultural borrowing :—Lack of organised credit societies, government or private. Absence of any check on village moneylenders' activities. The vast ignorance of the poor illiterate cultivators, which is the chief cause. To remedy these I would suggest agricultural credit societies and legislation on the lines of the Punjab Moneylenders Bill.

RAO BAHADUR THAKUR ADYA SARAN SINGH.

Part C.—Extent and nature of agricultural indebtedness.

Question 1.—Taking for example the case of village Ghanshyampur, pargana Kora, district Fatehpur, I can say from personal knowledge that 90 per cent. of the inhabitants are in debt.

Most of the debt is against unregistered land mortgage.

Question 2.—The principal creditors of the agriculturists are professional moneylenders and grain-dealers. The richer agriculturist lends to the poorer to a very small extent.

Seventy per cent. of the debt is due to moneylenders and 30 per cent. to grain-dealers.

Question 3.—Enforced payment of debt is resulting in land passing into the hands of creditors who are not themselves efficient farmers and this leads to the greater poverty of the cultivator.

Question 4.—The indebtedness of the landowning classes in my area is 70 per cent.

Question 5.—Non-realisation of rent due to bad crops (60 per cent.) and questionable ways of living (40 per cent.) are causes of the indebtedness of the landowning classes.

Question 6.—The landowning classes pay less interest than the cultivators.

Part D.—Credit facilities in respect of agricultural production and marketing.

Question 1.—Professional moneylenders and grain merchants are the only persons which provide agricultural credit. The poor cultivators entirely depend upon these classes for agricultural credit.

The existing credit facilities are not adequate: co-operative credit societies, if run on right lines will, in my opinion, solve these problems to some extent.

There are defects in the existing system of agricultural credit. Rack-renting and abnormally right rates of interest are the causes. A Moneylenders Bill will mitigate the hardships of the cultivators to some extent.

Question 2.—Roughly about 10 lakhs are required for agricultural finance generally for this district. Practical experience is my basis for this estimates.

Part E.—Land mortgage banks.

Question 1.—Loans are obtainable for long periods for about half the gross value of the landed property in my district.

In my district tenants have those rights in their holdings which are not transferable and so no tenant is able to secure loans for long periods.

Question 2.—Long-period advances are available on the security of landed property. The special difficulty of long-period borrowers is the lack of an organised banking system.

Question 3.—Non-transferability in the case of tenants acts as an impediment to long-term credit and increases the rate of interest.

Question 4.—The occupancy right does not serve as an adequate security for lond-term credit. With the object of increasing the value of such securities for long-term advances, I suggest the conferment of the right of transferability.

Question 5.—I think that the establishment of a land mortgage bank would solve the problem of long-term advances.

Question 6.—There should be only one such bank.

Land mortgage banks should have partly their own share capital and partly Government guarantee. The amount of capital or guarantee will vary according to local conditions. For my district it should be at least 20 lakhs.

Landlords and cultivators should be given preference in taking up the share capital. In case the share capital is not taken up by the public, Governemnt should undertake the obligation of subscribing the balance.

RAO BAHADUR THAKUR ADYA SARAN SINGH.

Land mortgage banks should be run partly with an elected directorate and partly with Government control.

The maximum period of the loans advanced by a land mortgage bank should be 40 years and the margin between the amount of loans and the value of the mortgage should be half.

Land mortgage banks should obtain working capital from (i) deposits, (ii) debentures and (iii) a central institution.

Debentures should carry a government guarantee for principal only.

If debentures are not taken up by the public within a certain time, Government should take up not less than three-fourths of the balance.

Debentures should rank as trustee securities.

The following privileges should be enjoyed by land mortgage banks :—

(i) Issue of certificates of encumbrances by the registration office at nominal charge.

(ii) Stamp duty, registration charges and court-fees to be reduced to half.

(iii) Notification of proposed mortgages at least 3 months before the date of actual mortgage.

(iv) Simplification of the process of foreclosure and sale in the event of non-payment.

(v) Power to manage defaulting estates.

Provincial land mortgage banks should not be co-ordinated under an all-India central institution.

Question 7.—The value of land should be calculated at market rates.

In my district the value of land differs according to the crops grown on it, which varies also according to fertility and situation.

The price obtained for land in sale by Government auction for non-payment of revenue and that obtained in sale on a court decree is about half the value. Land sold by private negotiation realises its actual value. The reasons for this are quite obvious.

The proportion of the annual net yield of average quality to its market value under normal conditions is roughly 4 to 1.

III.—Investment habit and attraction of capital.

Part A.—Encouragement of saving and investment habit.

Question 1.—There is no bank in my district except one co-operative bank at Fatehpur The post office savings bank is, of course, there.

These facilities are not adequate. One co-operative bank with working capital of Rs. 50,000 in every tahsil will do something.

Question 2.—The post office savings bank does provide facilities to the public for the investment of their savings, but the rate of interest is ridiculously small. The post office savings bank must offer a more liberal rate of interest. Co-operative banking also needs extension.

Question 3.—Nearly 80 per cent. of the rural capital is invested in gold and silver in the shape of ornaments and hoards.

Question 4.—Postal cash certificates are popular both in my district and the province, but they are confined to the educated classes only. In villages nobody would ever think of investing his money in cash certificates.

Their popularity would be encouraged (i) by raising the rate of interest, *i.e.*, Rs. 7-8-0 or Rs. 7 for a cash certificate of Rs. 10, and (ii) the interest should be allowed after 3 months and not after 12 months, as at present.

Question 5.—Post office savings banks afford facilities to the investing public to some extent. The rate of interest should be raised to at least 4½ per cent. or 5 per cent., and rules regarding interest should simultaneously be made more liberal.

Cash certificates are confined solely to educated classes. Savings banks are popular among both the uneducated and the educated classes, but the educated class predominates in this also.

Rao Bahadur Thakur Adya Saran Singh.

A depositor in a post office savings bank should be allowed at least three withdrawals in a week against one at present.

Question 8.—It would promote the savings habit if public bodies like municipalities were to afford savings bank facilities. They should be run on the lines of the post office savings bank.

Question 9.—So far as the agriculturists are concerned there are no facilities for purchase and sale of government securities. Facilities should be granted to small agriculturists and small investors to take up some form of government security through the agency of the post office. Wide publicity in the vernacular of the province should be given to such facilities.

Question 11.—So far as the agriculturists are concerned there is no money at all surplus to their normal expenditure. There may be a surplus with other classes of people. If there is any surplus the villager keeps it hoarded or with the village *mahajan*. He uses it for marriages and other domestic purposes and litigation.

Question 12.—Farmers hoard their surplus funds or keep them with the village *mahajan* or purchase landed property. They rarely lend to fellow-agriculturists, but on the usual terms.

If there is any capital in the possession of the agricultural population it is in the shape of landed property and cattle. It is very difficult to give an idea of its distribution. It is decreasing.

Question 13.—I agree with the view that in India the banking and investment habit is of very slow growth. This is due to lack of education.

Advancement of education and propaganda will lead people to invest their savings in productive undertakings.

B.—Cheque habit.

Question 1.—The cheque habit is growing in India among the educated, business, and commercial classes only.

Question 2.—To some degree the abolition of stamp duty on cheques has no doubt led to an increase in the use of cheques and in the opening of more accounts.

Question 4.—I agree with the suggestion that the payment of government servants and bank employees by cheques and the freer receipt of cheques in payment of government dues will further promote the cheque habit.

Post offices should open cheque accounts, which should bear only nominal interest and should not exceed Rs. 1,000 and only one transaction should be allowed once a day.

Question 5.—It should be made possible for the illiterate to use cheques if the same procedure as in post office savings banks is adopted.

C.—Vernacular scripts in banking.

Question 1.—Hindi and Urdu may be tried.

Rai Sahib Lala ANAND SWARUP, Rais and Honorary Magistrate, Muzaffarnagar.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturist in my district or area generally borrows money from village moneylenders. In parts where co-operative societies exist he prefers to borrow money from them.

He borrows for the following purposes, viz. :—

(i) Repayment of earlier debts.
(ii) Marriage and other social functions.
(iii) Famine and other kinds of distress.
(iv) Litigation.
(v) Purchase of cattle.
(vi) Sinking wells.
(vii) Subsistence.

The debt is divided in the following proportion between the various lending agencies :—

(i) Government—15 per cent., for famine and purchase of plough or other cattle.
(ii) Village moneylenders—50 per cent., for marriage and other social functions, litigation, subsistence.
(iii) Co-operative banks—10 per cent., for repayment of earlier debts and cattle.
(iv) Cattle merchants—25 per cent., for bullocks.

About three-fourths of the debt are incurred in cash, and one-fourth in grain for seed and subsistence.

The period for which a loan is taken depends upon the crops. Generally, 60 per cent. of the debt is for short periods.

Question 2.—Village moneylenders generally charge interest at the following rates :—

(i) For cash advances, 24 per cent. per annum.
(ii) For loans in kind for seed, 24 per cent. for 6 months or 1¼ times the quantity of grain advanced.

The interest is calculated every 6 months.

Cattle merchants charge nearly double for their bullocks and in my opinion the tenants find it difficult to repay them.

Question 3.—Generally, standing crops, ornaments and personal security are accepted for short-term loans, and for longer periods land mortgage and house property are accepted. Before the new Tenancy Act came into force sub-leases of occupancy lands were generally given and money in advance was taken. This practice is now disappearing.

The middle class of landlords are in great debt as their income is limited but they have to maintain their position. Similarly is the case of big tenants. The smaller landlords and tenants lead simple lives within their means.

The amount of debt secured on land mortgage is increasing. Once a man takes a loan for marriage functions or for bullocks he finds it difficult to repay it and has to mortgage his land.

Question 4.—Payment of debt is enforced by persuasion and by threat; some creditors even resort to beating and by taking possession of ready crops, by litigation and selling standing crops, cattle, and by confinement.

Generally there is a difference of half a seer between the rate at which a cultivator borrows grain or repays it and the prevailing rate. I think the cultivators know the prevailing rates in the market, but they prefer to sell it in the village instead of taking it to the market.

RAI SAHIB LALA ANAND SWARUP.

Question 5.—The cultivators do not know the method of getting *taqavi* easily and at the proper time.

The present *taqavi* system is defective. A small committee of non-officials, with the tahsildar as president, should be formed in every tahsil, the rules for advancing *taqavi* should be printed in Urdu and Hindi and circulated through patwaris and school teachers, and applications, should be obtained by patwaris who should forward them to the tahsildar with his remarks. The tahsildar should hold a meeting of the non-officials and decide on the applications as to whom and how much money should be given. The money should then be given to the cultivators by the tahsildar himself or by the committee. In this committee a member of the Agricultural Department should also take part and the department should help the tenants for the purpose for which the money was taken, as for example, if a tenant wants to sink a well the department should help him to sink it—if for seeds or bullocks, good seed or bullocks should be supplied.

Question 6.—Small cultivators who have one bullock each generally combine together to produce particular crops. Such combination is possible but through education only.

Question 7.—I suggest that more co-operative societies should be opened and village moneylenders should not be allowed to charge more than 24 per cent. interest.

Part B.—Agricultural borrowing for purposes of marketing.

Question 2.—Money is obtained from grain merchants to finance the marketing of crops. They advance money on the condition that all the crops are brought to their shops for sale on which they get commission.

Co-operative societies do not assist in the marketing of crop. It is difficult for them to do so but if they could, it would help the cultivators.

Question 3.—In the case of marketing his crops the charges paid by the cultivator to the local moneylender vary according to the distance from the main market: if the distance is long, it is two pice per rupee, otherwise one pice per rupee. When the crops are brought to the market *arhatias* charge twelve annas per hundred rupees.

These charges do not vary with different crops.

Incidental charges are cartage and a little more.

Question 4.—Cutivators make small storing places for grain in their houses. I suggest that iron pits would be better.

In markets grain is stored in *khatties* and *kothas*.

Question 7.—I know of no instances where cultivators combine together to market particular crops. It would be better if this could be arranged.

Part D.—Credit facilities in respect of agricultural production and marketing.

Question 1.—Existing credit facilities are not adequate. I suggest that there should be more co-operative banks who could have societies in every village. I propose that the Government should help these banks by putting provident fund money, court of wards' surplus money, famine money, etc., at their disposal at the same low rate of interest which the Government gives to these deposits.

Question 5.—I think five lakhs are sufficient for agricultural finance generally for this district.

Part E.—Land mortgage banks.

Question 1.—Any amount of long-period loans are obtainable both by the landlords and the tenants on the security of land and house mortgages and personal security.

Question 3.—Occupancy and life tenants do not get money at a low rate of interest, while the proprietors of land can get it at a low rate by mortgaging their property.

Question 4.—The occupancy right does not serve as an adequate security for long-term credit.

Question 5.—I think that the establishment of land mortgage banks would solve the problem of long-term advances in this province.

Question 6.—One such bank would do as two would be expensive. Separate registers could be maintained.

RAI SAHIB LALA ANAND SWARUP.

If there should be two, I certainly suggest co-operation and joint supervision.

The banks should have their capital, but if that capital is not sufficient Government should help them.

The share capital should be available for subscription to the members to whom loans will be advanced, i.e., every one who would like to borrow from the bank should become a member. I suggest shares of Rs. 10, and that every share-holder should get Rs. 250 loan from the bank, and so on.

Like the District Co-operative Bank, in case the share capital is not taken up by the public, Government should undertake the obligation of subscribing the balance. There should be a Board of Directors, a Managing Director, and every share-holder should have one vote.

The maximum period of the loans advanced by a land mortgage bank should be 20 years, and the value of the land calculated at 25 times of the land revenue.

Land mortgage banks should obtain working capital from (i) deposits, (ii) debentures, and (iii) a central institution. Debentures should carry a government guarantee both for principal and interest. If debentures are not taken up by the public within a certain time, Government should make up the balance. Debentures should rank as trustee securities.

To safeguard Government against loss a percentage, say half more, should be charged and a fund created for this loss, if any, in any district.

The following changes of the existing law, or special arrangements, are suggested in favour of land mortgage banks :—

(i) Free issue of certificates of encumbrances by the registration offices.
(ii) Reduction of stamp duty, registration charges and court-fees.
(iii) Notification of proposed mortgages.
(iv) Simplification of the process of foreclosure and sale in the event of non-payment.
(v) Defaulting estates should be managed by the banks. An Imperial Board of Land Mortgage Banks should be formed.

Question 7.—Twenty-five per cent. of the land revenue is the safest calculation for the value of land.

In my district the value of land per acre differs according to the crops grown on it. As regards prices of land—

(i) When obtained in sale by Government auction for non-payment of revenue, land is sold cheaper because the people think that the land must be auctioned at any price.
(ii) Under the new rulings the price of land under sale on a court decree is calculated at 25 times of the profit and the decree-holder is bound to bid up to that price. Twenty-five times of the profit is much, therefore the mortgagee gets a good price.
(iii) Good prices are obtained by private negotiation. The reasons are shown above.

The proportion of the annual net yield of average quality land to its market value under normal conditions is Rs. 60 per acre.

Part G.—Small industries allied to agriculture.

Question 1.—In my district the following small industries are in existence, *viz.*, *Gur* making, sugar refining, blanket weaving and vegetable growing.

Question 2.—I suggest that small centrifugal machines for refining sugar be introduced in the district and be supplied on the hire system by the land mortgage banks or co-operative banks or by the Agriculture Department, and growth and manufacture of tobacco be introduced. Blanket weaving should be encouraged. During the War about 2,000 blankets were daily prepared in the district by the weavers but now the industry has altogether died as there is no market for them. The military are not accepting them and are taking mill-made ones. Some means should be adopted to revive the industry,

Question 8.—I suggest handlooms for weaving blankets and *khaddar* in the off-season for farmers and specially for ladies who do not do any work at present.

Working capital for such enterprises should be obtained from co-operative banks.

Part H.—Small urban industries.

Question 1.—Cottage or art industries in my area are financed by their own capital or by loan.

RAI SAHIB LALA ANAND SWARUP.

There is no special agency for the supply of raw materials and implements; the artisans arrange for them themselves.

The wares are disposed of in the near market or *pith* which is held usually once a week in big villages.

Question 2.—There are *karkhanas* for making Persian wheels and the artisans have no objection to drift from their homes if they get profitable jobs.

Question 5.—I suggest co-operative banks to finance small industries.

Question 6.—Emporia can be effective in advertising art wares, and one should be established in every district. I suggest that the district board should be asked to arrange for one and its secretary should manage it.

Par J.—Internal remittance and negotiable instruments.

Question 1.—The facilities available to the public for internal remittance are village moneylenders and co-operative societies.

More co-operative societies should be opened.

Question 6.—There are three kinds of *hundis* in the district—D.D., S.C., and B.D The Imperial Bank deals with these *hundis*. D.D. is that the Imperial Bank gives money to the presentee and it is sent to the person on whom it is written and he has to pay it at once. S.C. is that the Bank does not give money at once but pays when realised. B.D. is for 61 days or 91 days at the bank rate. There is no other bank which deals in *hundis*. The Imperial Bank deals with the leading *arhatias* only and does not accept *hundis* of ordinary traders, landlords or tenants. The Bank rules are very strict.

Question 7.—The Imperial Bank advances money on railway receipts and invoices but to the leading *arhatias* only.

I think the establishment of a central bank would remove these difficulties.

II.—INDIGENOUS BANKING.

A.—Organisation of indigenous banking.

Question 1.—Every *zamindar* advances money to his tenants, and there are several small banks in the district who deal with the tenants.

Question 2.—Indigenous bankers deal with agriculturists and traders.

Question 3.—The capital of an ordinary bank is about Rs. 25,000 and that of a smaller one Rs. 7,000 to Rs. 8,000.

They get about 24 per cent. clear interest after paying expenses and allowing for bad debts, etc.

Question 5.—The accounts are generally kept in Hindi in *bahi*; there is no regular system as in the banks.

B.—Raising of funds by indigenous bankers.

Question 2.—If indigenous bankers have not sufficient money of their own they borrow it at 12 per cent.

Question 3.—Indigenous bankers receive deposits of various kinds generally at 9 per cent. In the rainy season the rate of interest is 6 per cent.

C.—Advances by indigenous bankers.

Question 1.—Indigenous bankers generally give money to the cultivators, and for security they have bonds or pro-notes written by two or three tenants and sometimes have their standing crops mortgaged.

They generally charge two pice per rupee, *i.e.*, Rs. 3-2-0 per cent. per month.

For loans in kind they take 1¼ times the amount lent in 6 months.

Question 2.—It is possible to improve the organisation of banking by having co-operative societies. By this I think the agricultural community will be benefited.

G.—Consolidation of indigenous banks.

Question 5.—A Central Reserve Bank would be very useful, and I am strongly in favour of such banks; they should have a link with the indigenous banks.

RAI SAHIB LALA ANAND SWARUP.

III.—INVESTMENT HABIT AND ATTRACTION OF CAPITAL.

B.—Cheque habit.

Question 1.—The cheque habit is growing in India.

Question 2.—The abolition of stamp duty on cheques has led to a great increase in the use of them and more accounts are opened.

Question 3.—Business men, traders and private persons use cheques.

C.—Vernacular scripts in banking.

Question 2.—*Sarafi* script is good and is generally used in villages.

D.—Imperial Bank of India.

The opening of branches of the Imperial Bank of India has encouraged the investment habit, but it has not helped the promotion of internal trade and industry, the banking system and agricultural credit. The general price of money is not reduced though the *khatti* rate of interest is reduced.

(For oral evidence see pages 363—365.)

ORAL EVIDENCE.

Lucknow, February 6, 1930.

Present :

MR. E. A. H. BLUNT, C.I.E., O.B.E., I.C.S., M.L.C.	*Chairman.*
MR. MOHAN LAL SAH, M.A., LL.B.	
RAI BAHADUR BABU MOHAN LAL, M.A., LL.B., M.L.C.	*Members.*
DR. RADHAKAMAL MUKERJEE, M.A., Ph.D.	
RAI BAHADUR PANDIT G. S. UPADHYA, B.A.	
DR. L. C. JAIN, M.A., LL.B., Ph.D.	*Secretary.*

(*Witness* : RAI SAHIB LALA ANAND SWARUP, *Rais and Honorary Magistrate, Muzaffarnagar.*)

The Chairman : You have given us certain figures of percentages for the purposes of debt. Will you please tell me whether they are the result of special inquiries or whether they are based on your personal experience?—They are based on my experience. Formerly my brother was the Government Treasurer and since 1909 I am the Government Treasurer, and *khazanchi* of the Imperial Bank there. I have got a bank of my own and I am also a *zamindar*.

Is it a joint-stock bank or a private bank?—It is a private bank.

Mr. Sah : Is it registered as a private limited liability bank?—Yes, it is a limited liability bank.

The Chairman : Do you do all sorts of banking business and issue cheques as well?—Yes.

Mr. Sah : Do you take money on fixed deposits?—Yes.

The Chairman : There is a suggestion that Government should help the co-operative bank by putting into it the provident fund, surplus money of the Court of Wards and the famine money. The difficulty is that the money does not belong to the provincial government but to the Government of India.

Rai Bahadur Babu Mohan Lal : Can you not make a recommendation to the Government of India to this effect?

The Chairman : As a matter of fact, this is the money out of which we have to give *taqavi*.

Mr. Sah : You suggest that every shareholder should have one vote only irrespective of the number of shares he might hold in the land mortgage bank. Will not that restrict people from subscribing large amounts of capital in the land mortgage bank?—You can fix any limit you like.

The position is this. I might take any number of shares, say 50 or 100 shares, according to my means in order to have so many votes, but if I am given only one vote even if I take 100 shares, naturally I would like to have only one share.

Rai Bahadur Pandit G. S. Upadhya : Joint-stock banks will have votes according to the number of shares, but the co-operative bank will have only one vote in spite of any number of shares one holds.

Dr. Radhakamal Mukerjee : Do you like a joint-stock bank or a co-operative bank?—I would prefer a joint-stock bank.

Will you give one vote for every share?—Yes.

Will it not result in putting the whole power in the hands of a few people who may happen to subscribe a larger amount of the capital?—Yes, that is possible.

Mr. Sah : Supposing we make a graded system something like this that a man purchasing 1 to 10 shares will have one vote, 1 to 50 shares two votes and so on : will that serve the purpose?—Yes, it will serve the purpose. You can make a limit that one vote will be given up to 25 shares.

The Chairman : The blanket industry that arose during the war promised very well at that time. Can that not be revived now?—Yes, it should be revived, but the difficulty is that machine-made blankets are cheaper and more fashionable than hand-made blankets.

and, therefore, there is no demand for the latter. There is a school of blanket-weaving at Muzaffarnagar. It was opened first by my brother and it is doing well on the whole, but the difficulty is that there is not much demand for the blankets.

You know, of course, about the hydro-electric schemes in those parts. Is it likely that people will make much use of electric power for cottage industries?—Yes, they will not only for cottage industries but also for water-lifting.

Dr. Radhakamal Mukerjee: What industries are likely to use this power in the villages?—Mostly the flour mills. It may also be used for ginning and sugar-cane pressing.

The Chairman: Will they also pump water with it?—Yes. That is the chief object of the Irrigation department. They will build tube-wells and work them with power.

Dr. Radhakamal Mukerjee: Do the villagers realize the importance of this power?—Of course, but we want there some sort of co-operative system. Unless we have that, it is very difficult for tenants to combine in anything.

The Chairman: Do you want co-operative societies for the purpose of production and distribution of power?—To supply machines on hire.

I think myself that the presence of this power is likely to make a large advance in industry.—(*Witness*): Yes. For agricultural purposes they are proposing to give it at a very cheap rate, e.g., one anna per unit, while for lighting it is six annas per unit.

Dr. Radhakamal Mukerjee: What is the rate per unit for industrial purposes?—One anna.

Are there many people who use power in the villages?—Not yet. We will have it from next March.

Rai Bahadur Babu Mohan Lal: You are intimately connected with banking and *zamindari*. Has there been of late any tendency of reduction in the rate of interest in the case of mortgages?—Yes, there is.

Mr. Sah: What is the tendency of interest in the case of loans to landlords, etc.?—The rate of interest has rather increased during the last few years. Money cannot be had now for less than Rs. 9 to Rs. 12 per cent.

But in the case of mortgage of landed property it has come down?—Yes.

Will you please explain in what respects the rules of the Imperial Bank of India are very strict in the matter of discounting of *hundis*, e.g., bills discounted for 61 and 91 days?—Because they give money only to big merchants and not to small moneylenders, *zamindars* or tenants.

Do you not think that the *zamindars* or small moneylenders have not got the same sort of security as big merchants have? As a matter of fact, the bank only advances money for short periods.—(*Witness*): Yes.

In case the bank lends to the *zamindar*, the result will be that a lot of money will be locked up for a long time and the same difficulty will arise in the case of these small moneylenders who have not got so much ready security as the big merchants have in the shape of stock of grain in hand. Do you not think that in view of the fact that these persons have not got sufficient security the Imperial Bank is justified in refusing credit?—I think they ought to advance money on good security.

How would you classify good securities? Do they not give sufficient credit even on good security?—No. They would not advance any money even to a person who has got property worth a lakh of rupees. I think they should give loans to persons who have plenty of land and house property.

What sort of security do they demand at present?—They demand promissory notes or other government paper securities.

So you think that they do not give sufficient credit to persons of good standing?—Yes. I think the Imperial Bank ought to accommodate persons who are in a position to give a substantial security for the loan.

Do you think that these persons of good standing will be able to repay their loans on short notice just as big merchants can? In the case of these merchants it would not be difficult to sell their goods while in the case of persons with property it would be very difficult to raise money easily.—(*Witness*): I think they will be able to pay back the money whenever they are required. It is also possible that some of them may not be able to do so. I think a list of those people should be prepared by the *khazanchi* and the Agent of the Bank. In the case of Muzaffarnagar we forwarded a list to the Head Office, but they selected only a few persons.

So it is not the *khazanchi* who is responsible for the final preparation of the list but it is the Head Office which approves of it?—Yes. Of course, the *khazanchi* is responsible if any money is not repaid by any one.

Does the *khazanchi* get any commission for guaranteeing the amount?—He gets some commission on bills discounted but not in other cases.

How would you remove the defect that you have just mentioned?—I think the bank ought to give credit to big persons who have landed property.

Should it be a compulsory process?—No, it cannot be a compulsory process; it rests entirely with the Agent.

You think that the bank should not be so strict in the matter of loans?—Yes. The bank should be more liberal in advancing loans to the people.

Dr. Radhakamal Mukerjee : In what respect do the rules about discounting *hundis* need modification so that *hundis* may come more easily within the ambit of the joint-stock bank?

The Chairman : They are already within the ambit of the joint-stock bank.

Mr. Sah : How would you safeguard the interests of the bank consistently with the credit requirements of the people? What I mean is this. Suppose the bank loses its money in some case, how would you safeguard the bank against such losses and at the same time give credit facilities to the public?—I think the *khazanchi* should be made responsible.

You say that the establishment of the Central Bank will remove some of the difficulties. In what way will it be so?—I was under the impression that in the Central Bank they would not be so strict as the Imperial Bank is at present.

Suppose the Imperial Bank is remodelled and it is not so strict in future, will that not serve the purpose?—Yes.

You say that the rate of interest charged by indigenous bankers is 24 per cent. To what class of indigenous bankers do you refer?—To the village *mahajan*.

Rai Bahadur Pandit G. S. Upadhya : Do you not think that this is a rather high rate of interest?—Yes.

Can you suggest a way by which these moneylenders may lend on easier terms and may also be protected against loss of their money?—If their money is secured against loss, they will charge a lower rate of interest.

What is your suggestion in that direction?—I think these villagers should form themselves into something like a co-operative society. If four or five of them combine and execute a pronote to secure the debt in other respects, I think the moneylenders will charge a lower rate of interest.

Mr. Sah : What is the approximate percentage of bad debts in the case of moneylenders?—This is a matter in regard to which I cannot give any exact figures and my opinion on this is merely a matter of guess-work. I think their bad debt is about 25 per cent.

Do you not mean to say thereby that they do not get anything at interest even if they charge 24 per cent.?—Do you mean 25 per cent. of the amount of interest?

Yes.—(*Witness*) In that case the bad debts will not be more than 5 or 6 per cent.

What suggestions have you to make for increasing the resources of these indigenous bankers? You have mentioned at one place that they have to borrow at 12 per cent. I presume that this is because they have not sufficient capital themselves. Have you any suggestions to make by which their capital may be increased?—They can take loans from the bank, if they have the proper sort of security. Or four or five of them may combine into one concern and then they will have sufficient money of their own.

Do you think that such a combination of moneylenders is possible at present?—I think it is rather difficult at present. It is only progress of education that can make it possible in future.

So it means that unless and until these indigenous bankers are educated, there is no possibility of any combination on their part in the near future?—No. There is not much hope at present.

(The Chairman thanked the witness, who withdrew.)

RAI SAHIB LALA ANAND SWARUP.

Rai Bahadur Pandit BALBHADRA PRASAD TIWARI, Rais and Honorary Magistrate, Deorhi, Cawnpore.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part C.—Extent and nature of agricultural indebtedness.

Question 1.—I think that about 90 per cent. of the agricultural classes of this province are in debt. Those who have got houses and groves or other immovable property mortgage them, and those who have got only occupancy cultivation give it on lease; others borrow by pawning their movables, and sometimes borrow on pro-notes or bonds. I think a large amount of their debt is on the basis of mortgage or pawn and less on pro-notes and bonds. I think this is the condition of most of the villagers of this province.

Question 2.—For the most part the creditors of the agriculturists are professional moneylenders and grain-dealers. Sometimes they borrow from their *zamindars* as well. I think they seldom borrow from Government banks or co-operative societies.

The richer agriculturist lends about 25 per cent. to the poorer.

I think about 50 per cent. of the agriculturists are in the hands of professional moneylenders, 25 per cent. in the hands of their *zamindars* or richer agriculturists, and 25 per cent. in the hands of the grain-dealers.

Question 3.—I think that the professional moneylenders of the mofussil put to auction the lands, groves, and houses of the tenants who sometimes are rendered homeless. For the most part they have to give away their occupancy holdings on lease, as a result of which the agriculturists suffer most.

The cultivator, when he is badly in debt and knows that the produce of his field will be taken away by the creditors, naturally does not feel a keen interest in his cultivation, and efficiency is consequently diminished.

Question 4.—About 75 per cent. of the landholders of this province are, according to my estimation, in debt.

Question 5.—The cause of this indebtedness is mostly the failure of crops in the preceding two or three years and famine in some areas. To my mind this is practically the only cause of the debt. There may be want of management in a few cases, but this is rare; also extravagance in some cases.

Question 6.—The landowners have to pay no special rate if interest. They borrow at the market rate.

Part D.—Credit facilities in respect of agricultural production and marketing.

Question 1.—I am not aware of any special facilities provided by creditors for agriculturists. The Government has taken some steps in that direction, but owing to poverty the poorer tenantry cannot avail themselves of these facilities. It is only the richer cultivators who can avail themselves of the facilities offered by the Government and the trading companies. Sometimes the grain merchants and moneylenders supply seed to the agriculturists. The poorer tenants cannot offer any security which is demanded of them.

I think existing credit facilities are not adequate. If some system of mutual aid or co-operative banks are opened in different tahsils, and loans are offered at a lower rate of interest repayable by easy instalments, it will allay the trouble to a certain extent.

To my mind the main defect is the high rate of interest. The law as to usury should be strictly followed and suggestions mentioned above regarding co-operative banks adopted.

RAI BAHADUR PANDIT BALBHADRA PRASAD TIWARI.

Question 3.—I think there is no co-ordination between the creditors,—on the contrary, there is rivalry between them, and sometimes these agencies work great mischief to the poor tenant if he is indebted to several bankers at the same time, and, more so, if he unfortunately shows preference to any creditor.

There is very little scope for improvement except by judicious legislation.

Question 4.—I think there is no difference in the matter of credit facilities between internal and overseas trade.

Question 5.—I think if a big banking concern is opened, having its branches in all the tahsils, a capital of 25 crores for the whole province will be required to make the agricultural class as a whole independent of the moneylenders.

I think about 60 lakhs would be sufficient for this district consisting of six tahsils.

Part E.—Land mortgage banks.

Question 1.—If the property is considerable and the money required is also a large sum, landholders can obtain loans by the mortgage of their *zamindari* property for long periods, say five or ten years, whereas if the property and the loan to be secured is not much, a period of one to three years is usually given by the moneylenders.

The tenants, as a rule, cannot mortgage their holdings so they cannot obtain loans for long periods.

Question 2.—Long-period advances are available on the security of *zamindari* property in the district and house property in the city.

The usual difficulties of long-period borrowers are—(1) compound interest, sometimes with six-monthly or quarterly rests; (2) agreement to pay enhanced rate of interest in case interest is not paid regularly; (3) inability to pay the principal before the expiry of the term.

Question 3.—Non-transferability in the case of tenants acts as an impediment to long-term credit and increases the rate of interest.

Question 4.—The occupancy right does not serve as an adequate security for long-term credit: on the contrary it is a hindrance as it is practically no security. Either the occupancy right should be made transferable, or the tenants should be allowed to let it out by way of *zarpeshgi* for a longer period than at present allowed by law, in case they are indebted owing to failure of crops.

Question 5.—I have read the note on land mortgage banks, and I think the establishment of such a bank on American lines with its branches in all the tahsils of a district would go a great way towards the solution of the problem of long-term loans.

Question 6.—I think there should be two sub-divisions of one bank, one confining itself to farmers and small landholders, and the other for the loans of big *zamindars* and *taluqdars*.

I think the share capital should be open to subscription by the general public and the surplus should be taken by the Government. The share capital in my estimation should be about 25 crores for the whole province.

The management of such a bank should be in the hands of a body of directors to be elected by the shareholders; at the same time there should be certain minimum qualifications for eligibility to the post of a director, *e.g.*, knowledge of English, banking experience, number of shares subscribed, knowledge of law, etc.

The maximum period of the loans in the case of farmers, should be 15 years, and in the case of big landholders it should be thirty years.

The working capital should be obtained by issuing debentures and bonds.

There should be a government, guarantee for the repayment of the principal as well as interest, and, if the public does not take the debentures, the Government should take up the balance.

The Government should make such rules in this direction as are necessary in order to safeguard itself against loss.

There should be some changes in the existing law on the point, or special arrangements should be made in order to simplify the procedure regarding certificates of encumbrance, which should be given free of charge, stamp duty should be relaxed in this respect, and registration should be made unnecessary in the execution of deeds of the bank, and only attestation by two respectable gentlemen should be sufficient. Suitable

modifications should also be made regarding notifications of encumbrances and powers of foreclosure and sale, and power of direct management should be also given to the bank, with as little recourse to legal formalities as possible. The legal procedure which might be necessary should not be very complex and no court-fee should be levied on transactions and suits of the bank except a court-fee of annas eight only.

I think there should be separate provincial banks.

Question 7.—The value of land should be calculated by a valuation officer or a body of officers, and the basis of valuation should be the current market value which should be ascertained by a reference to authorised brokers, or, if this be impracticable, then the value should be assessed at sixteen times the annual profit in the case of villages irrigated by wells, and twenty times in the case of villages irrigated by canals, and twenty-five times in the case of the latter class of villages as are near big cities.

The value of land in this district differs according to the observations given above. At the same time the *kachiyana* land which is suitable near big cities is even more valuable, but I think the scale given above is a fair mode of ascertaining the market value. At the same time, if a village is a full mahal with a single owner, it will fetch a higher price than a *pattidari* village which has got several cosharers.

In the case of land obtained in sale by government auction for non-payment of revenue or by sale on a court decree, the prices are sometimes far below the market value. In the case of land obtained by private negotiation the value is usually correct.

The cause of inadequate price in the first two cases is want of due publicity in conducting the sale.

III—INVESTMENT HABIT AND ATTRACTION OF CAPITAL.

A.—Encouragement of saving and investment habit.

Question 1.—There are several banks and different firms of moneylenders in my district. They are inadequate as most of the money is locked up, and owing to poverty of the general public (traders as well as agriculturists), money advanced to them is not realised; hence there is a larger demand for money. I think that about one crore would be sufficient for Cawnpore district.

Question 2.—There are various savings banks, other banks, insurance companies and joint-stock companies.

There are some banks which provide savings boxes in order to encourage the habit of saving money, but the cost of living in the case of the urban population is so high that a man cannot save sufficient money to make any substantial investment. and the rural population is very poor and badly in debt owing to repeated failure of crops, that it is impossible for them to pay their debts and shake off the constant yoke of the moneylenders. It is very difficult to make any headway in this direction unless and until the pre-War conditions re-appear and measures are adopted to prevent the constant drain upon the country's resources.

Question 3.—There is not much investment in gold and silver these days, except in cases of marriages, etc., when, too, it is very limited. The reason is the most abject poverty of the masses.

Question 4.—Postal cash certificates are no doubt popular, but only among the monied men, i.e., traders, *zamindars*, and high-salaried servants or government officials.

Steps should be taken to encourage their popularity by revision of the rate of interest.

Question 5.—Post office savings banks are indeed very popular, and to my mind, if the rate of interest is increased, there will be greater attraction, but the investors are generally those who are in service and get a fixed salary. The illiterate public seldom resort to any mode of such investment owing to the difficulty in withdrawing money.

Question 6.—It is no doubt true that there is competition between the banks and the Government, but I think it is a healthy competition.

Question 8.—I think it would, no doubt, promote the saving habit if public bodies afford savings bank facilities.

RAI BAHADUR PANDIT BALBHADRA PRASAD TIWARI.

Question 9.—I cannot say what additional facilities should be given to small agriculturists and small investors to take up some form of government security as the agriculturists in general are too poor to invest in government or other securities. They do not understand these things.

Question 11.—Traders invest their surplus in opening new trade or business, landowners in purchasing new villages or houses, bankers in extending their business. It is only the persons who are in service of some kind that invest their surplus in banks or is the purchase of shares of joint-stock companies.

Question 12.—The farmers are generally in debt, and whatever savings they have, go to discharge their debts; if even then they save anything, they extend their business by purchasing new bullocks, buffaloes, etc., and in taking more land in their cultivation. They sometimes lend to their fellow agriculturists but on very high rates of interest, sometimes 37½ per cent., and sometimes even as high as 75 per cent.

Question 13.—I am of opinion that in India the banking and investment habit is of very slow growth.

I attribute it to illiteracy and poverty.

As a means of educating the people to invest their savings in productive undertakings I would suggest.—

(i) Organisation of lectures in tahsils and big villages.

(ii) Publication and cheap (possibly free) distribution of pamphlets and short stories on the subject.

(iii) Staging in tahsils (free of tickets) of short dramas especially written on the subject.

B.—Cheque habit.

Question 1.—The cheque habit is growing among the educated classes.

Question 2.—The abolition of stamp duty on cheques has I think led to the use of more cheques and the opening of new accounts.

Question 3.—The educated classes, generally traders and servants, use cheques.

Question 4.—I think the cheque habit can be promoted by both the methods suggested in the questionnaire.

It is advisable to open cheque accounts in post offices. There should be no restriction as regards interest, otherwise what would be the difference between any ordinary bank and the post office.

Question 5.—It is difficult to devise any means of making it possible for the illiterate to use cheques, but the use of seals and coupons especially issued to the depositor may serve the purpose.

Part C.—Vernacular scripts in banking.

Question 2.—I think all the three scripts—*Sarafi*, Nagri, and, Urdu—should be allowed.

Rai Bahadur Pandit Balbhadra Prasad Tiwari.

Babu MATHURA PRASAD Sahib, Honorary Magistrate and Assistant Collector, Sasni, district Aligarh.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—Agriculturists borrow generally from village moneylenders.

They borrow generally for the following purposes :—

(i) marriage and other social functions,
(ii) famine and other kinds of distress,
(iii) payment of land revenue or rent,
(iv) seed,
(v) expenses of cultivation, *e.g.*, wages of labourers,
(vi) agricultural implements,
(vii) purchase of plough or other cattle,
(viii) sinking of wells, and
(ix) subsistence.

The debt is distributed as follows :—40 per cent. for subsistence, 30 per cent. for labourers, and 30 per cent. for seeds, cattle, etc.

The money is borrowed only from village moneylenders.

About 40 per cent. of the debt is incurred in cash and 60 per cent. in grain.

Forty per cent. is borrowed for long periods, say, for one year, and 60 per cent. for short periods, say for six months.

Question 2.—The rates of interest are : for cash, Re. 1-8-0 per cent. per month to Rs. 3-2-0 per cent. per month; for grain 1½ times in each *fasli* or after 6 months.

The method of calculating interest is that two annas per rupee interest is charged for every six months or less period. Cash is realized with interest at the same rate. For long periods interest is charged at the rate of Rs. 2 per cent. per month, at the same time it may be compounded every half-year.

The rates of interest are exorbitant.

Question 3.—The usual kinds of security are land mortgage, cultivated land through instalment bond, and ornaments.

Generally, it is correct to say that the better the title to land the greater the amount of indebtedness. Tenants are poor and are mostly in debt, and their number is larger than that of landlords.

Land mortgage is increasing.

Question 4.—The usual method of enforcing payment of debt from agriculturists is by mutual settlement or litigation.

There is no difference between the market rate and the rate at which grain is borrowed.

Question 5.—Cultivators mostly do not take full advantage of the facilities provided by the Agriculturists Loans Act as sufficient *taqavi* is not distributed among tenants. It is somewhat difficult for tenants who are really in need of *taqavi* as there is nobody to support them and favouritism is shown.

For sinking wells *taqavi* is taken to the extent of Rs. 400 to Rs. 600.

There is some defect in the present *taqavi* system. *Zamindars* may be consulted at the time of distributing the *taqavi*, and branches of co-operative societies in villages may be opened.

Question 7.—If money is advanced to tenants at a low rate of interest all the defects in agricultural borrowing will be rectified.

BABU MATHURA PRASAD.

Part F.—Co-operation.

Question 1.—I think that there is no relation between co-operative banks and other banks.

There is no competition between the co-operative banks and the joint-stock banks.

Question 2.—Co-operative societies have no special difficulties in raising either short or long-term capital.

Question 3.—The amount of capital available for financing the co-operative movement is quite insufficient. There should be a central society at the headquarters of each district. Branches should be opened in each tahsil, and sub-branches in each big village and town, so that the cultivators and manufacturers may have facilities for taking loans at cheap rates. These societies should do the banking business and produce facilities for improving the industrial condition.

They should accept mortgage of movable and immovable property and should take other kinds of securities.

Question 4.—It is possible to stimulate the growth of the co-operative movement by financial concessions. Such action is desirable.

Question 5.—The establishment of the provincial co-operative bank would stimulate the movement.

Part G.—Small industries allied to agriculture.

Question 1.—In the Aligarh district the industries allied to agriculture are dairy-farming, *gur*-making, cotton-ginning, hand-spinning, and fruit-growing.

Question 2.—These industries are not on a large scale. Capital and machinery and consumption are most essential things for improving them. Improvement in agricultural industries requires facilities for irrigation without which no industry can survive. The Government should also open main industrial schools in India to impart education in different industries.

Question 3.—I suggest the following industrial enterprises which may give employment to a farmer during the off-season :—

(1) Ginning of cotton.
(2) Spinning of cotton and wool.
(3) Weaving.
(4) Dairy-farming.
(5) other cottage industries, such as silk-producing, wood carving, painting, tanning, etc.

Branches of co-operative societies should be opened in each village or group of villages. They should invest capital in industries, and at the same time they should purchase the manufactured articles at proper rates from the manufacturers and sell them in big cities. Central co-operative societies should manage to dispose of the goods to the public and the Government.

Rai Sahib Babu MADAN MOHAN LAL, Vakil, Budaun.

Memorandum on agricultural credit and credit activities.

1 The agriculturists in this district borrow from Government as *taqavi* and from co-operative societies and also from local moneylenders for repayment of debts, for agricultural purposes and for marriage and other functions. In taking loans from co-operative societies they often express their need for the purchase of bullocks because the money advanced for the purchase of bullocks is to be repaid in two years by four half-yearly instalments of equal amount, while for seed and manure and other expenses of cultivation the amount advanced falls due on the crop for which it is taken. In places where co-operative societies exist the agriculturists do not borrow from other sources so long as their needs are satisfied by the co-operative societies and when an advance is refused on the ground of extravagancy they fall back on the local moneylenders and borrow at the highest interest which is usually Rs. 37-8-0 per cent. per annum. Loans in grain are generally taken for seed and repaid at a rate about four annas in the rupee higher than the price current at the next harvest. This high rate of interest is paid to local moneylenders while the interest paid to the co-operative societies is 15 per cent. from cultivators to societies and 12 per cent. from societies to the district and central banks respectively. The borrowing capacity is judged in the case of co-operative societies by the *haisiyat* statements of each cultivator showing occupancy holdings and garden which are deemed as security for the borrowing. The local moneylenders generally advance loans on simple money bonds in the case of small sums and in special cases the cultivators sub-let their occupancy holdings for five years to the creditors in repayment of the money due on the bond. Money is also advanced by private moneylenders on the security of ornaments in which case a less amount of interest is charged. Petty landholders are often indebted and they can easily get loans on the security of their lands. Payments of debts are usually enforced through the Law courts. The cultivators borrow *taqavi* sometimes for agricultural requirements and specially in abnormal years. Full advantages of the Agriculturists' Loans Act and the Land Improvement Act is not taken for reasons best known to them but apparently the complicated process of securing loans and their repayment in time seems to stand in the way. A simplification of the process might improve the situation.

2. The produce of the land is generally taken by the cultivators to the nearest market and sometimes the commission agents and the wholesale grain merchants buy in villages from cultivators at a cheaper rate than in the market. The cultivators generally store grain in their houses in *kothis* while grain merchants store in *kothis* or *pakka* houses. Sugarcane crops are arranged for sale with the sugar making concerns.

3. It appears from the experience gained in conducting the business of the Co-operative District Bank in this district that a middle class cultivator requires a loan of Rs. 50 throughout the year to meet his ordinary agricultural and other requirements. The petty landholders become indebted on marriage and other festive occasions and lose their lands by degrees. The rate of interest in their cases varies according to circumstances from Rs. 6 to Rs. 24 per cent. per annum.

4. The co-operative credit societies advance loans to cultivators for agricultural and other requirements at a cheap rate of interest and if the business is conducted on proper lines for advancing and repayment of loans the condition of poor peasants is sure to improve. At present the peasants are too eager to secure loans and too slow to repay them. The co-operative banks sometimes stand in difficulty for providing loans and meeting deposit calls and therefore it is very necessary that a provincial bank should be established to meet the calls on the district and central banks. The general public of this place are fond of investing their savings in making gold and silver ornaments or burying it underground. The advantages of investing their savings in savings banks or in other productive business should be impressed upon them by issuing periodical papers in Hindi and Urdu distributed free in important villages and towns. If the advantages of depositing their savings are fully understood by the general public there will be no lack of capital at any time of the year.

(For oral evidence, see pages 373—379.)

RAI SAHIB BABU MADAN MOHAN LAL.

ORAL EVIDENCE.

Lucknow, January 24, 1930.

Present:

Mr. E. A. H. Blunt, C.I.E., O.B.E., I.C.S., M.L.C.	...	*Chairman.*
Dr. Radhakamal Mukerjee, M.A., Ph.D.	...	*Members.*
Mr. Mohan Lal Sah, M.A., LL.B.	...	
Rai Bahadur Pandit G. S. Upadhya, B.A.	...	
Dr. L. C. Jain, M.A., LL.B., Ph.D.	...	*Secretary.*

(*Witness*: Rai Sahib Babu Madan Mohan Lal, *Vakil, Budaun.*)

The Chairman: Are you connected with the Co-operative Bank at Budaun?—Yes, I was Vice-Chairman of the Co-operative Bank, Budaun, but that has gone into liquidation since.

What happened in Budaun? What was the trouble that led the bank there to go into liquidation?—The trouble was that advances were made indiscriminately in the beginning and subsequently there was difficulty in the collection of arrears. Some persons were appointed as liquidators and they also acted dishonestly and the result was that we had to shut the bank.

I am told that in Budaun nobody now will have anything to do with a co-operative bank and that no cultivator will put his money in the co-operative bank.—(*Witness*): That may be so, but we have had good experience of the business, and if a bank is started again they will gladly come if it is worked properly.

So the failure is entirely due to *beimani*?—That was not on one side only but it was on the part of tenants also.

So it was on the part of both the parties, officers as well as tenants?—Yes. The tenants took large sums of money as loans which were beyond their means and they were unable to repay them. That is the reason why we lost about 75 per cent. of our capital, but we have paid up all the deposits fully with interest up to date.

Is liquidation over?—Yes, we have finished everything.

You say that in taking loans from co-operative societies they often express their need for the purchase of bullocks because in that case the money advanced is to be repaid in two years. You believe that they do not tell the truth as to the purpose for which they want the loan?—Yes. Sometimes they speak the truth, but generally they ask for money for the purchase of bullocks. There is no supervision over them and the *panchayats* also are of the same type.

Do I understand that they deceive the societies?—Yes, from top to bottom. Even the *panchas* take the same line. I have found many cases.

I suppose when taking a loan from the co-operative society they have all got to state the reasons for which they want the money?—Yes, they have always to do that.

With an ordinary *bania* you have not to do that. You may take Rs. 500 without saying what you want it for?—Under the law it is I think necessary that they should make such statements.

If the document is to be registered?—Yes, unless the loan is taken for legitimate and proper requirements it is illegal. The reasons have to be distinctly put down.

I suppose they often say that the money is required for *kharach khangi*?—No. They generally say that the money is required for the purchase of bullocks and seed, that is to say, for agricultural requirements, but they spend the money on other purposes. They spend in weddings much beyond their means and that is the cause of their indebtedness.

They cannot, I believe, borrow for weddings from the co-operative societies?—Yes, they can borrow sums within their means for this purpose. It is one of the legal requirements, but not large sums to squander beyond their means.

They can, I suppose, borrow for social functions such as a *shradh*?—Yes, for funeral expenses.

If a man wants to give a feast to his *biradri*, can he borrow?—No, not for that purpose. They can only borrow for legal necessities.

I suppose you make advances for religious rites—*sanskars*—such as *janeo*, etc?—I think so, but I have not come across any such instance. But, of course, for Brahmans and Kshattriyas it is necessary *sanskar* and we might advance money.

In fact you mean that any ceremony admissible in law or by custom could be put forward for advances?—But always within their means.

Have you any experience of cases where members of the society have borrowed from the society for paying off a loan taken from a moneylender?—Yes, for paying off old debts. This is the first part of our societies, because if the man is indebted to several persons he cannot pay properly to everyone. When he comes to us he must discharge his previous obligations.

Have you also heard of cases where a man borrows from a society and afterwards lends the money to other persons?—No, I have not done so.

I have heard of such cases.—(*Witness*): There might be.

Supposing a member of the society does not get all he wants from the society itself, I think he will borrow from the moneylender.—(*Witness*): Yes.

What will the society ultimately do?—They do not borrow within the knowledge of the society. They do so without its knowledge. They borrow privately and when it comes to the knowledge of the society, they go to the central bank or the district bank, as the case may be, to borrow money in order to pay off that debt, which is a legal necessity for which the society can advance money.

I have heard a complaint from other witnesses that part of the trouble with co-operative societies is that they insist on repayment being made on the right date. Do you think that that prevents people from joining co-operative societies? If you borrow from a moneylender, he will let you pay at any time. He will not hold you to a fixed *kist*, while the co-operative society will insist on repayment on the due date. I have heard that that very often prevents cultivators from joining co-operative societies, because they object to be tied down to a particular date.—(*Witness*): Yes, that is the case; they do not like it, but according to law they are bound to pay instalments on due dates and they are generally very easy instalments.

Do you think we can improve matters by making instalments lighter?—Yes, instalments may be made lighter if it is considered that they are heavy, but as far as my experience goes, loans advanced for seed are repayable at the next crop; so it is not too much.

No, it is not too much. Who sells cattle in your district? Are they *Banjaras*?—*Banjaras* and other villagemen.

After what period do they demand money? Do they sell on cash or credit?—Very seldom on credit. They sell on cash.

They do so in some parts?—Yes, when the purchasers are known to them they may sell on credit, but in the bazar they sell for cash.

Are the people who lend money in villages *banias*, or do *zamindars* also lend money?—*Banias* are the real moneylenders and *zamindars* in some cases only, because *zamindars* are themselves in debt.

Do cultivators lend to each other?—Yes.

Where do they get their money from?—From their own occupation.

Do you agree that such tenants are fairly well off?—Some of them.

Have you any villages of your own?—Yes, I have.

Take any one of your villages. How do your tenants free themselves from debt in ordinary, that is, not bad years?—In ordinary years I think the cultivators produce according to their needs and do not want loans. They want money only when they have to sow crops or to purchase bullocks. That is the time ordinarily when they require money. They do not require a loan if they have a good crop.

Even if they borrow for bullocks and seeds they ought to pay fairly quickly.—(*Witness*): Yes, but at the time of payment they find it hard to pay on the due dates and try to avoid payment.

Yes, because it seems the due date is inconvenient for them.—(*Witness*): Sometimes employees of the bank have resorted to bad methods enabling them to avoid payment at the due date.

Is it your experience that cultivators do not borrow for a definite object?—Yes.

Is it not a fact that cultivators do not always spend the money on the objects for which they borrow?—Yes, generally he spends on quite different purposes.

RAI SAHIB BABU MADAN MOHAN LAL.

Does any single villager borrow entirely from the same moneylender always?—Yes, they have got their own moneylenders. In groups of villages there are some moneylenders to whom all those villagers always go.

Then a moneylender is somthing like a Brahman. He has got his *jajmani*?—Yes?

Then take a small moneylender in your village. How much capital does he normally possess—Rs. 800 to Rs. 1,000?—Yes, but others have got Rs. 5,000 to Rs. 10,000.

Suppose we had a series of bad years like the present and his money was not repaid, would the moneylender be in a bad way?—Quite true, he will be in difficulty.

I suppose with the result that his clients would also be in difficulty?—Yes, he himself and his clients.

Then have they to go elsewhere?—Certainly.

In the circumstances will a big *mahajan* in the town be likely to lend to a smaller moneylender?—Yes, they have got their dealings with big *mahajans* always. They go to them and borrow at a smaller rate of interest and then lend the money to their clients at a higher rate.

Do you think that in normal years—I do not mean bad years—the amount available in villages with moneylenders or co-operative societies is enough for peoples' wants?—Yes, they have got sufficient money, except when successive bad years follow.

I understand if you have an ordinary sort of a year then the amount of money available in the villages is in your opinion enough for the needs of the people?—Yes, it is, but in some localities the case might be different. Generally there is sufficient money.

What is your opinion about *taqavi*?—Government give *taqavi* mostly in bad years and in good years Government give very little *taqavi*, say about one-twentieth of what is given in bad years. Do you think this is a right policy or should Government give as much *taqavi* as is wanted?—To save cultivators from the difficulty of securing loans from other sources Government should advance *taqavi* throughout.

I suppose you realize that it will involve enormous expenditure?—Yes. Government ought to do what it can to provide cheap credit.

I understand that one of the main reasons why cultivators dislike *taqavi* is that it has to be repaid on the due date and the due date is not always very suitable to them?—Yes, strict payment is insisted upon and that is hard on them.

In other words they have money in any quantity only once a year and then everybody wants his share, moneylender, co-operative society, Government and everybody else?—Therefore I am of opinion that so long as a cultivator borrows from one source only, it is better for him.

When grain loans are made, are they repaid in kind?—Yes.

In that case do you agree that grain at the seed time is dearer than at the harvest time?—Yes.

Is it not a fact that a loan of grain is repaid at the rate of *sawai* and not in terms of money?—Generally in kind and not in cash.

Suppose at the time the seed is taken the rate is 4 seers a rupee and when it is to be repaid at the harvest time, it is 6 seers a rupee and under the *sawai* system he will get back only 5 seers, will the moneylender be not at a loss?—No, that is not the case. Suppose seed is advanced on the *sawai* system, then at the harvest time one-fourth more than the market rate will have to be returned. That is to say, if seer is sold at the rate of 10 seers a rupee when it is advanced and at the harvest time the rate is also 10 seers, then the cultivator will have to return 12½ seers.

Mr. Sah: Do agriculturists not borrow from one moneylender to repay another?—Sometimes.

Not generally?—No, only when they are hard pressed.

Is it not a fact that *taqavi* is unpopular because repayment is required as soon as the area is declared free from famine?—Yes, that is so.

The condition of the cultivator does not improve by that time?—That might be.

What rate of interest do you consider to be a fair rate? Is 24 per cent. not a fair rate?—No, that is a very heavy rate.

Is that not a fair rate of interest considering that cultivators have no security behind them?—I think it is a very heavy rate.

The Chairman: The point is this. If the agriculturist offers a good security for the loan to the moneylender, in that case 24 per cent. would be too much.—(*Witness*) If the loan is advanced without proper security, the money is in danger and in that case 24 per cent. is not a very heavy rate.

RAI SAHIB BABU MADAN MOHAN LAL.

In other words it comes to this. This heavy rate of interest depends on the absence of good security?—Yes, the better the security, the less the rate of interest.

The moneylender knowing that his principal is in danger charges a higher rate of interest in the hope that he will get part of his dues.

Mr. Sah: You say that at present the peasants are too eager to secure loans and too slow to repay them.—(*Witness*) That I mean with regard to co-operative societies.

Do you mean to say that they repay the moneylenders' loans and not those of the co-operative societies?—Yes.

The Chairman: What is the sort of security he has to offer to the moneylender?—He takes bonds.

Does he sub-let his land?—Yes, he does.

Then he is buying the use of his land for five years by making a loan?—Yes, that is so.

Dr. Radhakamal Mukerjee: You say that the cultivators sub-let their holdings for five years. Is this practice very general?—Of course not. They sub-let only in some places when they are hard pressed for money.

How is the present law affecting this practice? Is it still being continued?—I have not come across such instances recently.

We have received evidence from other districts that on account of the legal restriction on sub-letting the rate of interest is being raised in some areas.—(*Witness*) Yes, it may be so, because when cultivators are not allowed to sub-let and as the loans are not properly covered, the moneylenders may be charged a higher rate of interest.

Suppose we make the law more rigid and not allow land to be sub-let at all, do you think that there would be greater credit available or no money would be lent?—I think that this may change entirely the habits of the cultivators. When they will get money, they will not spend. How can they spend, say Rs. 500 on the marriages of their sons when there is no money available? It is their own fault.

The Chairman: Supposing an occupancy holding was not transferable, will it improve the security? If he is allowed to transfer or mortgage his land, he will do so and borrow more money.—(*Witness*) If he is not allowed to mortgage his land, then he must curtail his expenses.

Exactly so.

Dr. Radhakamal Mukerjee: If we restrict sub-letting altogether, what do you think would be the tendency? Will that restrict expenses and make agriculture profitable?—I think they will profit by this change of law, because when a man has not got any source of getting loan, he must come within his means.

On the other hand you have also to consider the fact that if the moneylender does not find adequate security, he would not lend money except at a very exorbitant rate of interest.—(*Witness*) Yes. Many Muhammadans do not take interest because they want to keep within their means. It is *haram* to take interest in their religion.

You will agree that if the condition of the cultivators is to be improved, occupancy holdings should not be allowed to be sub-let nor should they be transferable and then the peasants will be within their limits?—Yes. At the same time I would suggest that the pace of education of these people should be accelerated and they should be taught the advantages of not going beyond their means.

You say in your memorandum that cultivators take the produce of the land to the nearest market and sometimes the commission agents and the wholesale grain merchants buy in villages from cultivators at a cheaper rate than in the market.—(*Witness*) Yes, on the spot.

Is there a chain of intermediaries and middlemen, whom you have come across, acting as agents or *arhatias* in the city?—There is a sufficient number of such buyers in the villages also.

Do they do business themselves or are they agents of others?—In many instances they are themselves businessmen and in some instances they are agents.

You have stated that they get food grains from the cultivators at a cheaper rate than the market rate.—(*Witness*) Yes, they do so. It is generally the case in the villages that the prices there are rather lower than in the cities, because there are many other charges to be incurred in the cities, viz., octroi, etc.

How far have you seen these grain dealers financing the cultivators?—Grain dealers sometimes finance cultivators by means of grain and sometimes make cash payments, but they have their dealings in their neighbouring villages.

So in your area the village *mahajan* is also the grain dealer?—Yes, at the time of the harvest he will try to buy grain.

Does he borrow from the *arhatia* in the city? Where does he get his capital from?—They have got small capital. Sometimes they get money from city *arhatias*. I am not sure about it.

Rai Bahadur Pandit G. S. Upadhya: Is there any chance of reviving the co-operative movement in your district?—Yes, there is.

On what lines will you suggest this movement to be revived?—Better organisation is the chief thing. The first thing is the organisation, and the organiser must be the man who should feel the responsibility of working these societies upon himself and not that he should only organise the societies in the villages and throw the burden of working them upon the shoulders of others.

Do you know that experts are of opinion that organisation work can best be done by non-officials and not by officials?—Non-officials, if they are angles, can do it.

Official agency is not considered in any country as the best agency for organisation. That is why we have failed perhaps.—(*Witness*) I value their opinion, but at the same time I would say that a man having no knowledge or experience is not expected to do better work than the one who has the responsibility upon his shoulders.

My point was whether it would be possible to find non-officials in the district who would take upon themselves this work, If so, we would be prepared to revive the societies.—(*Witness*) I cannot say whether a sufficient number of organisers would be available or not, but if they are available, so much the better.

Then there was the question of liquidation. That was another trouble in the district. Can you suggest a better way in which this question could be tackled? Supposing we revive the movement and increase the credit, will there be difficulty about liquidation from which your district suffered, and will it still stand in the way of reviving the movement?—You fear that the society may again go into liquidation?

Yes, uless there are non-officials to work it—(*Witness*) What is being done in other districts? Budaun is not an exception. There are 48 districts in the whole province; the same thing may be done in Budaun as is being done in other districts.

Budaun has proved an exceptional case. Every society there had to be liquidated.—(*Witness*) The reason is this. When the liquidator was appointed and some societies were being liquidated, the remaining societies stopped repaying money, and so finally they had to be liquidated. Members were quite willing to continue the work, but it was against their opinion that the societies had to be liquidated.

Supposing instead of asking for 15 per cent. interest the department asks for 20 per cent., the extra 5 per cent. being deposited to the debtor's credit as compulsory saving, do you agree to this?—Well, this is a matter of experiment. I cannot say off-hand whether they will like it or not.

We want to emphasize that saving should be made, and this is one form in which it can be made. Supposing we charge 20 per cent., the additional 5 per cent. can go to their deposit. Do you think it will come to anything?—Yes, I think if the advantages are explained to the people, they will agree. Three per cent .is already taken from the members and it goes to the reserve fund.

Yes, it goes to a private fund.

The Chairman: If you lend Rs. 100 and take 20 per cent., 15 per cent. would go as interest and the remaining 5 per cent. would go to the credit of the borrower. He will thus save this money.—(*Witness*) Yes, it seems a good idea.

Rai Bahadur Pandit G. S. Upadhya: You have stated in your note that the general public of this place are fond of investing their savings in making gold and silver ornaments or burying them underground. Has any inquiry been made on this point? This is a general impression everywhere, but when you go to make a practical inquiry, perhaps this is not corroborated?—Well, in some cases it has come to my notice that they have got their savings buried under the ground.

It may be in certain cases, but your statement is of a general nature. Have you any grounds for that statement?—No, I have no special grounds. But making ornaments absorbs half the amount.

Yes, it is quite so; but burying under the ground is not now so much the case?—That might be. I cannot say.

RAI SAHIB BABU MADAN MOHAN LAL.

People now find an outlet for their money in other ways?—They seldom deposit their money in banks.

But there are their *mahajans* and co-operative societies, or they may invest it in improving irrigation, agriculture and cattle?—This may be the case with enlightened tenants, but vulgar peasants in general have never spent their savings in this way, and if there is any saving, they consign it to the ground.

The Chairman: The Rai Sahib has already told us that tenants do lend to each other.—(*Witness*) Yes.

Rai Bahadur Pandit G. S. Upadhya: Our inquiry shows that there is not so much money as can be buried under the ground. In fact they now lend to each other.

The Chairman: Can you tell me anything about this *khandsali* business? Can you explain what this *khandsali* is, and how would you work it?

Rai Bahadur Pandit G. S. Upadhya: This is in connection with sugarcane industry in Bareilly, Budaun and certain other districts. Do you know anything about it?—They lend money to the sugarcane cultivator.

The Chairman: And when the crop is available they take that crop from the cultivators?—When *ras* is ready, then they take it; and when they do not fulfil the promise they sue the cultivators and realize their money in other ways.

Do they advance the cost of producing the crop?—They generally take *ras*.

Rai Bahadur Pandit G. S. Upadhya: We want to know whether it is only the cost of cultivation that is paid or what proportion that amount bears to the amount that is paid to the cultivator. Supposing the sugarcane crop is worth Rs. 100, what amount is advanced to the cultivator?—They advance according to their estimation.

Do you think the cultivator gets a fair price?—Whatever is advanced is realized from the crop and nothing is left for the next crop.

True, but I want to know whether the advance bears a certain proportion to the actual price that the crop will fetch in the market.—(*Witness*) I can only say this: if the produce is estimated to be worth Rs. 50, he will not advance more than that sum; rather less than that.

Does the cultivator suffer a loss thereby?—No.

The Chairman: Do you think some sort of newspaper dealing with finance will be useful in villages if written in simple language?—Yes, it will be useful. I would recommend that in all primary schools this banking business and economy should be the chief subjects, because we are providing generally for future generations. We old men cannot do anything now; our children must do something, and it is by imparting this kind of education that they will do something.

Rai Bahadur Pandit G. S. Upadhya: Perhaps it will be much better if this is done in the vernacular middle schools?—From class I to class VII.

In primary schools the ages of boys are 11 and 12, and they are not proper persons to study these subjects.—(*Witness*): A boy of three years can learn as much in a few days as we can learn in 100 years.

Dr. Radhakamal Mukerjee: Is there any combination of villagers in connection with sugarcane cultivation?—They have got their separate cultivation; before sowing their crops they get some money from the *khandsali*.

Have you seen villagers combining in any manner either for agricultural or for other purposes? Are there any combinations which might be useful for organising village life?—No, I cannot say.

They live all to themselves?—They have nothing in common so far as the cultivation of sugarcane is concerned. They do their business separately. Everybody ploughs his own field.

In certain parts of this province the practice is that cane-growers assemble together and plough one another's fields together. Is that system in vogue in your village?—Yes, sometimes poor villagers help each other. But this is not a general practice.

In what connection is this help given to each other? Is it only in connection with cultivation?—Only cultivation.

The Chairman: Suppose a man has got only one bullock, he lends it to his neighbour and then in return takes his bullock also?—That is right. Without co-operation we cannot live for a single day in the village.

RAI SAHI: BABU MADAN MOHAN LAL.

Dr. Radhakamal Mukerjee : I was surprised to hear that there was no combination of this kind.—(*Witness*) : The co-operation is not of such a kind as to allow any share in the crop itself.

The Chairman : You must have often heard of the movement for consolidation of holdings so that everybody's holding may be at one place and not at different places. We all know that it is impossible under present conditions, but suppose instead of consolidated holdings we have consolidated cultivation, that is to say, all sugarcane is grown in one part of the village; will it be useful from the point of view of cultivators?—Consolidated cultivation will be found in some villages, but is rather difficult.

Yes, it is rather difficult. I have seen it only in one village.

Rai Bahadur Pandit G. S. Upadhya : You have suggested the simplification of the process of *taqavi* loans. Can you give me an idea as to how it can be done?—This simplification can only be in regard to securing *taqavi*.

You have stated in your note that full advantage of the Agriculturists Loans and Land Improvement Acts is not taken for reasons best known to them, but apparently the complicated process of securing loans and their repayment in time seems to stand in the way. A simplification of the process might improve the situation?—The *patwari* is the chief agent for recommending a loan; then it goes to other persons also. These are the difficulties, and something must be done to enable the tenant to secure the loan.

The Chairman : I can see the trouble, we know the answer ourselves.

(The Chairman thanked the witness, who withdrew.)

Lala THAKUR DAS SAH Sahib, Honorary Assistant Collector, Almora.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturist in my area borrows from village moneylenders, for the following purposes :—

Repayment of earlier debts	14 per cent.
Payment of accumulated interest	3 ,,
Marriage and other social functions	35 ,,
Famine and other kinds of distress (for famine he borrows from Government also)	35 ,,
Litigation	3 ,,
Purchase of plough and other cattle	7 ,,
Subsistence	3 ,,

Excepting in cases of famine, when the debt is due to Government, the whole debt is divided amongst village moneylenders.

The whole of the debt is incurred in cash and most of it for a long period.

Question 2.—For cash advances the usual rate of interest is 12½ or 12 per cent. per annum.

Few loans are taken in seed or in kind.

Interest is calculated by the day, month and year, and the rates are not exorbitant.

In villages there was formerly a charge of *ganth kholai*, but it is disappearing now altogether. In towns there is no such charge or other incidental charge.

Question 3.—In the case of borrowing for agricultural purposes, the security usually given and accepted is land mortgage, ornaments, and personal security.

It is correct to say that the better the title to land the greater the amount of indebtedness.

The comparative indebtedness is 2 per cent. landlords and 2 per cent. tenants.

The amount of debt secured on land mortgage is increasing; others are greatly decreasing.

Question 4.—When debts are not paid privately, decrees are obtained by suit and standing crops and property are attached.

There are few cases of lending of grain. The villagers go to market and they meet other passers-by from or to towns and by this they are able to know the prevailing rates from time to time.

Question 5.—Cultivators do not take full advantage of the facilities provided by the Agriculturists Loans Act and the Land Improvement Act. They are not so hard up as in the plains. In some cases the landlords provide funds.

In abnormal years the cultivator borrows *taqavi* to meet his demands for one season.

There are no defects in the present *taqavi* system.

Question 6.—Cultivators combine together for production of the potato crops.

Question 7.—In agricultural borrowing from Government for purposes of production there are no defects.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—When cultivators have stocked grain for domestic consumption in their houses they then sell the surplus of old stock.

Question 2.—Money is not borrowed for marketing purposes, nor is there a co-operative society to assist in the marketing of crops.

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Question 3.—When a cultivator brings his grain to market he sells it to a grain-dealer at 4 chhataks or 2 chhataks above the market rate, and he pays nothing to the *arhatia*, the *dalal*, or the *beopari*.

In case he has borrowed he pays the moneylender in cash.

There are no other incidental charges.

Question 4.—The cultivator stores his grain mainly in bamboo baskets, one over the other—first of 15 maunds, next over it of 10 maunds, then of 5 maunds. Large land-holders make large wooden boxes to hold 40 to 50 maunds of grain, which they store for their consumption. Those who have large quantities for sale outside their consumption is kept loose in the rooms. These methods are suitable to these parts.

In markets grain is packed in bags which are kept one over the other. There is no defect in the system.

Question 5.—Here the traders do not obtain credit on grain.

Question 7.—Cultivators combine together to market potato crops.

Part C.—Extent and nature of agricultural indebtedness.

Question 1.—In village Ujolain, patti Uchyar, where there are 30 families, the indebtedness is estimated at about Rs. 2,000. Of this registered mortgages cover about Rs. 1,000, and ornaments and personal security the balance.

Question 2.—The principal creditors of the agriculturists are bankers and professional moneylenders, and the whole amount here is due to the latter.

Question 3.—If in payment of debt the land passes from efficient farmers to moneylenders, the moneylenders do not wish to retain it; they sell it to other farmers in the same village or outside it.

The farmers selling land find work as tenants so it does not cause them to produce less or less efficiently.

Question 4.—Most of the land-owning classes are indebted.

Question 5.—Twenty-five per cent. of this indebtedness is due to the purchasing of estates or by making estates, and 75 per cent. to extravagance.

Question 6.—The rates of interest paid by the land-owning classes vary from 9 per cent. to 12 per cent. per annum.

Part D.—Credit facilities in respect of agricultural production and marketing.

Question 1.—Government, the Imperial Bank of India, joint-stock banks, etc., do not play any part in providing agricultural credit in respect of crop production.

There is need of a bank or bankers who could lend money at the usual rate only for such time as the loan is not repaid by the cultivator. At the same time the bank should have protection of some kind by which litigation will be avoided. If this can be solved, licensed banks or bankers may be appointed for particular areas with particular powers. It will be the duty of the banker to meet the demand in that area. Government may make test examinations of the capital of the banker to see that he is satisfactorily doing this.

Part E.—Land mortgage banks.

Question 2.—Long-period loans are available on the security of irrigated lands.

The special difficulties of long-period borrowers are that they have no sources of income except the produce of the land which is sufficient only for their maintenance, and they are unable to pay towards interest and part payment even if any instalment is settled; hence lenders hesitate as in the end the accumulated interest swells up.

Question 3.—Non-transferability in the case of tenants acts as an impediment to long-term credit. Here the value of such lands is greatly decreased and lenders do not lend money at any rate on such lands.

Question 4.—Occupancy right in case of rightful owners is an adequate security for long-term credit.

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Question 5.—The establishment of land-mortgage banks would solve the problem of long-term advances in this district.

Question 6.—Here one bank confining its business to farmers and small landowners and another to the big landowners, in each sub-division, should be organised.

If, say after a period of ten years, the work increases, then two banks should be organised to each sub-division, and there should be connexion, working arrangement or other method of co-operation between the two.

For land mortgage banks the share capital should be obtained from subscribers as far as possible; the rest should be made up by Government. The capital should be one lakh to start with, with powers to increase it according to the volume of business.

The management of the bank should be under directors, under votes of shareholders.

The maximum period of the loans advanced by a land mortgage bank should be twelve years. One-third of the market value of the land should be advanced.

Land-mortgage banks should obtain working capital from (i) deposits, (ii) debentures, and (iii) a central institution,

Debentures should carry a government guarantee for principal.

If debentures are not taken up by the public within a certain time, the Government should take up the balance.

The debentures should rank as trustee securities.

The safeguard to Government against loss is to frame rules on which the manager should work in consultation with the directors. If the directors overrule them, the manager will refer to the sub-divisional officer. If the manager is overruled and loss is sustained he should be made to make good the loss. The manager will have to give security.

The following changes of the existing law, and special arrangements in favour of land mortgage banks are suggested :—

(i) Issue of certificates of encumbrances by the registration office should be free for first six years of its start, and after six years at a nominal charge.

(ii) There should be charges of stamp-duty and registration, but court-fees should be abolished.

(iii) When the registration office certificate is received, notification of proposed mortgages in a newspaper which has the largest circulation in the district should be made twice in a month, to avoid disputes, etc.

(iv) In case of non-payment the property mortgaged should go to the bank as sold without any reference to the courts.

(v) Defaulting estates coming into the hands of the bank should be sold at once or piece-meal according to the convenience of villagers. If these villagers are short of money new mortgages should be obtained from them.

A provincial land mortgage bank should be co-ordinated under an all-India institution. The constitution should be like that of a sub-divisional land mortgage bank, but the authority for reference, in case rules are overruled by directors, should be the District Magistrate.

Question 7.—The calculation of the value of the land should be left to the directorate and the manager.

Here the prices of land differ according to its quality—irrigated, unirrigated, first class, second class, and waste. But irrigated lands of hot climate fetch better value than that of colder places, hence the best way of calculation is that given above.

If the land for sale by government auction for non-payment of revenue is of necessity to a co-villager, it will obtain better prices; if not, low prices will be obtained.

The price of land obtained by private negotiation depends on the need of the sellers and the purchasers. If the seller is in need, ordinary prices will be obtained. If the purchasers are anxious to have the land, higher prices will be obtained.

Ordinary quality land gives a return to a tenant of Rs. 4-8 per cent. per annum of which 1¼ per cent. per annum he gives to the landlord.

Part G.—Small industries allied to agriculture.

Question 1.—In my district there are on a small scale small subsidiary industries, allied or supplemental to agriculture, *i.e.*, dairy farming, *gur*-making hand-spinning, vegetable and fruit-growing.

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Question 2.—There is field for improvement in growing apples of selected qualities, of which qualities only cuttings should be reared at some good garden and sold to likely gardeners. For poultry farming also there is room near Ranikhet.

Question 3.—Hand-spinning only can give employment to a farmer during the off season when he is not fully occupied in agriculture.

Working capital can be secured if such enterprises are supported by substantial persons.

Part H.—Small urban industries.

Question 1.—There are few cottage industries. Tamtas at Kharahi, who make copper-wares, are financed by the Tarai and Bhabar Co-operative Bank, Haldwani. These wares are sold at fairs and there is no necessity for middlemen.

Question 2.—There are no *karkhanas*.

Question 5.—It will be a boon if individual artisans or firms can get loans from the co-operative banks.

Question 6.—Art wares here have ready sale.

Part J.—Internal remittance and negotiable instruments.

Question 1.—There are no facilities available to the public, including banks and bankers, for internal remittance. Here banking is very backward. If licensed bankers were established the system will itself be improved.

Question 2.—No part is played by negotiable instruments in the internal trade of the province.

Question 3.—Supply bills do not give facility in internal remittance. Formerly supply bills were issued by the treasury here on any plains town. Now they are issued only on Bombay; when any one has to get them on other towns he has to obtain the permission of the Currency Officer, Northern India, Delhi, which is a laborious matter to the traders who are illiterate in English.

Question 4.—In this district even the reduction of duty will not extend the use of bills of exchange.

Question 5.—I would approve of the extension, cheapening and improvement of post office agency for handling internal remittances, *e.g.*, collection of bills and cheques, issue of travellers' letters of credit, reduction in money-order charges, etc.

Question 6.—*Hundis* are not current in this district.

Question 7.—It is possible to borrow money during the process of marketing on the security of any kind of instrument of ownership, for instance railway receipts, deposits, receipts life policies and mortgage-deeds of immovable property, and there is no difficulty in using such instruments in this manner.

II.—INDIGENOUS BANKING.

A.—Organisation of indigenous banking.

Question 1.—There is only one class of indigenous banker in my district. They keep current accounts, receive fixed deposits, lend out money, cash outstation and foreign drafts and cheques, grant cheques on stations where they have agencies, and collect bills and *hundis* from outstations.

They combine other business with their own, but banking is their principal business.

Question 2.—On being satisfied with the position of agriculturists they finance them. Traders want money on personal security and do not keep trading articles with bankers: those of sound position are financed on personal security.

Question 3.—The capital of the indigenous banker is one lakh or above, and the volume of his business two to three lakhs. His expenses come to Rs. 1,000 to Rs. 2,000 yearly for outside labour only. The average net return on his capital is 12 per cent. per annum.

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Question 5.—The indigenous banker keeps his accounts in a journal and ledger in vernacular. The amount received is credited to the name of the person from whom received on the left side, and the amount paid is debited to the name of the person on whose account it is paid on the right side of the journal. In the ledger a separate account of a separate person is opened; from the journal all the entries of his account are posted.

B.—Raising of funds by indigenous bankers.

Question 1.—*Hundis* are not used by indigenous bankers but drafts and cheques are used by them.

Question 2.—Indigenous bankers keep ready money to meet all the demands made on them and they are trusted by the public.

They are self-supporting for their business and some keep cash credits with the Imperial Bank of India and the joint-stock banks.

Question 3.—They receive deposits in current account and also fixed deposits. In current account they do not allow interest. In fixed deposits they allow 6 per cent. for two years, 4½ per cent. for one year, 3½ per cent. for six months. During winter 3 per cent. for three months.

C.—Advances by indigenous bankers.

Question 1.—Indigenous bankers grant loans on "on demand" and on promissory pronotes, and on mortgages of houses, landed property, pawn or pledge of ornaments, instrument of ownership, movables and overdrafts in current account only to approved customers.

Borrowers who get monthly remuneration mostly repay their loans by instalments; traders pay at the end of the sale season or by instalments as sales go on. In case of mortgages some years have to be waited before the borrowers are able to find purchasers for their houses or landed property, or till they have collected sufficient by earnings.

The rate of interest varies from 7½ per cent. to 12 per cent. according to season.

Question 2.—Agriculturists have to pay only 12 per cent. per annum and no other charges in money or in kind. It is not possible to improve the organisation of banking in such a way as to reduce the present rate of inerest. Such reduction would benefit the agricultural community. Village moneylenders cannot stop this benefit if it comes from other scurces.

Question 3.—Clients get copies of accounts from bankers. Bankers have no objection in case clients wish to inspect these accounts.

D.—Exchange and money market.

Question 1.—There are local exchange and money markets in my district, at Almora and Ranikhet. These are linked with Bombay only.

Question 2.—There are no brokers in the exchange and money market.

Question 3.—Here cheques are purchased from bankers for internal remittance at 2 annas 9 pies per cent. Cheques are not sold to obtain credit. These rates does not vary.

Question 4.—The local market is not influenced by organisations such as the panchayat Sarafa of Delhi etc.

Question 5.—The trade of these markets are governed by local usages. The goods are supplied by *arhatias* (commission agents); they collect from buyers by instalments, say Rs. 13, 15 or 25 per diem, according to quantity of goods supplied.

F.—Co-ordination.

Question 1.—No relations exist locally between indigenous bankers of the same or of different classes.

Outside town other bankers are employed only for collection of outstation and foreign cheques, bills and drafts, and for keeping fixed deposits for emergencies.

Indigenous bankers do not get preferential treatment from the Imperial Bank of India and joint-stock banks over other customers.

LALA THAKUR DAS SAH.

Question 2.—Co-ordination between indigenous bankers and other banks exists in the cashing of cheques, bills, drafts and government securities.

Better co-ordination of this kind is desirable by advancing money on mortgages and other securities held by them. The establishment of a provincial bankers' association is recommended. It should be of such bankers who are certified to be of reliable position by Government.

Question 3.—It is costly to collect cheques on indigenous bankers working in mufassil towns. Where indigenous bankers are unable to collect cheaply cheques on mufassil towns, the post office can collect them on their being received from indigenous bankers on a commission of annas 4 per cent. or part thereof, the proceeds after collection being paid to the indigenous bankers from whom the cheque was received.

G.—Consolidation of indigenous banks.

Question 1.—Consolidation is not beneficial to the banking system.

Question 2.—Indigenous banks would secure an increased clientèle if they were recognised by Government, on the conditions attaching to existing recognised joint-stock banks.

Question 4.—To some extent money lies idle in the hands of indigenous bankers in June to October every year. It is kept in current account at Bombay where 2 per cent. interest is got.

Question 5.—The following methods for the connexion of the indigenous banking system with the principal money markets are suitable :—

(i) The establishment of a branch of some joint-stock bank in every district where at present one does not exist; or

(ii) the establishment of a local joint-stock bank with a local directorate in every district where at present there is no branch of a joint-stock bank; or

(iii) the establishment of agencies of joint-stock banks or the Imperial Bank of India held by local indigenous bankers.

The amalgamation of the business of the local indigenous bankers into a joint-stock bank is not desirable for purposes of amalgamation of liabilities; but if soundness of indigenous bankers is certified by Government authority, one banker should be in close touch with two or four others and find out or take funds from the banker where these are available or can be utilised for short periods, say three or four months, on reasonable rates or should lodge with the banker the instrument of ownership—government promissory notes, fixed deposit receipts.

There is no danger that the new joint-stock bank would by competition swallow up the indigenous bankers as it will not be able to meet even the cost of management at the start.

The new joint-stock bank might engage the services of faithful indigenous bankers as managers.

Commandit principles will solve the danger that the new joint-stock bank might not inspire confidence in the depositing public of the locality.

If a local branch of a joint-stock bank in a small centre does not invest its deposits in the locality it will be of no help to the public as is being seen with existing joint-stock banks. It should be the duty of the branch to meet all the need of the public first; any surplus may be sent to trade centres for short periods.

A joint-stock bank, if prepared to lend on mortgages on long-terms and yearly instalments, will attract enough business and will make its establishment profitable.

A Central Reserve Bank is desirable to create a bond of connexion between all the elements of the banking sytsem. The indigenous bank should first be introduced through the district magistrate to the Central Reserve Bank and then it should be linked directly with it.

III.—Investment habit and attraction of capital.

A.—Encouragement of saving and investment habit.

Question 2.—The existing means for encouraging the habits of saving and investment are current and fixed deposits. A savings bank is required.

Question 3.—The people of my locality are not in the habit of investing in gold or silver, except for ornaments as is customary.

Lala Thakur Das Sah.

Question 4.—Cash certificates of the post office are popular but their popularity can be encouraged by giving 6 per cent. interest, and also if they are made transferable like Government Promissory notes.

Question 5.—Post office savings banks afford adequate facilities to the investing public, and all classes at present take advantage of the various facilities for investment offered by the post office.

Question 6.—If the bank like may also issue deposit receipt and bills the same rates of interest and on the same terms as postal cash certificates and treasury bill This will remove the allegation that the rates of interest on postal cash certificates and treasury bills are so favourable as to create competition between Government and banks in attracting money.

The market of postal cash certificates and treasury bills is different from that of fixed deposits.

Question 8.—The public will not go to bodies like municipalities if they were to afford savings bank facilities lest they should attach deposits in realization of different taxes.

Question 9.—At present we obtain government securities from banks in Bombay, but the rates which we are charged do not tally with those published in the *Pioneer*.

Postal cash certificates are the best securities for small agriculturists and small investors without any extra charge. There is extra cost in dealing with government securities as under :—

In purchasing ...	...	Annas 2 per cent. bank's commission.
Enfacement of treasury name	...	,, 4.
Registration charges	...	,, 5.
In selling the same	...	,, 4 per cent. bank's commission.
Brokerage ...	...	Anna 1 per cent.
Registration charges	...	Annas 5.

So it is a loss to purchasers to this extent.

Question 10.—Securities other than those of Government are rarely dealt with by the various financial agencies.

Question 11.—Money surplus to their nominal expenditure is kept by the various classes of the people in fixed deposits or savings banks or lent out.

Question 12.—Farmers are always desirous of purchasing additional land from savings and by lending money in a prosperous year.

Sometimes they lend to fellow-agriculturists at the usual rate.

The amount of capital in the possession of the agricultural population in my district cannot be determined. Five per cent. of the people are well-off; 25 per cent. have a capital of Rs. 500; 40 per cent. are of ordinary class and can boast of having about Rs. 25 with them; 30 per cent; are of very poor class and can only maintain themselves with hard labour. Now every one is trying to improve hence the capital will grow.

Question 13.—Owing to several recent losses through joint-stock banks and companies, the banking and investment habit is of very slow growth as honest workers and supervision by Government are wanting.

It is difficult to suggest any means of educating the people to invest their savings in productions undertakings. They should be taught to invest in postal cash certificates, savings banks and in indigenous banks.

C.—Vernacular scripts in banking.

Question 1.—English forms should be translated and printed in the manner that English forms are printed.

Question 2.—Clear Nagri or Persian will serve in the United Provinces.

D.—Imperial Bank of India.

Question 1.—The result of the opening in recent years of new branches of the Imperial Bank is that in current accounts encouragement has been given in respect of receiving outstation cheques on their branches at par but there is still hindrance inasmuch

as they do not open accounts of those who have less than Rs. 500. In deposits, outstation depositors cannot satisfy the bank by signatures nor even through joint-stock banks, but are obliged to realize personally, incurring heavy charges of going and coming which they could have done through indiengous banks on a small charge.

The promotion of internal trade and industry has been encouraged here in respect of reducing money order commission to some extent in the collection of railway receipts.

LALA THAKUR DAS SAH.

Raja INDRAJIT PRATAP BAHADUR SAHI, M.L.C., of Tamkohi, district Gorakhpur.

Replies to the questionnaire.

I.—Agricultural credit and credit facilities.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturist of this locality borrows mostly from the moneylenders of the village.

He borrows specially for paying rent to his *zamindar* and also for marriage, seed and sometimes for subsistence. Eight annas of the loan is taken for paying rent and the remaining eight annas for marriage, seed and subsistence.

More than three-fourths of the loan is from the village moneylenders.

Half of the debt is incurred in cash and half in grain.

More than half of the debt is incurred for short periods.

Question 2.—The rate of interest for cash advances is 2 per cent. per mensem usually and sometimes 2½ per cent. For loans in kind for seed it is *sawai* or *deorha*, 1¼ or 1½.

Interest is calculated once in a year in the month of *Baisakh*.

The rates of interest in my opinion are very exorbitant.

These moneylenders usually take one per cent. *salami* at the time of advancing a loan.

Question 3.—The security for borrowing for agricultural purposes is usually the knowledge of the moneylender of the debtor's condition. Sometimes they accept land as well as security, but the land is given on usufructuary mortgage, the produce of the land to be used by the moneylenders, and in that case no interest is taken.

It is correct to say that the better the title to land the greater the amount of indebtedness, but this theory holds good amongst the different classes of tenants and not the landlords.

Seventy-five per cent. of the tenants are indebted, but very few of the *zamindars*.

The amount of debt secured on land mortgage is decreasing since the new Tenancy Act has been passed. It is only 10 per cent. of the unsecured debt.

Question 4.—The payment of debt by the agriculturists is usually made at harvest time.

The moneylenders advance grain at dearer rates but accept repayment at cheaper rates than those of the market, there being no custom among the cultivators to ascertain the prevailing rate of the market on such occasions.

Question 5.—Very few cultivators take advantage of the Agriculturists Loans Act or of the Land Improvement Act, and therefore they get very little *taqavi* for seed or for building purposes. This is due simply to their ignorance and slackness.

During abnormal years of scarcity and famine they usually take *taqavi*.

Apparently there seems to be no defect in the present *taqavi* system.

Question 6.—There is no custom among the cultivators to combine in producing any particular crop, though it would be a desirable system.

Question 7.—The present system of agricultural borrowing is of course very defective, and is specially due to the ignorance of cultivators and to their unthinking way of living and looking after their affairs. They are, therefore, for their own domestic affairs, in the hands of the few intelligent moneylenders of the village. There can be only one remedy, unless the Government deals with the co-operative system with stricter rules and better control by its officials.

Raja Indrajit Pratap Bahadur Sahi.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—Marketable crops like linseed, castor and turmeric are sold to *banias* at the houses of the tenants, but the principal crops, like wheat, *arhar* and maize, are mostly handed over to the moneylenders who take it to the market at their own convenience. A portion of the crops is kept by the tenants themselves for their own domestic use.

Question 2.—There is of course a co-operative society in the district, but it does not assist in marketing the crops, though it would be good if they did assist.

Question 3.—The cultivator has to supply the cart or to pay the cart hire in marketing his crops. The charges are the same for all crops. There are no incidental charges.

Question 4.—The cultivators store their grain in *bakhar* made of bamboos covered with mud, or in earthen *kothis*, and these are the most economical and the cheapest way of storage.

Question 5.—Very little grain is stored in the market to be used as security for obtaining credit, though turmeric, sugar and linseed, etc., are stored and credit is obtained on them.

Question 7.—There are no instances of cultivators combining to market particular crops, though it would be a desirable system and very useful.

Part C.—Extent and nature of agricultural indebtedness.

Question 1.—An estimate of the existing indebtedness of the agricultural class is very difficult to ascertain correctly, but, roughly speaking, there would be 75 per cent. of the tenants in an average village who are in the habit of taking loans for their domestic requirements or for cultivation.

Registered mortgages are few but unregistered mortgages would be about 10 per cent.

In the rural areas there is very little custom of hypothecating houses, ornaments and agricultural implements, though an insignificant number of crop hypothecations may be traceable.

The above estimate is for an average village and any particular village or estate cannot be named here.

Question 2.—The principal creditors of the agriculturists are mostly the professional moneylenders or grain dealers. The richer agriculturists, who lend to the poorer are about 10 per cent.

Question 3.—Land and the rights in land have to a marked degree passed into the hands of creditors before the new Tenancy Act became law, but the new Act has since affected such transfers to a great extent. The process has decreased sufficiently during the past few years.

Question 4.—In our area the indebtedness of the landholding class is insignificant, though they are traceable in other places away from this locality in a higher degree.

Question 5.—The causes of the indebtedness of these classes are living beyond means and unnecessary show and wasteful expenditure at the time of marriages and festivals.

Question 6.—The charges or rates of interest for land-owning classes are easier than those borne by the agriculturists, though they have also to pay exorbitant rates, more than is charged by recognised banks.

RAJA INDRAJIT PRATAP BAHADUR SAHI.

Babu JALPA BUX SAHIB, Rais, Landowner and Sugarcane farmer, mauza Pidarwah, tahsil Shahabad, district Hardoi.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—AGRICULTURISTS generally borrow from the village moneylenders, and sometimes take *taqavi* loans also, but very rarely.

They borrow for the purposes of—

(i) repayment of earlier debts,
(ii) marriage and other social functions,
(iii) famine and other kinds of distress,
(iv) payment of land revenue and rent,
(v) seed,
(vi) litigation—very rarely,
(vii) cattle,
(viii) sinking of wells—they take *taqavi* loans,—and
(ix) subsistence.

Seventy-five per cent. of the loans incurred for the purposes mentioned above is devoted to seed, 15 per cent. to subsistence, and the remaining 10 per cent. to other purposes.

In the years in which they take *taqavi* loans, the proportion of *taqavi* to other loans is 1 to 4.

About 75 per cent. of the total debt is taken in grain and 25 per cent. in cash.

About 75 per cent. is incurred for a period of six months and 25 per cent. for a period ranging from one to three years.

Question 2.—On cash advances the rate of interest ranges from Re. 1 to Rs. 3-2-0 per cent. per mensem. The average rate is Rs. 2 per cent. per mensem.

On grain distribution the rate of interest is one-half of the principal amount advanced.

The rates of interest are exorbitant.

When the loan is advanced, moneylenders very often advance Rs. 90 and count Rs. 100 and charge interest on Rs. 100. The case with grain is similar. They give one seer less than the rate prevailing at that time. At the time of payment also they take grain at the highest rate prevailing during the month in which the crop is ready.

Question 3.—As to the security for debt, the agriculturists who own land generally mortgage it, but for small sums they pawn ornaments.

It is correct to say that the better the title to land the greater the amount of indebtedness.

The amount of debt secured on land mortgage is increasing.

Question 4.—Fifty per cent. of the creditors have to go to the law courts to enforce payment, and 50 per cent. realise their dues directly from the debtors when their crop is ready.

As already mentioned cultivators at the time of borrowing have to take generally one seer less than the prevailing rate in the market, and at the time of payment they have to give at the highest rate during the month when the crop is ready. Over and above this the creditors charge sometimes half a seer and one seer per rupee, as the case may be, from the cultivators. This extra sum is called *oop*. There are markets held twice a week in big villages where the cultivators are able to ascertain the prevailing rate.

BABU JALPA BUX.

Question 5.—Cultivators do not take full advantage of the Agriculturists Loans Act and the Land Improvement Act. The reasons are given below—

Firstly, cultivators generally are not aware of the facilities provided by the abovementioned Acts.

Secondly, cultivators have to work out a very slow and dilatory process before they can expect to get something. This something again is liable to deduction when the patwari of the village, who is called to identify cultivators, and other petty clerks (concerned), hover round them.

Thirdly, the sum advanced is generally very small.

Contrary to this, the local moneylenders advance money at once. They charge a high rate of interest, but cultivators prefer this to those troubles which they have to undergo in taking *taqavi* loans from the Government.

Question 6.—I know of some instances where cultivators combine together to produce particular crops. They sometimes combine to produce sugarcane crop, but such combinations have proved to be a failure. It is possible to combine, but it is not desirable.

Kunwar SAJJAN SINGH, Rais, Goberdhan, district Muttra.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturists of Goberdhan mostly borrow from the co-operative society, village Bohras, and the Government.

They borrow for the following purposes, the proportion of debts being as given opposite each :—

(i) repayment of present debts	6 per-cent.
(ii) payment of interest	4 ditto.
(iii) marriage and other social functions	14 ditto.
(iv) famine and other kinds of distress	9 ditto.
(v) payment of rent	9 ditto.
(vi) seed	22 ditto.
(vii) expenses of cultivation, *e.g.*, wages of labourers ...	4 ditto.
(viii) agricultural implements	4 ditto.
(ix) litigation	1 ditto.
(x) purchase of plough and other cattle	4 ditto.
(xi) sinking of wells	1 ditto.
(xii) subsistence	22 ditto.

The debt is divided as follows :—

Government	11 per cent.
Co-operative bank	52 ditto.
From Bohras	37 ditto.

The total debt incurred is—

In grain	80 per cent.
In cash	20 ditto.
For long period	5 ditto.
For short period	95 ditto.

Question 2.—The rate of interest is :—

For cash advances is	40 per cent. per annum.
For loans for seeds	50 ditto.
For other loans	40 ditto.

These rates are calculated six-monthly, and are exorbitant.

There are no other incidental charges.

Question 3.—For borrowing for agricultural purposes securities of the following kinds are given :—

(i) land mortgage, (ii) standing crops, (iii) house property, (iv) ornaments, and (v) implements.

Debt secured on land mortgage is increasing.

The proportion between secured and unsecured debt is as follows :—

Secured	25 per cent.
Unsecured	75 ditto.

Question 4.—The usual methods of enforcing payment of debt is by pressure of the village *panchayat* and court.

At the time of repayment of grain 1 seer per rupee is to be paid more than the market rate. Similarly, at the time of borrowing ½ seer per rupee is to be taken less than the market rate, *i.e.*, 2 annas per rupee less.

Question 5.—The cultivator does not take full advantage of the facilities provided by the Agriculturists Loans Act and the Land Improvement Act owing to the strictness of rules.

KUNWAR SAJJAN SINGH.

Question 7.—The defects in the present system of agricultural borrowing are :—
(*a*) High rate of interest.
(*b*) Loans not being available in time.
(*c*) Some additional payment at the time of repayment.
(*d*) Payment of more grain in weight.
The causes of these defects are (*a*) lack of facilities of borrowing and (*b*) insufficiency of security; and their remedy, co-operative societies and agricultural banks.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—The crops of the district are brought to market. The agriculturists bring them themselves. The agriculturists' Bohras sell them. Sales are made by means of exchange in the village.

Question 2.—The money obtained to finance the marketing of crops is borrowed from *arhatias*.
There is the Muttra Co-operative Bank in this district, but it gives no assistance. It should give especial assistance.

Question 3.—The cultivator pays the following in the case if marketing his crop—

(i) the local moneylender	...	...	...	12 per cent.
(ii) the commission agent	...	...	...	10 ditto.
(iii) the broker	...	...	...	2 ditto.

There are other incidental charges apart from the waste of time, *viz.*, rent for keeping goods, interest.

Question 4.—The cultivators of this district store grain in *kothas* or *kothis* or *khatis* according to the old custom. This should be improved.
In the Kosi market grain is stored by *arhatias*. The system is defective as the grain becomes worm-eaten. If new methods of prevention from worms are used and the buildings of *kothas* are of improved type there would be much facility.

Question 5.—Grain stored in the markets in *khattis* or *kothas* is used as security.

Question 6.—The system of licensed warehouses in the United States of America can be worked well here.
There would be much need of Government assistance in the matter.

Question 7.—The cultivators here do not combine together to market crops. But such combination would benefit them in several ways and is possible.

Part C.—Extent and nature of agricultural indebtedness.

Question 4.—Ninety per cent. of the landholders of this district are in debt.

Question 5.—The causes of their indebtedness are—
(i) Lack of other business.
(ii) Non-realization of rent in time.
(iii) The practice of enforced realization by the creditors of the agriculturists.
(iv) Unrestricted expenses.
(v) Litigation charges.
(vi) Payment of revenue.
The estimate of indebtedness due to different causes is—

(i) Household expenses	...	...	...	50 per cent.
(ii) Litigation charges	...	...	...	25 ditto.
(iii) Payment of revenue and water-rates		...	...	25 ditto.

Question 6.—*Zamindars* have to pay 12 annas per cent. as interest.

Part J.—Internal remittance and negotiable instruments.

Question 1.—The following facilities are available for internal remittance :—(1) *hundis*, (2) cheques, (3) currency notes through the post (insured), (4) money orders.
The defects in the present system can be remedied by reducing commission on cheques and money orders and insurance fees.

KUNWAR SAJJAN SINGH.

Question 4.—The use of bills exchange could be extended by a reduction of duty and slackening the restriction regarding the comparison of signatures, etc.

Question 5.—I approve of the extension of post office agency for handing internal remittances by reduction in money order charges.

Question 6.—In my district *darshani hundis*, *muddati hundis*, cheques and hand-notes are current.

Hundis are held by merchants and *arhatias* or banks. They do not pass freely from hand to hand.

They are discounted in the district and are sent elsewhere also.

Question 7.—It is possible to borrow money on railway receipts and invoices. After attestation by the manager of a *karkhana* and deputing one's own agent, money can be borrowed on the security of the railway receipt. Difficulty is experienced when there is a dishonest motive on one side. In these circumstances railways should afford some facilities in the railway receipt.

II.—Indigenous banking.

A.—Organisation of indigenous banking.

Question 1.—Generally indigenous bankers are of three classes :—

(i) *Mahajan.*
(ii) *Kothiwal.*
(iii) *Sarraf.*

(i) *Mahajan.*—These people lend cash, grain, and cattle and carry on transactions in villages. They charge higher rates of interest when payment is made in the shape of grain. This business works well at places and does not work at others.

(ii) *Kothiwal.*—They carry on transactions with some *mahajans* on ordinary interest. The business is working well.

(iii) *Sarraf.*—They carry on transactions with *mahajans* on low interest. The business is working well.

Indigenous bankers combine other business with their own, but their principal business is money transactions and the rest subsidiary.

Chaudhri AHMAD ULLAH KHAN Sahib, Honorary Magistrate, Sahawar, district Etah.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturists generally borrow from village moneylenders and co-operative societies in our area. In famine time they also take *taqavi* loans from the Government.

They generally borrow for the purposes noted below in the proportion mentioned against each—

	Percentage.
(i) Repayment of earlier debts	15
(ii) Payment of accumulated interest	3
(iii) Marriage and other social functions	5
(iv) Famine and other kinds of distress	5
(v) Payment of land revenue or rent	10
(vi) Seed	10
(vii) Manure	1
(viii) Expenses of cultivation, *e.g.*, wages of labourers	8
(ix) Agricultural implements	1
(x) Litigation	2
(xi) Purchase of plough or other cattle	20
(xii) Sinking of wells	5
(xiii) Subsistence	15
Total ...	100

The debt is divided between the village moneylenders and the co-operative societies half and half. Government advances 10 per cent., but by only in famine time.

Three-fourths of the total debt is incurred in cash and one-fourth in grain.

One-fourth of the loan is incurred for short periods, and three-fourths for long periods.

Question 2.—The rate of interest for cash advances charged by co-operative societies is 15 per cent., and that *mahajans* 24 per cent. Sometimes *mahajans* charge interest at the rate of 37½ per cent. and 75 per cent., *sawai* and *deohra* are charged for loans in kind.

The co-operative societies charge simple interest and the village *mahajans* six-monthly compound interest.

In my opinion the rates of interest are exorbitant.

Question 3.—The co-operative societies advance loans on personal security and *mahajans* on land mortgage, house property and ornaments.

It is correct to say that the better the title to land the greater the amount of indebtedness.

The landlords are five times more indebted than the tenants.

The amount of debt secured on land mortgage is increasing. Out of the total debt 25 per cent. is unsecured and 75 per cent. secured.

CHAUDHRI AHMAD ULLAH KHAN.

Question 4.—Payment of debts from agriculturists is enforced by court decrees. There is a difference of one seer per rupee in borrowing from and repaying to *mahajans*. The cultivators generally come to the market and ascertain the rates themselves.

Question 5.—The cultivator does not take full advantage of the facilities provided by the Agriculturists Loans Act and the Land Improvement Act because the *patwari* who recommends the *taqavi* for seed and cattle is a troublesome factor in the way.

Cultivators do not take *taqavi* in ordinary years, but in famine time they borrow up to the extent of half their yearly income.

A *panchayat* should be elected in the village to recommend a *taqavi* loan to a person, but the *panchayat* should consist of a representative of each caste of agriculturist.

Question 6.—The cultivators combine together to produce sugarcane.

Question 7.—As the *mahajans* charge high interest, co-operative societies should be started in each village.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—The principal crops of our area are brought to the market by the local moneylenders (*banias*) or the wholesale grain merchant (*beopari*).

The methods of marketing vary according as the crop is one mainly used and for domestic consumption, or one mainly sold in the market.

Question 2.—The money to finance the marketing of crops is obtained from grain merchants. They first settle the rate and then lend the money.

There are good many co-operative societies in our area but they do not assist in the marketing of crops; they should do so.

Question 3.—The cultivators ordinarily pay six pies a rupee to the wholesale grain merchant in the case of marketing his crop. The charges vary with different crops, and they are much higher in the case of sugarcane. Sometime the sugarcane crops are purchased before the proper time at three-fourths of the value of the crop.

Question 4.—The cultivator can hardly save to store his grain. Co-operative stores for grain should be started.

The grain is stored in the market in godowns. There is no defect in my opinion in the system of storage.

Question 5.—The grain is stored in the market up to the extent of four or five thousands maunds, but it is not used as security for obtaining credit in my area.

Question 6.—I do not think that a system of licensed warehouses could be worked in India.

Question 7.—Cultivators combine together to market sugarcane.

Part D.—Credit facilities in respect of agricultural production and marketing.

Question 1.—The Government gives *taqavi* loans and loans in kind through the agricultural farms. The co-operative banks advance loans to the farmers for every purpose of cultivation. The professional moneylenders also help the cultivators by lending money in cash and giving the seed in kind. The Agriculture department also supplies agricultural implements.

The existing credit facilities for crop production are not adequate. Co-operative societies and co-operative seed godowns should be started in every village.

There are no defects in the existing system.

Question 2.—Only moneylenders purchase the crops of the agriculturists before the proper time at cheaper rates.

The existing credit facilities for marketing are not adequate. The co-operative societies should help.

The defect in the existing system is the high rate of interest. Co-operative societies should be started.

Question 5.—Rs. 200 are sufficient for a cultivator having one plough and two bullocks and cultivating 25 bighas.

CHAUDHRI AHMAD ULLAH KHAN.

Thakur NARENDRA SINGH Sahib, Honorary Magistrate, Tikathar, district Etah.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—Borrowing by agriculturists in general is done from the village money-lenders.

They borrow for almost all the purposes mentioned in the questionnaire. Whichever purpose presses hard the agriculturist attends to, with no consideration for future agricultural demands that reasonably occur all at once.

As a common practice, a particular farmer borrows from one man only. Another man hesitates to give loans, he being a particular man's debtor.

Of the total debt incurred during the six months from *Jeth* to *Kartik* and from *Aghan* to *Baisakh*, corn and cash go approximately half and half, according to the capability of the *sahukar*.

The corn produced by the farmer goes almost all to the *sahukar* in payment both for the cash and the corn borrowed. Accounts are settled six monthly. The balance due is brought forward to the next half of the year.

Question 2.—The general rate of interest among the village ***sahukars*** is one pice for a rupee per month for cash advances.

For loans in kind for seed, etc., to be paid, corn for corn, 1½ maund is recovered for one maund for the six months of the credit.

For loans in kind the rate of interest is the same as for cash advances.

The rate of interest is calculated on the sum shown in the books of the *sahukar* during *Kartik* and *Baisakh* months.

Taking into consideration the scarcity of money which the lenders have for lending purposes, the rates of interest are not exorbitant.

There are no incidental charges so long as litigation is not entered upon.

Question 3.—No security of whatsoever kind is required when money is advanced. The integrity of the debtor is considered sufficient security.

It is correct to say that the better the title to land the greater the amount of indebtedness.

The amount of debt secured on land mortgage is increasing. Unsecured debt or debt otherwise secured is decreasing.

Question 4.—The agriculturist, in view of further borrowing, is himself inclined to pay his debts for the sake of keeping the good will of the lender.

There is no difference between the rate at which the cultivator borrows grain or repays it and the prevailing rate. The cultivator is particular to find out the market rate before borrowing from or paying his creditor.

Question 5.—The cultivator does not take full advantage of the facilities provided by Agriculturists Loans Act and the Land Improvement Act, because he cannot. He does not understand well his future career. In short; he cannot do without a village *sahukar*.

He is less inclined to borrow *taqavi* in abnormal years. He does that when his *sahukar* is rendered helpless.

Question 6.—So far I have come across no instance where cultivators have combined together to produce particular crops.

Question 7.—The present system of agricultural borrowing is quite all right if the cultivator is sufficiently intelligent.

THAKUR NARENDRA SINGH.

Part D.—Credit facilities in respect of agricultural production and marketing.

Question 1.—The professional moneylenders and grain merchants do whatever they can to help the agriculturists to better production, more for the sake of realising their debts from them. In these times, they have even to run into debt themselves so that they can help the agriculturists to the best advantage and convenience.

Question 2.—The system of agricultural credit is all right. The position of the *bania* is unsafe.

THAKUR NARENDRA SINGH.

Rai Bahadur Seth CHIRANJI LAL BAGLA, Rais and Honorary Magistrate, Hathras.

Replies to the questionnaire,

II.—INDIGENOUS BANKING.

A.—Organisation of indigenous banking.

Question 1.—The classes of indigenous bankers and banks in this district are—(1) Small limited banks, (2) Village moneylenders called *Bohras*, (3) Traders, otherwise called shroffs.

Small limited banks receive deposits and grant loans on interest to agriculturists, traders industrialists against mortgage of gold or silver or immovable property. They also deal in *hundis*.

Bohras grant loans to small agriculturists and others at a high rate of interest against mortgage of gold or silver or immovable property or standing crops or the prospects of one.

Traders.—Receive deposits and grant loans to agriculturists, traders and others at a reasonable rate of interest against mortgage of gold or silver or immovable property. They also deal in *hundis* and exchange business.

In the case of (1) and (3) their principal business is moneylending, making advances against merchandise, and receiving deposits at moderate rates of interest. They also deal on their own account in grain, cotton, *ghee* and such other commodities. In the case of (2) they only do moneylending business at high rates of interest.

Question 2.—The *Bohras* and traders as also some small banks finance agriculture and trade both. But they do not finance industry unless they find them working in a satisfactory condition and on a sound basis. Their methods are :—

(1) by granting loans against mortgage of gold or silver or immovable property,
(2) on the credit and prestige of the debtor to a limited extent,
(3) on the security of a reliable person of the debtor's locality,
(4) on the security of shares or any government or bank papers in the debtor's possession.

Question 4.—There are Marwari firms as also other firms who have their branches in important trade centres doing business of the kind mentioned in the question.

Question 5.—The traders keep their accounts regularly on the *bahikhata* system. There are three books called (1) Cash, (2) Ledger, (3) Journal.

B.—Raising of funds by indigenous bankers.

Question 1.—The following forms of *hundis* and credit instruments are used by the indigenous bankers :—

(*a*) *Hundis*—
(1) *Hundis* on demand payable to order or bearer.
(2) Usance bills on stamped paper for generally two months.

(*b*) *Other credit instruments*—
(1) *Ruqqa* (D. P. Notes)
(2) *Biyaj badla*, an instrument drawn on 2 annas stamped paper on the condition that the amount mentioned therein is to be paid after a certain period at a specified rate of interest. (Not prevalent in U. P.)
(3) *Khata peta chit*, overdraft account.
(4) *Mal peta*, cash credits against goods.

These *hundis* and credit instruments are used in the proportion demand *hundis* to usance bills, 90:10; other credit instruments, 5 per cent. *Ruqqa*, 45 per cent. *Biyaj badla*, and 50 per cent. *Mal Peta*.

Samples of each kind are enclosed herewith*

Question 2.—Indigenous bankers provide themselves with funds :—

(1) by accepting deposits from the general public,
(2) by discounting their bills with banks,
(3) by importing funds in government currency notes from outside centres.

They get advances from banks :—

(1) by demand notes,
(2) by discounting their bills,
(3) against pledge of goods.

The indigenous bankers get these advances from the Imperial Bank of India and other joint-stock banks to the extent of 50 per cent.

The system has the following defects :—

(1) The rate of interest charged is very high.
(2) The credit afforded is very small in comparison with the undertakings of an indigenous banker.
(3) Relaxation about the formalities in the working system.
(4) The Imperial Bank of India allows no interest on current accounts, whereas the rate of interest allowed on deposits is also very low.

Question 3.—The deposits are accepted against receipts granted for the amount in which a mention of the rate of interest is made. These receipts, although payable at any time after execution, may be running for any indefinite period. The rate of interest varies between 3 to 6 per cent. per annum according to the status of the depositor; again it varies according to the different seasons of the year.

C.—Advances by indigenous bankers.

Question 1.—The indigenous bankers allow cash credits or grant loans (1) against gold or silver, (2) against goods, (3) against immovable property, (4) against *ruqqas*, (5) against usance bills, (6) against *khata peta*.

These are seasonal accounts to be fixed at the end of the season and the rate of interest charged is between 6 and 12 per cent. per annum. In the case of goods 25 per cent. margin is maintained. In the case of gold ornaments the margin varies between 10 to 40 per cent. according to the nature of the ornament.

The security in the case of a loan is generally the demand promissory note unless such advance is collaterally secured in some other way such as by deeds or pledge of goods, whereas in the case of cash credits the advances are made against merchandise and in the case of mortgages they may be against gold or immovable property.

The rate of interest varies between 6 and 12 per cent. per annum.

Question 2.—The rate of interest the agriculturist has to pay to the village moneylender varies from 2 per cent. to 3 per cent. per mensem, whereas the other incidental charges which he has to pay from the time of harvesting till the time the goods are sold in the market come to 18 per cent.

The higher rate of interest may be prevented by increasing the number of co-operative societies and extending their field so as to come in closer touch with the cultivators. Another way to improve these things is to pass legislation preventing moneylenders from charging rates of interest beyond certain figures or such other legislative actions.

Such reduction in the rate will be beneficial to the agriculturists only if the intermediate village moneylenders are excluded by bringing the co-operative societies in closer contact directly with the agriculturists.

Question 3.—The general custom is that at the Dewali time when the annual accounts are made up by a banker and he has his balance sheet ready he informs his clients either verbally or by sending them advices in writing of the position of his account with him. A client is not, however, prevented from finding out his position with the banker by refusing him a perusal of his account.

D.—Exchange and money market.

There is no exchange or money market in this district. The brokers generally transact *hundis* and usance bills for the buyer and seller by going to their places and

*Not printed.

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fixing the rates etc. which they charge according to the demand for funds. In the local market such rates are generally guided by the Imperial Bank of India rate as an indication of the demand for money.

III.—INVESTMENT HABIT AND ATTRACTION OF CAPITAL.

A.—Encouragement of saving and investment habit.

Question 1.—The existing banking resources are—

(1) The Imperial Bank of India, (2) the Allahabad Bank, Limited, (3) co-operative banks, (4) Indian houses of private bankers, and (5) post office savings banks. These are adequate.

Question 2.—The number of banking houses in the principal trade centres is sufficient for the requirements of the public but needs extension outside them, as full facilities are not provided to the village folk to invest their savings.

Question 3.—The people invest both in gold and in silver to the extent of 20 to 25 per cent. of their annual savings.

Question 4.—Except among those who are public officials postal cash certificates are not popular.

The following suggestions are made to make them popular :—

(1) The rate of interest should be revised. It should not be less than 6 per cent. simple interest to attract people to deposit their savings in postal cash certificates, as otherwise they will deposit them with Indian houses of private bankers. Neither should the rate be too frequently changing as it has been during the last five years. It had better be fixed.

(2) Interest should be paid for any period that the holder of a postal cash certificate has been in possession thereof, and not forfeited as is done now if a certificate is cashed within a year of the date of its issue.

(3) The certificates had better be called three years' post office cash certificates.

(4) A person should be allowed to purchase the cash certificate in his own name to the extent of Rs. 50,000 face value.

(5) Hours of business at the post office for purchase or sale of cash certificates should be from 9 a.m. to 4 p.m. to suit the convenience of public officials as under the existing system this class of people has to attend office during the very hours that are meant for the purchase and sale of cash certificates.

Post office savings banks do not afford adequate facilities to the investing public.

Question 5.—The following suggestions are made :—

(1) All sub and branch post offices, whether situated in a town or village, should be allowed to conduct savings bank business for the convenience of village folk.

(2) Rate of interest should be raised, say from 3 to 4 per cent.

(3) Hours of business should be as suggested above.

(4) A depositor should be allowed to deposit up to a maximum of Rs. 5,000 in a year as against Rs. 750 allowed at present.

(5) Withdrawals should be permitted thrice a week.

Public officials are the only class that take advantage of the various facilities for investment offered by the post office.

To attract other classes steps are suggested as under 4 and 5 as also the appointment or deputation of postal officials to lecture to the masses on occasions of big fairs or exhibitions on the advantages of saving and deposit at the nearest post office.

Question 7.—The issue of gold cash certificates will greatly encourage the habit of saving and all the more of investment in gold cash certificates.

Question 9.—The three institutions that undertake purchase or sale of government securities do so on the following scale :—

(*a*) Post office, free of any charge.

(*b*) The Imperial Bank makes a charge of four annas for every one hundred rupees worth of security purchased or sold.

(*c*) Other banks charge according to their own convenience and interest.

(*d*) The securities purchased should be accepted at their cost value at the time of purchase, plus interest, in payment of government revenue, income-tax, other Government dues, as also in acceptance of the security of a person in lieu of cash deposited by him.

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Question 10.—There is no difference in the facilities for the purchase or sale of government and other securities.

Question 11.—Traders invest their surplus in one kind of business or other. Public officials deposit the same in banks. Small agriculturists pay off their debt with the surplus, if any, incurred during years of bad rains or crops.

All classes of people invest a certain percentage of the surplus in ornaments or acquiring some kind of immovable property, or spend it on marriages or funeral ceremonies.

Question 12.—Farmers rarely have a truly called prosperous year. In a year like that they pay off their debts incurred during rainless years or years of bad crops, or purchase of cattle, seed, manure, etc., also a certain percentage is invested in gold or silver, or spent on ceremonies such as marriages or funerals. Rarely do they lend the surplus to fellow agriculturists; if they do so at all, they do it at a very high rate of interest against security of either gold or silver ornaments, or a good standing crop, or the prospect of one.

No definite information can be given regarding the amount of capital in the possession of the agricultural population. There is of course a marked decrease in the number of cattle possessed by agriculturists of late.

Question 13.—The banking and investment habit is of slow growth, but has been gradually increasing.

This is due to the ignorance of the public as to the general advantages of banking.

The public will be prepared to invest their savings in productive undertakings such as water-works electricity tramways, agricultural farms, dairies, etc., provided such concerns are backed and guaranteed by the Government.

B.—Cheque habit.

Question 1.—The cheque habit is growing in India.

Question 2.—The abolition of stamp duty on cheques has led to an increase in the use of cheques and the opening of more accounts.

Question 3.—Traders, well-to-do people, high government officials, and district and municipal boards generally use cheques at present.

Question 4.—The system of paying government servants and bank employees by cheques, if introduced, will only add to the difficulties of low paid officials. The experiment may be tried in the case of the officials of the cadre of the provincial service and above.

If cheque accounts are opened at post offices they will generally induce the public to have their accounts there. A low rate of interest, if allowed, without any restrictions as to amount or its operations, will give further impetus for opening such accounts at post offices.

Question 5.—To begin with, the system of using cheques had better be confined to the educated classes only.

C.—Vernacular scripts in banking.

Question 1.—Vernacular scripts should be introduced in banks.

Question 2.—No hard-and-fast rule can be laid down regarding the use of vernacular script. It should be left to the discretion of the person concerned.

D.—Imperial Bank of India.

Question 1.—The result of the opening in recent years of new branches of the Imperial Bank of India has been a marked increase in the investment habit.

It has facilitated internal trade but not the industries.

It has been having a very bad effect,—a deteriorating effect,—upon the indigenous banking system.

There has been an increase in the facilities for agricultural credit, but not to the advantage of the agriculturists.

There has been no reduction in the general price of money; on the contrary, owing to all funds being in the Bank, the borrower has to pay a high rate of interest which is not sometimes justified, even under existing trade conditions.

RAI BAHADUR SETH CHIRANJI LAL BAGLA.

Rai Bahadur Babu CHOTEY LAL, O.B.E., of Moradabad.

Replies to the questionnaire.

I.—Agricultural credit and credit facilities.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturists of this district mainly borrow from the moneylenders, commonly called in this district *sahus*, as well as from village moneylenders. Some of the *zamindars* also make advances to their tenants in case of pressing needs. There are a large number of co-operative societies in the district, but so far they are not so popular as they ought to have been and agriculturists do not frequently go to these societies unless and until they begin to realize their advantages over the private moneylenders.

Agriculturists generally borrow for the purposes enumerated in the questionnaire, but hardly borrow for purposes of sinking wells and building tanks.

Question 2.—The rate of interest varies in different cases.

(i) For cash advances to agriculturists, the usual rate is of Rs. 12 to 24 per cent. per annum with compound interest at six-monthly rests. There is another system of cash advances in this district which is known as the instalment system (*kist*). In this case the practice is that at the outset the moneylender in his account puts down twelve rupees to the account of the debtor, whereas he advances only ten rupees. This is paid back by the debtor to his creditor in twelve months at the rate of one rupee per month. In case of failure he has further to pay one anna per month on every instalment that he fails to pay.

(ii) For loans in kind for seed, if the corn is advanced for seeding purposes, the agriculturist debtor has to pay at least 1¼ times of the advance loan in kind at the next harvest.

The usual method of calculating interest is the ordinary way of calculating the simple interest, and in the case of cash loans compound interest at half-yearly rests.

In my opinion any interest over 12 per cent. per annum should be considered exorbitant.

There are some incidental charges in the case of cash loans, such as cost of stamp paper and writing the same; in the case of the instalment system, the moneylender takes five annas for every advance of Rs. 10 as discount which is divided between himself and his servants, called *munims* (clerks), and *sipahis* (*chaprasis*).

Question 3.—The securities for cash loans generally are land mortgages, standing crops, house property and ornaments, but no such securities are required for loans on the instalment system (*kist*) which are given on the personal circumstances and trust of the debtors.

It is not quite correct to say that the better the title to land the greater the amount of indebtedness. Generally, a person does not go to the extent of borrowing and encumbering his property unless he is hard pressed by adverse circumstances, but cases are not infrequent where people on account of their own mismanagement or extravagance resort to borrowing. It is very difficult to say whether the landholders borrow more than the occupancy tenants or the latter more than the tenants. In fact, after the passing of the new Agra Tenancy Act tenants-at-will have disappeared.

I do not think the amount of debt secured on land mortgage is increasing. The amount of secured debt is greater than that of unsecured debt.

Question 4.—The usual method of enforcing the payment of debt from agriculturists is a mortgage decree and sale of the property, or a simple money decree followed by attachment and sale of the property of the judgment-debtor.

The village cultivator knows perfectly well the rate at which the grain is sold in the village or in the market at the time of borrowing and repayment. The difference in the village rates and market rates is hardly more than half a seer per rupee.

Question 5.—The agriculturists take full advantage of the *taqavi* system but do not take full advantage of the provisions of the Land Improvement Act for building tanks and sinking wells. But of late a few *zamindars* have started farms on modern lines and they have taken advantage of the facilities provided by the Land Improvement Act.

In my opinion the only defect in the *taqavi* system is that the cultivator does not get the full amount of the *taqavi* on account of some pilfering that takes place at the time of distribution. This defect can certainly be avoided if the officer in charge does not allow the *patwari* and such other subordinate servants to meddle with the distribution.

Question 6.—I am not aware of any combination between the cultivators with a view to produce some particular crops, and I think that until a sense of co-operation develops amongst the agriculturists they would not care to combine for such a purpose.

Question 7.—The chief defect in the system of agriculturists' borrowing is that unscrupulous moneylenders charge exorbitant rates of interest from the villagers, *e.g.*, in the case of cash loans and in the case of the instalment system which has been described above. The causes for these defects are obvious. The agriculturist's economic condition is not very sound; he is always in need of money for agricultural purposes as well as for his domestic needs. In failing to get money from his *zamindar* or *taqavi* from the Government which is not always available, he is forced to borrow at a higher rate of interest. The only remedy I can, in this respect, suggest is that co-operative banks should be established within easy reach of every agriculturist, and lending on exorbitant rates of interest should be penalized.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—The principal crops in this district are brought to market by means of bullock carts.

Question 2.—The marketing of crops is done mostly by grain merchants and exporting firms who purchase grain from agriculturists. There are also commission agents called *arhatias* through whom the village importers sell their grain.

In this district co-operative banks do not assist in the marketing of the grain, but if they do so it will be certainly an improvement in the present system.

Question 3.—Here there is no custom of marketing the grain on behalf of the cultivator. All classes of dealers purchase from the cultivator and in their turn they sell the grain themselves or have it sold.

Question 4.—There are very few cases of big cultivators who can afford to store their grain and sell it at a favourable time. Generally, they bring grain to the nearest grain market and sell it to the dealers there.

Taking into consideration the present system of communications, especially the *kachcha* roads, bullock carts and scanty means at the disposal of a cultivator, it does not seem feasible that he may be able to store his grain for a few months and then export it at a favourable price. It may be possible for the co-operative banks to do it for him and charge a reasonable rate of interest.

In this district as well as in surrounding districts a lot of speculation goes on on stored grain. At times dealers and other speculators get large advances on the security of stored grain, and, as there is no organised system of business, at times they find themselves absolutely ruined.

Question 5.—All kind of dealers and speculators who store grain can obtain credit from bankers and moneylenders to the extent of 75 per cent. of the value of the grain stored, at a reasonable interest of Rs. 7-8-0 to 9 per cent. per annum.

Question 6.—The American warehouse system will undoubtedly be an improvement in the modern system of storing. But no definite opinion can be offered unless some practical experience of the system in India is gained. Without the assistance and control of the Government the warehouse system, like any other organised system, cannot be expected to work well.

RAI BAHADUR BABU CHOTEY LAL.

Part E.—Land mortgage banks.

Question 5.—I have gone through the note on the land mortgage bank system, and I am of opinion that the establishment of such a bank in India would prove a boon both to landlords and big tenants who will find it easy to repay their loans by easy instalments spreading over a long number of years.

Under the existing system of borrowing, whether from private moneylenders or banks, a landlord or occupancy tenant whose income is equal to or just over his expenditure, finds it difficult to repay the principal with interest within twelve years, and in case of failure his whole hypothecated property is sold for the repayment of the debt.

The establishment of land mortgage banks would afford greater facilities to borrowers in clearing off their debts than they enjoy at present.

Question 6.—In my opinion one land mortgage bank would do both for the *zamindar* and the tenant.

There should be a Government guaranteed bank and the capital should be raised in India by means of shares of small value.

The share capital should be offered to the public.

If the full capital is not subscribed by the public in India, the Government should provide the balance.

The bank should be managed by a directorate consisting of the representatives of the shareholders and such other directors which the Government nominate, provided the majority of the directors shall be the representatives of the shareholders.

In my opinion the maximum period of the loan should be thirty years, and the value of the mortgage should be at least double the amount of loan.

Land mortgage banks should be a provincial concern and it is not necessary to co-ordinate them with an all-India central institution.

Part H.—Small urban industries.

Question 1.—Moradabad is famous for its brass-ware industry and it has gained sufficient popularity in the Wembley Exhibition. There are thousands of people in the town, both male and female, young and old, who contribute to the making of Moradabad ware. The artisans are mostly poor people who mostly work on the piece-work system or get advances from moneylenders or merchants who deal in brass-ware. Those artisans who take large advances from merchants have to sell their goods only to such merchants to whom they are indebted, and pay up their loans by means of deduction in their sale prices.

Generally these artisans purchase their own raw material from local merchants, but in many cases factory owners or brass-ware merchants supply them with brass sheets and other metals instead of advancing money and pay them only for the work done.

In the case of the Moradabad brass-ware trade, it is only the middleman or the big dealer who profits and enjoys in lieu of advances made by them to the artisans.

Question 3.—In Moradabad there are hundreds of *karkhanas*, both big and small, where artisans and labourers are employed in large numbers. There are very few *karkhanadars* who can be termed solvent. A large number of these are indebted to middlemen or brass-ware merchants to whom they supply the manufacture of their factories. Besides these *karkhanas* there are hundreds of houses where both men and women earn their living from some sort of work in connection with the Moradabad brass-ware work.

The only way to save them from exploitation is to establish industrial co-operative banks with an emporium attached to it which should take articles from the manufacturers and export them to markets in India as well as outside India.

Question 5.—The co-operative banks suggested above should advance loans to *karkhanadars* as well as to artisans who can furnish sufficient security for the money advanced.

II.—INDIGENOUS BANKING.

A.—Organisation of indigenous banking.

Question 1.—There are two classes of indigenous bankers in this district: those who lend money on the instalment system (called *kist*), and those who lend money on mortgages, on simple money bonds and on pro-notes.

These bankers do not generally combine any other business with their own; their only source of profit is interest and compound interest.

Question 2.—These indigenous bankers also finance agriculturists and traders. Their methods are that they advance money to any one whether he be a trader, an artisan, an agriculturist or a *zamindar*, if they can obtain good interest and they find sufficient security from which they can realize their principal with interest. Before the inception of the joint-stock banks and the Imperial Bank, the indigenous bankers had the monopoly. They financed products and trade and discounted *hundis* and afforded all necessary facilities to traders taking risks, as they do now, which the joint-stock banks would not take.

Question 3.—The average net return of big moneylenders for cash loans is approximately 8 per cent. per annum, and of petty and village moneylenders, who generally charge higher rates of interest and carry on their work themselves and hardly employ any staff, is approximately 15 per cent. per annum.

Similarly, the average return of those big moneylenders who give loans in small sums on the instalment system (*kist*) is 18 per cent. per annum, and of those petty moneylenders, who generally do their business without keeping an office, is approximately 24 per cent. per annum.

Question 4.—There are hardly any financial houses existing in the province who deal solely in the provision of credit facilities by purchase and sale of *hundis* and other bills of exchange, etc. The reason for their absence is, in my opinion, not far to seek. The establishment of joint-stock companies, the Imperial Bank of India and co-operative societies, etc., are generally responsible for the absence of such houses. These houses could not either command such large capital or stand the competition of the joint-stock banks and co-operative societies who afford greater facilities and much safer security to their clients.

Question 5.—Indigenous bankers keep *bahi khata* accounts mostly in *sarrafi*. This system, as far as accounting goes, is quite perfect, but an unscrupulous moneylender can easily defraud an ignorant debtor by keeping a double set of accounts, one set meant for court and income-tax office and the other for private use. Some cases of this kind have, I believe, come to light in courts of law.

RAI BAHADUR BABU CHOTEY LAL.

Lala NARAIN DAS Sahib, Rais and Honorary Magistrate, Srinagar, district Garhwal.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—THERE are only village moneylenders in our district who advance loans to the agriculturists.

The purposes for which agriculturists borrow and the proportion of debt distributed among such purposes are given below—

(i) Repayment of earlier debts	... ...	25 per cent.
(ii) Payment of accumulated interest	... ...	3 ,,
(iii) Marriage and other social functions	... ...	5 ,,
(iv) Famine and other kinds of distress	... ...	20 ,,
(v) Payment of land revenue or rent	... ...	5 ,,
(vi) Seed	... ...	8 ,,
(vii) Expenses of cultivation	... ...	5 ,,
(viii) Agricultural implements	... ...	3 ,,
(ix) Purchase of plough or other cattle	... ...	8 ,,
(x) Other agricultural improvements	... ...	10 ,,
(xi) Subsistence	... ...	8 ,,

Of the total debt 60 per cent. is incurred in cash and 40 per cent. in grain.

Of the total debt 60 per cent. is incurred for short and 40 per cent. for long periods.

Question 2.—For advances in cash the rate of interest is 12 per cent. ordinarily. For loans in kind for seed, it is 25 per cent. For other loans in kind, it is 12 per cent.

Simple interest is taken.

The rates of interest are exorbitant.

Borrowers have also sometimes to work in the fields or do some other work for the lenders.

Question 3.—The usual security is land mortgage, house property and ornaments.

It is true that the better the title to land the greater the amount of indebtedness, but in our district there are very few occupancy tenants and tenants-at-will.

The amount of debt secured on land mortgage is increasing.

Question 4.—The usual method of enforcing payment of debt from agriculturists is by filing suits in courts.

There is much difference between the rate at which the cultivator borrows grain or repays it and the prevailing rate. There is practically no means by which the cultivator can ascertain truly and correctly what the prevailing rate in the market is from time to time.

Question 5.—Agriculturists are ignorant of the Agriculturists Loans Act and the Land Improvement Act and further they are afraid of borrowing money according to these Acts.

Question 6.—I do not know of any instances where cultivators combine together to produce particular crops, but such combination is desirable.

Question 7.—There are defects in the present system of agricultural borrowing. Ignorant agriculturists are charged highly. They do not know for what to borrow and in what proportions. There must be some co-operative societies and other institutions of the kind.

LALA NARAIN DAS.

Lala MANOHAR LAL Sahib, Rais and Honorary Magistrate, Srinagar, district Garhwal.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—THE agriculturist in this area borrows money from village money-lenders.

The purposes for which he borrows and the proportion of the debt distributed among such purposes are given below—

(i)	Repayment of earlier debts	8 per cent.
(ii)	Payment of accumulated interest	3 ,,
(iii)	Marriage and other social functions	5 ,,
(iv)	Famine and other kinds of distress	20 ,,
(v)	Payment of land revenue or rent	8 ,,
(vi)	Seed	10 ,,
(vii)	Expenses of cultivation	5 ,,
(viii)	Agricultural implements	3 ,,
(ix)	Purchase of plough or other cattle	20 ,,
(x)	Other agricultural implements	10 ,,
(xi)	Litigation	8 ,,

Of the total debt 30 per cent. is incurred in cash and 70 per cent. in grain, while 50 per cent. is for short and 50 per cent. for long periods.

Question 2.—The rate of interest for cash advances is 12 per cent. per annum in ordinary cases; for loans in kind for seed, 25 per cent. in the form of grain (same sort of grain as the seed), and for other loans in kind, 12 per cent. per annum.

Simple interest is calculated.

The rates of interest are not exorbitant.

Question 3.—In ordinary cases no security is taken or given, but for sufficiently big sums of money the security is land mortgage or house property.

It is correct to say that the better the title to land the greater the amount of indebtedness. But in this area there are very few occupancy tenants and practically no tenants-at-will.

The amount of debt on land mortgage is increasing.

Question 4.—Payment of debt from agriculturists is enforced by (i) private visits and (ii) by courts of law.

There is no difference between the rate at which the cultivator borrows or repays grain and the prevailing rate. There are means available by which the prevailing rate can be ascertained, *viz.*, (i) by private enquiry from merchants, and (ii) rates fixed by Government.

Question 5.—The cultivator does not take full advantage of the facilities provided by the Agriculturists Loans Act and the Land Improvement Act because—

(i) The places where *taqavi* is distributed are few and far between, and the means of communication being very troublesome and expensive the farmers have to pay heavily first.

(ii) They have to bear hardships when the money is taken back.

(iii) Generally the period for which the *taqavi* is given is insufficient.

Question 6.—I know of no instances where cultivators combine together to produce particular crops. It is neither possible nor desirable in this area.

Question 7.—The system of agricultural borrowing prevalent in this district is good enough and requires no improvement.

LALA MANOHAR LAL.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—Farmers themselves bring the crops to the markets and traders go to villages and purchase the grain.

Question 2.—Grain merchants are the only available class here from whom money is obtained to finance the marketing of crops.

There is one co-operative society, but only in name, and with little use. It should help the people of this area.

Question 3.—The cultivator directly deals with the purchaser without paying him anything.

Question 4.—The cultivator stores his grain either in a store house made of mud and stone or in wooden *kothars* made for the purpose.

LALA MANOHAR LAL.

Kuar DWARKA SINGH Sahib, of Bargawan, district Sitapur.

Replies to the questionnaire.

I.—Agricultural credit and credit facilities.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturist borrows from the Government, agriculturists, *zamindars* and from village moneylenders in my area.

The purposes for which he borrows are shown below :—

(i) Litigation.
(ii) Expenses of cultivation.
(iii) Payment of accumulated interest.
(iv) Payment of land revenue or rent.
(v) Repayment of earlier debts.
(vi) Marriage and other social functions.
(vii) Purchase of plough or other cattle.
(viii) Subsistence.
(ix) Seed.
(x) Famine and other kinds of distress.

The extent of the debt due to each object is as in the order given above.

Almost all the debt, excluding seed, is incurred in cash. Nearly all the debt, excepting for seed and rent, is incurred for more than six months.

Question 2.—The rate of interest for cash advances is 2 per cent. per mensem generally.

For loans in kind for seed, it is 3 per cent. per mensem generally.

For other loans in kind, 2 per cent. per mensem generally.

Interest is calculated at simple interest, monthly instalment system, *e.g.*, Rs. 7-12 payable in ten months, Re. 1 per month; Rs. 9-12 payable in 12 months, Re. 1 per month. The third method is Re. 1-4 for Re. 1 in seed.

The rates of interest are exorbitant, and particularly ruinous in the case of seed.

Question 3.—The security is generally pro-notes and documents. In some cases land mortgage, standing crop, house property, and ornaments are placed in security.

Nearly 75 per cent. of the landlords are indebted, and the same ratio holds good in the case of tenants also.

Question 4.—The payment of debt from agriculturists is enforced by demand and by the courts.

Generally there is no difference in the rate at which the cultivator borrows grain or repays it and the prevailing rate.

Question 5.—The cultivator does not take full advantage of the facilities provided by the Agriculturists Loans Act and the Land Improvement Act. The reason is that *taqavi* is always insufficient and below the wants of the applicant.

The cultivator borrows *taqavi* in abnormal years only; in ordinary years no such arrangement is generally made by the Government.

Taqavi is solely under the control of the executive officers only. The agriculturists and the *zamindars* have no hand in it. The money distributed is always insufficient and below the wants of the applicants. Sufficient money should be allotted for *taqavi*, and it should be distributed individually and not in groups. The *zamindars* and the agriculturists should be consulted before making arrangements for the distribution of *taqavi*.

Question 7.—The defects in the present system of agricultural borrowing are variableness of rates of interest, and uncertainty of getting loans from individual lenders. These are due to the overwhelming majority of the borrowers compared with the number of lenders.

Kuar Dwarka Singh.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—The cultivators carry their crops to the market, or the dealers purchase them in the villages where produced and carry them to the markets. The producers of the crops mainly used for domestic consumption generally have to carry them to the village shops and markets. Those mainly sold in the market are generally purchased by the dealers where produced and carried to the wholesale dealers. In some cases the producers directly carry them to the wholesale dealers.

Question 2.—Money to finance the marketing of crops is obtained from moneylenders generally at the same rate of interest as in ordinary loans.

Ther is no co-operative society in my area.

Question 3.—(i) In Sitapur district there is no *arhat* or *dalali* system. There are *taulas* only, who take (1) *jhari*, 9 annas per cart, (2) miscellaneous, 4 annas per cart, (3) *batta*, 6 annas per hundred, (4) *katavati*, 3 pies per rupee, 1 seer per maund of grain and 2 seers per maund of *gur*, (5) *dana*, 7½ seers per cart, and (6) *palledari*, 2½ seers per cart.

(ii) *The arhatia* takes *jhari* about 1 seer per cart, *kahari*, ½ seer per cart, and *palledari* 2½ seers per cart in Shahjahanpur district.

(iii) *The dalal* takes 8 annas per cart from the seller in Shahjahanpur city.

(iv) *The beopari* takes 1 chattak per maund of grain and 4 chattaks per *pari*, of *gur*.

Incidental charges are *goshalla*, 1 anna 6 pies per cart, and *mahabir*, 1½ seers per cart in Shahjahanpur. In Sitapur *goshalla* and *mahabir* 3 annas per cart.

Question 4.—In my district the cultivator generally stores his grain in *khattis* and *kothas*. The country method is quite suitable.

In Sitapur market the grain is stored in private godowns. It seems quite all right.

Part C.—Extent and nature of agricultural indebtedness.

Question 1.—Nearly 75 per cent. of the agriculturists of Sitapur district are indebted.

In Sitapur district debt secured on unregistered land mortgages is almost *nil*, on registered mortgages about 2½ per cent., on houses about 5 per cent., on ornaments 10 per cent., on crops and on the assets generally it is about 62 per cent.

Question 2.—The principal creditors of the agriculturists are Government, agriculturists, banks, *zamindars* and professional moneylenders.

The richer agriculturist lends to the poorer to the extent of 10 per cent. of the total debt.

The amount due to the Government is about 5 per cent., to the agriculturist 10 per cent., to the bank 10 per cent., to the *zamindars* 25 per cent., and to the professional moneylenders 50 per cent.

Question 3.—As the result of the enforced payment of debt, land and the rights in land are passing in a marked degree from the possession of people who are efficient farmers into the hands of creditors who are not themselves efficient farmers.

Question 4.—About 75 per cent. of the land-owning classes of Oudh are indebted.

Question 5.—Unemployment to the other useful pursuits of life, failure of crops, mismanagement, extravagance and litigation, etc., are the special causes for indebtedness.

The debt incurred for the first is about 50 per cent., for the second 25 per cent., for the third 10 per cent., for the fourth 5 per cent., for the fifth 4 per cent., and for other causes is about 6 per cent. in the whole of Oudh.

Question 6.—On mortgage debts of large sums a lower interest is charged. Moneylenders often deduct one or two (rupees?) and sometimes even more as *tipavan* in granting a loan.

KUAR DWARKA SINGH.

Thakur MAHESHWAR BAKSH SINGH Sahib, Kavyatirtha, Zamindar and Honorary Magistrate, Bartal Estate, district Sitapur.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturist borrows from the village moneylenders.

He borrows chiefly for the following purposes, *viz.*—

(i) Repayment of earlier debts.
(ii) Payment of accumulated interest.
(iii) Marriage and other social functions.
(iv) Famine and other kinds of distress.
(v) Seed, and
(vi) Subsistence.

He borrows occasionally for—

(i) Payment of land revenue or rent.
(ii) Expenses of cultivation, and
(iii) Litigation.

In our locality or rather the whole district, loans are never taken from the co-operative societies. The village moneylender plays a prominent part in lending money.

It cannot be stated in exact figures but most of the debt is incurred in grain.

The period for which the loan is incurred rests totally on the circumstances.

Question 2.—For cash advances the rate of interest ranges from 24 per cent. per annum to 40 per cent.

Loans in kind for seed and other loans in kind are also governed by the same percentage.

Interest is calculated monthly with compound interest after every six months.

The rates of interest are certainly exorbitant, but there is no help.

Discount is charged for giving loans and its amount changes with local conditions. In our area 2½ seers of wheat are charged for every rupee advanced as credit, excluding interest, at the coming harvest.

Question 3.—The kind of security usually given is land mortgage, standing crops, house property, ornaments and agricultural implements, but the registration of such securities is never effected for the sake of facility.

The amount of debt secured on land mortgage is increasing because the tendency of the debtor is growing dishonest.

Question 4.—To enforce payment of debt from agriculturists, the aid and influence of the landlord and neighbours are sought. In case of failure recourse is had to the civil courts.

The creditor lends grain at a rate higher by about a pound for a rupee and accepts repayment at a rate lower by the same quantity than the current market rate. Usually the tenant does not bother about the loss he incurs through such bargain because he cannot help himself. The rural bazars determine the rates and are within the reach and knowledge of the cultivator. The wish of the creditor always prevails.

Question 5.—The cultivator seldom takes advantage of the facilities provided by the Agriculturists Loans Act and the Land Improvement Act for want of education and culture.

He borrows twice or thrice as much *taqavi* in abnormal years as he borrows in normal years.

There are many defects in the present *taqavi* system. *Taqavi* should be distributed in kind invariably and never in cash (because the cultivator spends it otherwise), and it should be managed by the department of Agriculture and never by the Revenue depart-

ment, because this will facilitate the process and improve the seed. Strict and timely supervision is indispensable at such time, and the services of the higher officials, such as the District Magistrate and sub-divisional officer, should be exclusively spared for the time being and they should be asked to take a keen interest in this matter and be always alive to grievances, if any.

Question 6.—Cultivators do combine together in producing sugarcane. Such combination should be encouraged.

Question 7.—There are many defects in the present system of agricultural borrowing. The system must be standardized and regulations framed assisted by the penal law. The cause of defect is the need of the poor cultivators and they have to tolerate such high-handedness. The intervention of the Government is essential.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—The cultivators themselves bring the crops to market. The minor grain merchants who keep horses, camels and carts also bring the grain to market. (It is their profession.)

The methods of marketing vary according as the crop is one mainly used for domestic consumption, or one mainly sold in the market.

Question 2.—Money is obtained to finance the marketing of crops from banks, grain merchants, and sometimes from the exporting firms. They lend money on various terms. The interest charged by these agencies is comparatively low.

There is a co-operative society in my district, but it assists rarely. In our tahsil there is none.

Question 3.—The local moneylenders take the grain from the cultivator at lower rates by about a pound or two.

The commission agent has usually no direct concern with the cultivator, as he is only prominent where the dealings are done on a large scale.

The same is the case with the broker as with the commission agent.

The wholesale grain merchant does not generally purchase grain from the cultivators directly but from minor grain merchants (see para. 1).

These charges vary with different crops.

Different markets maintain different charges ranging from one to 2 pice. The cultivator has nothing to do with such things as he sells his grain at village bazars.

Question 4.—The major number of cultivators have nothing to store as all their produce is exhausted within two months, and the rest keep and store the grain at their houses. No practicable method of storing grain can be suggested on account of the extreme poverty of cultivators.

In the village markets grain is not stored.

Question 6.—The system of licensed warehouses could be worked but not now as the bulk of Indian cultivators are far too illiterate.

Government assistance is indispensable in the matter and it could only render the system of licensed warehouses workable.

Question 7.—Cultivators never combine together to market particular crops, but it is highly desirable though it is possible only in a slight degree at present. Innovations receive no favourable response in India.

Part C.—Extent and nature of agricultural indebtedness.

Question 1.—Almost all the cultivators and landlords are indebted and the degree of indebtedness varies with the circumstances.

No correct estimate of such indebtedness can be made but it can be safely said that the debt of each individual exceeds his annual income, and in the case of tenants insolvency is observed in many instances.

Land mortgages are not very common, though now they are on the increase. The number of registered mortgages is exceeding that of unregistered ones.

About 90 per cent. of the tenants and landlords are indebted in our district.

THAKUR MAHESHWAR BAKSH SINGH.

Question 2.—Indigenous bankers, professional moneylenders, and grain dealers are prominent in these areas as the principal creditors of the agriculturists. The people have dealings with the co-operative societies on a very small scale.

The poorer cultivator generally borrows from the richer.

Professional moneylenders lend most of the money. It is difficult to form a correct estimate of the debt due to each class of creditor.

Question 3.—As the result of the enforced payment of debt, land and the rights in land are passing in slight degrees in our area from the possession of people who are efficient farmers into the hands of creditors who are not themselves efficient farmers.

This causes the cultivator to produce less, or less efficiently.

Question 4.—Ninety per cent. of the landlords are indebted in this district.

Question 5.—The special causes for their indebtedness are want of proper education and extravagance. These are the chief causes.

Question 6.—The land-owning classes have not to pay any special charges or rates of interest in respect of their borrowings.

Part E.—Land mortgage banks.

Question 1.—The loans for long periods obtained by landlords extend to one-fourth of the aggregate value of property mortgaged.

The extent to which tenants borrow for long periods depends upon circumstances because tenants do not usually take long-term loans.

Question 2.—Long-period advances are available on mortgage-deeds.

Long-period borrowers do not manage to secure loans easily on low interest and brokers interfere with the business.

Question 5.—The establishment of land mortgage banks will solve the problem of long-term advances in this province.

Question 6.—There should be two such banks : one for the farmers and small land-owners and the other for big land-owners.

There should be working arrangements and proper co-operation between the two.

There should be Government guarantee in lieu of share capital of the banks and the amount may depend on the circumstances.

The share capital should be available for subscription to any class who can spare money for long periods.

If the share capital is not taken up by the public, the Government should undertake the obligation of subscribing the balance.

The maximum period of the loans advanced by a land mortgage bank may vary according to the needs of the situation.

Land mortgage banks should obtain working capital from (i) deposits, (ii) debentures and (iii) from a central institution.

Debentures should carry a Government guarantee either for principal or interest, or both.

If debentures are not taken up by the public within a certain time, the public may be given another chance.

Government should safeguard itself from loss by direct control.

The issue of certificates of encumbrances by the registration offices should be free in the beginning till the banks become a success.

Stamp duty, registration charges and court-fees should be abolished or reduced.

Proposed mortgages should be notified.

The process of foreclosure and sale in the event of non-payment should be simplified.

Power should be given to manage defaulting estates.

Land mortgage banks should be subjected to the control of an all-India central institution.

Question 7.—A select committee consisting of the members belonging to the local areas affected should be empowered to determine the value of the land.

In my district the value of land per acre differs according to the crops grown on it.

THAKUR MAHESHWAR BAKSH SINGH.

The factors affecting such value are the proximity of the land to a prominent place such as a town or city, and the financial condition of the populace.

As land obtained in sale by Government auction for non-payment of revenue or by sale on a court decree are compulsory, it lowers the price.

In the case of land obtained by private negotiation the seller has the option and hence the price goes higher.

Part G.—Small industries allied to agriculture.

Question 1.—In our area there is nothing which could be termed as dairy farming, but some persons keep one or two cows individually and produce *ghi* in very small quantities. The cows are generally of no good or unmixed breed. *Gur*-making is carried on fairly well. No sufficient quantity of cotton is grown to carry on this industry. Sericulture is a dream in these areas. Tanning is not done on a large scale but the cobblers do it to meet their ends individually. No sugar-refining is done here. Hand-spinning had become obsolete and is being revived only nominally. No poultry farming. Growth and manufacture of tobacco is not done on an extensive scale. Vegetables are grown. There is no other fruit than the mango. Flower growing is quite an unheard-of thing. No other subsidiary industry is carried on except in so far as it is required for the domestic use of the maker and owner.

Question 2.—Encouragement by the Government is essential and co-operation between the workers can improve the condition of such industries.

Question 3.—The industries noted above can be of great help by giving employment to a farmer during the off-season when he is not fully occupied in agriculture. Specification of such industries can be better determined by the circumstances of particular localities.

The capital for such enterprises could be raised through loans on low interest and donations by the Government and the *zamindars*.

Part H.—Small urban industries.

Question 1.—Truly speaking, there are no small urban industries in this area. The people of these areas only make such things as are required for their domestic use.

Question 3.—The producers of new materials should manufacture the finished goods themselves. They should be assisted by the local bodies, created for the purpose, for securing a ready market for their goods.

Question 4.—There are no co-operative artisans' societies. Co-operative organisation will improve the situation when the cottage industries spring up.

Question 5.—An industrial bank will be a necessity when cottage industries spring up. It should be a joint-stock bank.

Individual artisans and firms must be assisted by such banks.

Question 6.—Sales' associations, dépôts or emporia can be of much help and usefulness in advertising and marketing art wares. They should have a constitutional nature and be financed and managed by a provincial central institution.

III.—INVESTMENT HABIT AND ATTRACTION OF CAPITAL.

A.—Encouragement of savings and investment habit.

Question 2.—The existing means for encouraging the habits of saving and investment are postal saving banks. They provide full facilities to the public for the investment of their savings.

Postal saving banks require extension.

Question 3.—Poverty reigns and, with exception of few, no one can spare a portion of his income to invest in gold or silver. Extravagance does not allow even the rich to invest in gold or silver.

Question 4.—Postal cash certificates are not very popular in my district.

The following steps may be taken to encourage their popularity :—

(i) revision of the rate of interest,

(ii) change of the existing terms of issue.

Question 5.—Post office savings banks afford adequate facilities to the investing public.

THAKUR MAHESHWAR BAKSH SINGH.

Persons who have service as their profession take advantage of the various facilities for investment offered by the post office.

An increase in the rate of interest would attract those classes that do not resort to this type of investment.

Question 7.—The issue of gold cash certificates will accelerate the saving investment habit by 80 per cent.

Question 8.—It would promote the savings habit if bodies like municipalities were to afford savings banks facilities. The boards concerned would control the management.

Question 11.—People in my district invest their surplus money in giving loans to those who possess sufficient property as security for repayment.

They also use it on private expenditure such as marriages and other social functions, but mostly for enlarging their property.

Question 12.—Farmers invest their surplus funds in prosperous years in the purchase of ornaments, animals, and other requisites, and for betterment of their houses which are made of mud and require repairing every season.

They lend money on high interest to fellow-agriculturists but more often without mortgage.

Question 13.—I agree with the view that in India the banking and investment habit is of very slow growth. This is due to the poverty and extravagance of the people.

Propaganda by Government will lead to people investing their savings in productive undertakings.

C.—Vernacular scripts in banking.

Question 1.—Vernacular scripts will facilitate the use of banks by the masses.

Question 2.—The present script used by indigenous bankers and merchants is very defficient and its introduction into the banks will admit of many discrepancies. I would strongly recommend Nagri script, which is more advantageous because of its phonetic character and it could be learnt within a very short time.

D.—Imperial Bank of India.

The Imperial Bank of India has extended its service a great deal, but its utility has not received wide circulation. It is quite certain that this bank will achieve the ends mentioned in the questionnaire in the long run and will be of more use to the people.

THAKUR MAHESHWAR BAKSH SINGH.

Thakur SRI PAL SINGH Sahib, Zamindar of Jargawan, tahsil Misrikh, district Sitapur.

Replies to the questionnaire.

I.—Agricultural credit and credit facilities.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturists generally borrow from the village moneylenders, who are sometimes *zamindars* of the place, and Government (*taqavi*).

The purposes for which he borrows and the distribution of the debt among such purposes are given below :—

(i) Repayment of earlier debts (in rare cases)	6 per cent.
(ii) Marriage and other social functions	10 ,,
(iii) Famine and other kinds of distress	10 ,,
(iv) Payment of land revenue or rent	10 ,,
(v) Seed	8 ,,
(vi) Litigation	8 ,,
(vii) Purchase of plough or other cattle	8 ,,
(viii) Subsistence	40 ,,

Seventy-five per cent. of the debt is due to village moneylenders who are not *zamindars* of the place. Of the rest, 20 per cent. is due to village moneylenders who are the *zamindars* of the place, and 5 per cent. to Government (*taqavi*).

Of the total debt 80 per cent. is incurred in cash and 20 per cent. in grain.

Eighty per cent. is incurred for long periods and 20 per cent., which is generally for grain, for short periods.

Question 2.—Interest for cash advances varies from 1 per cent. per mensem to Rs. 3-2-0 per cent. per mensem.

Interest for loans in kind for seed and for other loans in kind is generally 50 per cent. for six months.

There are no methods of calculating the rates of interest, but it depends upon the necessity of the borrower.

The rates of interest are exorbitant very often.

Commission, or *tipawan* as it is called, is charged at the rate of 1 or 2 per cent.

Question 3.—Generally there is no security in borrowing for agricultural purposes, but in rare cases ornaments are pledged.

It is correct to say that the better the title to land the greater the amount of indebtedness. The comparative indebtedness is as follows :—

Petty landlords, 15 per cent.
Middle class landlords, 25 per cent.
Big landlords, 40 per cent.
Occupancy tenants, 12 per cent.
Statutory tenants, 8 per cent.

Debt secured on land mortgage is increasing. Debt on land mortgage exceeds debt without any security.

Question 4.—Payment of debt from agriculturists is enforced by a suit in court.

There is a difference between the rate at which the cultivator borrows grain or repays it and the prevailing rate. Generally the cultivators know the prevailing rate.

Question 5.—The cultivator does not take full advantage of the facilities provided by the Agriculturists Loans Act and the Land Improvement Act, but he borrows *taqavi* when it is distributed for seed and cattle.

He does not take advantage of these facilities because he knows nothing of them.

Thakur Sri Pal Singh.

Generally no *taqavi* is distributed in normal years.

Defects do exist in the present *taqavi* system. The *taqavi* should be distributed by a separate *taqavi* officer who should be of the grade of a deputy collector, and who should be empowered to enquire into complaints, and to punish the intermediate persons if they are found to have accepted something for securing *taqavi*.

Question 6.—Sometimes the cultivators combine to irrigate standing crops. They combine in sugarcane-pressing. Combination is desirable for production of certain crops, but it does not appear practicable.

Question 7.—The cultivator has to depend on village moneylenders who usually charge high rates of interest. The cultivators have to depend on moneylenders, as there is no other agency for advancing loans. Co-operative credit societies, if established in villages, can remove this defect to a great extent.

Part B.—Agricultural borrowing for purposes of marketing.

Question 2.—Money to finance the marketing of crops is obtained from grain merchants and exporting firms. The money is lent on the condition that the produce of the crops will be sold to them alone.

Question 3.—The charges which the cultivator ordinarily pays in the case of marketing his crop are as noted against each item :—

(i) The local moneylender (*bania*) charges the interest on the money he lends.
(ii) The commission agent (*arhatia*) takes Re. ¾ per cent. and one seer of grain per cart.
(iii) The broker (*dalal*) gets Rs. 7-1-6 per cent. from the grain merchant and 2 annas per cart from the person who takes his cart to the market.
(iv) The wholesale grain merchant (*beopari*) gets 1 seer on each cart.

I think these charges do not vary with different crops.

There are incidental charges for religious and charitable institutions.

Question 4.—Cultivators keep the grain in their houses, sometimes especially meant for storing grain. No improvement is necessary as the quantity is very small.

Question 5.—The grain stored in the market is used as security only in towns and in rare cases.

Question 6.—I think the system of licensed warehouses can work very well in India. There will be need of Government assistance in the matter.

Part C.—Extent and nature of agricultural indebtedness.

Question 1.—Eighty per cent. of the tenants are indebted and their debts may be divided into the following sub-heads :—

(1) Pro-notes and bonds	...	50 per cent.
(2) Security of ornaments	...	25 ,,
(3) Security of crops	...	25 ,,

Question 2.—Co-operative societies, professional moneylenders and grain dealers are the principal creditors of the agriculturists.

The richer agriculturist lends often to the poorer to the extent that the loan can be easily paid up.

An estimate of the amount of debt due to each class of creditor is given below :—

Co-operative societies ...	...	10 per cent.
Professional moneylenders	...	50 ,,
Grain dealers	...	40 ,,

Question 4.—Eighty per cent. of the landlords are indebted. In some cases the indebtedness is so great that there is no way open to pay off the debts.

Question 5.—Extravagance (40 per cent.) and in some cases, bad associations (40 per cent.) and litigation (20 per cent.) are the chief causes of their indebtedness.

Question 6.—Generally the interest charged is high and compoundable six-monthly or yearly.

THAKUR SRI PAL SINGH.

Part D.—Credit facilities in respect of agricultural production and marketing.

Question 1.—Only the Government, co-operative societies and grain merchants and professional moneylenders take part in providing agricultural credit in respect of crop production. The Government distributes *taqavi* and seed grains, the grain merchants distribute grain, and the moneylenders advance money for the purchase of seed, grain and bullocks.

The facilities are absolutely inadequate. There are no arrangements for distributing the seed grains; though this is done by the Agricultural department on a small scale, yet the ordinary cultivator does not know anything of it. Government or co-operative seed grain stores should be established in important villages for distribution on credit. Money should also be freely advanced to the tenants for the purchase of bullocks and improved agricultural implements. The village moneylenders taking advantage of the situation charge very high rates of interest. Co-operative banks should be established and popularized.

The distribution of *taqavi* should receive special attention of the Government. The entire amount of the *taqavi* does not reach the tenants, but is shared by intermediary persons. It will be advisable to appoint a whole-time special officer to distribute *taqavi* with full powers to enquire into and deal with complaints regarding it. The present staff has little time to see to all this.

Question 3.—There is no co-ordination among the various credit agencies except the agencies under Government control, although such co-ordination is absolutely necessary.

Part E.—Land mortgage banks.

Question 1.—The loans obtained by landlords are generally for long periods, and it is only in less than 20 per cent. of the cases that the loans obtained by them are for short periods.

The loans obtained by the tenants depend much on the law of limitation. There being no security for such debt, they are generally advanced on the execution of a bond or pro-note by the tenant, and very often even this formality is dispensed with and the loan is advanced without being reduced to writing. This being the case, they are not for long periods. ...

Question 2.—Long-period advances are available only on land security.

At the prevalent rate of interest the long-period borrower finds it extremely difficult to repay the debt after it has been allowed to run for a little long time.

Long-period borrowers being in no hurry to repay the debt, allow it to swell to such an extent that it almost becomes impossible for them to pay it off.

The rate of interest for long-period loans is high.

Question 3.—To some extent non-transferability in the case of tenants may act as an impediment to long-term credit, but it is not the sole cause. It is generally the incapability of the tenant which obliges him to take loans on high rates of interest.

Question 4.—To the tenants the occupancy right is sufficient security for long-period debts.

The produce of the land may be deemed to have been hypothecated for the payment of the debt obtained on the security of the land after payment of rent.

Question 5.—I think that the establishment of land mortgage banks will solve the problem of long-term advances in this province, because the loans are repaid by instalments and the advances are made for long periods so as to make the annual instalment as small as possible.

Question 6.—In my opinion there ought to be two banks, one of which may deal with farmers and petty land-holders, while the other may confine its business to big land-owners (including *zamindars* and taluqdars).

There should be connection between the two because it will be impossible for one kind of bank to deal with both the tenants and *zamindars*.

The land mortgage banks should have share capital of their own. The capital should amount to about 20 lakhs of rupees for each district.

The share capital should be available for subscription to the general public.

In case the share capital is not taken up by the public, I think the Government should undertake the obligation of subscribing the balance.

THAKUR SRI PAL SINGH.

In such a bank there ought to be a board of directors with full powers of management. The general policy of the banks and its expenses should depend upon the approval of the share-holders.

The maximum period for the loans should be sixty years. The margin between the amount of loans and the value of mortgage should be 50 per cent.

The land mortgage banks should obtain working capital from deposits and by re-issue of shares.

There is no necessity of Government guarantee.

If debentures are not taken up by the public within a certain time, the Government should take up the balance.

Debentures should rank as trustee securities.

The Government dues should be made first charge on the assets of the bank.

The changes of the existing law, or special arrangements, in favour of land mortgage banks, suggested in the question, are all desirable changes.

It is not necessary that provincial land mortgage banks should be co-ordinated under an all-India central institution.

Question 7.—A special officer should be appointed, who may ascertain the value of the land on the spot.

The value of the land depends upon its kind and the crops grown on it.

The factors affecting such value are—

(i) Class of soil.
(ii) Productive capacity.
(iii) Situation.
(iv) Population.
(v) Irrigation facilities.

There is some difference between the prices of land obtained in various ways, and that is attributable to the interest taken in the matter by the agency which sells the land, *e.g.*, the land sold by private negotiation will certainly yield a better price.

The price of land is generally ten times the annual net yield of average quality land. The proportion of the annual net yield of land to its market value is 1 : 25.

Part F.—Co-operation.

Qutstion 1.—No relation whatsoever exists at present between the joint-stock banks and the indigenous banks beyond that the latter make use of the current or savings bank account of the former like anybody in an individual capacity. They do not even recognise the fixed deposit receipts issued by the latter.

There is no competition, at least in this district, between the co-operative banks and the joint-stock banks.

Question 2.—Co-operative societies have no difficulties, in this district at least, in raising either short or long-term capital.

Question 3.—The capital required for financing co-operative societies in this district is readily forthcoming and it is quite sufficient. There are no doubt difficulties in this respect in certain other districts of the province where the public put very little reliance on the co-operative banks.

Question 4.—Financial concessions would certainly be of great help to the co-operative movement. The societies are already exempt from income and *haisiat* taxes. This has helped the movement a great deal, and if other concessions, like the inclusion of the debentures of provincial co-operative banks in the list of trustee securities, are allowed by the Government, it would be a great encouragement for the movement.

Such action is most desirable in the interests of the movement as in the success of this movement lies the emancipation of agricultural and industrial India.

Question 5.—The establishment of a provincial bank in this province would certainly facilitate the work of the movement. It will be a sort of connecting link between all the central and district banks of the province. Its very existence will create a sound atmosphere of confidence in the movement among the general public, and the central banks will not suffer for idle balances or for lack of finances.

Part G.—Small industries allied to agriculture.

Question 1.—The popular small industries allied to agricultural industries are dairy-farming, *gur*-making, *sugar*-refining, hand-spinning, manufacture of tobacco and vegetable growing.

THAKUR SRI PAL SINGH.

Question 2.—The condition of such industries is deteriorating. Adequate fodder arrangements should be made for the cattle. This requires sufficient grazing lands.

The methods of *gur*-making and sugar-refining require special attention. Much of the produce is wasted in the crude process adopted by the cultivators. The tenants require special training in this branch.

More interest should be created in the production of vegetables. It is very paying, but it is neglected by the cultivators. The difficulty lies in finding a suitable market for vegetables.

Question 3.—Hand-spinning is the best cottage industry for the tenants, and it may be supplemented by wood-work, including toy-making and pottery.

Working capital can only be obtained if the products are made security for the loan, but the working of this process will not be free from trouble. Hence it will be better if the tenants are made self-dependent.

Part H.—Small urban industries.

Question 1.—Cottage or art industries are generally financed by traders in towns who purchase the produce.

Artisans purchase their raw materials and implements, or in some cases they get it from traders to whom they are bound to sell the produce.

Their wares are purchased by some traders in the vicinity who send them to different places.

The middleman gets commission and the large dealers purchase the produce and send it to different places.

Question 2.—*Karkhanas* are to be found nearly in all industries.

(*i*) The *karkhanadars* pay commission to the middlemen and tax it on the consumers.

(*ii*) The workers and apprentices get their wages from the *karkhanadars.*

Most of the artisans drift from their houses to small workshops.

Question 3.—I am not aware of any instance of sweated labour.

The home workers should form themselves into associations or groups which may represent their grievances.

Question 4.—There are no co-operative artisans' societies in this district.

Question 5.—An industrial bank will be a suitable agency for financing the small industries. This object cannot be achieved so well through joint-stock banks. The organisation of such a bank at Agra would be most suitable to begin with as it is the centre of industrial work.

Such an industrial bank should issue loans only to registered co-operative bodies, whether they be societies or firms. In no case would advances to individual artisans be safe or desirable, even though they may be sufficiently well-to-do men.

Question 6.—Sales' associations, dépôts, etc., will surely be true means of advertising and marketing art wares. They might be organised and managed by local public-spirited persons, or the articles might be disposed off on commission.

II.—INDIGENOUS BANKING.

A.—Organisation of indigenous banking.

Question 1.—There are different classes of indigenous bankers in this district, for instance—

(i) Those who store grain. They buy grain when it is cheap and sell it when the rates are high.

(ii) Those who lend money on interest. They lend money to others on a pro-note or bond.

(iii) Those who lend simply for purchasing land. They get mortgage and sale-deeds executed in their favour.

(iv) Those who lend grain. They generally charge interest on the price of the grain and sometimes take 3/2 times of the quantity of grain they lent before.

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(v) Those dealing in cloth on credit for the sake of profit. They charge interest on the price of cloth.

(vi) Those who hold *hundis* along with some other business. They purchase *hundis* on discount and sell it at a lesser discount.

Sometimes indigenous bankers combine other business with their own. Their principal business is that which they have been doing for several years past and the subsidiary business is that which they have adopted only of late. For instance, if a landlord advances money on credit, zamindari is his principal business and banking is the subsidiary business.

Question 2.—The indigenous bankers finance trade, agriculture and industry in the following manner :—

(i) Trade, 10 per cent.

(ii) Agriculture, 85 per cent.

(iii) Industry, 5 per cent.

The savings of indigenous bankers, after making allowance for their legal expenses of management, losses through bad debts, foreclosure, etc., amount to about 75 per cent.

Qustion 4.—There are financial houses only at Cawnpore in these provinces; the bankers of other places do not possess sufficient money to deal solely in the provision of credit facilities by the purchase and sale of *hundis*.

Question 5.—Only 10 per cent. of the indigenous bankers keep their accounts regularly in their "*bahis*," while 90 per cent. of them advance money simply by writing the name of the borrower and the sum of money.

B.—Raising of funds by indigenous bankers.

Question 1.—In this district only two forms of *hundis* are current. There is only one kind of *hundi* but it may differ in form.

Question 2.—Indigenous bankers meet the demands upon them either by borrowing money or by asking their clients to pay them back the money they owe to them.

Indigenous banks and bankers obtain financial help from the Imperial Bank of India at a cheap rate of interest and advance it to the public at their own rate.

The Imperial Bank of India generally does not deal with individual bankers. So if an individual banker stands in need of money, he is put to great difficulty.

Question 3.—Indigenous bankers receive deposits only by writing a pro-note or a letter.

The rates of interest which they allow varies generally from 5 annas to 8 annas per cent. per mensem. The rates do not vary at different seasons.

E.—Defects of indigenous banking.

Question 1.—Public opinion regarding indigenous bankers, who do not charge fixed rates of interest, but charge it according to the necessity of the borrower, is not high.

Question 2.—Those bankers who lend money on very strict and unreasonable terms have to face great difficulties.

Question 3.—They do not deserve any further ruling of the law in their favour.

Question 4.—There are defects in the dealings of indigenous bankers with their clients. Strict enforcement of the law is required.

Question 5.—There are moneylenders who have got small capital at their disposal and who cannot therefore give sufficient help.

If they do away with their greedy intentions their resources will themselves be extended.

III.—INVESTMENT HABIT AND ATTRACTION OF CAPITAL.

A.—Encouragement of saving and investment habit.

Question 1.—The banking is done by indigenous bankers, moneylenders, co-operative societies, and sometimes by the *zamindars* of the place.

These resources are not adequate. The borrower finds it extremely difficult to borrow money at the proper rate of interest. Moreover, there being not sufficient moneylenders, the borrower has no choice of selecting a proper banking agency to borrow money.

The additional capital required will be about thirty lakhs for this district.

Question 2.—The existing means or institutions for encouraging the habits of saving and investment are post office savings banks and co-operative societies and investments on landed property.

In the rural areas these do not provide full facilities to the public for the investment of their savings.

They require extension in the rural areas.

Question 3.—No doubt gold and silver ornaments are occasionally purchased by the people, but that is not due to the spirit of investment. It is rather due to the liking of such ornaments for which purpose money is sometimes borrowed. People are not in such a happy condition as to invest in gold or silver.

Question 4.—Postal cash certificates are not popular in my district, but that is due to the poverty of the masses. Only a limited class of people invests in postal cash certificates to a small extent.

It is difficult to make them popular unless—

(i) the condition of the people is improved, and

(ii) the rate of interest and the existing terms are revised to make them more attractive.

Question 5.—Post office savings banks afford adequate facilities, but the banking should be made on more business-like methods. At present the postal authorities do not attend to this work as a business man would do, and sometimes there are cases of harsh treatment. People have to wait longer at the post offices.

Persons in service or doing business in cities and towns take advantage of the various facilities offered by the post office.

More savings banks should be opened in the rural areas to make it popular with the cultivators who know little or nothing of it.

Question 8.—It will not be proper for public bodies like municipalities to undertake savings banks work along with their normal work. However, there may be public bodies doing absolutely banking business.

Question 9.—The small agriculturists know nothing of government securities or any banks.

Question 10.—Practically, there are no facilities afforded by the various financial agencies for purchase and sale of securities other than those of Government.

Question 11.—The people sometimes lend their surplus money to others or invest it in some property. There is hardly any saving for investment.

Question 12.—The farmers utilise their surplus money in providing themselves with clothes and in the purchase of cattle. If after all this there is a surplus, they keep the amount with them and may lend it to others on interest.

The capital in the possession of the agricultural population is decreasing as the condition of the agricultural population is deteriorating.

Question 13.—I agree with the view that in India the banking and investment habit is of very slow growth.

The sole cause for this is the poverty of the masses. The agriculturist in spite of his hard labour has not the means of living.

Through the workers of the co-operative societies and the revenue officers the people can be educated to invest their savings in productive undertakings.

B.—Cheque habit.

Question 1.—The cheque habit is growing.

Question 2.—The stamp duty on instruments proves a hindrance, and therefore its abolition on cheques has led to the increase in the use of cheques and the opening of more accounts.

Question 3.—Business men and educated classes use cheques.

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Question 4.—I think the present arrangement of distributing pay to government servants is satisfactory. The cheque habit can be promoted only if the banks are made popular with the people and more facilities for investment are offered.

It will be advisable for the post offices to open cheque accounts. There may be limitation of the amount below which cheque accounts cannot be opened.

Question 5.—Illiterate people will not like to use cheques unless their condition is improved.

C.—Vernacular scripts in banking.

Questions 1 *and* 2.—I will insist on the use of Nagri script in banking. The banks of all-India character may use either English or Hindi.

D.—Imperial Bank of India.

Question 1.—The opening of the new branches of Imperial Bank of India in recent years has effected a great change in—

(i) the encouragement of investment habits;
(ii) the promotion of internal trade and industry;
(iii) the encouragement and consolidation of the indigenous banking system;
(iv) the increase of facilities for agricultural credit;
(v) the reduction in the general price of money.

in the following manner :—

(1) People freely invest money because they know that there is no risk.
(2) Traders can take money on very reasonable terms from the Imperial Bank of India, consequently trade and industries are flourishing.
(3) Indigenous bankers combine together to take loan from the bank in the name of a firm or agency at a cheap rate and then they advance that sum to their own clients.
(4) The Agricultural department can also borrow money from the Imperial Bank when it stands in need of funds.
(5) As the Imperial Bank advances money at cheap rates so the price of money is greatly reduced.

Babu LAL GIRJESH BAHADUR PAL Sahib, Zamindar and Honorary Magistrate, Banpur, district Basti.

Replies to the questionnaire.

I.—Agricultural credit and credit facilities.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturist borrows from village moneylenders, and in case of scarcity advances are made by the *zamindar* of the village.

He borrows commonly for purchase of cattle and for expenses in marriage and other social functions and sometimes also for purchase of seed when the crop is frost-bitten.

The total debt is divided as follows :—One-fourth for performance of marriage and other social functions, half for the purchase of cattle, and one-fourth for purchase of seed.

Of the total debt one-fourth is incurred in grain and three-fourths in cash.

The debt in grain is paid at the time of harvesting and that in cash paid yearly.

Question 2.—The rates of interest in case of grain is 25 per cent. and 37½ per cent. and that for cash is 12 per cent. per annum.

Simple interest is calculated except the rate of 12 per cent. which is compounded at yearly rests.

In my opinion the rates of interest at which loans in kind are advanced are exorbitant.

Question 3.—No security is taken in the case of agricultural borrowing. It is only on the goodwill and honesty of the debtor that the loans are advanced.

It is not correct in my part of the country to say that the better the title to land the greater the amount of indebtedness.

The amount of debt secured on land mortgage is increasing.

The rates of secured debts to those unsecured is 1 to 2.

Question 4.—In my part of the country the agriculturist pays the debt at the time of the harvest. It is seldom that recourse is had to the law courts.

There is a slight difference in the market rate prevailing at the time and the rate at which grain is advanced or repaid. From personal enquiry both the lenders and borrower can know the prevailing rate.

Question 5.—In my taluka the loans under the Agriculturists Loans Act and the Land Improvement Act are not required, hence no *taqavi* is taken.

At the time both of realisation and advance of *taqavi* the agriculturists have to suffer certain hardship which it is not legally advisable to express. And it is chiefly due to this disadvantage that *taqavi* is not freely made use of.

Question 6.—Instances where cultivators combine together to produce particular crops are not found. Cultivators are freely planting Java sugar and wheat (Pusa no. 12).

Question 7.—The present system of borrowing for agricultural purposes is not accessible to the poorest agriculturist. The moneylenders finding him without means do not readily advance loans to him, and there are cases in which the poor farmer has to beg for his needs. To relieve this it is suggested that every village or group of villages should be formed into a *panchayat* with banking powers :

(1) The membership of the *panchayat* should be compulsory for the heads of the families residing in the village.

(2) Each member should be made a compulsory share-holder of the *panchayat*.

(3) The members of the *panchayat* should elect their directors.

(4) These directors shall raise, distribute and realise loans.

Babu Lal Girjesh Bahadur Pal.

(5) The *zamindar* of the village should be made a compulsory director, and in all cases of advances his opinion should be accepted as to the amount of advances to be made.

(6) In no case should the interest be over 12 per cent.

(7) For the proper upkeep of the working of the *panchayat*, honorary servants should be taken from among the members and share-holders and they should execute security bonds.

The above are general rules the details of which may be worked out as required in particular cases.

II.—INDIGENOUS BANKING.

H.—Defects in statutory and customary law regarding recovery of debt.

Question 1.—The statement is not true. In my opinion there are no difficulties that the creditor encounters when endeavouring to recover a debt by process of law except in cases where the agriculturist has no other property except the tenancy plots and agricultural appurtenances both of which are excluded from attachment and sale under statutes by the Legislature. If the restrictions are removed there will be no difficulty absolutely.

Question 2.—The conclusions of the Royal Commission in regard to the Usurious Loans Act are correct.

There is no necessity for the Act.

The agreement of the parties should be given effect to: in case of unnecessary intervention of the courts the creditors will be reluctant to advance money.

The principles underlying the Usurious Loans Act are far too general, leaving a wide power to the courts to exercise it whenever they will. If a certain limit is placed regarding interest, beyond which interest should be presumed to be usurious, it will be of greater use.

In all cases, however, where the facts disclose the necessity of the contract, it should not be interfered with simply because ordinarily the interest is high.

III.—INVESTMENT HABIT AND ATTRACTION OF CAPITAL.

A.—Encouragement of saving and investment habit.

Question 1.—The co-operative bank, post office savings banks, and the mufassil bank are the only banking resources in the district.

They are not adequate because—

(i) As there are no prompt payments at present people are not attracted to deposit.

(ii) Post office savings banks do not give sufficient interest and, moreover, do not accept deposits of over Rs. 5,000.

(iii) In the co-operative bank no interest is given on current deposit; also the bank does not accept deposits at all times.

The removal of the above defects will improve and attract investment.

Question 5.—Post office savings banks afford adequate facilities to the investing public, excepting the non-acceptance of deposits over Rs. 1,000.

Removal of the limit of deposit will attract a large number of depositors.

Government servants generally and often others in other services take advantage of the various facilities for investment offered by the post office.

Question 8.—It would promote the savings habit if public bodies like municipalities were to afford savings bank facilities.

BABU LAL GIRJESH BAHADUR PAL.

Raja RAGHORAJ SINGH Sahib, O.B.E., of Mankapur, district Gonda.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The cultivator in my area borrows mostly from village moneylenders. The objects of his borrowings are repayment of earlier debts, marriage and other social functions, famine and other kinds of distress, payment of land revenue or rent, purchasing seed, purchasing bullocks, and sinking wells. About 75 per cent. of the debts are incurred in times of famine and other kinds of distress. Most of the debt is incurred in cash and some is incurred in grain or for seed. The debt is mostly for short periods. The longest period is one year.

Question 2.—The rate of interest for cash advances is usually 24 per cent. For loans in kind it is usually 25, but in some cases it is as much as 50 per cent. Compound interest is usually charged. The rates of interest are beyond doubt exorbitant.

Question 3.—In the case of *zamindars* the kind of security is usually land mortgage, while in the case of tenants it is ornaments or standing crops.

The better the title to land the greater the amount of indebtedness. The amount of debt secured on land mortgage is decreasing gradually.

Question 4.—Litigation is the means adopted for enforcing the payment of debt from agriculturists.

The cultivator borrows grain at a higher price than that prevailing in the market. The rates are usually ascertained from the market.

Question 5.—The cultivator does not take full advantage of the *taqavi* system. *Taqavi* is distributed only when there is famine or other kind of distress. This is because the cultivator is quite unaware of the facilities provided by the Agriculturists Loans Act and the Land Improvement Act. Educative propaganda is necessary in the matter.

The present system does not suit the cultivator. According to it he is entirely at the mercy of the patwaris and qanungos who are generally guided by favouritism.

In the case of tenants the *zamindars* concerned should be consulted.

Question 6.—There is no combination amongst cultivators in my area for the production of crops. Such combination is not possible in my area.

Question 7.—The present system of agricultural borrowing is not free from defects. The number of co-operative societies should be increased so that there may be at least one society in each pargana. The terms should be modified so as to popularize these societies with the agriculturists. The rate of interest should be reduced to a reasonable level. Legislation is absolutely necessary to protect the cultivators from the village moneylenders who are now free to charge exorbitant rates of interest.

The MANAGER, AZMATGARH ESTATE, district Azamgarh.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—An agriculturist in the Azamgarh district generally borrows from the village moneylenders.

He borrows for the following purposes and the proportion of debt due to each object is as follows :—

Payment of accumulated interest	15 per cent.
Marriage and other social functions	2 ,,
Famine and other kinds of distress	20 ,,
Payment of land revenue or rent	40 ,,
Seed	8 ,,
Litigation	5 ,,
Purchase of cattle	10 ,,

and sometimes subsistence.

The debt is distributed between the lending agencies in the following proportion, viz. :—

Village moneylenders	95 per cent
Government	1 ,,
Co-operative societies	4 ,,

Of the total debt about half is incurred in cash and half in seed. About 50 per cent. of the debt is incurred for a short period.

Question 2.—The rates of interest for cash loans ranges from 12 to 24 per cent. The rates for loans in kind for seed is 25 per cent. and for other loans in kind 50 per cent.

In the case of cash advances the monthly rates of interest are agreed upon by the parties. Sometimes simple and sometimes compound interest is charged. In the case of advances of seed 25 per cent. is charged for six months. In the case of advances in grain for subsistence 50 per cent. interest is charged.

In my opinion the rates of interest are exorbitant. There are also other incidental charges.

Question 3.—The securities given and accepted are :—

(1) Land mortgage
(2) Standing crops.
(3) Ornaments.

Landlords and tenants are equally indebted.

The amount of debt secured on land mortgage is increasing. The proportion of debt secured on land mortgage and unsecured is 80 and 20 per cent. respectively.

Question 4.—The usual method of collecting debt is that the lender deputes his man to realise his debt when the harvest is ready and by litigation.

The rates at which a cultivator borrows and repays grain do differ from the prevailing market rates. There are no means by which the cultivator can ascertain the prevailing market rates from time to time.

Question 5.—Generally the agriculturists are not habituated to borrow *taqavi* in this district. This is so because the method of distributing *taqavi* is very tedious and much delay is caused.

Reliable distributing officers of *taqavi* should proceed on tour arranging their programmes in such a way that the agriculturists demanding *taqavi* may not have to travel more than four or five miles from their homes, and the *taqavi* applications should be taken and decided on the spot and the money advanced to them as early as possible, and they should be given some facilities for repayment.

MANAGER, AZMATGARH ESTATE.

Question 6.—The cultivators do not combine together to produce particular crops. Though desirable, no such combination is possible owing to the irregular system of holdings.

Question 7.—The defect in the present system of agricultural borrowing is that the rates of interest are high and the periods of payments short. The remedy is that the advances should be made for longer periods so that the instalments in repayment may be smaller.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—The crops are marketed generally through the local petty traders who go on a tour from village to village, purchase the articles and sell them to merchants in the markets. Sometimes the farmers themselves carry their goods to the markets and sell them direct to the merchants. They carry their goods to the markets on beasts of burden and carts. The local *banias* purchase at cheaper rates in the villages and sell the articles at higher rates in the market. There is some difference in weight also. Articles of superior qualities are kept for home consumption.

Question 2.—The money for marketing crops is advanced by big grain merchants and exporting firms. They lend money generally at 6 per cent.

The co-operative society in my area does not assist in the marketing of crops. It should.

Question 3.—There are not fixed rates which the cultivators have to pay to the *bania, arhatia, dalal,* and *beopari;* they pay the sum agreed between them.

There are some incidental charges such as the fee of the scribe, etc., and weighmen.

Question 4.—The cultivator generally stores his grain in *theks* placing chaff all round. For storage of grain a particular kind of godown should be made and there should be a foot of sand all round this godown to remove dampness, and inside a layer of chaff.

The grain in the market is sewed in gunny bags. At this is the cheapest no new method is adopted.

Question 5.—The grain is stored in bags in the godowns of *arhats* who generally advance 25 per cent. less than the prevailing price.

Question 6.—The American system of warehouses is good, but it requires a great organisation.

Question 7.—There is no combination amongst cultivators for marketing their crops, but though this is desirable, it is at present impossible.

Part C.—Extent and nature of agricultural indebtedness.

Question 1.—I cannot give any estimate, but I can say that the agricultural classes are much indebted.

Question 2.—Grain dealers and moneylenders are the principal creditors of the cultivators. The grain dealers in the villages lend grain entirely and moneylenders to some extent.

Question 3.—The result of enforced payment of debt is that land is passing from the possession of real farmers into the hands of creditors who are not themselves efficient farmers, thereby causing the cultivators to produce less or less efficiently.

Question 4.—About 60 per cent. of the land-owning classes is in debt.

Question 5.—Owing to high prices of all articles these days the landlords have run into debt because they must keep their dignity somehow or other, whereas the rent they receive from their tenants is almost the same as they have been receiving from them from time immemorial; moreover, increase in the members of the family and their education and marriages and other social functions all require heavy expenses.

Question 6.—The land-owning classes have to pay special charges or rates of interest in respect of their borrowings.

MANAGER, AZMATGARH ESTATE.

'art D.—Credit facilities in respect of agricultural production and marketing.

Question 1.—The defects in the existing system of agricultural credit in respect of crop production are that the rates of interest are very high and the money is not easily received when required, while repayment is enforced very severely. There should be no pressure for repayment. Easy instalments should be made.

Question 2.—The grain merchants send their men to the village or markets and they purchase the articles; and sometimes they advance money on *arhat* system paying about 25 per cent. less than the actual price of the article kept in their godown.

The existing credit facilities are not adequate. There should be some bank or *arhat* very close to the place of production. Arrangement should be made to advance money liberally.

Question 3.—There is no co-ordination among the various lending agencies. There is a wide scope for improvement in this direction.

Question 4.—The big merchants at ports can very easily arrange for credit whereas there is no facility inside the country.

Part E.—Land mortgage banks.

Question 1.—Long-period loans are obtained by landlords according to the net profit of their estates, the interest being calculated at 6 per cent. Tenants cannot obtain long-period loans because the law does not permit.

Question 2.—Long-period loans are available on land mortgages. Long-period borrowers experience no difficulty in obtaining accommodation as long as they have property enough to mortgage with possession.

Question 3.—Non-transferability in the case of tenants hinders their getting long-term credit at the usual rates.

Question 4.—Occupancy rights do not serve as adequate security for long-term loans. Their value in this direction will be increased if they are made transferable.

Question 5.—The establishment of a land mortgage bank or banks would solve the problem of long-term advances.

Question 6.—There should be two such banks, without any connexion between them.

The Government should guarantee the banks. The shares may be floated to the public. The amount of the capital or guarantee will depend on circumstances and demand.

The share capital should be available for subscription, firstly to the farmers and then to the public. If the share capital is not fully subscribed, the Government should undertake to subscribe the balance.

The Directors of the banks should be financiers and according to the choice of the public businessmen.

The maximum period of the loans advanced by the banks should be sixty years according to law.

The working capital should be obtained from (i) deposits, (ii) debentures (iii) a central institution.

The debentures should carry a Government guarantee for both principal and interest. If the debentures are not taken up by the public within a certain time, the Government should take up the balance. The debentures should rank as trustee securities.

The Government should be safeguarded from loss by the property already mortgaged.

I suggest the following changes of the existing law or special arrangements in favour of land mortgage banks :—

(1) Issue of certificates of encumbrances either free or at a nominal charge.
(2) Abolition or reduction of stamp duty, registration charges and court-fees.
(3) Notification of proposed mortgages.
(4) Simplification of the process of foreclosure and sale in the event of non-payment.
(5) Power to manage defaulting estates.

Question 7.—The value of land should be calculated according to the fertility of the land : the value differs according to the fertility of the soil and the crops grown on it.

MANAGER, AZMATGARH ESTATE.

Part H.—Small urban industries.

Question 1.—Generally the artisans invest their own small savings in their business and sometimes they take loans from the village moneylenders and dealers.

Raw materials and implements are obtained through the local merchants. Their wares are either sold in the markets or by hawking in the villages or through middlemen. Middlemen take a certain percentage of the profit and then sell the articles to big merchants, but the rates sometimes fluctuate and they suffer loss also.

Question 2.—In these parts there are sugarcane mills to be found in the Gorakhpur district, a lac factory at Mirzapur and oil-pressing in Jaunpur.

Karkhanadars pay wages to workers.

There is no tendency for the artisans to drift from their home to the small workshops, or *vice versa*.

Question 3.—I know of no instances of sweated labour.

Question 5.—An industrial bank would be a suitable method of improving the present system of financing small industries. Such a bank should issue loans to artisan societies as well as individuals, but joint-stock companies are preferable.

Question 6.—Sales associations, dépôts or emporia should be organised, financed and managed only by businessmen and financiers, not by Government who will have only supervising work.

Part J.—Internal remittance and negotiable instruments.

Question 6.—The different classes of *hundis* current in my district are *darshni* and *dini hundis*. *Darshni hundis* are payable on demand at first sight; in *dini* grace days are allowed varying from 7 to 45 days according to circumstances. The *hundis* of this district are discounted everywhere in India.

II.—INDIGENOUS BANKING.

A.—Organisation of indigenous banking.

Question 1.—There are two classes of indigenous bankers in this district—village moneylenders and *mahajans*. They lend money on interest. Agriculture, *zamindari*, or trade is their principal and moneylending only their subsidiary business.

Question 2.—Their concern in lending money is only to earn interest: it is immaterial to them what the purpose of the borrowing is.

Question 4.—There are no financial houses in these parts dealing solely in the provision of credit facilities by purchase and sale of *hundis* and other bills of exchange. Ignorance and poverty of the people are the chief causes of their absence.

Question 5.—The old methods of keeping account books are still prevalent.

B.—Raising of funds by indigenous bankers.

Question 1.—Various kinds of credit instruments are used by the indigenous bankers, but I cannot give the various kinds of wordings.

Question 2.—Indigenous bankers have their own funds. They do not take help from banks.

Question 3.—They do not receive deposits.

C.—Advances by indigenous bankers.

Question 1.—Indigenous bankers advance money on the security of ornaments, land, crops, etc. They generally charge interest at from 12 to 24 per cent.

Question 3.—Clients of bankers inspect their accounts whenever they wish with their credit instruments.

D.—Exchange and money market.

Question 1.—There is no local exchange or money market.

Question 2.—*Dalals* charge their brokerage according to circumstances and demand of money.

MANAGER, AZMATGARH ESTATE.

Question 3.—The rates vary at which *hundis* are purchased and sold for internal remittances or to obtain credit.

E.—Defects of indigenous banking.

Question 2.—The difficulties which indigenous bankers experience are the litigation charges which they have to pay and procedure which causes much delay in realization of money.

Question 3.—They are sufficiently protected by law.

Question 4.—Indigenous bankers are sometimes very hard. They should look to the convenience of their clients and have patience.

Question 5.—They have insufficient capital. They should be helped by capitalists or banks who may advance them money on cheaper rates of interest.

G.—Consolidation of indigenous banks.

Question 1.—They should be provided with sufficient capital and should be protected by law, the procedure of which should be easy, cheap and prompt.

Question 2.—Indigenous banks would secure an increased clientèle if recognised by Government. Their capital should be limited and they should be open to Government and public inspection.

Question 3.—They should be frank and should not conceal any fact.

Question 4.—There are times of the year when money lies idle with the indigenous bankers.

Question 5.—The indigenous banking system in this locality is not connected with the principal money markets. Such connection should be created by the establishment of agencies of the Imperial Bank of India. A central reserve bank should be established to connect up all the elements of the banking system. The indigenous banks should be linked directly with the Central Reserve Bank.

III.—INVESTMENT HABIT AND ATTRACTION OF CAPITAL.

A.—Encouragement of saving and investment habit.

Question 2.—The only existing means for encouraging the habits of saving and investment is the post office savings bank. It does not provide full facilities to the public for the investment of their savings.

Question 4.—Postal cash certificates are popular. They can be made more popular by a revision of the rate of interest and change of the existing terms of issue.

Question 5.—There should be no limitation of deposits in the post office savings bank. The rates of interest should be raised.

All classes of people take advantage of the various facilities for investment offered by the post office.

Question 6.—The allegation that the rates of interest of postal cash certificates and treasury bills are so favourable as to create competition between Government and banks in attracting money is correct. Such competition is healthy.

Question 7.—The issue of gold cash certificates will accelerate the savings and investment habit.

Question 8.—The provision of savings bank facilities by public bodies like municipalities would not promote the savings habit.

Question 11.—Money surplus to normal requirements is used by the people in purchasing land, houses, grain or other articles of trade and the making of ornaments. They keep the money with themselves.

Question 12.—Some farmers lay by their surplus funds in prosperous years to meet sudden emergencies. Some lend to their fellow agriculturists on interest.

Question 13.—The banking and investment habit in India is of very slow growth, due to the ignorance and poverty of the people.

MANAGER, AZMATGARH ESTATE.

B.—Cheque habit.

Question 1.—The cheque habit is growing in India, but very slowly.

Question 2.—The abolition of stamp duty on cheques has led to an increase in the use of cheques and the opening of new accounts, but only to a very small extent.

Question 3.—Cheques are used by the educated and businessmen.

Question 4.—At present when the mass is illiterate, it is not desirable to accelerate the use of cheques. Post offices should not open cheque accounts.

C.—Vernacular scripts in banking.

Question 1.—Vernacular scripts should be used in banking.

Question 2.—The script used should be Nagri or Persian.

MANAGER, AZMATGARH ESTATE.

Rai Bahadur Pandit KHARAGJIT MISRA, M.A., LL.B., M.L.C., Advocate and Honorary Magistrate and Assistant Collector, Mainpuri.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturist borrows from the professional moneylenders, his *zamindar* and the co-operative societies.

He borrows for all the purposes mentioned in the questionnaire.

Almost all the debt is taken from the village moneylender.

About 75 per cent. of the debt is incurred in cash, and the rest in grain.

About 85 per cent. of the debt is incurred for short terms.

Question 2.—Loans are repayable on double system when taken in grain, and on 18 to 24 per cent. per annum interest when taken in cash.

Looking to the instability of security, the rates are not excessive. Security is mostly on standing crops.

Question 3.—I do not agree that the better the title to land the greater the amount of indebtedness.

About 60 per cent. of *zamindars* and 80 per cent. of tenants are indebted.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—The principal crops are brought to market by the producer himself and sometimes by the middleman, who buys locally and sells in the nearest chief bazar.

Question 2.—The co-operative societies should assist in the marketing of crops.

Part C.—Extent and nature of agricultural indebtedness.

Question 2.—The principal creditors of the agriculturists are the professional moneylenders, his *zamindar* and co-operative societies.

About 50 per cent. of the debts of the poorer agriculturists are taken from the richer ones.

Question 3.—The rights in land are passing from the possession of people who are efficient farmers into the hands of creditors who are not themselves efficient farmers because the professional moneylender is gradually obtaining lands from the *zamindars* as well as the tenants. This causes the cultivator to produce less or less efficiently.

Question 4.—Sixty per cent. of the *zamindars* are indebted.

Question 5.—The special causes are—want of economy, lack of utility of time, false sense of greatness, and exclusive dependence on *zamindari* as the sole means of subsistence.

Question 6.—The rate of interest charged is usually general, but sometimes it is less in proportion to the security of the lands mortgaged.

Part D.—Credit facilities in respect of agricultural production and marketing.

Question 2.—The credit facilities in respect of the marketing of crops are not adequate. It would be better if something like a State bank or a bank run by the local capitalists were started to lend money to the *zamindar* and the capitalist; also if the existing co-operative societies were improved.

Question 3.—There is no co-ordination among the various credit agencies, and none is possible in the existing system; but it is desirable to have only one credit agency at a place, and to educate the borrower as to when, from whom, and on what terms to borrow.

RAI BAHADUR PANDIT KHARAGJIT MISRA.

Part E.—Land mortgage banks.

Question 1.—The credit of the *zamindar* as a borrower has been considerably shaken. The belief in the mind of the creditor is that the debt advanced to the *zamindar* is not paid voluntarily and recourse to litigation is generally necessary. The same is emphatically true about the tenants, for whose debts there is no security.

Question 3.—Nobody wishes to lend money to tenants owing to uncertainty of tenure.

Question 4.—The occupancy right does not serve as an adequate security for long-term credit. Any remedy suggested would be derogatory to the interests of the *zamindar*, whose interest it is equally necessary to protect.

Part F.—Co-operation.

Question 1.—There is a sense of competition and rivalry between the co-operative banks and other banks. In this district, there is no joint-stock bank.

Question 2.—The terms offered by the co-operative societies for investment are sufficiently attractive, and they can raise any amount of money without any appreciable difficulty.

Question 3.—The amount of capital available for financing the co-operative movement is sufficient.

Question 4.—It is possible to stimulate the growth of the co-operative movement by financial concessions, and such action is desirable.

Question 5.—The establishment of the provincial co-operative bank will stimulate the co-operative movement a good deal.

Part G.—Small industries allied to agriculture.

Question 1.—*Gur*-making, cotton-ginning, manufacture of tobacco and vegetable growth are the industries allied or supplemental to agriculture.

Question 2.—The industries are in a crude form, run only by private persons.

II.—INDIGENOUS BANKING.

There is no indigenous banking in this district.

III.—INVESTMENT HABIT AND ATTRACTION OF CAPITAL.

B.—Cheque habit.

Question 1.—The cheque habit is growing in India.

Question 2.—The abolition of stamp duty on cheques has led to an increase in their use and to the opening of more accounts.

Question 3.—The higher classes and the officials use cheques.

Question 4.—To further promote the cheque habit, payment of government servants and bank employees should be by cheques and a freer receipt of cheques in payment of Government dues.

Post offices should open cheque accounts.

Question 5.—The only way for the illiterate to use cheques is the use of the thumb-impression, but it is not desirable as it gives much scope for fraud.

C.—Vernacular scripts in banking.

Question 1.—The vernaculars, Hindi and Urdu, should be introduced, as it will extend the use of cheques to people who do not know English.

Question 2.—*Sarafi*, etc., should not be introduced, as it is not at all necessary, and will involve further trouble, *e.g.*, in the selection of the clerical staff.

D.—Imperial Bank of India.

The opening of more branchts of the Imperial Bank has helped in all directions, but to no considerable extent.

RAI BAHADUR PANDIT KHARAGJIT MISRA.

Lala BHAWANI DAS SAH Sahib, Honorary Magistrate, Ranikhet.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturalist borrows only from village moneylenders or indigenous bankers.

Generally he borrows for (i) repayment of earlier debts, (ii), marriage and other social functions, (iii) famine and other kinds of distress, (iv) litigation, and (v) purchase of plough or other cattle.

Question 2.—The rates of interest vary from 12 to 24 per cent.

Simple and compound rate of interest are calculated.

The rates of interest are in my opinion exorbitant.

Five per cent. is sometimes charged as *ganthi khulai.*

Question 3.—The security usually given and accepted is land mortgage, house property and ornaments.

It is correct to say that the better the title to land the greater the amount of indebtedness.

Question 4.—The usual method of enforcing payment of debt from agriculturists is through the courts.

There is a difference between the rate at which the cultivator borrows grain or repays it and the prevailing rate in the market.

Question 5.—The cultivator takes full advantage of the facilities provided by the Agriculturists Loans Act and the Land Improvement Act.

Question 6.—Combination of cultivators to produce particular crops is desirable but does not appear to be possible in the hills.

Part B.—Agricultural borrowing for purposes of marketing

Question 1.—The principal crops are brought to market direct by the producer.

Question 3.—In the case of marketing his crop, the cultivator pays three pies to one anna each to the *bania*, the *arhatia*, and the *dalal.*

The *beopari* is paid according to circumstances.

These charges vary with different crops.

Incidental charges are the toll tax and *dharam khatas.*

Question 4.—The cultivator stores his grain generally in *bhakars*, large boxes or baskets.

Question 6.—The system of licensed warehouses could be worked in India. There would be need of Government assistance in the matter.

Part E.—Land mortgage banks.

Question 5.—The establishment of land mortgage banks would solve the problem of long period advances in this province.

Question 6.—There should be two such banks, one for farmers and the other for landowners.

Both should be run co-operatively.

There should be Government guarantee which should be 50 per cent. of the total capital.

In case the share capital is not taken up by the public, the Government should undertake the obligation of subscribing the balance.

The management of such banks should be on the same lines as the Imperial Bank of India.

LALA BHAWANI DAS SAH.

The maximum period of loans should be 30 years, and the margin between the amount of loans and the value of mortgage say 50 per cent.

Land mortgage banks should obtain working capital from (i) deposits, (ii) debentures, (iii) a central institution.

Debentures should carry a Government guarantee for both principal and interest.

If debentures are not taken up by the public within a certain time Government should take up the balance.

Debentures should rank as trustee securities.

The Government should be given power to take up the management of the bank in such cases.

The various changes of the existing law, or special arrangements, in favour of land mortgage banks, suggested in this question should be made.

Provincial land mortgage banks should be co-ordinated under an all-India central institution, and its constitution should be similar to that of the Imperial Bank of India.

Question 7.—Valuation of land should be based on the market value of the land.

In my district the value of land per acre is generally based on the fertility of land "*uproan*" or "*talaon.*" *Pakka* fencing, well laid terraced land, etc., affect such value.

The price of land obtained in sale by Government auction for non-payment of revenue or by sale on a court decree often decreases and in sale, by private negotiation increases, the reasons for the former being forced sale, and for the latter a bargain made with a view to profit.

Part G.—Small industries allied to agriculture.

Question 1.—There is dairy farming on a small scale. Vegetable and fruit farming is also allied.

II.—INDIGENOUS BANKING.

A.—Organisation or indigenous banking.

Question 1.—There are two classes of indigenous bankers in my district, Sahs and Marwaris.

They accept deposits and lend money and cash *hundis* and cheques.

They combine other business with their own.

Question 2.—Indigenous bankers generally support agriculture and trade.

Question 5.—They use *bahi khatas* in keeping their accounts.

Subedar-Major Pandit BHOLA NATH AVASTHI, Honorary Magistrate, Manhar, district Fatehpur.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturists of this area mostly borrow from Government in the shape of *taqavi* and from village moneylenders in the shape of loans bearing interest.

Borrowing takes places for all the proposes mentioned in the questionnaire with the exception of the building of tanks. The agriculturists here borrow mostly for seed, purchase of bullocks and marriage, etc. There is very little borrowing for other purposes.

There is no co-operative society here, hence the agriculturists here borrow from the village moneylenders only.

Fifty per cent. of the debt is incurred in cash and 50 per cent. in seed.

The seed is borrowed for six months only and the remaining 50 per cent. for a longer period.

Question 2.—The rate of interest for loans, whether in cash or in kind, is Rs. 2 per cent. per mensem.

The interest is calculated at the rate of simple interest.

Certainly the rate of interest is high.

Question 3.—Mostly the security of ornaments is given in the case of borrowing for agricultural purposes.

It is correct to a certain extent to say that the better the title to land the greater the amount of indebtedness, as the creditors lend money mostly to persons having title to land to avoid the money being lost.

The indebtedness of petty landholders is greater than that of big tenants.

In other respects the amount of debt secured on land mortgage is increasing.

Question 4.—Debt from agriculturists is realized mostly from standing crops and cattle, etc.

There is surely a slight difference between the rate at which grain is given and the market rate. The agriculturists here know the market rate.

Question 5.—Surely every one has a desire to take *taqavi* but it is not given as desired. No *taqavi* is given here in ordinary years.

The greatest defect in the *taqavi* system is that it is realized quarterly when there is no crop ready and for the payment of which the agriculturists have to borrow money from the moneylenders at high interest.

In my opinion *taqavi* should be distributed liberally.

Question 6.—In this area the agriculturists mostly combine together to produce sugar-cane, potatoes and sweet-potatoes.

Question 7.—Surely there are defects due to the rate of interest being high. In my opinion their remedy is that co-operative banks be opened.

Part B.—Agricultural borrowing for purposes of marketing.

Question 2.—Money is borrowed from village moneylenders to finance the marketing of crops.

There is no co-operative society here.

Question 3.—The total charge in the case of marketing the crop is Re. 1-4 per cart. There is not much difference in this charge with different crops.

Octroi is an incidental charge of two annas per cart.

SUBEDAR-MAJOR PANDIT BHOLA NATH AVASTHI.

Question 4.—Ordinary agriculturists have no chance of storing grain. Big agriculturists store grain in granaries.

The grain in markets is stored by *mahajans* in *khattis* and it is the right system.

Question 5.—Money is mostly borrowed on the security of grain stored in *khattis*.

Question 7.—The cultivators combine together in marketing.

Part D.—Credit facilities in respect of agricultural production and marketing.

Question 1.—Agricultural credit in respect of crop production is provided by *taqavi* from Government and loans from moneylenders.

The credit facilities for agricultural production are not adequate. In my opinion it is necessary to open a co-operative bank in this circle.

The defect in the existing system of agricultural credit is that the rates of interest are high. It can be remedied by establishing co-operative banks, etc.

Question 2.—Here transactions are carried on with *mahajans* only in respect of marketing.

In view of present conditions the existing credit facilities for agricultural marketing are adequate.

Part E.—Land mortgage banks.

Question 1.—Long-period loans are obtained very often.

Question 2.—Long-period loans are obtained on land mortgage. Such loans are obtained with difficulty and high rate of interest has to be paid.

Question 3.—Non-transferability in the case of tenants acts as an impediment to long-term advances and increases the rate of interest.

Question 4.—The occupancy right does not serve as an adequate security for long-term credit. Modification of the law is necessary.

Question 5.—The establishment of land mortgage banks will afford great facilities in the matter of long-term advances in this province.

Question 6.—There should be two such banks—one for farmers and small landholders and the other for big landholders.

There should be co-operation between the two banks.

The question whether land mortgage banks should have share capital of their own or a Government guarantee in lieu thereof should be settled by the committee after considering the opinion given by the whole province.

Share capital should be available for subscription to the public. In case the share capital is not taken up by the public Government should surely help.

The maximum period of the loans advanced by land mortgage banks should be 75 years and the minimum 10 years. The margin between the amount of loans and the value of mortgage should be 10 per cent.

Question 7.—The class of land and its production should form the basis of calculating its value.

In my district the value of land per acre differs according to the crops grown on it.

The factors of valuation are the production and class of the land.

There is a difference between the price of land obtained in sales by Government auction and on a court decree and that obtained by private negotiation. In the former case, the sale is forced, and in the latter a price can be fixed.

The proportion of the annual net yield of average quality land to its market value under normal conditions is Rs. 20 per bigha a year.

III.—INVESTMENT HABIT AN ATTRACTION OF CAPITAL.

A.—Encouragement of saving and investment habit.

Question 1.—The existing banking resources are adequate except that co-operative banks should be established.

Question 2.—The condition of the agriculturists in this area being wretched they get no chance of saving money. If they save anything anyhow, they invest it in the shape of ornaments.

SUBEDAR MAJOR PANDIT BHOLA NATH AVASTHI.

Question 3.—When a saving is made it is invested in ornaments.

Question 4.—The people of this area do not like postal cash certificates.

Question 5.—The agriculturists can derive no benefit from post office savings banks for want of funds.

Question 6.—The allegation that the rates of interest on postal cash certificates and treasury bills are so favourable as to create competition between Government and banks in attracting money is surely true. Such competition is healthy.

Question 11.—The surplus money is spent by the people in this area in money transactions or in storing grain.

Question 12.—The agriculturists in the first instance have no surplus funds. If they have any surplus in any year it is spent in paying old debtors or in marriages, etc.

Question 13.—It is true to a certain extent that in India the banking and investment habit is of very slow growth. If Government tries to impress upon the people its advantages it would be of much benefit.

Babu PARMESHRI DAYAL Sahib, Manager, Chandapur Raj, district Rae Bareli.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—Agriculturists generally borrow from village moneylenders and in certain villages from co-operative societies.

For repayment of earlier debts payment of accumulated interest, marriage and other social functions, famine and other kinds of distress, payment of land revenue or rent, seed, expenses of cultivation, agricultural implements, and purchase of plough or other cattle the agriculturist borrows from moneylenders and co-operative societies; and for sinking of wells *taqavi* is taken from Government.

It is very difficult, almost impossible, to indicate in what proportion the debt is distributed among the above purposes.

Generally most of the debt that is incurred is in cash. In very few cases it is incurred in grain, most of which is utilised for seed and some of it for food.

Generally village moneylenders advance money for short periods, *i.e.*, on the condition of realizing it at the time of the next harvest.

Question 2.—For cash advances the interest is charged at the rate of six pies per rupee per month. But in special cases the village moneylenders charge one anna per rupee per month and often take ten seers of wheat or similar grain for one rupee for two months which comes to three or four annas per rupee per month. For loans in kind for seed the interest is 50 per cent.; and for other loans in kind in *kharif* is 50 per cent.; and in *rabi* 25 per cent. The rates of interest on bonds are calculated six-monthly and on seasonal loans at the time of harvest. Otherwise the interest is charged annually. In case of non-payment interest is added to the principal.

The rates of interest in grain are reasonable, but those for loans in cash are surely exorbitant.

Many moneylenders who advance *ugahi* (on the instalment system) charge four annas per *ugahi* as fee for writing, and at the time of realization the debtor has to pay even the fooding charges of the *mahajan*.

Question 3.—Whenever security is taken in the case of borrowing for agricultural purposes it is taken in land, houses, or ornaments.

It is correct to say that the better the title to land the greater the indebtedness. Petty landlords are more indebted than cultivators.

The amount of debt secured on land mortgage is increasing.

Question 4.—The usual methods in my district of enforcing payment of debt from agriculturists is by mutual effort, mutual panchayat, by means of some influential man in the vicinity, and lastly by means of the civil court.

The prevailing rate of grain in the market is not binding on the agriculturist and the moneylender. The rate is mutually settled at the time of borrowing or repaying.

Question 5.—The difficulty experienced in connexion with borrowing under the Agriculturists Loans Act and the Land Improvement Act is that at the time of advancing *taqavi* sufficient inquiry cannot often be made into the financial condition and the needs of the cultivator for want of time; hence there is difficulty in its realization. This defect may be removed by taking lists of persons requiring *taqavi* separately from the *zamindars* and the kanungos. If funds permit of an advance of *taqavi* even to those cultivators whose names differ in the lists supplied by the *zamindars* and the kanungos a further inquiry may be made through the tahsildars or naib-tahsildars, and, if it is found satisfactory, the *taqavi* may be given. In that case it is possible that the difficulty in realization may be reduced.

BABU PARMESHRI DAYAL.

Question 6.—Agriculturists mostly combine in the cultivation of sugarcane. In other cases they often share in ploughing. This combination is useful to the cultivators.

Question 7.—The defects in the present system of agricultural borrowing are that agriculturists have to pay more interest and often suffer a loss when they do not get a loan. These are due to lack of funds. The best course to remove these is by an increase in the number of co-operative societies and arrangements for their efficient supervision.

BABU PARMESHRI DAYAL.

Mr. C. D. THOMPSON, M.A., Professor of Economics, University of Allahabad.

Memorandum on agricultural credit and co-operative banks.

THE co-operative movement is the best method of removing the difficulties of agricultural credit. But so far it has been impossible to judge its results because it has been on so small a scale. It has not been able to influence prices, rates of interest, nor custom to any extent. It has not been able to employ really high grade men.

I wish to make two main points. The first is that there must be organisation on a large scale. The second is that power and responsibility must go together.

I also wish to make some technical suggestions concerning the length of loans, improvements, rates of interest, and dividends.

1. *Large scale organisation.*—We should have at least a thousand societies in each district where we have a hundred now. If we charge 12 per cent. there should be a margin of 6 per cent. for expenses. If we take only 1 per cent. for the manager's salary, with a working capital of Rs. 1,20,000, for 100 societies (or Rs. 1,200 to a society) we can pay only Rs 100 per month to a manager, but if we lend to 1,000 societies we could pay Rs. 1,000 per month to a manager. In this way we could get the very highest type of man as a whole-time worker, and give him every incentive to put the very best brains and energy into the work. But in fact we would not need to pay so much to get the best talent at first. I would favour paying a lower salary and giving a percentage on collections. In Allahabad we planned to divide one anna in ten rupees, or ·625 of 1 per cent. among the staff. But no such plan can work unless there is hope of progress and expansion. I consider that a full-time paid manager of high calibre with freedom and incentive to organise fresh societies and increase the influence of the movement is absolutely necessary.

In the end we could also reduce the rate of interest, when the competition of private bankers force us to do so. We could get far better work done by our supervisors under such a man. And we could promote those whose work was best; we could promote by merit as fast and as often as the results permitted. Under such a plan, all incentive to dishonesty and slackness would soon disappear.

2. *Union of power and responsibility.*—At present the directors have the financial responsibility, and have to take all the odium of the comparative failure of the co-operative movement; but they have no power to take any measures to set things right. They have to take orders on all matters of policy from the co-operative department. They have no freedom to organise, to finance, to experiment, or even to direct the supervision of societies. Either the co-operative department must take all the responsibility for repaying depositors and shareholders, or else much more freedom must be given to the directors to pay their staff, to supervise, to arrange loans and rates of interest, and to pay dividends to societies, within the limits laid down by the Act. The present situation is intolerable. Personally, I would prefer the second solution. If good enough directors cannot be found in each district, there should be a provincial bank, and all the district banks should be made branches of the provincial bank. But the directors should be free to pursue a continued policy with regard to expansion and supervision, and not be forced to change their policy with every change in the co-operative department as has happened too often. Even if there is a provincial bank, the different district banks should not be forced into one mould, but should be free to vary their policies according to the needs of different locations, and to compete with the practices of local private bankers.

The co-operative department should only audit and advise, and of course bring to book any cases of actual embezzlement. The auditors should meet the directors re-

gularly after each audit, and it should be as necessary for the auditors to answer the written questions of the directors as it is for the directors to answer the questions of the auditors.

3. *Long loans and rates of interest.*—I consider it very important that all loans should be for much longer periods, both to cover the periods of depression, and to make agricultural improvements possible. I would also suggest that the rates of interest should be on a sliding scale, according to promptness of payment, and also according to the purpose of the loan.

Length of loans.—It has been our experience that two or three bad years come together in the United Provinces. The causes are very diverse, such as drought, rain at the wrong time, floods, freezing, hail, hot winds, high winds, locusts, grasshoppers, blight, or rust, very low prices for a crop which had the highest price the year before. But these troubles never come singly. Both Allahabad and Lucknow Universities are investigating the length of these cycles. But without determining the exact length of the period, we may lay down a general principle for our guidance.

When prices are rising loans should be made for a period of about six years to cover both the bad years and the series of good years to follow. When prices are falling, loans should be made for a period long enough to cover two good crop periods and the intervening bad period, that is, for about ten years. Loans for all purposes should be spread over a number of years, so that the burden of each annual instalment may be small. If crops are bad, extensions of time should be freely made by the managers of banks, though an attempt should always be made to collect at least the interest.

In the case of loans for agricultural improvements even a longer time is needed, for many improvements cannot yield more than 5 to 10 per cent. annually. Therefore the loan must be for 20 years at least, if these improvements are to be made at all. In Germany 20 to 50 years were allowed, the annual instalment became light enough to pay even in bad years, and the improvements became profitable.

The rate of interest.—The normal rate of interest should be 15 per cent. as at present, until the competition of moneylenders forces it down. But I think the experiment should be tried of lowering the rate to 12 per cent. whenever the interest and the instalment on the principal are both paid in full, keeping the rate at 15 per cent. if only the interest is paid, and raising it to 18 per cent. whenever the interest is not paid.

To complete with the *bania*, banks must be willing to go on lending even if only the interest is paid. They must also be willing to lend for all purposes, as the *bania* does. But I would suggest that a lower rate, say 12 per cent., be charged for special productive loans, and if the money is spent for any other purpose, the normal rate should be chargeable. Or a higher rate, say 18 per cent., could be charged regularly from specially unproductive loans, such as those for marriages.

The aim of the movement should not be to reduce indebtedness to zero, but to encourage that sort of borrowing which is really an investment in good agricultural improvements.

4. *Dividends.*—I wish to urge also that dividends should be paid to the members of co-operative societies from the beginning. I think this would be the best kind of co-operative education. At present they do not understand what becomes of their share money, and feel themselves cheated. They wish to liquidate the society to get back their share money. If dividends were paid they would soon realise the meaning of thrift, there would be a stricter accounting of the profits of societies, and their rates of interest could be raised if necessary.

5. *Equal status of members.*—A great number of our societies have gone to pieces because there were a few well-to-do members who had taken more than 50 per cent. of all the loans. The rest feared the joint liability of these wealthier members, who were often the least thrifty, and therefore ceased to repay. I would suggest that only men of about the same *haisiyat* be taken into one society, that those with considerable prosperity should be considered as a field for the private banker, and that the co-operative movement should try to take in all those of average status.

(For oral evidence, see pages 445—455.)

MR. C. D. THOMPSON.

ORAL EVIDENCE.

Lucknow, March 5, 1930.

Present :

MR. E. A. H. BLUNT, C.I.E., O.B.E., I.C.S., M.L.C.	*Chairman.*
RAI BAHADUR PANDIT G. S. UPADHYA, B.A.	*Members.*
MR. MOHAN LAL SAH, M.A., LL.B.	
DR. RADHAKAMAL MUKERJEE, M.A., PH.D.	
DR. L. C. JAIN, M.A., LL.B., PH.D.	*Secretary.*

Mr. P. M. Kharegat, I.C.S., Registrar, Co-operative Societies, United Provinces,

(*Witness* : MR. C. D. THOMPSON, M.A., *Professor of Economics, University of Allahabad.*)

The witness : I must first of all apologise for not getting my note on co-operation ready before. I am sorry for the delay in submitting it. With your permission I shall give briefly the substance of my statement. There are just two points that I specially wanted to make. I may at the outset say that I am a great believer in the co-operative movement. I have great faith in the movement. I believe that the solution of many questions lies in the co-operative movement. At the same time I think that so far the co-operative movement has been on so small a scale that it has been impossible to judge what its results would really be if we had co-operative societies in a great majority of villages. With regard to that there are two main points. The first is that there must be organisation on a large scale. The second is that power and responsibility must go hand in hand. With regard to the first, personally I think that where we have only one hundred societies in the districts, we ought to have at least a thousand societies. If we take only 1 per cent. for the manager's salary with a working capital of Rs. 1,20,000 for one hundred societies we can only pay Rs. 100 to the manager, but if we lend to one thousand societies we could pay Rs. 1,000 per month to a manager. We could get a very good type of man, the best man, as a whole-time worker. I would also favour gladly the idea of paying a lower salary and giving a percentage on collections as we have done for a short time at Allahabad. I think that a full-time paid manager of very high grade is absolutely necessary. We could save money in several ways. There will be great many savings by doing it on a larger scale. Ultimately it will be possible to reduce the rate of interest. Under such a plan all incentive to dishonesty and slackness will soon disappear.

My second point is in regard to union of power and responsibility. At present I feel very strongly that the directors have all the financial responsibility, have to take all the blame for the failure of the movement and at the same time have no power practically to set things right. They have to take orders on all matters of policy from the co-operative department. While I appreciate greatly the efforts which the co-operative department has been making, I know it is really a thing which has grown up gradually without any one realising it. At present the state of affairs is that we can hardly decide anything. The powers are all decided for us by the co-operative department. We are given orders and we are told that we must do this and that. We have no freedom to organise, to finance, to experiment or even to direct the supervision of societies. I feel that either the co-operative department must take all the responsibility for repaying depositors and shareholders, or else much more freedom should be given to the directors to supervise, to organise loans and rates of interest, to pay dividends, to make policies and carry them out consistently. The present situation appears to me to be intolerable for any self-respecting man to go on as director. Most of the men

who remain as directors do so because of their love for the movement, because they believe that ultimately they will be able to accomplish something, or else they have some personal interest in remaining. I quite realise that the directors will make many mistakes, they have quarrelled with one another and they have many faults. If good directors cannot be found in each district there should be a provincial bank and all the district banks should be made branches of the provincial bank. In any case the directors should be free to pursue a continued policy with regard to expansion and supervision. I do not wish to go into details. But I see that the policy with regard to supervision and expansion has changed almost every time there has been a change of Registrar. When we have been going on with one experiment we have been asked to stop it; all organisation is stopped and nearly every time a fresh Registrar has come he thinks he has the right to change the system. It is not his fault,—it is the fault of the system, if anything. Even if there is a provincial bank and different branches there must be some freedom wih regard to different districts,—for example, the policies of private banks and moneylenders are different in different districts and the policy of the banks must vary accordingly in different districts. I personally feel that the co-operative department should only audit and advise and, of course, bring to book any cases of actual embezzlement. The auditors should meet the directors after each audit and answer the questions of the directors. In the same way the directors should also answer the questions of the auditors. I think by this arrangement we can come to much better understanding if we did something of that kind. At present there has been serious misunderstanding regarding some of the instructions to the auditors.

These are my main suggestions. Others are matters of technique. The first is the length of loan about which I wrote a paper some years ago and the Registrar was good enough to permit loans to be lengthened. But I feel that they ought to be lengthened still more. I find that in the United Provinces two or three bad years always come together. I feel that the loan should be long enough to cover good periods and bad periods, and I would suggest that when the prices are rising the loan should be for a period of about six years to cover both the bad years and the series of good years to follow. When prices are falling loans should be made for a period long enough to cover two good periods and the intervening bad period, *i.e.*, for about ten years. I believe that for all purposes the loan should be spread over a number of years so as to make the burden of annual instalments as small as possible. If crops are bad an extension of time should be freely given. In the case of loans for agricultural improvements even longer time is necessary, for many agricultural improvements cannot possibly yield more than 5 to 10 per cent. annually. If the period of the loan is not longer it is impossible to make such improvements. Therefore I think the loan should be for at least 20 years. In Germany loans are made for 20 to 50 years. Then the annual instalment will become light enough to pay even in bad years, and the improvements become profitable.

I have a suggestion to make about the rate of interest. If we fix the rate of interest at 15 per cent., then it would be possible to lower it to 12 per cent. whenever both the principal instalment and the interest are paid. It should be kept at 15 per cent. if only the interest is paid. By having the interest on a sliding scale in this way I think there will be great incentive towards regular payments. I think we might also make a difference between loans made for productive purposes and loans made for other purposes. I think we should make loans for all purposes to compete with the bankers and lower the rate of interest for productive purposes. If the money is not used for that purpose we could immediately charge a higher rate.

I have one minor suggestion to make with regard to dividends. It should be paid to the members of co-operative societies from the beginning. I think this would be the best kind of co-operative education. At present they do not understand what becomes of their share money. They feel themselves cheated. If dividends are paid they will soon realise the meaning of thrift, there would be a stricter accounting of the profits of societies and their rates of interest could be raised, if necessary. I need not go into the details.

One other suggestion that I have to make is that so far as possible societies should include members of the same status because many of the societies have gone to pieces because there have been two or three well-to-do men who had taken more than 50 per cent. of all the loans. I think we should leave men who are much above the average to the moneylender. That will be his field. We should take in all men of the same status in the same co-operative societies.

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Rai Bahadur Pandit G. S. Upadhya: There are many good suggestions. Perhaps if we follow them we will be much better off. But they require a little more elucidation. For instance, there is the question of large scale organisation. Supposing the existing society in a village has got only 20 members (the average for the province is only 24) while the villages have so many dozens of residents. If the societies embraced most of the residents of the village the difficulty will be solved instead of making new organisations. I suggest that instead of having 20 or 24 members for each of the hundred societies we have 90 or more members. It will include the whole of the village. Will that not be better from the co-operative point of view?—I think it is absolutely essential to do both things. I think that all villages in a certain area must be taken in before the real effect of the co-operative movement is seen. Also men of the same status in one village should be taken in. I thoroughly approve of the policy of the Co-operative department of concentrating in two or three districts to see what can be done there. But I believe that as far as possible they can cover all the villages in that area. It is not sufficient to have one big society in one big village.

I think you will agree that the quality of the society should be perhaps more stressed than the quantity. If there is a better co-operative spirit created and if there be better education in a number of societies in a particular area will not the movement spread by its own momentum rather than by having thousands of societies of a very different type?—I believe if we had some of our best M.A. students going into these areas, the best men who have worked from the bottom with or without training, these men by simply going into the villages would inspire confidence. I might say that I would have these high-paid managers go into the districts instead of spending their whole time in office in looking into the accounts. That could be done by a clerk or accountant. A great deal has been talked about education. All this amounts to very little. Practical education is what these village people understand. I am in favour of literary education. But it should go hand in hand with business education. I believe that if the business is run in a businesslike way that will be the best education. I suggest that the paying of dividends will be one form of education.

I use the word co-operative education. I mean to say that the present system of co-operative societies is somewhat foreign. It is not so very suitable to the genius of the people. Their own business methods are so different from the methods adopted in our co-operative system. As long as the present system continues we have to educate every individual member into the technique of co-operation. That is what I mean by education.—(*Witness*) I think we must adjust our methods to those of the village moneylender. I agree in the present system there is more centralisation.

If the system were decentralised and if we adopted the system of the village moneylender probably we shall be better off. But we have to think of the people whom we can get on the spot, who have to lead the people and educate them. I have been appealing to the M.A. students of the Benares Hindu University and other universities, but not with success. They do not like to go and stay in villages. The moment that is made possible we hand over the whole thing to them.—(*Witness*) At present our best students are discouraged by the want of prospects. I know of an M.A. student who has become very discouraged because he found he had no prospects at all. Under the plan suggested by me there will be no limit to the prospects before them. It will depend upon the kind of work he will be able to do. We have to take into consideration the starting pay.

In the beginning they have to be satisfied with the start that the department gives because they have no practical experience of the work. They must first of all show their merits and worth and then they will have better prospects.—(*Witness*) They are discouraged on account of the ultimate prospects. I do not think they are unwilling to go to the villages.

Now as regards supervision. You know what the report of the Oakden Committee was. The department acted in accordance with the resolution of the Government. The Government reviewed the committee's report and they asked us to act accordingly. The old system was tried for 20 years. The committee said that when supervision was under the banks it was neglected. That is what the committee said. Therefore they recommended that another system should be tried.—(*Witness*) It has been our experience that it has been made worse since.

I do not know if your bank is provincialised. For how long has it been?

Mr. Kharegat: Perhaps 18 months.

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Rai Bahadur Pandit G. S. Upadhya : You think it has become worse so far as supervision goes?—All I can say is that less money has been collected than was collected before even in the worst years. The supervisors have been spending most of their time reporting under section 35 instead of doing the work that we would have desired and instructed them to do. We have been entirely unable to keep in touch with them, because they have not been permitted to come and consult us as frequently as we desire.

May I tell you that it is perhaps not quite correct to say that hey have not been permitted to do so? There is a circular laying down that they should freely consult the directors and go freely into the villages and guide the movement.—(*Witness*) It is very difficult for most of the directors to go into the villages freely. We wanted to call them to the cities

Whenever they come to the cities it is their duty, once a month at least, that they should go and consult the directors.—(*Witness*) We wanted them to come once in a week and we received a very curt reply to that.

Don't you think that it is better that they spend their time in the villages?—Certainly they should spend their time in the villages, doing what the directors would like them to do and acting along the lines suggested by the directors. We have found that the tendency is that instead of trying to re-organise the societies they simply report them for liquidation. That is a far easier thing for them to do.

But the department does not accept those recommendations. The circular referred to by me lays down that they have to prepare a certain number of statements which they never like to do.—(*Witness*) Our bank had to protest very strongly to get some of these things done.

No society can be liquidated without the consent of the department even if the report is sent up.—(*Witness*) It was only after our protest that the report began coming to us.

I started with the question of the policy of putting the supervision under the department. This was done on the recommendation of the Oakden Committee with the approval of the Government.—(*Witness*) I know that. But I still feel that it is not possible that we should be responsible to the shareholders and depositors for the money and at the same time receive orders from men who are not responsible for a single pie.

Orders about the advancement of loans?—Orders about very many things. These orders do not come in the form of suggestions or advice. They frequently say that the directors should do this or that.

It is the fault of the particular persons.—(*Witness*) The auditor tells us that we should write off all the debts which he anticipates would become bad in the next ten years.

You are talking of some particular case?—If such statements became public I think all confidence in the co-perative movement will be lost.

It must be the fault of particular persons.—(*Witness*) They say that so many thousand rupees are 15 per cent. good, so many 13 per cent., good and so many 10 per cent. good. In this way they calculate the total which might possibly become bad debt, with which we do not agree at all. I maintain that no bank in the world can exist if it carried on business in that way.

Supposing their advice is not quite correct it may be rejected.

Mr. Khareqat : Do they say that the bad debts should be written off?—They have told us for two years and we have objected to that in our complaint.

I do not think it is correct.—(*Witness*) I object to their even putting in the debt statement that so much amount is bad debt. That may become bad debt in the future, but we do not consider all of it bad debt. If their statement became public it will undermine the public confidence in the bank.

Do you think that probable bad debts should appear in the balance-sheet to be certified by government auditors?—I think that all joint-stock banks do that to a certain extent. But we do not consider that most of these are probable bad debts and we consider that we could manage to collect some of them.

Rai Bahadur Pandit G. S. Upadhya : Do you remember that, if I remember aright, when ———— became for the first time Director of the Allahabad District Co-operative Bank he distributed Rs. 90,000, a large part of which became bad debt, that it could not be recovered for successive years?—Some amount will always have to be written off.

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Rupees 90,000 were distributed and he never consulted the directors.—(*Witness*) That is the kind of thing which the Co operative department should bring to the notice of the directors and ask them to take action.

It is not the department's duty to distribute money.—(*Witness*) No. Of course, our bank suffered from very many of these things. I really believe that it would be better to let two or three banks smash altogether and let the directors learn to manage their affairs properly.

Mr. Kharegat : Have you read about the affairs of the Sandila Bank? They have lost heavily and have applied to the Government for Rs. 65,000 to make good the loss.—(*Witness*) I have not heard about the Sandila Bank. I am not on the working committee, and so I cannot say anything about the Sandila Bank. I think the Government should either take the responsibility for the whole matter or allow the directors to have it.

Are you aware of the fact that the same system to which you are objecting here has worked successfully in the Punjab for the last fifty years or more?—In the Punjab Mr. Brayne in his district has increased the number of societies to 900 within the last four or five years. I understand that in the Punjab they allow a great deal of freedom, for example, in the extension of loans, organisation, etc. They have far more freedom there than we have here.

Their system is that what we call supervisors are under the control of a committee appointed by all the banks jointly. This is exactly what we have done here: we have only followed their system. If that has worked successfully there why should it not work successfully here? The directors have identically the same powers in both cases.—(*Witness*) Personally I do not think that they have the same powers. When our banks became provincialised we were told that we would be controlling supervisors as much as before. In practice supervisors consider themselves to be the officials of the department and think themselves much more independent of us than before. We ought to be able to promote our own men. We have complaints of training. We find men coming who cannot even calculate simple cases of interest. When our men who have worked for five or ten years are recommended for training they are not admitted. The result is that they have given up the work or become dishonest because they could not stand the strain. These men know our business and would have been far better than the men we have got.

Rai Bahadur Pandit G. S. Upadhya : May I inform you that supervisors are not under the department? I am sorry that you do not know the constitution. They are under the Provincial Co-operative Union of which the members are directors. We cannot pass one single order about the supervisors without consulting them.—(*Witness*) I am well aware of that. But, at the same time, when we wish to do anything with regard to the supervisors we receive an answer from the assistant registrar. Then when we try to appeal over his head again we receive an answer from the department. I think that they are nominally under the Union. The Union is only a mouthpiece of the department.

You know that this provincial union has got an executive committee which sits every month. The registrar and the deputy registrar are no doubt its members, but the remaining five members are directors. Every month they take into consideration every case of supervisors and they pass orders, and assistant registrars and inspectors carry out the orders of the executive committee.—(*Witness*) I hope that they will not pass standing orders applicable to every district in the same way, but that they will allow some flexibility.

We will welcome every suggestion.—(*Witness*) I think this constitution may in time work out better. I do not understand, however, why the banks have been deprived of their paid managers. I still feel that a full-time paid manager is essential to the bank. The supervision in the district should not be done only by the inspector who himself has a limited outlook and knows possibly the way of increasing his salary. There must be some man whose promotion and advancement depend upon his own good work in supervising these banks. We had an inspector who became ill owing to overwork, but after that we could not expect him to go on working.

The present system does not deprive the banks of the right of entertaining a manager if they like. It is a question of finance. If you can have a manager on Rs. 100 I do not say that you should not have him. It is only our suggestion that supervision work, having been taken away from the manager, he has only to deal with finance.—(*Witness*) I can say that we were told categorically that we could not keep our

manager, but that he must become a supervisor and his pay was reduced. A very strong objection was made to our keeping him as our manager. Practically the terms under which we became provincialised were dictated to us.

The next question is about long loans. You know that every bank gets deposits for three years. How is it then possible for it to give loans for long periods?—We have long-term deposits from five years to seven years. Moreover, we do not anticipate that our deposits will fall to such an extent that we will not get sufficient deposits. We have to proceed on the assumption that we will continue to get deposits.

Will it be a sound banking proposition that you get deposits for seven years and you give loans for twenty years?—It has proved sound elsewhere. If I mistake not, it has been advocated by a good many more responsible men than myself.

Mr. Kharegat: Don't you think that you are mixing up two different questions? One is land mortgage banks and the other short-term banks for agricultural operations. The two are quite different. Perhaps you are aware of the fact that all the committees that have sat in other provinces, namely, Madras, Burma, etc., have strongly recommended that the two should be kept entirely esparate and distinct, and that the two should be run side by side, if possible. That being so, would you not say that the difficulty is more because we have not got land mortgage banks, and that is why we are at present advancing for too short a period?—I think land mortgage banks would be very good for *zamindars* and some of the better class tenants, but not for the average men who are the clients of the co-operative banks. I hope that under the new Oudh Rent Act and the Agra Tenancy Act a tenant will be able to make agricultural improvements and that we will be able to assist him. I believe that under the peculiar climatic conditions that we have here it is necessary that the loan for agricultural operations should cover a considerable number of years.

Rai Bahadur Pandit G. S. Upadhya: We are in sympathy with that view. We are only putting it to you whether it is a sound banking policy. You refer to loans being given for 50 years in Germany. So far as I know it is the land mortgage banks which advanced loans for 50 to 60 years.—(*Witness*) Societies also do that.

The Chairman: For what purpose are such loans taken?—For building *pakka* wells and so on. The improvement itself can be taken as security, if necessary. It was for something which was considered to be a permanent improvement.

Mortgage on a well?

Rai Bahadur Pandit G. S. Upadhya: A *pakka* well, as you know, is not owned by a tenant unless he is an occupancy tenant.—(*Witness*) Of course, I quite realise that that will be the difficulty unless we have consolidated holdings. Even then I think it may be possible for the co-operative bank to build a well.

It is a difficult thing.

Mr. Kharegat: And charge irrigation fees?—Yes.

Rai Bahadur Pandit G. S. Upadhya: This difficulty can only be solved by a change in the tenancy law.—(*Witness*) There are difficulties. But I believe that all our present difficulties would have been less if the actual burden of payment had been less.

In the case of seed also you would let the loan be spread over a period of several years? Don't you think that the loan for seed should be payable at the harvest time which would be much better for the borrower as well as for the society?—If he wants to pay by all means, permit him to pay. That must be the understanding. Suppose when he has a good year and he wants instead to make improvements such as to buy better ploughs or cattle or some agricultural machinery, then I think he should be permitted to use that surplus. At present if he does try to be honest and pay his surplus is taken in paying the debt. I want him to have a surplus in good years. There should be more leniency when it is required and more strictness when it is not required.

Mr. Kharegat: Do you think that there would be this danger that the ordinary cultivator, if he has not got to pay his loan and has got lots of money, instead of spending it on purchasing ploughs and so on or making improvements such as you mention, he may squander it by going on pilgrimages or on feeding the Brahmins or on marriages, etc.?—He is likely to have marriages. But as I have pointed out two or three good years come together. I think that when good men, with their heart really in it, go

about in the villages, they will be able to persuade him to spend over agricultural improvements. He will feel much more at home if it is done that way and he will have more confidence in us.

The Chairman: I understand what you want is that what normally would be regarded as a short-term loan should be treated as a long-term loan in particular circumstances?—Yes.

In other words, you would let him go on with a loan for seed and use the surplus for some other purpose. Would it not be better to pay off the debt for the seed and reborrow for other purposes?—The difficulty with that is that so often the banks have said that we cannot give you fresh loans until the old one is paid off entirely.

If this is not the policy of a bank I should regard it as wrong. Apart from any departmental interference do you consider that it would be desirable that a loan for seed, which is definitely for a short term, should be turned into a long-term loan?—I think in practice the man will find it much easier because he will have money for other purposes at the same time. If he has a small amount to pay he will get into the habit of paying and he will be proud of the fact that he has paid.

You contemplate that he should not pay in each year?—I contemplate that he should not have to pay a fixed amount regularly each year.

You want him to pay in instalments?—Yes. I believe that if he gets into this regular habit of paying he will understand the whole co-operative movement much better.

What you want is that the loan should be repayable in instalments, short or long?—Yes, I want the loan to run on just as it is with the *bania*.

All the evidence before us suggests that most of the indebtedness is due to the fact that the *bania* allows loans to run on?—Of course, he charges a very high rate of interest and the indebtedness is due to that fact.

He charges a high rate of interest, and that is why he allows loans to run on; he does not want the man to get out of debt.—(*Witness*) But in the case of a co-operative society we have a lower rate of interest and so this thing will not happen here.

Rai Bahadur Pandit G. S. Upadhya: Instalments are fixed on every loan given by a co-operative society.—(*Witness*) They have been so high that in a bad year the man finds it difficult to pay.

Dr. Radhakamal Mukerjee: You want these instalments to be spread over a longer period?

The Chairman: I think you will admit that the length of a loan should be related to the life of the objects for which it is taken?—I would have the length of loans different for different purposes.

As it is, the life of a loan for seed is precisely six months?—Because of our peculiar climatic conditions a farmer's period is not one year. The period is something like five or six years.

My experience is that it works out roughly as two bad years in ten—1927-28, 1907-08, and 1897-98.—(*Witness*) Village people claim five bad years in ten, but I think that there are three bad years in ten. They are for three years in difficulty.

Of course, the third is a year of recovery.—(*Witness*) Somtimes the three years come in succession.

You were talking about the necessity for co-operative education and referring specially to the Government. I suggest that it is true that we have, by maintaining law and order, by revenue legislation and various other things, improved the land-holders' credit. Having done that, what we have not done at the same time is to teach them how to use their credit. We all know that everybody blames the Government for the poverty of India. One school of thought calls the Government satanic: the other calls it benign. They both call it misguided, and they both blame it in different ways. I suggest that the right blame is that it has not gone as fast on the mental and moral as on the material side. There has been no uplift either mental or moral, while there has been material uplift.—(*Witness*) With regard to co-operative education I meant that it should be along business lines.

Yes, it should be so.—(*Witness*): I think that in the case of co-operation I agree with you entirely that the Government has gone too far in one line.

The best type of education is co-operative. It is generally true, apart from school education, that we have improved him materially and not mentally and morally.

The result is that the material benefit has no been properly used but has been misused. The result is the opposite of what we intended.—(*Witness*) : I do think that the primary education has not kept pace with education in character. I am afraid there has been very little of it. So far as I can see, in every country of the world to-day they are all in doubt as to what the best form of education is with regard to producing character.

I want to point out another fallacy. It is quite common talk that debt is in some way connected with poverty. Because you are poor, you borrow. The people have divided opinion on it. We have to consider whether debt causes poverty, or poverty causes debt. My opinion is that we can not say that one is the cause of the other. What really matters is the fact that he borrows and does not repay.—(*Witness*) : There is one point that I omitted to mention before, and this is about the aim of the co-optrative movement. I do feel that the farmers in all countries because of their co-operation will always have debts. The point is to turn the indebtedness in the right direction. I do not think that it will decrease. I think it will increase, but it will be more of productive purposes.

There are five fallacies. The first is that agricultural debt is something to be deplored. As a matter of fact, it is absolutely inevitable. Another is that poverty causes debt It is the failure to pay back the debt that causes poverty. The third point is Government's failure to progress along all lines. The fourth is that the whole responsibility for the indebtedness of India and for the poverty of India lies at the door of the moneylender. That strikes me as absolutely ridiculous. He has got his trade and he wants to make a good investment.—(*Witness*) I can say from the evidence of my students that in some cases the moneylender is cheating the debtor very badly. When once a man gets into debt it is very difficult for him to get out of his hands.

I admit that he is unprincipled. But I refuse to believe that he is unintelligible. I think that the moneylender's rate of interest is very often justifiable profit.—(*Witness*) What I made clear was that it was not the sole cause of indebtedness.

The fifth point is that when people talk about agricultural debt, nine times out of ten they mean not agricultural debt proper but the debt of an agriculturist. What has marriage got to do with agriculture or debts raised for social purposes, ancestral debts or litigation?—That is entirely due to custom.

That has a practical bearing. To take only one point : it is perfectly plausible to urge that a remedy for agricultural indebtedness is that Government should in some way or other provide or cause to be provided cheaper credit. We cannot expect them to provide credit for marriage.—(*Witness*) Marriage is due to custom. I feel that, as long as that custom is not altered in some way, a man will have to borrow for that custom. The co-operative societies ought to try to finance him. If practically all the caste fellows of a person are members of a co-operative society then there would be pressure very much against higher expenditure for marriages.

In discussing the question of debt one has to remember that a whole lot of it need not be there. If it was not the custom, you are quite entitled to say that at all events two different types of debt ought to be recorded. You cannot mix the two up.—(*Witness*) I want to make one practical suggestion in this connection. This year there has been an unusual number of marriages because the people anticipated the Sarda Act. If it is true, there ought to be fewer marriages in the next two years. I think it might be possible for the co-operative department to take advantage of that.

Rai Bahadur Pandit G. S. Upadhya : May I ask you one question? Our inquiries in the villages have shown that the lower caste people do not spend extravagantly over marriages. It is only the higher caste people such as Thakurs, Brahmins, etc., that spend large sums of money. What is the reason of that? In our societies Kurmis and lower caste people do not spend a large amount of money over marriages. They generally spend Rs. 10 or so.—(*Witness*) : I have found that Chamars and Pasis spend a good deal over their marriages, say, Rs. 200 or Rs. 300.

Is that so?—Of course, these people whom I know well personally are those who have relations working in the cities. It may not be true away from the cities.

The Chairman : What actually happens is that quite a number of lower castes' wedding expenses are nothing at all. In a large number of cases, instead of getting a dowry it is a question of paying the bride's price. It is the other party that has to pay.

MR. C. D. THOMPSON.

Another point is that in a great many castes a considerable amount of marriage debt that may be incurred is repaid almost immediately out of the presents received from relatives and friends.—(*Witness*) :They have to borrow for two or three weeks, and they get it back from their caste fellows. Moreover, I have found that when they say that they have spent Rs. 100 to Rs. 200 in their marriages, almost half of that is spent on kitchen utensils, and that is a good investment.

Dr. Radhakamal Mukerjee : Our aim should be to make repayment of debt more and more regular and thus to remove indebtedness. We have come across some cases where there cannot be any repayment of debt. Don't you think there are economic causes which make repayment of debt absolutely impossible? For instance, in our surveys we have found that in the villages something like one-half or one-third of the holdings are undersized. Thus debts which are accumulated cannot be paid up at all. Here are conditions which we have come across in different parts of the province which would make repayment of debts absolutely impossible. Well, here you cannot attribute the inability to repay debt to social customs or txtravegance to the simple fact that the holding is such that the debt cannot be wiped out.—(*Witness*) I found that in most cases where the holding is small there is usually a brother or a cousin working in the city for wages and they work in this way that the man who is in the city sends out his money to his village to pay off his moneylenders there. And the man in the village sends grain to be eaten in the city. But I have found comparatively few cases of small holdings where there was not some connexion with the labourer in the city. If there are such cases it seems to me that it is simply a question of the population being too great.

This is a very important problem with us. The problem might be solved by rapid industrialisation, by emigration, or by the opening out of new occupations or subsidiary industries in connexion with agriculture. But if the pressure of the population is such that there is a large number of undersized holdings in the village which cannot pay back the accumulated burden of debt, how do you think, agriculturally speaking, we should tackle this?—I should say in that case, of course, the population problem is too difficult to deal with entirely here, but the immediate practical suggestion that I would make is that there must be a labour exchange, and that people whose holdings are really too small and who have no other resources must be handled by industries which should be started and should try to get them employed. I think there is emigration from almost every district in the United Provinces to other districts.

The Chairman : Might I suggest that if things were as bad as my friend paints them probably most of the people would be dead?—When pressure is as bad as that they do die ultimately.

I am not talking of what they actually do, but of what they would do if things were so bad.—(*Witness*) It is possible for a large number of people to sink down to a lower level.

Sinking from landlord to tenant is one thing and from tenant to labourer is another. The only possible solution is intensive cultivation?—I know of cases where a whole *mahal* of Chamars had moved to the Punjab. They have small holdings of land.

Dr Radhakamal Mukerjee : Do you think we can put some kind of restriction on the sub-division of small holdings? You probably know the law in most countries in Europe and you also know the line of legislation which they are attempting in Bombay.—(*Witness*) I can only say that holdings will differ in every district from any other part. I think it may be possible to make it illegal to divide a holding beyond a certain amount. Perhaps it would be possible for the co-operative society to lend to the man who keeps the land enough to pay off the shares of the other three brothers and then they should go out and find work wherever they can.

You want a system like what they have in Germany. A man who inherits will compensate the other brothers and the co-operative bank will finance this man?

The Chairman : But there is obviously a great restriction to that. You have four people on a farm and only one stays there and the other three go out to work, but they do not find it, or, if you prefer it, they find their work but they have got to be paid their compensation. Where is that man going to get his compensation from? It must be from that one holding. Economically, you have not made the thing any better. There are still four people being supported from the same piece of land unless they can find

wages from elsewhere.—(*Witness*) It may be better in this way that this man can determine what to do with his land. He can sell it if he wishes.

Might we not also get the difficulty that he would refuse to leave and go elsewhere? I am getting at the practical difficulty. What I want to suggest is that all these things involve force applied by somebody, and that it is going to be extremely difficult to apply force which means the breaking of the Hindu joint family system.—(*Witness*) : Ultimately I think the economic forces will be stronger than any other force. The action of the economic forces is very cruel and may be alleviated by very careful experiment.

Personally, I think industrialisation is the best way.—(*Witness*) I think so, too, and that is why I suggested a labour exchange which should try to find employment for those whose holdings are too small.

As a matter of fact, my friend Dr. Mukerjee always insists on this particular point, though it is really outside our purview altogether. What we have to do is to find credit, not to cure poverty.—(*Witness*) I think the real solution for poverty is agricultural improvement.

Exactly, and that means practically intensive cultivation. There can be no extensive cultivation because there is nothing to extend to. The area of land available for cultivation which is not cultivated is so small that it is almost negligible.—(*Witness*) Yes, it means better seed, better plough, better animals, better marketing.

And they all mean better credit and better distributed credit.—(*Witness*) Yes. They all mean better credit and more credit on the whole.

Dr. Radhakamal Mukerjee : Do you think that intensive farming can be practised where the holdings are only one acre or one-third of an acre?—I can only say that in the Allahabad village I think the average size for an average man is 10 bighas, but in some others I think it is 6 bighas, or even 3 bighas would be enough for a family.

The Chairman : May I also suggest that Kachhis would make a living on 2½ bighas, whereas a Chamar or a Thakur could not live on that at all, simply because his cultivation is intensive to a degree?—I believe the Kachhis and Kurmis are harder workers than the others.

Dr. Radhakamal Mukerjee : In other words, he would have to become a horticulturist rather than an agriculturist to make his living?

Mr. Sah : Do you think the proportion of uneconomic holdings is very large?—It has not been my experience that it has been very large in a district where immigration is going on rapidly.

So that the natural laws make the uneconomic holdings into economic ones?—They tend to, but it takes time to work and it works with friction.

This joint Hindu family system also restricts to some extent sub-division of a holding?—I think it does. I think it makes still greater difficulty among the landholders where you cannot get anything done in a village because it belongs to so many landlords and you cannot get permission to do anything.

The Chairman : As a matter of fact, the question is much more serious in respect of the landlord than in respect of the tenant.

Mr. Sah : The agriculturist requires two sorts of loans : one long-term for permanent improvement of land and for the repayment of debt, and the other short-term for carrying on agricultural improvement, and you know that these tenants, unless they have a transferable right, could not get long-term credit either from co-operative societies or from land mortgage banks. Would you not favour a system whereby a tenant's life may be insured and he might be insured for the amount of his debt and the accumulated interest, say, for 15 years or so, and the annual amount of instalment that the tenant may be made to pay would be the amount of premium that he would be required to pay?—I have not thought of this before. It sounds hopeful, but the difficulty which at once suggests itself is supposing that he does not pay his premium. It comes to this that this is another way to make him pay regularly.

Supposing he wants Rs. 1,000 and the interest is 10 per cent. So for ten years the interest is another thousand. He insures his life for Rs. 2,000, and this life insurance is assigned to the land mortgage bank or any other bank.—(*Witness*) With regard to such suggestions my answer would be that an experiment should be tried, as far as possible,

for a number of adjoining villages, perhaps for a whole tahsil, and we should try to find out whether it has more effect on the psychology of the person by making him pay more regularly than some system like mine.

In your note you say that only men of about the same *haisiyat* be taken into one society, and that those with considerable property should be considered as a field for the private banker. What do you mean by considerable amount?—In most cases it has been the petty landlord. The men who have joined the society are those landlords who were rather on their last legs and they have caused the society a lot of trouble. It has been my experience that one of the most dangerous things is to admit three or four petty landlords into a society with a number of average tenants.

(The Chairman thanked the witness, who withdrew.)

Mr. DAYA SHANKAR DUBEY, B.A., LL.B., Lecturer in Economics, University of Allahadad.

Replies to the questionnaire.

I.—Agricultural credit and credit facilities.

Part A.—Agricultural borrowing for purposes of production.

Question 7.—The main defects of the system of agricultural borrowing, in my opinion, are as follows :—

(i) The money market in rural areas has not been well organised and has not been well linked with the market in urban areas.

(ii) There is no agency to compete with the moneylenders and there is very little competition amongst the village moneylenders themselves.

These moneylenders have very limited resources of their own and enjoy a sort of monopoly in their own locality, while, on the other hand, the borrowers are many, their needs are great and so they have very often to pay a very high rate of interest which is sometimes usurious. Village moneylenders have full knowledge of the condition of the people of the locality and they know very well their clients are in very great need of money. They take full advantage of the inferior economic position and needs of the people and at such times refuse to lend at ordinary rates of interest. Frequently money has been advanced on the security of ornaments at one anna per rupee per month (*i.e.* 75 per cent. per annum) or more. In many cases the rates of interest vary not in proportion to the risks involved but in proportion to the intensity of the needs of borrowers.

If somehow the monopoly of village moneylenders is broken and money can be made to flow from urban to rural areas easily, agriculturists would be able to borrow money on reasonable terms and one of the great difficulties of Indian agriculturists would be overcome. The starting of co-operative credit societies has been instrumental to some extent in breaking the monopoly of village moneylenders and so it has been successful in reducing, even though slightly, the rate of interest in rural areas. The number of co-operative credit societies is very small and they lend only to their members mostly for productive purposes and for a short time; therefore the vast majority of people have remained directly unaffected. They (these credit societies) are doing undoubtedly very useful work. Their number should be considerably increased and their work must be pushed through very vigorously and, if necessary, more facilities should be provided to enable the co-operative banks to get advances on easy terms from joint-stock banks. But as long as most of the debt in rural areas is for unproductive purposes and often for a long period, the effective remedy has to be sought for in some other direction.

With a view to provide the rural population with more credit facilities and to link the rural money market with the urban money market more effectively, I strongly recommend the establishment of rural joint-stock banks in every district. These banks will have branches in all the important villages and their main functions would be—

(i) to receive deposits in both rural and urban areas;

(ii) to lend money in rural areas only on the security of gold or silver ornaments at a fixed rate of interest which would not exceed 18 per cent. (*i.e.*, one pice per rupee per month);

(iii) to purchase gold or silver ornaments with a view to sell them again.

The work of this bank would not be risky, as the amount of money advanced would not be more than 60 per cent. of the value of the ornament. The present joint-stock banks at certain times of the year find themselves in need of more money, and the money they receive from their depositors is not used for meeting the needs of the people in rural areas. The reasons for this neglect seem to be the absence of the branches of these banks in rural areas and the smallness of each individual transaction. When the rural joint-stock banks have been started with branches in important villages, the first difficulty would disappear. Their share capital would not be large and unlike the present

joint-stock banks they would be able to confine their attention to small transactions involving very little or no risk. These rural joint-stock banks will have their branches in towns also and thus they would attract deposits from the urban as well as rural areas to be used in rural areas only. If in spite of these resources, these rural joint-stock banks at certain times of the year find themselves in need of more money, they would easily be able to get an advance from the present joint-stock banks on the security of ornaments that have already been deposited with them (rural joint-stock banks). Thus the link between the two markets would be further strengthened. With the establishment of the rural joint-stock banks the cultivators with some security to offer would be in a position to get advances at a fixed rate of interest irrespective of the intensity of their needs. On account of the operations of these rural banks the rate of interest in rural areas would fall.

But it may be noted that in early stages these rural joint-stock banks would require nearly all those facilities and support which are at present enjoyed by co-operative banks. These banks should also be empowered to sell the ornaments deposited with them on the expiry of any stipulated period if the borrower falls to redeem the loan.

For supplying loans for a long period or for the repayment of old debts I strongly advocate the establishment of land mortgage banks on co-operative lines. My views on this subject are given in my answers to Part I-E.

For supplying seed of good quality and agricultural implements I am in favour of the establishment of co-operative stores on sound lines.

With the establishment of the proposed rural joint-stock banks to lend money on the security of ornaments at a low rate of interest; with the starting of co-operative stores in large numbers to supply the cultivators with good seed and implements on reasonable terms: with the opening of co-operative credit societies in much larger numbers to supply them with capital for productive purposes; with the establishment of land mortgage banks to supply them with capital for long terms or for the repayment of old debts, much of the work that is at present being done by village moneylenders would be taken up by these institutions to be performed to the great advantage of agriculturists, and all the resources enjoyed by the village moneylenders at the present time would either be absorbed by these institutions or would be available to the agriculturist on very favourable terms. In this way one of the serious obstacles to the economic progress of rural population would be removed.

Part C.—Extent and nature of agricultural indebtedness.

Question 1.—No serious attempt has been made to find out the agricultural indebtedness of any part of these provinces (United Provinces). On the basis of information obtained from investigations made in other provinces attempts have been made by some writers to estimate the agricultural indebtedness of the whole of British India. I do not believe these estimates to be accurate because in my opinion they are based on wholly inadequate data.

I give below an outline of the scheme for estimating the agricultural indebtedness of United Provinces.

(i) The provincial Government should take up the responsibility of making periodical investigations with regard to agricultural indebtedness.

(ii) The province should be divided into regions having more or less the same economic characteristics. An officer responsible for carrying on such an investigation should be appointed for each of these regions. Revenue officials, officers of the Agricultural or Education or Co-operative departments, teachers in economics of different universities, graduates in economics or commerce, with knowledge of statistics, would be most useful for the work.

(ii) After consulting the local officers and leading public men, the investigating officer should select for his intensive credit survey a group of villages which may be considered as representative of the whole region.

(iv) In the selected group of villages the investigating officer should try to collect complete information with regard to the indebtedness of each family. For the purpose it is absolutely necessary that he should have the complete confidence of all the people of the villages. He can gain their confidence easily by living in the village and giving the people every kind of help in all their activities.

(v) When the information has been collected for the selected or representative group of villages, the indebtedness per family of each class of person should be calculated. On the basis of the information, indebtedness of each class for the whole region may be estimated by multiplying the indebtedness per family of that class by the number of

families belonging to that class in the whole region. The number of families belonging to different classes can be obtained from the census reports or other government publications. By adding up the estimated indebtedness of each class, the agricultural indebtedness of the whole region could be found out.

(vi) When the estimates for difficult economic regions have thus been obtained, they may be added up to give the estimate for the whole of the United Provinces.

In such an estimate it would be possible to distinguish between the amount of debt secured on land mortgages of various kinds registered or unregistered; or the amount of debt incurred against any other assets, such as houses, ornaments, etc.

Part E.—Land mortgage banks.

Question 5.—In my opinion the establishment of land mortgage banks on co-operative lines would be greatly instrumental in solving the problem of long-term advances for the future. But with regard to the advancement of money for the repayment of old debts it may be noted that old debts of many cultivators, with accumulated interest thereon, have reached an amount which is beyond their paying capacity. With a view to free such cultivators from the clutches of moneylenders by enabling them to get sufficient amount of loan from the land mortgage banks I suggest the appointment of debt redemption officers in every district. They should be given legal powers to compel the moneylenders to prove their claims in respect of *actual* advances made. These officers should be instructed to find out, in spite of any written evidence to the contrary, the exact amount of money or grain actually advanced and the time when such an advance was actually made. They should be authorised to decree only simple interest at 6 per cent. per annum on the money proved to have been actually advanced, the money to be paid back to the moneylender within a fixed time or in small annual instalments extending over a long period of time. But before passing any final order, the debt redemption officer should give the parties concerned an opportunity to get their claims settled by a conciliation board appointed for the purpose and containing two or three influential persons of the locality. The board may then carefully explain to the creditor that the objects in view are to reduce the debt within the paying capacity of the debtor and to allow only a reasonable and fixed rate of interest thereon. If the board fails to bring about a conciliation within a fixed time the case should be decided by the redemption officer on its merits. When the debt has been thus brought within their paying capacity, many cultivators would be in a position to take advantage of the facilities provided by the land mortgage banks, which it would not be possible for them to enjoy under the present conditions.

Question 6.—There should be two separate land mortgage banks—one for the big landowners and the other for small farmers and landowners. If only one bank is started, very probably small farmers and landowners would not be able to get adequate facilities. Both the banks may be independent of each other. But they should work in close co-operation with each other.

(For oral evidence, see pages 459—464.)

ORAL EVIDENCE.

Lucknow, March 5, 1930.

Present :

MR. E. A. H. BLUNT, C.I.E., O.B.E., I.C.S., M.L.C. ... ... *Chairman.*
RAI BAHADUR PANDIT G. S. UPADHYA, B.A. ... ... } *Members.*
MR. MOHAN LAL SAH, M.A., LL.B. ... ... }
DR. RADHAKAMAL MUKERJEE, M.A., Ph.D. ... ... }
DR. L. C. JAIN, M.A., LL.B., Ph.D. ... ... *Secretary.*

MR. P. M. KHAREGAT, I.C.S., Registrar, Co-operative Societies, United Provinces, was also present.

(*Witness* : MR. DAYA SHANKAR DUBEY, B.A., LL.B., *Lecturer in Economics, University of Allahabad.*)

Dr. Radhakamal Mukerjee : You have suggested the establishment of joint-stock banks in villages and you want that they should be given facilities similar to those at present enjoyed by the co-operative banks?—Yes.

Will you explain how will it help our agriculturists?—What I mean to say is this. At present these agriculturists are not able to get money at a reasonable rate of interest, even if they are willing to offer good security, viz., ornaments. I have known cases in which they have had to pay very high rates of interest, say, one anna per rupee per month. If joint-stock banks are established, they can lend money on the security of ornaments at a reasonable rate of interest, and in this way the difficulty will be solved.

Mr. Sah : Do you want that they should advance money on personal security as well or only on ornaments?—For the present I would not like them to take any undue risk, but if they feel that their money would be secure if they advance it on personal security, I have no objection to it. In any case they would not run any risk by advancing money on ornaments.

The Chairman : Have you any particular bank in mind in saying that?—No. If the present joint-stock banks take up this kind of work they can do it successfully. The reason probably why they do not do it at present is that they have not got branches in the villages and also that it would not be profitable for them to do that kind of work, the outturn of the whole transaction being so small. I therefore want the establishment of small banks in rural areas, which will take deposits from urban areas and lend money in rural areas. At present they get money both from rural and urban areas and send it to big places like Calcutta and Bombay. They do not finance agriculture at all.

I will mention two points bearing on what you say. There is a bank in Meerut that receives deposits and advances money to agriculturists on the security of mortgage bonds and even on hand-notes. It has advanced as much as Rs. 35,000 in a single village.—(*Witness*) : I want such financing.

Mr. Sah : The Imperial Bank also lends money on ornaments in villages. It is not very common in the United Provinces but in other provinces it is very popular. It lends either at a fixed rate of 7½ per cent. or at a rate of 1 per cent. higher than the bank rate.—(*Witness*) : The facilities that are given at present are very limited. I want that this kind of work should be further developed and encouraged.

Dr. Radhakamal Mukerjee : What kind of special facilities do you require? In the villages they have to compete with indigenous bankers of various types; there may be mismanagement in the banks and other kinds of disadvantages for a bank in the village.—(*Witness*) : The treatment given to them is quite different from that of the co-operative bank. I want that the accounts should be audited by Government free of charge, and in order to create confidence in the people some other facilities on the lines of those given to the co-operative banks might be given.

The Chairman : There is a fairly common system in other countries. What happens is this. Whenever there is a big market to be held in a village, the bank establishes a temporary branch there, called a counter, for a day or two. If this is possible here, then you will have joint-stock banks all over the villages on market days. Probably it will serve your purpose equally well?—Yes, that will be very good.

It seems to me that in India with huge distances the counter is the thing which you ought to have. For instance, there is a big market at a distance of fourteen miles, Mohanlalganj, and the Allahabad Bank can send a counter, a table and a chair and get a room either in the tahsil or in the dak bungalow and establish a bank on the spot for 24 or 48 hours. In England this is very common.—(*Witness*) : This will be very good indeed.

Dr. Radhakamal Mukerjee : They will have to depend on local knowledge if they advance money on the security of land or silver and gold ornaments?—In the case of ornaments no local knowledge will be necessary.

If the bank advances money on the security of jewellery, it will be lending only a very small amount as few people have got good jewellery in villages.—(*Witness*) : Yes, poor people have got very little gold jewellery, but I do not mean that they should advance exclusively on ornaments.

Mr. Sah : If advances are made on land, then local knowledge will be necessary.—(*Witness*) : Yes, we can have a bank in each district of which indigenous bankers will also be shareholders and they will furnish the local knowledge.

You cannot have a bank for each village?—No.

You suggest a rate of 18 per cent. Is it not a very high rate of interest?—Yes, it is a very high rate, but there is some risk involved in lending money even on silver and gold ornaments.

The Imperial Bank lends money on gold ornaments at 7½ per cent.—(*Witness*) : That is the maximum rate I have suggested. On gold ornaments it should be lower.

In your answers you have stated as follows : "But with regard to the advancement of money for the repayment of old debts it may be noted that old debts of many cultivators, with accumulated interest thereon, have reached an amount which is beyond their paying capacity. With a view to free such cultivators from the clutches of moneylenders by enabling them to get sufficient amount of loan from the land mortgage banks I suggest the appointment of debt redemption officers in every district. They should be given legal powers to compel the moneylenders to prove their claims in respect of *actual* advances made These officers should be instructed to find out, in spite of any written evidence to the contrary, the exact amount of money or grain actually advanced and the time when such an advance was actually made. They should be authorised to decree only simple interest at 6 per cent. per annum on the money proved to have been actually advanced, the money to be paid back to the moneylender within a fixed time or in small annual instalments extending over a long period of time." Here you are suggesting only 6 per cent. from the very beginning, while you are suggesting 18 per cent. for loans advanced on first class security, viz., ornaments. How do you reconcile these two views?—This rate of 6 per cent. is meant only in the case of persons who are unable to pay off their debts, and if they are allowed to redeem their debts at this reduced rate of interest the moneylenders would not lose their money. Such a man has no incentive to work and as long as the debt is not paid, all the fruits of his labour goes to his moneylender. He therefore does not work hard. If he finds that he can repay the money, he will have the greatest incentive.

I think that such a course would prevent the grant of grain facilities to the cultivators. That is to say, the moneylender would not lend grain.—(*Witness*) : It will hamper the facilities in the case of those moneylenders only who sometimes use some dishonest means.

So there are moneylenders who use dishonest means and there are others who use honest means. Do you propose that both the honest and dishonest moneylenders should be treated alike?—The honest moneylenders would not lose anything because they will get 6 per cent. with their money repaid.

As regards 6 per cent. do you not think it is too low? Whereas you have been suggesting 18 per cent. for gold security, you are suggesting 6 per cent. for very flimsy security?—It is a very old debt and then so many years have passed. I am not very particular on the point.

MR. DAYA SHANKAR DUBEY.

So that you will reward the patience of the moneylender in not realising his money for a long time by awarding him one-third of the interest that he would otherwise have got.

The Chairman: I do not think we need quarrel about the rate of interest. The idea is quite clear.

Mr. Sah: At the present time will it not hamper the credit facilities of the cultivator?—No, I do not think so, because honest moneylenders will have nothing to lose.

What is your definition of honest moneylender? Do you mean only those who charge 6 per cent.?—A moneylender lends Rs. 100; he waits and then he gets another bond for a higher amount than the amount actually advanced and the interest on this higher amount is included; and in that way the money goes on increasing. That is a dishonest moneylender.

Dr. Radhakamal Mukerjee: Do you think that this principle which underlies debt redemption is mostly in accord with what has been accepted for the Usurious Loans Act?—Yes, and I would also personally favour the fixing of a maximum limit.

Mr. Sah: So long as the co-operative societies are not freely developed, will it not be advisable to postpone this debt redemption?—No, I was just suggesting that along with the establishment of the land mortgage banks. At those places where land mortgage banks have been established, debt redemption could be carried on, not everywhere. I hold that in many cases debt has gone much beyond their paying capacity. Many times I have found cultivators telling me that the debt is heavy, that they cannot repay it and the result is they are not putting their best efforts into their fields. What is the use of labouring hard when everything that they earn will go to moneylenders in the form of interest? The original debt still remains intact.

The Chairman: I fully appreciate your point. May I suggest to you one or two difficulties about this proposal of debt redemption? I believe when co-operative societies first started, they devoted themselves to debt redemption.—(*Witness*): It was not very successfully done in the Central Provinces at the time of famine.

But now would it not be an absolute fact, that supposing, at the present time, whether by a stroke of the pen or a land mortgage bank or by any other means we wiped out the whole amount of what we call ancestral debt, would they not start incurring debt which is not ancestral?—But side by side we should have propaganda work.

Now you have taken us to another thing. I quite agree with you about propaganda. That is most important.—(*Witness*): The point is exaggerated very often that as soon as a man is out of debt he will run into debt again. The cultivators borrow money not according to the security they have got, but according to their needs.

Dr. Radhakamal Mukerjee: Is it not a fact that one cause of the increase of debt is that most of the holdings are below the economic standard?—Certainly. In my enquiry with regard to this village Jaminpur*, I found that some people have borrowed money for subsistence; they could not make ends meet from the income which they derived from their fields and they had to borrow money for subsistence.

The Chairman: Might I suggest to you that that happens all the world over? You say that you should have debt redemption, but would the *mahajan* or the moneylender ever agree to it?—I want the Government to compel him to prove his claim. First I give him an opportunity of mutual conciliation; but if he does not agree, there is the debt redemption officer to decide.

Mr. Sah: So you authorise confiscation?—It is not confiscation; he is getting back his money.

Dr. Radhakamal Mukerjee: You say that the debt will not be entirely wiped out, but some portion will be paid?—It is not confiscation. The amount will be repaid to the moneylender in instalments.

Mr. Sah: But supposing that borrower is not able to pay him that much?—That would show that the man is so heavily indebted that the moneylender could not have taken any money from him.

The Chairman: You don't, I suppose, suggest that the Government should repay all these debts?—No. The Government should compel him to pay the debts.

*See Evidence, Vol. II, pp. 297—300.

Dr. Radhakamal Mukerjee: You have found that in the village of Jamnipur a man, when he becomes indebted to the moneylender, becomes his serf?—Yes.

Rai Bahadur Pandit G. S. Upadhya: Perhaps you mean that he is thereby compelled to give certain labour to him?—He cannot work for others. He is not free. He becomes bound to the particular moneylender.

Yes, to do him a certain amount of labour?—Even if he gets a higher wage anywhere else for that particular year, he cannot go there.

Dr. Radhakamal Mukerjee: In Bihar what happens is this. Even if the moneylender cannot hold out work for him, he cannot be employed elsewhere. I found that in Hazaribagh. Does that occur in your village?—I do not know, but he is not free to go out anywhere. On the day he works he gets certain rations, *e.g.*, some grain or *chana*. And the day he is not required to work he is not paid anything.

He is free to accept work in other villages?—I do not know. In the busy season he is not free even if there is no work. It is just possible that the moneylender who has engaged him may have no work on a particular day in a busy season also. But in the busy season he cannot work for others.

Rai Bahadur Pandit G. S. Upadhya: But on the day he works he gets food; on the day he does not work he must starve. That is the position?—He is not allowed to work for others.

You say "but as long as most of the debt in rural areas is for unproductive purposes and often for a long period, an effective remedy has to be sought for in some other direction".—(*Witness*): Not through co-operation, that is my idea.

What do you mean? Do you mean that the credit should also be controlled here; for unproductive purposes he may not be allowed to borrow, but for other purposes credit should be cheap and should be controlled?—Certainly.

If the credit is to be cheap and controlled, there can be no other method than co-operation, because in the next paragraph you recommend that there should be joint-stock banks.—(*Witness*): Yes.

Joint-stock banks do not control credit. They are not interested in the object on which the money borrowed may be spent. I am putting this only as a suggestion for you to consider whether cheap and controlled credit can come through any other source except co-operation.—(*Witness*): But the difficulty is this. In the case of co-operative societies also some members, if they require money for unproductive purposes, do not get it from the co-operative banks, and sometimes they go to moneylenders and get money. What I want is not only facilities for obtaining credit for productive purposes but also for unproductive purposes. Otherwise the rate of interest would remain very high if there are no facilities for unproductive purposes, though credit should be controlled to some extent by propaganda work or education or any other means. But if you stop giving loans for unproductive purposes, you would be driving them to moneylenders.

But do you know that this is already done by the co-operative societies?—No.

Even for unproductive purposes the law has allowed it and yet it is controlled. Evidently you have in mind a certain kind of bank or society which is really a co-operative society under the Act?—If such banks as I suggest can be formed under the Co-operative Societies Act, I would welcome them most.

Mr. Kharegat: That is so.

The Witness: But then these banks should lend not only to their members but to other people, too. What I want is that they should be free to lend to any.

Rai Bahadur Pandit G. S. Upadhya: But again control will not come in.—(*Witness*): Anybody who can give ornaments in pledge should be in a position to get money.

The Chairman: What the witness really means is not so much a co-operative society of borrowers but a co-operative society of lenders. If they are to be absolutely free to whom they lend, then obviously the co-operative society has got to be one of lenders and not of borrowers.

Rai Bahadur Pandit G. S. Upadhya: Then it could not be formed under the Act.

The Chairman: I am not talking about the Act, that is what we want.

Rai Bahadur Pandit G. S. Upadhya: All these things that you have in view will be carried out by a co-operative society and they are carried out.

MR. DAYA SHANKAR DUBEY.

The Chairman : May I now take you for a somewhat different point altogether? It is about your Jamnipur survey. You have given us here a list of various families, 33 in all, who lend money. Could you tell me from memory who these various people are?—Most of these families are tenants who lend to each other.

Now in regard to this Rs. 500 to Rs. 1,000 who are they? Are they also tenants?—No, I think they are Kayasthas.

And those from Rs. 1,000 to Rs. 60,000?—All these are professional moneylenders.

Now who is this Rs. 60,000 person?—He is a big moneylender of the village.

What caste is he?—He is a Brahman.

Mr. Sah : Is he an agriculturist, too?—Not much.

So that he does not do agriculture; he is a professional moneylender?—Yes.

The Chairman : You say he is not much of a cultivator. He is not a *zamindar* either I take it?—I think he is a *zamindar*.

In the village itself?—Yes. But he is lending to people of other villages round about.

Now where does he get his capital from?—It is his own capital inherited.

Mr. Sah : Out of these 33 persons that you have mentioned, how many of them are agriculturist moneylenders?—Thirteen families.

The object of these thirteen families is mostly to acquire the land of the agriculturists, or is it to secure the grain?—For land. There is no lending for grain.

The general tendency now is to lend for the acquisition of the land?—In this village I found that they lent on usufructuary mortgage and I found one peculiar case showing how the moneylenders had been deceived.

The Chairman : So the first 13 are agriculturists and you say that Rs. 500 ones are Kayasthas and the Rs. 1,000 up to Rs. 60,000 people are professional moneylenders?—Yes.

Are they agriculturists too?—Some.

You can tell me, not off-hand any way, what castes these borrowers are? Could you sub-divide these figures by castes?—In this village there are Kayasthas and Rajputs, Brahmans, Chamars, and Ahirs.

When you get back do you think you could take these Rs. 95,000 that you mention here and sub-divide it by castes?—Yes, I can do that. I could give the money borrowed by people belonging to different castes, the number of families in each caste, the number of borrowers, their caste and the amount. I have got the information with me, I can tabulate it and send it on.*

Now you say here, "feasting of Brahmans about Rs. 600."—(*Witness*) : One man had been to some pilgrimage and when he came back he just borrowed money for feasting Brahmans.

Dr. Radhakamal Mukerjee : You have stated that one-third of the indebted families are incapable of repaying within a reasonable time.—(*Witness*) : That is what I found.

You did not give us any figures relating to the smallness of the holdings. Is that indebtedness due to undersized holdings or to any other cause?—It might be due to any cause because I have not had sufficient time to look into it.

Mr. Sah : There is one question about the land mortgage banks. You have suggested two land mortgage banks, one for big landlords and the other for small farmers and landholders. Would not the small land mortgage banks have to pay a high cost of accommodation as long as it would not be efficiently managed to inspire confidence in the public?—If only one bank is started small farmers and landowners would not be able to get adequate facilities.

Supposing they lend it like this, say 10 per cent. of the principal of the land mortgage banks should be utilised only for smaller men. Big landholders would require lakhs of rupees, small landholders would require Rs. 500 to Rs. 600.—(*Witness*) : I feel strongly that if only one bank is established, then the small farmers and landowners would not get adequate facilities.

Mr. Sah : Do you favour a system of licensed moneylenders and indigenous bankers? Under what conditions are such licenses to be issued?—They have to maintain proper accounts.

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*See page 465.

Who will be able to say that they keep the accounts properly? Who will audit the accounts?—Government ought to take the responsibility. When they give the licence they ought to see whether the account is kept properly or not.

Is it not a fact that the debtors can exercise the power of audit?—The debtors are ignorant people and the Government ought to do it.

Then you favour the system of licensed moneylenders and indigenous bankers?—Yes.

Should they have any special privileges?—The only privilege that they should have is that their accounts should not be required to be proved.

Would you not give them the same privileges as are given to the co-operative societies?—Co-operative societies have many privileges which it will be difficult to give to these people.

To what class of indigenous bankers should the licensing system be applicable?—Those who have been carrying on business for a long time.

About realising the debts what should be done if there is a prior mortgage?—After satisfying the prior mortgage they should have the prior claim.

Would you give them the same facilities as regards making arrangements for borrowing? Supposing the co-operative bank lends them money, would you not give them this privilege of borrowing money from the district co-operative bank?—If the bank can give them money, I shall have no objection. But money can only be lent to societies. If they form themselves into a society then they can get it.

(The Chairman thanked the witness, who withdrew).

APPENDIX.

I.—Statement showing the number of families belonging to different castes found to be free from debt in Jamnipur, district Allahabad.

Caste.	Number of families.
Brahman	16
Kayasth	14
Ahir	4
Barber	2
Teli	1
Thakur (Rajput)	1
Total ..	38

II.—Statement showing the number of indebted families belonging to different castes and the extent of their indebtedness in Jamnipur, district Allahabad.

Castes.	Number of indebted families.	Total indebtedness of the caste.	Amount of debt per head.
		Rs.	Rs.
Brahman	28	22,500	156
Kayasth	20	22,400	200
Ahir	23	4,000	36
Chamar	8	500	7 only.
Barber	4	500	22 ,,
Rajput	1	100	33 ,,
Total ..	84	50,000	80 for all castes.

Mr. B. G. BHATNAGAR, M.A., Lecturer in Rural Economics, University of Allahabad.

Replies to the questionnaire.

(N.B.—The following replies refer primarily to Agra district where no other place is specially mentioned.)

II.—Indigenous banking.

A.—Organisation of indigenous banking.

Broadly speaking we may divide indigenous banking agencies into two parts—(1) old indigenous banking houses, that is joint families that have had the business of banking in their families for generations and (2) moneylenders. The first class mainly consists of Vaishes, while the latter consists of almost all castes and communities.

In the city of Agra we have two big families of Seths, one living in Belanganj and the other in Raja-ki-Mundi. It is only these two houses that can really be classed as bankers. Both these houses receive deposits, discount *hundis*, allow *hundis* to be drawn on themselves or on their *gumashthas* in other centres, and thus generally to transfer funds from Agra to other trade centres, specially Hathras, Khurja, Etawah, Cawnpore and Delhi. They also lend money. Both families belong to the Vaish community. The banking house of Belanganj does extensive *arhat* business in grain and agricultural products generally; while the banking house of Raja-ki-Mundi deals in cloth.

These Seths do not lend money to ordinary people. They lend money either to big *raises* in the city on the security of house property, or to big landlords in the district on the security of landed property—(however, this they do very sparingly)—or to big *bohras* and *sahukars*, and mostly to the city merchants and traders, as well as to the merchants of other cities and towns, on the security of either goods deposited with them in their godowns, or on personal security through *hundis* drawn on them (the Seths) and accepted by them. Thus these Seths play an important part in the finance of both internal and external trade of the city of Agra.

Between these Seths and the other merchants of the city there is a very intimate business connection and it is not possible for any outsider, that is one who is not accepted as a member of, and taken in by, the business community of the city, to secure financial aid easily. The acceptance is done after a formal ceremony, and he who is not accepted finds it hard to carry on business as his *hundis* are not accepted either by fellow merchants of the city or by these Seths. The initiation ceremony is something like this: Supposing X intends to start business in the city of Agra, and is anxious to have a recognised position in the money market so that he may draw *hundis* on others, and *hundis* drawn on him may be accepted by others. Now X, before he sets up business, will send an account and a rupee to all the leading businessmen and the Seths in the city with a letter requesting their presence on a particular date and time to witness his initiation into business. If X happens to be a person who does not belong to the Vaish community the chances are that his invitation will not be accepted. If, however, he also belongs to the Vaish community, then all those who accept his invitation would come on the date and time specified. When all are gathered together, the aspiring businessman will bring out his would-be account books, and explain to those present the nature of the business he wishes to start and also the amount of capital he wishes to invest. To convince the audience that he is master of so much capital as he says he would invest in the business, he has to place that much money in the presence of all present. This done he puts down the capital in one of the *bahis* (perhaps known as *rokar*) and signs against it, and then all those present either simply sign the *bahi* or put down a sum in the *bahi* and then sign against it. The putting down of a sum in *bahi* means that the individual concerned will be ready to accommodate X up to the amount he has put down in the *bahi*. Those who do not sign the *bahi* are not bound to accept *hundis* of X, and those who sign the *bahi* but do not write any specific amount

recognise him as fellow-businessman, and would accept his *hundis* but do not bind themselves to accommodate X up to any specific amount. While those who sign the *bahi* as well as mention a specific amount definitely bind themselves to accommodate X up to that amount. If a person starts business after being initiated in this manner there is every chance of his getting support from the leading businessmen of the town, while he who starts business without this initiation has to put up with a great deal of trouble in the beginning. The businessmen begin to recognise him often he has made his mark but without initiation only those find it possible to succeed who happen to have good capital and a great deal of pluck. This initiation ceremony is the strongest weapon in the hands of the Vaish community to keep non-Vaishas out of business, and that is why only very few non-Vaishas ever succeed in setting up a successful business concern in trade centres like Agra, Hathras and Khurja in these provinces. I do not know if we have similar initiation ceremonies in other centres of trade, but I know definitely that this practice exists in Agra.

Besides these Seths in the city of Agra there are a number of persons known as *sahukars*. Their main business is to lend money on hand bill (*ruqqa* pro-notes and registered documents), on the security of landed property or on personal credit. Some of them also do *hundi* business if they happen to be engaged in some kind of trade also. As moneylenders they have no definite connection with the Seths, except in so far as whenever their funds run short it is from the Seths that they borrow money. To hawkers the terms are very simple though exorbitant. These *sahukars* advance money in the morning and realise it with interest varying from half an anna to one anna and in some cases two annas per day, in the evening. They also lend money to wage-earning classes and artisans on what is known as the *qist* system, that is, they advance either ten or five rupees and the realise this amount by monthly instalments of Re. 1 for 12 or 6 months respectively. Some of them also lend money on the security of gold and silver ornaments. This system is known as the Girvi system.

Coming to the *mofussil* we find that in the towns there is a class of moneylenders known as *bohras*. (These *bohras* are to be distinguished from the *bohras* found in Bombay who are also a moneylending and business community but who are Muslims). The *bohras* lend money generally to *zamindars* on the security of landed property. Most of them belong to the Vaish community, but there are a number of them who are Brahmans. They also lend money to the village *sahukars* and the business people in their own town, and in their dealings with the towns' people they do *hundi* business. Again, if the town happens to be a big one with a fair amount of trade and industry such as Firozabad in the district of Agra, we find a number of other people carrying on moneylending business with the different classes of people met within the town, practically on the same lines as in the city of Agra. The town of Firozabad has a flourishing glass industry. However, we do not find the *bohras* and the moneylenders of the town taking any appreciable part in the finance of the industry of the town. Some of them have invested part of their capital in the glass industry, but this is not as bankers but as mere capitalists or investors. In a few cases where they have accommodated the glass factories, it has been through a loan by means of a registered document and mortgage on the assets of the factory. We also find the moneylenders accommodating the indigenous glass and bangle manufacturers of whom there is a very large number in the town of Firozabad. Here money is lent to the glass and bangle makers on two definite systems. Firstly, the money is advanced simply as a loan on the security of a house or some other immovable property, or, if in small amounts, on the personal security of the borrower at the stipulated rate of interest without any other obligations on the part of the borrower. Secondly, where the moneylender also happens to be a wholesale dealer in bangles, then we usually find the following system of finance adopted by these bangle dealers: Each manufacturer of glass and bangles has his accounts known as *khata* with the wholesale dealer of bangles. The bangle dealer goes on advancing funds to the maker of glass and bangles from time to time to enable him to buy the raw materials and other necessary things for his business as well as for household needs. On these advances he charges a stipulated rate of interest, and when the finished commodity or bangles are ready, the manufacturer is bound to sell the bangles at the pre-determined rates to the wholesale dealer. It is in this case alone that we can say that there is something in the line of industrial finance being done in the town of Firozabad.

MR. B. G. BHATNAGAR.

Coming to the rural areas we find that almost each village has a *sahukar* who belongs to the Vaish community and is also generally found carrying on the business of a grain dealer, a dealer in cloth on a minor scale, and sometimes a dealer in *ghi* also. In some villages we find that some of the *zamindars* have also undertaken the *sahukari* business. The *sahukar* of the village works on two systems—one known as the *sahukari* system and the other as *qist bandi*. Generally the *sahukari* system is followed in the case of agriculturists and the *qist bandi* in the case of village artisans and agricultural labourers and such other classes who happen to have regular daily, weekly or monthly incomes. The *sahukari* system is very much akin to the finance of the glass and bangle industry discussed above. When a cultivator enters into *sahukari* relationship with his *sahukar* he acquires certain privileges and becomes subject to certain obligations. Similarly, when a *sahukar* accepts a cultivator as his cliènt, he acquires certain privileges and incurs certain liabilities. The *sahukar* becomes liable to accommodate the cultivator in the matter of industrial as well as household affairs, and thus it becomes the duty of the *sahukar* to give advances in money to his cliènt for buying such agricultural capital goods as bullocks, implements, seeds, manure and so forth. The *sahukar* also becomes liable to make advances in kind of such things as grain for food or seed. If the *sahukar* also happens to be a dealer in cloth, then he gives advances of cloth also to the cultivator, otherwise he simply advances the money to buy cloth. It is considered to be the duty of the *sahukar* to advance means to his cliènt, either in money or in kind, to enable him to carry on his social ceremonies as well as litigation. It is also the duty of the *sahukar* to advance money to the cultivator for the payment of rents, etc. The liabilities of the cultivators are that they will not borrow from anyone else and that whatever is produced will first be given to the *sahukar* to settle his dues; the cultivator can make claim only to that which may be left over after satisfying the claims of the *sahukar* to the full.

Under the *pakka sahukari* system we find that on all advances in money the *sahukar* is entitled to charge interest at the rate of Rs. 2 per Rs. 100 per month, and at the end of the *fasl* to buy the produce of the cultivator for the principal plus interest at a rate prevailing in the market on a certain date fixed by the *sahukar* himself. Usually the rate fixed is from one pao to a seer more than the prevailing market rate on that date. On the advances in grain the *sawai* system is the most common in the Agra district. When advances are given of such things as cloth, then the usual practice is to put down the value of the cloth in the *khata* of the client, and on that is charged the usual 2 per cent. per month interest, and the realisations made in the same way as is explained in the case of money advances.

So far as the *qist* system is concerned it is on the same lines as explained in the case of the city of Agra. But in this connection there is one thing to be noted, and it is that of recent years we find some people from other districts, specially agents of the *Sahus* of Moradabad, distributing a large number of *qists* in the villages of Agra district. Besides this we find agents of wholesale dealers in places like Hathras, Khurja and Cawnpore who deal in such commercial crops as wheat and cotton, advancing funds to the cultivators. We also find dealers in *ghi* advancing funds to those who happen to have a cow or a buffalo. Both these classes are found adopting very much the same method. In the case of dealers in *ghi* known as *Ghias*, we find that they advance money to some of the village cultivators or others to enable them to buy a cow or buffalo. On this money they do not charge any rate of interest, but it is agreed that the owner of the cow or buffalo will deliver a certain quantity of *ghi* that the cow or buffalo would yield at a pre-determined rate to the lender week by week. The borrower delivers the *ghi* to the lender and if anything of the contracted quantity is left over and the cow or buffalo runs dry, then the borrower is bound to make that quantity *plus* one quarter of the amount left over to the lender in the next milch season.

In the same way we find the agents of wholesale dealers of wheat and cotton advancing money to the cultivators at the time of sowing these crops, with an undertaking that the crop will be sold to the agent at the time of the harvest, at a rate agreed upon between the cultivator and the agent at the time when the money was advanced. Here the usual rate of 2 per cent. per month interest is charged.

B.—Raising of funds by indigenous bankers.

So far I know a greater part of the capital of indigenous bankers consists of their own money and very little of deposits, and that too only in the case of the two Seths I have referred to at the beginning of this paper. Others, if they run short of funds,

borrow money from the bigger moneylenders at a lower rate of interest and invest it in their business at a higher rate.

The Imperial Bank of India and the joint-stock banks only help the city bankers and merchants in re-discounting the *hundis* of certain approved houses. They are absolutely of no help to the *bohras* in the smaller towns or the *sahukars* in the village.

The most obvious defect in the present system in the urban area, and from my point of view, is the impossibility of a non-Vaish businessman to secure the benefits of indigenous finance; while on the rural side the defects lie in the higher rate of interest charged, which in their most honest form are so exorbitant as to make it almost impossible for a cultivator to get out of the clutches of the *sahukar* once he has entered into the *sahukari* relations; and when some of the evil practices that have crept in during the last 20 years, due to rise in prices are taken into consideration, the only thing that one can say about the whole system is that it is extremely corrupt, and the sooner it is done away with the better for the prosperity of the cultivating classes.

C.—Advances by indigenous bankers.

So far as the accounts of the village *sahukar* are concerned the prevailing practice is that, at the end of each *fasl* a date is fixed by the *sahukar* (and usually I find that Doj after Diwali is fixed for the *kharif* and Purnima in Baisakh for *rabi*) and on this date each client is called in and the *sahukar* reads to him all that he (the *sahukar*) has been advancing to him during the past six months on various dates, and also what he (the *sahukar*) has been receiving from him on various occasions.

Generally, when this reading of the account to the client is done, a number of other cultivators are present and it is in their presence that the details are read and the client is asked to corroborate every entry, and after this corroboration has been done the calculation of interest on the loans advanced is done and then the determination of prices of the payments in kind made by the cultivator. After all this the balance is struck and the client told what more is left to be paid and if everything has been paid by the client then he is given a receipt. From my personal experience I can say that there is not any cooking of accounts and not much of dishonesty in entries and calculations. As most of the clients are illiterate it is, of course, impossible for them to go into the details of the *khata* themselves.

As regards the *bohras*, there the clients are perfectly at liberty to see their accounts, and the same thing seems to be true of bankers in the city.

E.—Defects of indigenous banking.

I have already said above that the defects in the *sahukari* system are not in the account keeping but in certain modifications of the system that have recently come into existence and which I think, are mostly due to the rise of prices. Thus, under the recognised *sahukari* system it is essential that, where advances are given in kind such as grain for food or seed purposes, they should be entered in the *khata* as such. Now, what some of the *sahukars* do is that they enter the money value of such advances in the *khata* and on this they charge the 2 per cent. per month interest and then at the time of the realisation insist that the clients should pay them in the produce of their farms at a rate to be determined by them according to the system of advances in kind noted above. At the time of advances it is also found that while calculating the money-value of the grain advances, the rate that they usually adopt is from a quarter to half a seer less than the prevailing market rate. This I find has become a very common practice especially with those *sahukars* who are essentially landlords or who have recently taken to the *sahukari* business. This practice has further raised the already high rate of interest.

Besides this, some of the petty *sahukars* are found adopting definitely criminal practices such as keeping three sets of weights, one heavier for receiving things and the other lighter for weighing things out, and a third for showing to government officials if they ever happen to visit and test their weights, which contingency in my experience for the last 25 years I have never seen arise. The remedies for this are obvious enough As things are at present it is not possible to replace the village *sahukar* either by the branches of the modern joint-stock banks or by co-operative societies. I have a great deal of faith in co-operation but I am quite alive to the fact that it will take generations before co-operation can be so far developed as to have its ramifications in every village of the district or the province, and during this intervening period the *sahukar* must

continue to play his part. Therefore the first necessary thing is to give legal recognition to the *sahukar* and to give legal sanction to a certain standard *sahukari* system. If any one is found going against it the arm of the law should be able to compel him to work on the approved lines. If this is done such devices to increase the rate of interest as I have mentioned above will have been eliminated by the enforcement of uniformity of weights, and by compelling the village *sahukar* to adopt standard weights the other defects mentioned above would be eliminated.

F.—Co-ordination.

As pointed out by Dr. Jain in his book "Indigenous Banking," there is hardly any relationship existing between different classes of indigenous bankers except among those where *hundi* business is done, and we can say that all other bankers and moneylenders are independent of each other except in so far that occasionally thy come into contact with each other as borrowers and lenders. There does not seem to exist any co-ordinated and recognised unity of aims amongst them. This is very essential to bring about, and as far as I can see this can be secured if a well thought out system of registration of moneylenders and bankers is adopted.

(For oral evidence, see pages 471—478.)

ORAL EVIDENCE.

Lucknow, January 28, 1930.

Present :

MR. E. A. H. BLUNT, C.I.E., O.B.E., I.C.S., M.L.C. ... *Chairman.*
DR. RADHAKAMAL MUKERJEE, M.A., PH.D. ... ... } *Members.*
RAI BAHADUR PANDIT G. S. UPADHYA, B.A. ... ... }
RAI BAHADUR BABU MOHAN LAL, M.A., LL.B., M.L.C. ... }
DR. L. C. JAIN, M.A., LL.B., PH.D. ... ... *Secretary.*

(*Witness* : MR. B. G. BHATNAGAR, *Lecturer in Rural Economics, University of Allahabad.*)

The Chairman : You distinguish between banking houses and moneylenders. What precisely in your opinion is the real difference between a banking house and a moneylender?—The difference that I want to draw is that there are certain people who have been carrying on banking from generation to generation. I put them in one class.

But what precisely do you consider should be the hall-mark of a banker?—I would simply call those men bankers who receive deposits.

Really speaking that is a kind of borrowing?—Inviting deposits.

Are these two big families of Seths which you mention Jains?—No. One is Agarwala and the other is Mathuria.

Mathuria Chaubeys—No, they are a distinct class of Vaish.

These people are definite bankers? They take deposits?—Yes.

Do they also adopt the cheque system?—No. They simply give a receipt to the man and specify interest therein. Nothing else.

Are they current deposits? If the man wants his money back or part of it, can he get it?—They are generally individual conditions. Sometimes they put it down that they cannot get it before six months, a sort of fixed deposit. But if a man is in urgent need of funds, they are prepared to advance.

In other words, they lend him back his own money. That is what it comes to?—Yes. That is what the ordinary bank does.

What sort of relationship is there between these men and the bigger banks? Do they have a cash credit or an account of deposit with the big western banks, Imperial or any joint-stock bank?—So far as these two men are concerned they are quite independent.

At the same time if they want accommodation, they will probably prefer to get it from the banks?—Yes, but I know at least one house which has never had any occasion to approach any bank for funds.

You mention these two. Do you know any more of the same kind? It is a very important question, because the nearer we get to this type of indigenous banker, the nearer we shall get to—what some people consider necessary—the greater adoption of western methods. These two people are very close to what we in Europe call private bankers.—(*Witness*) : I have no personal knowledge of other places, but I hear there used to be a big house in Muttra which has decayed now. There may be some representatives of the family.

In Allahabad there is Lala Parshotam Das, *Saraf*, who told us the same thing the other day.—(*Witness*) : There is Lala Manmohan Das at Allahabad and Rai Amarnath.

The firm of Mr. Mohanlal Sah are definitely private bankers. They have no limited liability. There is no company, but instead of a company there is a single individual or two or three individuals.—(*Witness*) : If we look at a Hindu joint family, it really comes to be some sort of a company.

But it is not so much the company that matters, it is a question of the liability. For instance, you have probably heard of Grindlay & Co. or King & Co. They are private bankers, or were—there is to say, there was no limited liability. I personally

banked with Grindlays ever since I started my service in India, but it was only quite recently that they turned themselves into a joint-stock bank from a private banker, and that is precisely what a few firms in India are. There is the firm of Mohan Lal Sah of which we have got a representative on the committee. They have got their allied firms in Gonda and Bahraich, and I know there is a third firm, one which deals mostly with military offices and shroffs. They work exactly on western methods. They accept deposits. They also use the cheque system.

Dr. Radhakamal Mukerjee: What prevents them from coming into closer association with the Imperial Bank and the joint-stock banks?—They do not need to. Whenever they have made any attempt so far as the Imperial Bank is concerned, the Imperial Bank has never tried to accommodate them.

How is that?—It is just a sheer business jealousy, if I may put it that way.

The Chairman: As a matter of fact, it is a matter we should treat with a certain amount of caution. It is really beyond our scope. That is really a matter for the Central Committee.—(*Witness*) The difficulty so far has been that the Imperial Bank has its sphere of influence among the educated classes of people and people carrying on business on the modern business methods, while the Indian private bankers have their own separate sphere of influence.

Yes, and they are up against each other. Anyway competition is healthy, but I do not see why one should exclude the other. There is room for both as in England. All we want of the bankers, such as you describe—these Seths—is just to go a shade further than they are doing already. As far as I understand from your description of these Seths, if they took to the cheque system, they would be what I would call private bankers, western bankers in every sense of the word.—(*Witness*) As far as my information goes, the deposit part of their work has very appreciably diminished. People who have money to deposit are taking to modern banks in Agra.

I imagine that is probably due to education. People are going to other banks. It seems to me that the clientèle, the depositors, are learning the advantages of the cheque system quicker than the banker.—(*Witness*) It is far more convenient to issue a cheque than to go to the banker and ask for money. That is what it comes to.

Dr. Radhakamal Mukerjee: If the deposits in the case of these private indigenous bankers are shrinking, then their position will become more unsound later on. In that case don't you think we should establish some link between these private bankers and joint-stock banks so that their spheres of influence may intersect one another?—My impression is that the reason why people are now taking more to deposit money with the banks is the facility with which they can draw upon the bank and at the same time they have greater confidence in modern or well-organised banks than any of these private business houses. So I really do not see that any co-ordination between a modern joint-stock bank and a private banker of the old type will help.

The Chairman: What you really want is not so much co-ordination, but assimilation. What you want to do is to induce the old type banker to move a bit with the times and take to the western methods. All they have got to do is to have cheque-books printed and issued to their depositors.—(*Witness*) If they adopt the same methods, they can do that with a slight modification of the system.

There will probably have to be a modification in the matter of script and that sort of thing.—(*Witness*) That will give further confidence to the public. A great deal could be done by legislation.

Now you are taking us outside our scope. Probably the whole solution is a banking law suitable to the conditions of India. We are not allowed to discuss that, that is for the Central Committee; but you are perfectly right when you say that a great deal can be done by suitable legislation. It may not be necessarily on western lines. In fact it will have to be on lines which will suit the conditions as they are.—(*Witness*) Assimilate indigenous organisations as far as that can be done.

Dr. Radhakamal Mukerjee: You have stated that one of these big banking houses does extensive business in grains and agricultural products. Now, what is the relation between these merchant bankers as they might be called, and the village *sahukar* who may deal in grains in Agra? Your banker combines both banking and trading functions. What is his relation with the village buyer and the mufassil buyer who deals in grain?—The relationship is indirect. What happens is we have near Agra a *mandi* at Hathras. Hathras is a big centure for commerce. Representatives from there go to the mufassil.

Representatives of the Belanganj house for instance?—No. Belanganj house is pre-eminently a banking house. It does what is known as *arhat* business. The representatives of big merchants in Hathras, when they require money, go to the *mahajan*. There

will be an order from the *mahajan* in Hathras on the Seth in Agra and the Seth will advance funds to them at Agra, and by the help of these funds they will make their purchases in the surrounding villages.

That will be a *darshani hundi*?—It may be a *darshani hundi* or it may be merely a letter. That depends upon the relationship of the two people. It is in this way that the financing of agricultural products is brought about.

Now, do these big houses deal only with their own clientèle or they may accept other *arhatias* whom they do not know personally?—No. Any person who wants to do commission business with the Seth must bring a letter of recommendation from a person who knows that Seth.

That is the link in the mufassil. What is the link with the exporting firm which exports produce abroad?—Again the link is not direct there. He himself does not do any export business. If any of these *arhatias* is in need of funds and he has made extensive purchases in the district of Agra while he has not got enough money to pay for all that, he will take an advance from the Seth, leaving the goods that he purchased in the godown of the Seth, and the Seth will undertake to send the goods when the money is received to the person who has purchased or to the central firm on whose behalf the agent may have come to make purchases.

Either the exporting firm or the commission agent deals directly with these banking houses?—Yes. The Seth himself does not come directly in touch with the village people or with the village *sahukar*.

Nor does he come in contact directly with the exporting firm?—No. Actually he provides for accommodation on the strength of goods deposited in his own godown. But he himself does not do any exporting business. That is what I mean.

The Chairman: The mere ritual, the ceremony to which you refer in your evidence, is a matter of interest rather than of importance, but it has the effect undoubtedly, as you point out here, of enabling the particular community, the Vaishyas, to keep out the non-Vaishyas.—(*Witness*) If they care to.

If they care to, of course. But don't you think it is rather undesirable?—Well, if you look at it from the point of view of the community which is carrying on business, it is not undesirable. It is certainly undesirable from the point of view of new adventurers.

I have got a particular object in talking like this. Does it not further show that what is really at the bottom of all Indian troubles of this particular type is the strength of the caste system, and does it not further suggest that if we are to look for improvement, we have got to look for it in a direction in which we have not looked for it yet, namely, the modification, shall we call it, of the present social system? It is a question in which I am personally interested, but I am not at the moment stating my own view. I want to get yours. Here you have got a very important business, banking, and yet by the strength of the caste system, it is possible to keep out of banking persons who might quite possibly be extremely desirable members of the banking fraternity.—(*Witness*) Quite. I follow your trend of thought, and as I pointed out they can do so, and they have done so once or twice to my knowledge. Here again the whole question resolves itself into this, if we want a group of people to accommodate another individual, we have got to assure that group of people that the individual is likely to be a desirable party from the business point of view. That is, we have got to create a certain amount of confidence as regards that individual in the mind of those people who are already in it, and as a pure business proposition I do not think the State or anybody from outside will be legitimately justified in intervening.

I am not suggesting State intervention. Now you have brought me to a point which I want to make. Is it or is it not a fact that these Vaishya bankers would keep out a man who is a non-Vaishya even if he was desirable? Even if they themselves consider that he was quite likely to be a good banker, would they, because he was not a Vaishya, keep out?—That is where the point comes out. I quite agree with you they will keep out desirable non-Vaishyas.

Rai Bahadur Pandit G. S. Upadhya: I will just give you an instance. In Agra and Muttra there are a number of Bohras. They are not Vaishyas, and yet they are in their fold.—(*Witness*) There is one little confusion which I might make clear. The point that I make out there is this, that supposing somebody wants to start some business, not exactly banking business, say a cloth shop or a grain shop, then he will be needing accommodation off and on. If he is taken in the fold, then his *hundi* will be accepted. If he is not taken within the fold, then his *hundi* will not be accepted.

The Chairman : I see the distinction. That is important. But even so, would they refuse accommodation to a man, would they refuse to accept into their fold a man who is otherwise desirable merely because he is not in their community?—I am not prepared to say "no", but I know there are one or two definite instances of persons not having been included merely because they did not happen to be Vaishyas.

Rai Bahadur Pandit G. S. Upadhya : But on the other hand I have given instances where these Vaishyas have accommodated persons who are not Vaishyas.—(*Witness*) That may be, but not to my knowledge.

I know of one case at Hathras where I was making inquiries two years back. I know that he accommodated a Brahman Bohra from Muttra district and never questioned him as to his caste, because I know that good relations existed between his family and that of the Bohra. Therefore, it is not that simply because a person does not belong to that community that he will not be accommodated, but because he is unknown to that community or he is undesirable. That may be the reason.

The Chairman : He says the cause is the other way. And might I suggest to you that possibly in this particular case the reason why he was prepared to accommodate was not because he was financially or otherwise desirable, but because he was a Brahman.

Rai Bahadur Pandit G. S. Upadhya : That is absolutely not the correct reason. He was a Bohra, not a Brahman. That is, he does this banking business. He is a big *zamindar* and he is a man of lakhs, and he was accommodated because he did that business.

The Witness : May I make one point clear. The accommodation may be of two varieties. One that the Bohra simply approached this gentleman for a loan on the security of his landed property. The other may be a system by which the Bohra may be enabled to draw for funds on him off and on as he needs for carrying on his business. Which of these two types of accommodation was this?

Rai Bahadur Pandit G. S. Upadhya : If you might like to know, I may tell you that this business has been going on for some generations.

The Chairman : I cannot help feeling that there is an unfortunate tendency in that direction.

The Witness : I am not prepared myself to make a general statement.

Dr. Radhakamal Mukerjee : In some States, for instance in Baroda, or Indore, we have men of different castes belonging to the same guild, the guild of merchants and traders.

The Chairman : Of course, I am treading on delicate ground, but are they not all connected by being Jains? I always had an impression that Jains as such clung together very closely.—(*Witness*) There is a very close relationship between Jains and Agarwals.

Dr. Radhakamal Mukerjee : You have spoken about the *kist* system in your written evidence, about the *sahukar* lending money to small artisans on the *kist* system. Do the artisans find any other sources of capital besides this, and on what rates of interest are these monies advanced? You have said that these *sahukars* advance money in the morning and realise it in the evening.—(*Witness*) In the morning money is advanced to the hawkers, those who sell *kachauries*, *jallabees*, *mungphallies*, and so on. These men take a rupee in the morning, work all day and make a profit of eight or ten annas and pay back in the evening. The *kist* is given to people on monthly labour, such as carpenters and blacksmiths.

The Chairman : It is the same idea on a smaller scale—temporary accommodation for different periods.

The Witness : The period in the case of *kists* is one year or six months.

Dr. Radhakamal Mukerjee : The *kist* system is fairly widespread?—Yes.

The Chairman : We were talking about the influence of caste. One of the chief things we have got to do is to get at the causes of that. What I am certain is that the social system has a big influence on the economic system, and what I am really trying to get at is what importance or value we have got to attach to it. We are knocking up against it everywhere and here we are up against it in banking. Why I am rather driving at the subject is because I want to be able to point out reasonably how far you have got to attribute any given effect to one cause or another.—(*Witness*) I am not prepared to assign definitely any reason.

Of course you are not. I only want to explain why I am driving at it, and if you can think out where caste does impinge on the economic system in any direction I shall be grateful. I do not mean you should do so now.—(*Witness*) What the degree of influence is it is rather difficult to say. I may be able to say what are the causes.

The Chairman : In other words, there may be one because of the social system and another because of the old professional guilds.

The Witness : The class tends to solidify itself into caste. In Agra, for example, you have got two leading communities in the cloth market—the Vaishyas and Khattris. Now I know definitely that in the beginning the Vaish community, being predominant in the cloth and grain market, did not favour the idea of Khattris coming into the fold, and they did not take them within their fraternity. But as I was pointing out this morning, the Khattris have very close connection with the Delhi people, and in Delhi Khattris predominate in business. They succeeded in getting financial backing from there. After some time they succeeded in establishing an independent business. They are a group of persons carrying on business who seek accommodation within their own group. Now after ten or twelve years there are harmonious relations between the two groups. They found they could not get rid of them. One group accommodated the other.

The Chairman : What you describe is exactly what happened in the formation of castes.

The Witness : If a Marwari comes—and the Marwaris are predominant in business, they know him, he belongs to their caste—they are naturally more inclined to help him, and they do help him. We cannot expect the same degree of sympathy and a helping hand from people of different communities.

The Chairman : How many cases have you examined to give the opinion that there is no cooking of accounts?—This statement of mine is not based on any intensive inquiry.

Rai Bahadur Pandit G. S. Upadhya : You must have occasionally casually looked into some of them?

The Chairman : You know the prevalent idea is that the village *bania* or *mahajan* of any type keeps about three different kinds of books, one for himself, one for the income-tax officer and one for his client?—I don't believe it for a moment. So far as business honesty is concerned, some people have their methods, but these methods are employed by a very few. Otherwise, my experience is that the standard of business honesty so far as keeping accounts is concerned is very high.

I may tell you that we had given to us in one intensive survey what purported to be the account between a *mahajan* and his client in two forms—one as given by the client and one as given by the *mahajan*. Well, of course, as you might expect, they differed considerably. At the same time it is probable that if you take the account of the *mahajan's* lending from the *mahajan* and the account of the client's repayment from the client, you have probably got something very near the truth. These are the ones who really would know, and if they exaggerated, they would both exaggerate. When you look through that account, the amazing point is the nature of the items in it. You get first of all eight maunds of grain for *Holi* and then later you get so many maunds of grain for seed, and then you get Rs. 5 in cash and a whole series of entries varying from grain to cash and cloth and all sorts of things, on one side. On the other you get repayment sometimes in cash, sometimes in grain, sometimes in service. There are two entries where the repayment consisted in the debtor giving the use of his bullock-cart to his *mahajan* for a certain time. Now, if you are going to have an account of that type, it is quite obvious there are going to be a good many errors in it, because the very nature of the multifarious items is going to lead to many errors. Don't you think that the accounts being of this nature, it is almost impossible to keep them accurate?—I do not see why they should not be accurate. What happens is this. The client does not take in large quantities. He goes to the *sahukar* and he asks for ten seers of wheat for his home consumption; he gets it. After three days he requires two or three rupees more for agricultural productive purposes. He goes on taking small amounts either in cash or in kind according to his needs and the *sahukar* goes on putting it down date by date in the *khata*. Similarly, he puts down every item either in service or in cash in the *khata* that he receives from the borrower, date by date.

We will put it rather in more modern terms. Supposing I came to you and dunned you for a debt, and then I had to catch a train and you lent me your car to take me back to the station. Possibly you would regard the use of your car as a method of paying me, but I would not regard it in the same light. In the same way I am talking of the bullock-cart in this account. The moneylender may not regard that as a method of payment.—(*Witness*) First of all the basis of comparison is rather different. Here is a party very busily engaged and perhaps liable to forget, while lending of a bullock-cart on the part of a cultivator is a thing he will not forget.

If there is any incorrectness in these accounts as between the opinions of the two parties concerned, don't you think it is very largely due to the difficulty—we will put it in the broadest terms—of maintaining an absolutely correct account?—Yes.

" In other words, the errors are definite cases of omission and not of malpractices?—If there are any errors, they will be unintentional.

That is an important point, because I am all out for giving the moneylender his due and to get rid of the idea that he is a mere blood-sucking vampire.—(*Witness*) I have pointed out there is a mutual exchange of ideas between a moneylender and his client. Every six months he does ask his client whether he has paid such and such amount.

In other words, in your opinion it is not fair to say that the moneylender is a mere rascal?—No, certainly not.

But many people do say so?—In that case, the only thing I can say is that they do not know better.

What kind of legal recognition do you want to give to *sahukars*, and on what conditions?—There were two questions sent to me, and I thought them of sufficient importance to write out my replies, which I shall now read :—

(1) I do not think that it would be possible to make available directly the credit facilities of the Imperial and joint-stock banks to the people in the mufassil. From the point of view of such banks the credit needs of individuals in the mufassil are so insignificant, specially when each individual credit transaction is taken into consideration and the security is either intangible or realizable with great difficulty, that no joint-stock bank is likely to undertake the provision of credit facilities to the masses in the rural areas. The work can only be done with success and profit by some agency intimately in touch with the conditions of the people of a locality and working on the spot. This is the strongest point in favour of the *sahukar* and the only agency that can replace him, is that of the co-operative society. The Imperial Bank and the joint-stock banks can indirectly help in providing credit facilities in the mufassil by accommodating the central co-operative banks. As things are at present there is very little co-ordination between the co-operative movement and the Imperial and other joint-stock banks. In provinces where we have provincial co-operative banks at the head of the co-operative movement, I understand there has come to exist a fairly close relationship between the co-operative banking and the joint-stock banking. In the United Provinces the absence of such an apex bank is keeping the two agencies unco-ordinated.

(2) The thing that led me to recommend that the *sahukar* should be given some sort of a legal recognition was the multiplicity of persons carrying on *sahukari* business in villages. Each one of them tries to get his living out of his business, and when legitimate means fail to provide it, then exorbitant interest and shady methods of business are adopted which means loss to the borrowers. What the reform of the system should aim at is to see that for each village or a group of villages only a single *sahukar* or *sahukari* family be permitted to carry on the *sahukari* business. This could be attained if a system of registration is adopted. Just as in the case of companies we have the system of registration, we should have something like it for anyone who wanted to carry on the *sahukari* business. The aim of the officer in charge of this registration should be to see that too many people do not succeed in getting registration in a particular locality. The only chance of abuse that I see in this system is that the one or two people registered to carry on *sahukari* within an area may try to take advantage of their monopolistic position and may charge high rate of interest. To eliminate this and make the system otherwise free from its existing drawbacks, I would strongly recommend that for each province we should have a *Sahukari* Act, which should, among other things, provide for the following :—

(1) the declaration of the amount of capital a *sahukar* wishes to employ in this business;
(2) the maximum rates of interest in—
  (*a*) loans in kind, and
  (*b*) loans in money;
(3) the method of carrying unpaid principal and interest from one year or half-year to another;
(4) the use of standard weights and measures;
(5) the use of the standard system of accounts and account books;
(6) inspection of accounts on behalf of the Government.

Dr. Radhakamal Mukerjee : One of the effects of your *Sahukari* Act would be to eliminate many of the shady practices of the village *sahukar*?—I think so.

So you admit that the *sahukar* is not always above board?—I have in my written statement made a distinction. In my village, for example, there was an understanding

that no *zamindar* would carry on moneylending business. For example, my great-grandfather left almost a will to my uncles and father that they should never engage in moneylending business. It was considered that when a *zamindar* takes a *sahukari* he acquires a very strong weapon of harassing the tenants: the older generations of people almost forbade it. Now that *zamindaris* have been reduced to small parcels owned by sub-divisions, the *zamindars* have taken to this business. Similarly some retired officers have also taken to it. When they draw a small pension, they go to the village and carry on this business. All sorts of people have come into this business who have no traditions either of business or of honesty, and whose only object is to make money. It is these people really who are responsible for malpractices.

The Chairman: In saying that, you are only emphasizing what I have said several times during the course of the last few days, namely, that the most dangerous *mahajans* you can have is your own landlord.—(*Witness*) I quite agree.

Also all this moneylending that is going on from tenant to tenant or landlord to tenant is bad because it definitely means that the tenant who lends Rs. 10 to his brother tenant ought to put that money into his own land, but instead he is putting it into someone else's land at the best or at the worst into someone else's lawsuit.

Rai Bahadur Pandit G. S. Upadhya: Is it not, therefore, better that only that particular class of persons should take to banking who have certain traditions?—In Agra specially we have a number of Bohras who for generations have been carrying on this moneylending business and who are Brahmans. The whole idea is that a person with substantial capital at his disposal, with a substantial area of influence, ought to carry on this business.

Dr. Radhakamal Mukerjee: Accepting your proposal of registration of such a *sahukar* with such traditions of honesty and long continued business how would you co-ordinate banks and bankers? You have just given us an idea of the central bank and of the provincial co-operative bank affiliated to the village societies, of these being linked together in one system. Now we shall have another system of the *sahukars*. How will you co-ordinate the village *sahukar* and the other *sahukars*?—Even at present you find that the village *sahukar* is linked on to the Bohra because whenever he needs accommodation he goes to the Bohra, and the Bohra in his turn is related in his borrowing capacity to the big Seths. If you could bring about some sort of co-ordination either through deposits of extra funds at the disposal of Seths in the modern banks or financing funds on pronotes it would be helpful.

You have to modernize your system?—At least give a modern outlook to these people.

The Chairman: You suggested—and I personally liked the idea—a sort of sub-division of the provinces into *sahukari* circles, that is, a set of *sahukars* working in one circle. Well, is not that, within limits, what happens now? We find that in a particular area there are probably not more than two or three definite professed moneylenders who lend inside that circle and not outside it.—(*Witness*) Everyone has a certain area, but the present conditions do not exclude outsiders.

In other words, what you really want to do is to put the moneylender on very much the same par as the Lohar or even the Brahman who has his own definite clientèle?—In that way the *sahukar* has his definite clientèle, looked at from that point of view, just as the Pandit has his clientèle, although in his case it is due to religious sanction.

I know, but I mean it works in the same way. The same with the Lohar and everybody else.

Dr. Radhakamal Mukerjee: Don't you think that the *sahukar's* clientèle is undefined? That is why they resort to *Kabulis*.—(*Witness*) The point that Dr. Mukerjee has brought about makes my point clear. If you have a carpenter who has his own clientèle and another carpenter tries to come into that village and appropriate the clients of that carpenter, he will not succeed. But here you have a *sahukar* who has a clientèle, and anyone can come and take away his clientèle by offering lower rate of interest.

But don't you agree that the client goes to another moneylender simply because his former moneylender does not adequately satisfy him or he uses shady methods or exploits him?—My experience is that there are clients and clients. There are some people who are an honest hard-working lot; there are others who have got the mania of borrowing money from wherever they can get with the intention of never paying back. This lot goes from place to place.

MR. B. G. BHATNAGAR.

The Chairman: The best answer is that if all clients tried to get money from wherever they can get it, and from the cheapest places, we would have to spend crores of rupees in *taqavi* instead of lakhs. But we do not spend crores of rupees. So that that shows that they do not go to the cheapest agency.—(*Witness*) *Taqavi* is not the cheapest agency.

Theoretically it is.

Rai Bahadur Pandit G. S. Upadhya: You have suggested that recourse should be had to legislation to stop usury; but our opinion is that legislation has never stopped it. For instance, I will just give you an instance. I want Rs. 50 from a *sahukar*. Under the law he should advance it to me at 12 per cent., but he really wants to advance it to me at 24 per cent. He will say "My friend, instead of Rs. 50 you write an amount of Rs. 70, while the provision so far as interest goes will remain at 12 per cent." In this way they can defeat any legislation.

The Chairman: That is perfectly true. They can do it that way. All you can do is to invent methods of stopping it. We already have the Usurious Loans Act, but nothing ever happens from it. Do you know anything of the Usurious Loans Act?—What I find is that in different localities there is a prevailing *sahukari* rate. In some places there are *sawai* rates very common; in others *deorhi* rates are very common. I would like to have legal sanction there. The prevailing rate of interest in each locality should be recognised.

Of course the real reason why the Usurious Loans Act has failed is simply because it has been left to the court to decide whether it is usury or not.

Dr. Radhakamal Mukerjee: *Sawai* and *deorhi* are two competing systems, and the moneylender would suit the practice according to the needs of the cultivator. Reading between the lines of the evidence, I have come to the conclusion that one is the prevailing rate and the other is occasional.—(*Witness*) Generally within one locality you will have one common rate. Then it may vary with different clients. If you take a balance of the whole circumstances you will certainly come to the prevailing rate in certain localities.

(The Chairman thanked the witness, who withdrew.)

Mr. BUDDHI PRAKASH JAIN, Village Service League, University of Allahabad.

Replies to the questionnaire.

I.—Agricultural credit and credit facilities.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—Agriculturists in the Saharanpur district borrow from the Government in the form of *taqavi*, from co-operative societies, from village moneylenders (mostly *banias*), from landlords, from Khans (Kabulis), and from fellow-agriculturists. They also borrow from female moneylenders.

They borrow for all the purposes mentioned in the questionnaire, except for sinking of wells and building of tanks which is not necessary on account of the network of canals running throughout the whole district.

Mostly, the agriculturists do not change their *mahajans* and therefore do not stand in need of borrowing for repayment of earlier debts. They pay it off gradually according to their savings, and the promissory notes and other papers are renewed from time to time. The interest is paid off from crop to crop or added to the principal, and the necessity of borrowing for the payment of accumulated interest does not arise in most of the cases.

Most of the debt is the result of expenditure on marriage and other social ceremonies. Any sum once borrowed for these purposes remains a permanent debt and a constant drain on the income of the agriculturist whose annual income and expenditure on subsistence and production of crops *plus interest* are about equal.

Most of the total debt is incurred in cash and very little in grain and that mostly for seed purposes only.

Debts are mostly short-period loans except those on landed property or mortgage. Payment is made six-monthly as far as possible, when the crops are harvested.

Question 2.—The rate of interest charged varies according to the person who borrows and the nature of the security. The rates are as follows :—

(i) For cash advances, when personal securities or the next crop and cattle are offered as securities—7½ per cent. on *taqavi*, 15 per cent. from co-operative societies, 24 per cent. to 36 per cent. from moneylenders; about 100 per cent. to 150 per cent. from Khans on personal security only; 12 to 24 per cent. from fellow agricutlurists and sometimes without interest; 18 per cent. on the hypothecation of jewellery, or 36 per cent. without that, from the female moneylenders.

Easy payment system :—When Rs. 10 are borrowed, Re. 1 is given by monthly instalments for twelve successive months; some take eight instalments of Rs. 1-8-0 each. This way, the rate amounts to 40 per cent. to 50 per cent.

Rates of interest for cash advances are 6 per cent. to 12 per cent. on mortgage of landed property.

(ii) For loans in kind for seed 25 per cent. is the general rate, mostly repayable in kind.

(iii) The cultivators purchase cattle on promise of payment in three or four six-monthly instalments, the total amount to be paid being almost double the cash price.

The rate of interest in the case of agriculturists on loans given on personal or crop securities are calculated at 12½ per cent. *i.e.*, 2 as. per rupee from crop to crop on compound interest, about 25 per cent. per annum if not specially stipulated. Landlords also charge the same for unpaid rent, though the rate allowed by the Government is only half of that.

The amount received at each crop is deducted from the amount and the balance is carried forward. Any advance made during the period is added to the previous balance and the interest is charged on the whole, irrespective of the date on which the advance is paid. For loans in promissory notes, interest is charged from the date it is

drawn up to the date when the account is settled after the next crop. A new promissory note is then drawn for the amount which the debtor has to pay on that date including the amount which he receives for his expenses during the next six months. The Khan calculates his rate of interest monthly and mostly realises it monthly, leaving the payment of the principal to the option of the debtor provided the payment of interest is punctual.

On mortgages, compound interest is calculated six-monthly or annually.

The rates of interest are certainly very exorbitant in the case of Khans. The rates of interest charged by the landlord on unpaid rent are illegal. In the case of *mahajans*, it seems to be exorbitant, but in practice it does not exceed 12 per cent. to 15 per cent.: he has to accept cattle and other things of much less value than warranted by his accounts or has to spend a lot in litigation for realising the debt which is seldom realised in full. On the whole, it does not exceed 15 per cent. which is the rate of interest charged by the co-operative societies.

In addition the cultivator has to pay stamp and registration fees; the former is exempted on government and co-operative society loans. The patwari and the document writer are also given something by the cultivator.

Question 3.—The security is mostly personal credit, standing crops, and livestock in the case of borrowing for agricultural purposes.

The assertion that the better the title to land the greater the amount of indebtedness is true in the case of petty landlords; the big landlords in the Saharanpur district are seldom in debt. The greater the security, the greater the amount that a man can borrow, and agriculturists generally do not find their income sufficient to meet their demands. Most of them have to borrow to the utmost limit of their capacity, *i.e.*, the security that they can offer.

It also differs with the quality of lands held and also the nature of holdings, scattered or uneconomic.

The amount of indebtedness of the petty landlords and the tenants in the Saharanpur district is in the proportion of about 60 to 40 respectively; as regards the number of debtors, the reverse seems to be the proportion.

The amount of debt secured on land mortgage is increasing in some places and decreasing at others. On the whole, unsecured debt is increasing. The proportion of unsecured debt to secured debt is about 60 to 40.

Question 4.—Payment of debt is enforced by *mahajans* without going to court as far as possible. When he finds the incapacity of the cultivator to pay off the debts, he is sometimes satisfied with what he gets and cancels the remaining debt. Sometimes, he tries to recover it, when possible, in case he has not cancelled the debt. It is only in the last resort that he goes to court, litigation being very expensive and ruinous to creditor as well as debtor. When he obtains a decree, he resorts to all possible methods to get his money either by getting the crops auctioned or any other method howsoever unbecoming. The co-operative societies use their own method allowed by the Government. *Taqavi* loans are recovered by human or inhuman means to the full, and the cattle have to be auctioned even when they are badly needed for the next season or the current season. Kabulies even cruelly torture the debtors, being mostly low people. Landholder creditors debit the unpaid rent to the loan as a great consideration.

The rate at which the cultivator borrows grain or repays it is always in favour of the creditor, *i.e.*, the debtor gets it dearer and gives it cheaper, but the difference is not great. Means of communication have much improved and every cultivator can know from his neighbours the prevailing market rate from time to time.

Question 5.—The cultivator does not find it convenient to take full advantage of the facilities provided by the Agriculturists Loans Act and the Land Improvement Act. He does not or even cannot borrow *taqavi* freely for any purpose. The reasons are—

(1) He finds from experience that the *mahajan* is on the whole a better creditor. There are agricultural implements and cattle which cannot be attached by him in payment of his decree, while the co-operative society and the Government do take them and sometimes by force at a time when they are most needed.

(2) The enforcement of joint responsibility.

(3) He knows that he can pay the *mahajan* at leisure but that the Government will enforce the repayment of money when it suits the convenience of the officers concerned.

MR. BUDDHI PRAKASH JAIN.

Taqavi is given in abnormal years and very seldom in normal years.

In the payment of *taqavi*, the cultivator does not get the actual sum applied for and granted. A story runs that a cultivator got Rs. 5 sanctioned for seed. The poor fellow had to pay one rupee to the patwari and one to the tahsildar. With the remaining three, he dared to go to the Collector and requested him to accept two for the kind act of granting him *taqavi*, the remaining one to suffice for the expenses of his return journey. After enquiring into the facts, the Collector very kindly dismissed the subordinate officers concerned. This is sufficient to show the grave defects in the distribution of *taqavi*. Its realization entails great hardships. The system in vogue has made the Government very unpopular, as I learn from the villagers, for they say that the repayment is enforced in a very hard and oppressive manner. Sometimes even people of the villages are made to pay who have no concern with the borrowing of *taqavi*. The fact of large applications being submitted for *taqavi*, in spite of the grave abuses, is due to utter poverty and absolute distress and trouble in abnormal periods, and, sometimes, to the unwillingness of *mahajans* to advance money on two or three successive failures of crops.

I would suggest that the present system of *taqavi* be abolished, and, in its place, the advancing of money be entrusted to approved *mahajans* or co-operative societies on the recommendation of the Collector, on the understanding that they will not charge more than 12 per cent. in case the money is realized with the help of the Government. It will save a lot of trouble to the Government and the agriculturist for obvious reasons.

Question 6.—Cultivators seldom combine in the production of any crop. I think such combination should be encouraged by landlords and agricultural officials. It will give them advantage of using improved methods of production and the distribution of hardships in times of trouble.

Question 7.—The present borrowing system is not as good for agriculturists as it was in the past. The *mahajan* used to advance money according to the needs of the agriculturist and had seldom to go to court to realise his debts. Every dispute was settled by the village *panchayat* which had enough power to impose the terms settled by it. Under the present system of advancing money on promissory notes, the *mahajan* has often to seek the help of the court, with the result that the agriculturist has to pay much more than under the old system and the *mahajan* also gets less, the litigation being injurious to both.

I would suggest the formation of a Licensed Society of Bankers on the co-operative basis, providing it with the facilities of a co-operative society with a limit to the rate of interest charged by it. The borrowing of money for marriage ceremonies should be fixed by law, the lender being unable to claim any sum over that amount.

Instances are not lacking of families that have been ruined due to their heavy and wasteful expenditure incurred by incurring debts beyond their means at the time of marriages and other ceremonies although such wasteful expenditure is never sanctioned by religion. The rural and backward classes mostly suffer from this sin of indebtedness caused by marriage and '*gaona*' ceremony and their caste dinners ac obsequies, and the functions of inclusion and exclusion from caste. These social bonds of harmful nature must be torn asunder. It can only be brought about by educating the peasant and creating strong public opinion.

At present, the cultivators are not so dishonest as not to pay if it be in their power to do so. The necessity is to educate the *mahajan* to see to the welfare of the cultivator and enable him by his valuable advice to earn for himself and the *mahajan's* interest.

(For oral evidence see pages 482—487.)

ORAL EVIDENCE.

Lucknow, January 28, 1930.

Present :

Mr. E. A. H. Blunt, O.I.E., O.B.E., I.C.S., M.L.C, ...	*Chairman.*
Dr. Radhakamal Mukerjee, M.A., Ph.D. ...	*Members.*
Rai Bahadur Pandit G. S. Upadhya, B.A. ...	
Rai Bahadur Babu Mohan Lal, M.A., LL.B., M.L.C.	
Dr. L. C. Jain, M.A., LL.B., Ph.D.	*Secretary.*

Witness Mr. Buddhi Prakash Jain, *Village Service League, Allahabad University.*

Dr. Radhakamal Mukerjee : How are you connected with village surveys?—I belong to the Saharanpur district and I belong to the village named Malhipur. I am connected with this work as a member of the Village Service League.

Is this survey based on your knowledge of conditions in Saharanpur?—Yes.

What is the predominant caste in the villages you have examined? Is that notorious for improvidence and inordinate expenditure on social customs and ceremonies?—There are Gujars, Brahmans, Kahars and Chamars.

Among which castes do you think that there is a greater expenditure on unproductive items?—Gujars are to be blamed mostly for this.

The Gujars?—Yes.

Not Brahmans?—They do not form a majority there amongst cultivators.

Rai Bahadur Pandit G. S. Upadhya : Did you at all make a survey of indebtedness before you came to this conclusion that most of the indebtedness is due to the expenditure on marriage and social ceremonies?—That knowledge I have acquired from the experience of the co-operative inspector, and he told me from his experience there that it is usually from from 40 to 60 per cent.

So your knowledge is based upon the information received from the co-operative inspector and whose knowledge was based upon the conditions of the co-operative society?—The amount of indebtedness of the petty landlords and tenants in the Saharanpur district is in the proportion of 60 to 40. I mean that the petty landlords have borrowed large sums of money, and these tenants have not borrowed as much money as the petty landlords have. The amount of indebtedness is in proportion of 60 to 40, that is, if petty landlords have borrowed Rs. 600, then the tenants have borrowed only Rs. 400.

Dr. Radhakamal Mukerjee : You have stated that unsecured debt is on the increase. It is so, because their lands are constantly passing into the hands of the moneylenders, and naturally they are not left with sufficient amounts of land which they may advance as security, and consequently there are no securities. Are the moneylender mostly *banias* or Khans?—*Mahajans.* People who borrow from Khans are mostly labourers. Agriculturists seldom borrow from Khans. They borrow from them in the shape of clothes. They also borrow in the shape of bullocks from *beoparis* for which they have to repay in three or four six-monthly instalments. The price paid is about double the cash price.

You have noted that there is a transfer of land from the *zamindars* to non-cultivating moneylenders?—It is so.

Do these moneylenders sublet?—Yes.

To whom do they sublet?—To the tenants or cultivators. They cultivate the land to earn their living. There is no other occupation for them.

Is this transfer of land due to improvidence and uneconomic habits of cultivators, or is it due to natural causes?—As a matter of fact any sum once borrowed is never repaid. It is a constant drain on their income throughout their life. They cannot earn enough to repay.

What do you think of some restriction on transferring the land? Do you think that it will be good for the tenants, or do you think that it will increase the rate of interest on account of the shrinkage of credit?—I think most of the moneylenders will be unwilling to advance money. If they have no security for their money which they advance they will raise the rate of interest. As a matter of fact I regard rack-renting to be the most important cause of their indebtedness. During the war rents increased by about 70 to 100 per cent. with the increase in food prices, and after the war when the food prices went down rents did not go down. The crops that they used to sell for Rs. 500 at that time cannot be sold for more than Rs. 350 now, and they have to pay the same rent and the same wages.

Rai Bahadur Pandit G. S. Upadhya: You mean to say that there is a small margin or profits left to the tenants, and hence once the debt is incurred it is not repaid?—It is very difficult for any cultivator to pay off his debt in full, and therefore I have stated that the *mahajans* do not get more than from 12 to 15 per cent. interest on the whole.

Why should the rent have been enhanced at the time of the war?—The thing was that the food prices rose by leaps and bounds, and a thing which could be sold for Rs. 200 was sold for Rs. 400. The rent also was consequently increased.

There is no law under which it could be increased from 70 to 100 per cent. Under the Tenancy Act it can never be increased by more than 25 per cent. It is impossible for it to be raised to 75 per cent.—(*Witness*) The land which could be available previous to the war at say Rs. 1-8-0 per *bigha* was available at Rs. 3 per *bigha* during the war time.

Yes, it is possible that there was an enhancement. A *zamindar* could do it, but instead of allowing it for Rs. 1-8-0 which he used to before he will let it for Rs. 3.—(*Witness*) There was no restriction of not allowing the change of tenants at that time.

There were existing tenants.—(*Witness*) But the landlords could change the tenant at his own will.

Not only the tenants, but also *shikmis*. The enhancement did not take place in the case of the occupancy tenants but in the case of tenants-at-will.

Dr. Radhakamal Mukerjee: In the villages that you are acquainted with is the number of tenants who were not occupancy tenants very much larger?

Rai Bahadur Pandit G. S. Upadhya: You are talking of the whole district or any particular village?—Not a particular village of the district, but in general.

That is what I thought. Your remarks applied to the whole of the district, and that is why I put this question whether you had yourself made inquiries into any of the villages, because that would be absolutely necessary.—(*Witness*) I know about three villages particularly, and about the district I can say generally.

Dr. Radhakamal Mukerjee: In these three villages you think that the rents that were fixed during the war time were pitched too high?—As compared with the present prices of labour and wages I can say that occupancy tenants are far better off than the tenants who are at will. Of course they cannot be turned out now.

Rai Bahadur Pandit G. S. Upadhya: They are not occupancy tenants. They are life-tenants. If you think that the rents in the case of tenants-at-will were too high, there is nothing to keep these tenants to their fields; they can leave them at any moment.—(*Witness*) Where are they to go? They can leave them, but they have no other place for earning.

Dr. Radhakamal Mukerjee: They do not migrate usually?—Even if they migrate there also the rents are the same.

Rai Bahadur Pandit G. S. Upadhya: I would advise you to confine yourself to the three villages which you named because your generalization might put us into difficulties. For instance, you would not be able to tell us what is the proportion of the occupancy tenants to non-occupancy tenants in your district. (*Dr. Radhakamal Mukerjee*): Or in your group of villages.—(*Witness*) They almost balance. The first question put was about the question of marriages and other social customs. I do not know whether you

have made inquiries about that, because we found yesterday that the proportion of the whole indebtedness to the expenditure on social ceremonies was very low in the case of low-caste people, while in the case of higher castes it was sufficiently high.—(*Witness*) It is high in the case of low-caste people. If they spend Rs. 200 on one marriage they cannot repay it in a fairly small period.

Lower classes do not spend Rs. 200 on marriages, and I would therefore ask you to tell us the instances or just confine yourself to your inquiries.—(*Witness*) I can give you instances which can be multiplied. There are very many Gujars in Chahdi village which is two miles from my village. The wife of one Gujar died. His age is about 25. He married another woman and paid Rs. 300 for that. In addition he had to spend not less than about Rs. 200 on dinners, etc. That comes to Rs. 500, and he cultivates 100 *bighas* of land, that is 20 acres. In our side there are *kachcha bighas*. He will repay it gradually, because he is a very industrious man. But you see that it will be a great drain on his income for many years to come.

Do you know that among the Jats and also in certain sections of Gujars they have to pay higher prices for their women?—It may be the case. In some villages among cultivators *Gujars* predominate.

Dr. Radhakamal Mukerjee: I asked at the beginning whether there were any Gujars in your village.—(*Witness*) In my village of Malhipur there is no Gujar. There are Brahmans, Kahars, Chamars and Banias. Landlords sometimes get the services of these men by employing them as ploughmen. There are Muhammadan cultivators also. There are those also who are called occupancy tenants.

The debt incurred is due to rack-renting?—Yes.

What are the seasonal borrowings as distinguished from the long-period borrowings, and who are the moneylenders who supply the short-term loans?—Moneylenders or *mahajans* supply short-term as well as long-term credit. Some Saharanpur moneylenders also supply credit for the village borrowers or cultivators.

You have spoken also of the Kabulis.—(*Witness*) There are Khans, and I have just now pointed out that a cultivator seldom borrows from Khans, and whenever they borrow they borrow in very small sums for seed purposes.

Rai Bahadur Pandit G. S. Upadhya: You say in the last paragraph of your written evidence that "at present the cultivators are not so dishonest as not to pay. The necessity is to educate the *mahajans* to see to the welfare of the cultivator and enable him by his valuable advice to earn for himself and for the *mahajans*' interest." Do you think that it would not be better if the cultivator should educate himself so that he may be able to resist any adverse forces?—It is easier to do that thing for *mahajans* than for the cultivators. That will be the first step, and the ultimate goal will be that the cultivators should be educated in order to carry out all the work properly.

Dr. Radhakamal Mukerjee: You say that some Kabulis supply loans for bullocks to the cultivators. What are the rates of interest charged usually by these Khans?—They are repaid in six-monthly instalments three or four times. That is, in three or four six-monthly instalments the price of bullocks is repaid by the cultivators, though the price paid is about double the cash price that these bullocks could fetch in the market.

Do these Kabulis supply any other things?—Yes, clothes. They are hawkers. They go from village to village, give the clothes on credit, the price being 50 to 60 per cent. higher than the market rate. They get the price paid back at the harvest time.

Why does the cultivator go to the Khan instead of to the village *bania*?—Those people who are not given any money by the village *bania* and are under great hardship borrow very small sums for seed purposes only.

Mostly these small sums are borrowed by the agricultural labourers?—They are small tenants, mostly agricultural labourers.

You referred to a scheme of licensing these moneylenders. Will you explain the scheme further than what you have given in answer to Part IA, question no. 5?—It is seen that many of the co-operative societies have not got enough money to advance to cultivators, and these licensing societies and banks will act as agents of the co-operative societies to advance to the tenants loans recommended by the co-operative societies on the understanding that they will not charge more than 12 to 15 per cent. interest, and they will be allowed the same concession of realizing their advances as the co-operative societies are allowed.

MR BUDDHI PRAKASH JAIN.

What will be the relation between a co-operative society and a licensing bank?—It will act as an agent of the co-operative society to finance the cultivator, because the co-operative society has not got sufficient funds to finance all the needs of the cultivators and the *mahajan* is well acquainted with the local conditions and with the conditions of every home, so to say, while the co-operative societies are not.

The Chairman: What do you mean by licensed banker? Is it an association of licensed moneylenders? Are the societies to be licensed or the individual banker?—The individual banker.

Do you contemplate having a large licensed association, for instance, in Allahabad where everybody who wants money from Etawah or any other place will have to go to get money?—I will have several licensing associations.

Then you really want that the present moneylenders should pool their resources?—I have recommended this so as to avoid a great amount of expenditure that moneylenders have to incur on litigation.

I can understand your object. It is very sound from many points of view. Would you want that the moneylenders should act in a body and in conjunction practically like co-operative societies?—Yes.

Rai Bahadur Pandit G. S. Upadhya: You say that the borrowing of money for marriage purposes should be fixed by law. What is your idea about this?—It may be fixed according to the tenant's status.

The Chairman: Do you contemplate that the Legislative Assembly should pass a law fixing the expenditure for marriage ceremonies?—They may say that any sum borrowed over a particular sum will be unlawful. If the moneylender wants to realize it, he cannot realize it.

What is the way you would put it? Do you know of any social legislation of that kind?—We had one recently in the shape of the Sarda Act.

Do you think that it will be possible to have a similar type of social legislation?—Still it is a possibility.

How would you fix a definite sum?—According to the *haisiyat*.

It will have to be on a sliding scale. What I mean is that you would not say that everybody must spend the same amount and no more?—It may be on a sliding scale The result would be that in case money has been borrowed for that purpose, then the lenders can claim only the legal amount and no more.

Rai Bahadur Pandit G. S. Upadhya: But you know that there is a difficulty in the way. The man may borrow and in the document he may lay down the purpose quite different to that of marriage on which he has got to spend. It will be difficult to legislate and fix it.—(*Witness*) Difficulties arise in every case. This Sarda legislation will have to face so many difficulties. We can put safeguards also.

I may suggest another thing. They should have some social custom binding to keep the expenditure to a certain maximum. In certain castes the maximum amount of expenditure has been laid down.—(*Witness*) Yes. There are *panchayats*.

Whereby everybody, be he rich or poor, belonging to that particular caste will only spend so much, so far as ceremonies go. Rich parents may give in dowry any amount they like to their daughter, but they cannot spend more on ceremonies, so that even the poorest would have the advantage of these social rules. It is very difficult to legislate.

The Chairman: It will be a question of dowry. The money which would have been paid to the bridegroom would be paid to the bride.

Dr. Radhakamal Mukerjee: You think that the evil is so widespread that it cannot be left to the decision of the caste *panchayats*?—*Panchayats* have become so weak in their influence that they cannot enforce it.

The Chairman: *Panchayats* are losing their influence a good deal.

Rai Bahadur Pandit G. S. Upadhya: I disagree with that as a general statement.

The Witness: I am speaking of the Saharanpur district.

Rai Bahadur Pandit G. S. Upadhya: That may be so, but in Allahabad city they are very strong.

The Chairman: There is no *panchayat* system among Gujars, and these debts make the cultivator's lot so unhappy.

MR. BUDDHI PRAKASH JAIN.

The Witness: The unproductive debt once borrowed cannot be repaid. They can only pay the interest.

Rai Bahadur Pandit G. S. Upadhya: You say that they cannot pay it back. Is it equally true that the moneylender does not expect him to pay it back?—The moneylenders expected that before the war when the conditions of the business were far better than now. The rents much increased during the war time with the rise in food prices and they have not gone down after the war.

The Chairman: You said that the tenant who borrows money does not hope to pay it back, and it is equally true that the moneylender never expects him to. Supposing I lend you Rs. 100, and I know your circumstances and I know that you will never be likely to repay me, but I have got to get back my money and therefore I put a tremendously high rate of interest. I therefore get back my principal in this way.

Dr. Radhakamal Mukerjee: You have also said that large portions of land have been transferred into the hands of these moneylenders.—(*Witness*) Yes. There is one man who had some *bighas* of land. He was a small landlord, and he purchased a small piece of land besides the land he possessed and borrowed money for the payment of the price of that land from the moneylender. The debt accumulated to such an extent that his original land with the land that he had bought was put to auction by the moneylender from whom he had borrowed.

Does he cultivate the land himself?—No, he has given it to other cultivators.

Regular cultivators cultivate, but the land is passing into the hands of the moneylenders?—But there is one advantage from it that there is a consolidation of holdings. So many acres go into one hand, and it means that there is a consolidation of holdings.

The Chairman: I have seen in North Basti that the whole thing was turned into consolidated holdings.

Dr. Radhakamal Mukerjee: How does the transfer of proprietary rights into the hands of the moneylender bring about consolidation, because he cannot cultivate it himself and lets it out to others?—As far as the ownership is concerned there is consolidation of holdings.

Have the new owners built more wells?—In my city there is a network of canals and therefore they do not require wells.

The Chairman: I do not think that there is any very great harm done in the moneylender's actually getting ownership of the land.

Dr. Radhakamal Mukerjee: You do not think that it affects the interests of the cultivator?—That I have already pointed out. If the land passes into the hand of the moneylender it does not affect the land, but certainly it affects the interests of the tenants because they are reduced to extreme poverty.

They are reduced to agricultural labourers?—Yes. Besides this I want that there should be strict supervision over subordinate officials for the distribution of *taqavi*. In every case the cultivators have to pay to the *patwari* and *kanungo* to such an extent that it is really a great burden on them.

The Chairman: How would you do it?—It may be advanced through co-operative societies or through agents or through approved *zamindars*.

In other words, you have got to select distributors. Let me tell you my own experience. In 1907 and 1908 I distributed 7 or 8 lakhs. I paid the money to each cultivator with my own hands, but they were unable to keep the whole of it. As soon as they went out, they had to pay to the *patwari*.—(*Witness*) That is why strict supervision is necessary.

Unless I had escorted them to their villages and kept them under my eye until they had spent the money they would not have escaped the necessity of making payment. Stricter supervision is needed, but no supervision will stop it altogether.

Rai Bahadur Pandit G. S. Upadhya: Men themselves have to be educated.—(*Witness*) Through co-operative societies or approved *mahajans*.

The Chairman: Every officer has been informed that he should pay this *taqavi* himself, and these people should not pay anything either to *patwari* or to *kanungo*.—(*Witness*) But the difficulty is there. I suggest the abolition of the *taqavi* system. There should be approved *mahajans* who will advance money. Government should

subsidise these *mahajans*, and if the authorities give them facilities for recovering the loans to the extent of half the measures adopted to realize *taqavi*, then these *mahajans* will be willing to advance at a lower rate.

If certain changes are made in the law to make it easier to recover their dues the rate of interest will not be more than 9 per cent?—Yes. The whole trouble is because there is no security worth the name and there is tremendous difficulty in getting his money back. Naturally the *mahajan* wants to get a higher rate of interest. When the cultivator gives two annas per rupee to the *patwari* and *kanungo*, that is 12½ per cent., why should he not give 6 per cent. more to the *mahajan*.

(The Chairman thanked the witness, who withdrew).

Mr. SHIAM LAL GOVIL, Student, University of Allahabad.

Extracts from a paper on indigenous banking in Khurja, district Bulandshahr.

Introduction.—Khurja is a tahsil in the district of Bulandshahr lying in the western part of these provinces. It is a middle-sized commercial town with a population of about 40,000, situated some 50 miles south-east of the metropol of India, Delhi, and served by the main line of the East Indian Railway. It is mainly important for its trade in *ghi* (clarified butter), grain and cotton. But at the same time the commercial activities of the local cloth and bullion markets are by no means less significant. Undoubtedly it is no exaggeration to add that it forms the commercial nucleus of the whole district. It has direct trade relations with Bombay, Calcutta and Karachi arising out of its cotton exports to Bombay, *ghi* to Calcutta and wheat and other grains to Karachi.

2. *Organisation of indigenous banking in Khurja.*—It may be pointed out at the very outset that recently a branch of the Imperial Bank of India has been opened in the town. Besides this, there is no other banking agency carrying on business on modern commercial banking principles. The indigenous banking organisation of the locality is important and *hundis* play a significant part therein.

There are two kind of *hundis—darshani* or sight bills and *muddati* or deferred bills payable after a stipulated period of time mentioned in the *hundi* and reckoned from the date of drawing. Usually in Khurja, *muddati hundis* are drawn for a month only. *Hundis* afford an excellent source of investment to the indigenous bankers. Most of them do not draw *hundis* but only purchase them. Often people buy *muddati hundis* which are discounted commonly at the rate of 12 annas per cent. per mensem or 9 per cent. per annum.

There are about half a dozen firms who draw *hundis*. Their principal business consists in buying cotton, food grains such as wheat, barley and gram, or *ghi* in the market from the village folk who bring these commodities to the local market to dispose of. But the operations in the cotton market are comparatively of greater importance. Here we may note that the majority of these firms own one or more cotton ginning factories, the total number of which in Khurja is no less than seven or eight. The raw cotton, after being purchased in the market through the agency of *arhatias*, or commission agents, is sent over to the ginning factories where the cotton-seed is separated from it and the remaining lint cotton pressed into bales of standard weight and size. Some of these firms have also their branches in Bombay whither the cotton bales are sent by them. The Bombay branch sells this cotton in the local cotton exchange whenever the rates are favourable, and thus draws *hundis* with a period of maturity generally of 30 days on the purchasing firm in Bombay. These *hundis* are discounted by the branch houses of the Khurja firms with their respective financiers in Bombay, whereby the latter become indebted to the Khurja firms. Thus the firms in Khurja are afforded an opportunity of drawing their own *hundis* on their Bombay financiers. These *hundis* now find generally a ready marketability at the hands of those firms in Khurja who happen to be debtors of firms in Bombay or other places in the country and thus want to remit money in order to meet the claims of their respective creditors. So we see that the *hundis* as described above perform a very important commercial banking function of settling debts between debtors and creditors in distant localities without the actual transference of money from one place to another and thus eliminating in a large measure the consequent risk and cost involved in the process. Similar transactions are arranged in the case of wheat and *ghi* exports to Karachi and Calcutta respectively. As a matter of interest it may be pointed out here—although the remark has little or no material significance of its own—that the grain export business of the town is chiefly in the

hands of an agency of the Ralli Brothers Company, while the business of exporting *ghi* to Calcutta, where undoubtedly several hundred maunds of the commodity are consigned every week, is dominated by a group of firms owned and managed by Bengalis and closely knit together.

Thus the trading community makes a pretty good use of the *hundis* and the businessmen in general are well-versed in their use. Some of the firms have quite a good reputation in regard to their credit and the financial value of their *hundis*.

3. *Moneylending and its various methods.*—Moneylenders form by far the largest class of indigenous bankers. Their number is much in excess of those who either receive deposits or deal in *hundis*.

Generally the moneylender would lend money to a borrower on a written pronote. The rate of interest is settled by a process of bargaining between the parties concerned. The schedule of the rates of interest generally charged is as follows :—

Particulars.	*Rates of interest.*
1. On cash loans with absolutely no risk or secured by a so-to-speak gilt-edged security.	From 10 annas to Re. 1-4 per cent. per mensem or 7½ to 15 per cent. per annum.
2. Where the security is inadequate and of inferior class.	From Re. 1-4 to Rs. 3-2 per cent. per mensem or 15 to 37½ per cent. per annum.
3. Where there is still greater risk of money.	1 anna per rupee per month or 75 per cent. per annum.
4. On small amounts on personal security and charged from low class people.	1 pice per rupee per month or 18¾ per cent. per annum.

4. *Deposits and the indigenous bankers.*—The deposit business is extremely limited in its extent among the indigenous bankers. In some cases rich persons receive deposits, obviously for a very short period, say for a day or week, and allow no interest on it. The money in such cases is merely kept in safe custody. But at the same time there also a few such firms who accept money on deposit and allow interest generally at the rate of 8 annas per cent. per mensem or 6 per cent. per annum. Recently the structure of one such firm collapsed. The reason for this may be traced to the fact that it used to attract a very large amount rising up to several lakhs of rupees as deposits from various classes of depositors and to re-invest the money thus obtained in its own business of speculation, the returns from which were always uncertain. Unfortunately the inevitable followed too soon and brought home to the proprietors the folly of their short-sighted policy of not caring for the stability of returns from the re-investment of the money deposited with them. On the whole it would not be inaccurate to generalize that the indigenous bankers have not fostered the practice of attracting large sums of money on deposit. They mostly lend out their own spare money. In the locality of Khurja the cases in which firms have tried to attract large sums of money on deposit have come to grief mainly for their unwise policy in regard to the re-investment of the money deposited with them.

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Memorandum.

I HAVE not answered each question in the questionnaire separately. I will, however, deal with the questions under the following heads :—

(1) Imperial Bank of India.
(2) Exchange banks.
(3) Indian joint-stock banks.
(4) Indigenous bankers.
(5) Agricultural credit.

Imperial Bank of India.

This institution occupies a very anomalous position in the banking system of India. It is essentially a commercial bank, but is supposed to perform the services of a central bank also. It acts as banker to the Government, municipalities and district boards. It is supposed to be a bankers' bank as well. The Imperial Bank does not enjoy the confidence of joint-stock banks in the sense in which the Bank of England does of the British joint-stock banks. Here the Imperial competes with other banks. It has a paid-up capital of Rs. 5,62,50,000 and Reserve Fund of Rs. 5,27,50,000. These large amounts, together with public deposits which usually vary between 13 and 20 crores of rupees, enable the Imperial to get a considerable advantage over other banks. The Imperial Bank does not enjoy the privilege of borrowing freely in foreign markets and of issuing notes. It is clear that the Imperial is not a Central Bank in the true sense of the term.

As a commercial concern it has rendered yeoman services to the country. An average man thinks that it is a government bank. This connection has created confidence in the hearts of the people, who are very nervous on account of the bank failures of 1913 and 1923. It has attracted large deposits from the general public. As per statement of the bank on the 25th October, 1929, other deposits amount to nearly Rs. 73 crores. The Imperial concentrates its attention on Cash Credit which is a very safe investment. Under this head nearly Rs. 21¼ crores are invested. It is understood that the bank is thinking to develop this business. The bank invested only Rs. 3,24,80,000 in discounting inland bills as per statement referred to above. It is clear that the bank denies many advantages which it could confer on the Indian commercial community. It is very conservative in matters of accommodation. To some extent, its hands are tied by the Act of 1920, but to a great extent it is due to indifference to develop business and inability of the European staff to understand the Indian point of view. A more liberal policy and Indianization of the superior staff will solve the problem to a great extent.

The anomaly to which I have referred above must be abolished by establishing a Central Bank. It is also very necessary to establish a pure and simple gold standard in the country. India is supposed to be on "Gold Bullion Standard," which system is said to work automatically like a gold standard. Conditions obtaining in India are quite different from those in England. The rupee is a token silver coin and at the same-time a standard coin. There is an additional trouble of ratio. It was fixed at 1*s.* 6*d.* in 1927 in spite of protests from the Indian public. Recent history has clearly shown that the move was a wrong one. During the last four months the Government has artificially contracted the currency by 19 crores of rupees and has compelled the Imperial Bank to raise the bank rate to 7 per cent. There was absolutely no justification for this step. The Federal Reserve Bank raised their rate to 6 per cent. to prevent wild speculations of Wall Street. The Bank of England followed suit (6½ per cent.) in order to prevent their gold holdings from being frittered away. Both the countries have since reduced the rate to 4½ per cent. and 5 per cent., respectively. The Imperial Bank rate cannot be said to have increased in sympathy with foreign markets. It is evidently on account of restricting the currency. Further, it is difficult to account for Government's action regarding treasury bills. For the last two or three months they have indicated, in the most definite way possible, that it was their policy to support exchange and have done everything to support the rupee. It is, therefore, clear that, unless the above suggestions are adopted, Indian banking problems cannot satisfactorily be solved.

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Exchange banks.

The United Provinces of Agra and Oudh are essentially agricultural. It is only in Cawnpore that we have two offices of exchange banks—the Chartered Bank of India, Australia and China and the National Bank of India. This province does not offer peculiar problems in this direction. Therefore the question of exchange banks may be considered as a whole.

These banks were originally started with a view to develop trade between India and their respective countries. They enjoy a practical monopoly, and are, therefore, able to dictate their own terms. It is alleged by responsible people that Indians have been badly treated by them. They have further attempted to make India an importer of manufactured goods and exporter of raw materials. It is a matter of great regret that there is no Indian exchange bank.

The foreign exchange banks must—

(1) publish every month a statement of account of business done in India;
(2) pay a certain tax on the turn-over of India;
(3) accept a few Indian apprentices for purposes of training;
(4) agree to have a few Indians on local boards of directors.

These restrictions are very necessary. Sentiment of Empire should not stand in our way. The Bank of England refused to extend rediscounting facilities to Indian banks simply on the ground that they were not registered in England. This was proved in the case of the Tata Industrial Bank, now amalgamated with the Central Bank of India.

An Indian exchange bank should be established with a capital of 10 crores of rupees. Half of this must be paid up and the rest to be called when necessary. Indian joint-stock banks must, in proportion to their paid-up capital and reserves, contribute to the extent of two and a half crores of rupees, the rest to be subscribed by the general investor. A similar policy has recently been adopted in the United States of America.

The Indian exchange bank will have to be supported by a few big Indian business houses. Unless a spirit of patriotism is forthcoming the bank will have to face many difficulties. The Central Bank should give a long rope in the matter of rediscounting bills (say, an accommodation of 15 crores). These may be used as a backing against note issue. After making allowance for depreciation and bad debts and declaring a dividend of 6 per cent. the rest should be equally divided between reserve fund and the Central Bank.

Indian joint-stock banks.

The Indian joint-stock banks concentrate their attention, like the Imperial, on financing the commercial interests of the country. They do not lend money to be invested in bricks and mortar. The business of financing industries is left entirely to private enterprise.

They are able to attract large deposits in current, savings, and fixed deposit accounts. Usually an interest of 2 per cent. on current accounts, provided daily balances do not fall below a specified limit, is allowed. In 1926 total deposits amounted to a little over Rs. 59 crores. This is far from satisfactory.

The Indian public has fresh memories of the bank failures of 1913 and 1923. In this connection it is necessary to point out that the business of banking is carried on on confidence. The failure of one bank may cause disturbance to the money market of the country and shake the confidence of the public in the banking world. India has no separate bank law. A large number of small banks exist in our country. They give high rates of interest on deposits to compete with bigger institutions. They trespass limits of ordinary prudence for the simple reason that they have to earn higher returns. It has been seen that very often an industrialist starts a bank so that he may have no difficulty of finance. If his enterprise fails the bank also goes down with him.

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It is necessary to lay down that a certain amount of capital must be paid before a bank could be permitted to start work.

Nature of the constituency to be served.	Minimum capital paid up.
	Rs.
Cities having population less than—	
500,000	25,000
10,000	50,000
200,000	1,00,000
Provincial bank	5,00,000
All-India bank	10,00,000

Besides the above restrictions the joint-stock banks must be made to publish a statement of account every week. Its form should be prescribed by law. Deposits under current, savings, and fixed deposits accounts should be shown separately. Advances to directors, secured and unsecured, are the points to be shown clearly. So far the banks have followed a policy of indifference. They publish half-yearly balance sheets just to satisfy the letter of the law. In England the Barclays, the Midland Bank, Ltd., etc., publish monthly reviews which are freely distributed to all those who are interested in banking. These reviews, besides giving an account of their progress, contain articles on topics of general interest which have a great educative value. In India a banker rarely comes on the platform. He believes in keeping his mouth shut and confining himself to the four walls of his office.

The Indian bankers should carry on some sort of propaganda work to popularise cheques. This may be done either individually or collectively. They will be well advised to take up the work of issuing circulars to clients giving reports about various securities. This will bring them in closer touch with the public.

It is said that the Imperial Bank finds it difficult sometimes to get a sufficient quantity of inland bills to act as a backing against loans from the Government of India under section 20 of the Paper Currency Act. This is true. In India sales and purchases largely take place by simple entries in account books. Here is a big opportunity for the banker. Let him extend his accepting of bills business. This would remedy a serious defect of our banking organisation.

The Indian banker is very conservative in matters of advances. He has never exploited the possibility of advancing against book debts. The following plan would prove very useful :—

A trader may go to his banker and give a certified copy of his outstanding debts stating the dates when they were created and the reason of their creation. It is then for the banker to scrutinise the list and then advance the money which he considers safe. It may be said against the scheme that a business man may not like to disclose the names of his debtors, but the information is to be regarded strictly confidential.

It had been suggested by several critics that India needs, like the United States of America, some law regulating the reserves against deposits. I do not think that it is necessary to do so. In practice the banks usually work by rule of thumb and do not depart widely from their preconceived proportions.

"In recent times their (the Big Five of Great Britain) aggregate deposits have always been about nine times their cash. In England, since 1929, excluding the half-yearly statements when a little window-dressing is temporarily arranged, the extreme range of fluctuation has been between 11·0 per cent. and 11.9 per cent." says Keyness.

In India the joint-stock banks have maintained much higher reserves as will be clear from the following table showing the proportion per cent. of cash to liabilities on deposit on 31st December of each year.

——	1917.	1918.	1919.	1920.	1921.	1922.	1923.	1924.	1925.	1926
Imperial bank ..	45	29	31	30	19	21	18	18	21	26
Exchange banks ..	40	20	35	30	38	19	17	20	13	14
Inda n joint-stock banks—										
(a) Banks with paid up capital and reserves of 5 lakhs and ove	25	23	21	28	20	20	27	29	19	15
(b) Bankers with capital and reserves between 1 and 5 lakhs ..	21	24	24	18	13	17	19	13	20	24

The question of reserves should be left to the good sense of bank managers. As a temporary measure, however, in order to inspire confidence some sort of government control may be taken recourse to to see that instruments are properly made—an all-eggs-in-one-basket policy is not adopted and reasonable reserves are maintained.

Post office savings banks.

Post office savings banks have attracted deposits from people who care more for safety than for return. Since 1920 the amount of deposits have varied between 20 and 30 crores of rupees. The post office savings banks are becoming popular, but their utility can considerably be increased by adopting the following measures :—

(1) It has been seen that sometimes a villager has to walk twenty miles or more in order to deposit or withdraw a small sum. Postmen who visit villages regularly could be authorised to act as their agents. This would considerably help the villager. To avoid the chances of cheating, the postmen should be asked to submit a cash security of Rs. 100 or personal security of two well-known people of the village.

(2) Home-savings banks have proved very popular with the Central Bank of India. The British post office provides this facility. The Indian post office should also take up this business.

(3) The post office savings banks should receive cheques for credit of depositors' account. This would encourage the use of cheques also.

(4) Joint accounts payable to either or survivor should be accepted by the post office

Post office cash certificates.

These certificates have become very popular with people in view of the fact that they combine in them safety as well as good return. It has been suggested by some bankers that this facility should be withdrawn in view of the fact that they are not able to attract sufficient deposits. This is evidently very selfish. A vigorous propaganda, on the other hand, should be carried on, particularly in small towns and villages.

Indigenous bankers.

The indigenous banker has occupied a very important position in Indian society from times immemorial. He finances agriculturists as well as the commercial community.

The indigenous banker or shroff is himself a rich man. He combines in him the services of a merchant, a jeweller, or a trader. He gets an accommodation easily from his brother *mahajan*. In case he needs more money he goes to a bank. The

Imperial Bank of India keeps a record of the financial stability of each firm and discounts their bills to the limit determined. In this work the *khazanchi* who is a local man proves very useful. The Imperial Bank insists on two-signature bills. This is of course very safe, but it unnecessarily restricts expansion of currency. In case of bankers whose financial stability is very strong some relaxation should be made. Bills of a sound banker, even with one signature, should be accepted.

It is interesting to note that the shroff has very often branches in more than one city. He facilitates transfer of money by means of *hundis*. He engages the services of a *dalal*, who brings to him purchasers and sellers of *hundis*. Loans are also settled through him. He gets his commission from both the parties.

His services are very much appreciated by the commercial community because he is willing to give loans on the strength of household property, jewellery, or personal security of the borrower. His services are immense. His overhead charges stand at a very low figure. He is satisfied with a "minimum."

He competes with joint-stock banks, whose establishment charges are heavy. It is felt by banks that branches in small towns are a great drain on head offices. If banking is to make any progress in the country the sympathies of the shroff should not be alienated, but he must be used in attracting deposits and distribution of credits.

The following measures will prove very useful :—

(1) In every district a banking committee should be established containing (*a*) two representatives of indigenous bankers; (*b*) two representatives of joint co-operative societies; (*c*) two representatives of joint-stock banks of the district; (*d*) one nominee of the Government. In the formation of the committee the Government must take the initiative. The expenses of the committee must originally be met from public funds for five years. When the services of the committee have been appreciated the burden may be shared between the State and indigenous bankers of the district. The members of the committee must get special facilities from the joint-stock banks of the committee.

In big cities like Cawnpore, Allahabad or Lucknow, the shroffs should form themselves in association. It should be the business of these institutions to keep the joint-stock bankers informed of their members' credit. The joint-stock banks usually accept amounts in fixed deposits payable after six or twelve months and do not accept deposits repayable after a few days, say, 8, 15, 21, 28, etc., days. A shroff would willingly deposit his surplus funds with a bank if he knows that he could withdraw after short periods. This frequent touch will bring a better understanding between the two parties.

(2) It should be the business of the committee to keep a record of the financial stability of the members.

(3) The banker must submit a statement of account four times a year to the committee. The shroff, when he combines other services, should be encouraged to keep separate accounts.

(4) The committee should meet at least once a month to discuss matters of general policy.

Each province must have a council which should have representatives of bankers, indigenous bankers, co-operative societies, and the Agricultural department. Frequent discussions will bring them closer. This council will co-ordinate work of banking committees.

Agricultural credit.

The United Provinces of Agra and Oudh are essentially agricultural. The agriculturist, like his brethren in other provinces, suffers from the ills of small holdings. He depends entirely on his lands. There is no second string to his bow on account of disappearance of cottage industries. He borrows money from the village *mahajan* for (*a*) purchase of seeds; (*b*) payment of wages to labourers; (*c*) purchase of cattle; (*d*) food and maintenance; (*e*) litigation; (*f*) social and religious ceremonies; and (*g*) permanent improvements.

It is interesting to note that the villager does not borrow more than 10 per cent. for permanent improvements. The village *mahajan* and the co-operative societies lend him small amounts for short periods. The *mahajan* charges him usually six pies per rupee

per month (37½ per cent. per annum) in case of small amounts, say, below Rs. 50. Sometimes he extracts personal services from the borrower in lieu of interest. This very often takes place when the *mahajan* happens to be a landlord. In this case the money value of services comes to a big figure. Another method usually followed by the *mahajan* is that he takes the practical ownership of a few bighas of land of the borrower in lieu of interest. He gets all the benefits from this land for a specified period. When the capital is returned, land is again transferred to the real owner. The *mahajan* often lends in kind, and at the harvest time takes away practically the whole of the produce. The villager has to go to him after some time to borrow again for eating purposes. It is a matter of great regret that the co-operative movement has not been very successful in India. The reason is very simple. The Indian villager is wholly illiterate. He has failed to take advantage of the movement, as it has not come from within, but has been thrust from without. He has no genuine appreciation for co-operative principles. The Co-operative department is strict in realising money from the cultivators. The village *mahajan* does not worry his head about repayment as long as he is sure that his money is safe. He sometimes encourages a villager to borrow money. The co-operative societies do not usually lend money for consumptive purposes, but only for productive purposes. They have so far touched only the fringe of the problem.

The total indebtedness of India has been estimated at 500 crores. If the indebtedness of the United Provinces is taken at Rs. 50 crores it is clear that a large field still remains unexploited. What the villager wants is to wipe off the existing debts and to increase his earning capacity by improving the land. This cannot be done unless he gets long-term loans. This serious gap can be filled by starting land mortgage banks. It is a matter of great regret that our province is behind other parts of India. The Punjab, Burma, Ajmer, Mysore, Bengal and Madras enjoy land banks.

Similar experiments in several European countries and the United States of America have not been tried. It is the experience of practically every country that State intervention in one form or other is necessary.

I propose the following measures :—

1. A land bank should be established in each district. The initiative is to come from the Government. It may be pointed out at this stage that district land banks have been purposely recommended. The main reasons are—
   (1) Local resources should be tapped for local uses.
   (2) Local knowledge is to be utilised to the best possible extent.
   (3) Local banks will be able to scrutinise different records (to be recommended later on) better.
   (4) Local land banks will encourage a spirit of co-operation amongst the people.
2. The objects of land banks should be—
   (*a*) redemption of old mortgages on agricultural land;
   (*b*) development of agriculture;
   (*c*) improvement of land;
   (*d*) clearance of old debts.
3. The necessary working capital should be raised by (*a*) capital and (*b*) debentures. It is not necessary to fix capital at a large figure. The land bank should receive applications from the local *zamindars*, who must clearly mention the amount and the object of the loan. It is then the duty of the bank to find out the capital value of the land which is to be pledged to it.
4. The bank must approach the provincial land bank council, who will issue debentures on its behalf.
5. Limitation upon the total of such debentures should be prescribed at twenty times the paid-up capital and reserve of the particular bank issuing the bonds.
6. The debentures of land mortgage banks should be raised to the status of trustee securities.
7. The debentures should usually be issued for a period of 25 years.
8. The Provincial Government must guarantee interest, and agree to subscribe to a certain limit.
9. The provincial land bank council should consist of the following members :—
   (*a*) The Finance Member (*ex-officio* member, chairman).
   (*b*) The Registrar of Co-operative Societies (*ex-officio*).
   (*c*) The Director of Agriculture (*ex-officio*).

(*d*) Two people to represent district land banks.

(*e*) Two to be elected by the local Legislative Council.

10. The main object of the provincial land bank council is to co-ordinate the policy of different land banks, and issue loans on their behalf. This council will be able to tap local sources and at a cheaper rate.

11. It is necessary to organise an All-India Agricultural Loan Board, which should lay down general policy, and supervise the system as a whole.

12. The Board should consist of the following officers of the Government of India—

(*a*) The Finance Member (*ex-officio*).

(*b*) The Controller of Currency (*ex-officio*).

(*c*) The President of the Imperial Agricultural Research Council and one member to be elected by the Council.

(*d*) Two to be elected by Chambers of Commerce.

(*e*) One nominee of the Governor-General in Council.

In conclusion it may be stated that all the schemes suggested above will tumble down like a building made of sand unless there is compulsory and free education throughout the length and breadth of the country.

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Memorandum on a provincial co-operative bank for the United Provinces.

THE United Provinces Banking Committee has a splendid opportunity before it. It can instil courage and confidence into the co-operative movement where we now lack them. It can remove some of the nightmares which have been sitting tight on us for a very long time. It can help us to get a Provincial Co-operative Bank in the United Provinces which is long overdue. It can thereby remove one of the greatest difficulties of the co-operative movement in these provinces.

1. *History of the scheme.*—The question of starting a Provincial Co-operative bank in the United Provinces is not a new one. In January, 1914, at the sixth provincial conference, Khan Sahib M. Kabool Ahmad, first raised the question, but opinion was strongly divided as to its practical possibility and, ultimately, it was held that the scheme was rather premature. In December, 1914, at the seventh provincial conference, the question was again brought up by Mr. Kacker, but the results were again negative as the matter was dropped without the conference coming to any definite decision. But a distinct change in opinion was noticeable inasmuch as managers and directors of central banks who were formerly opposed to the scheme were now more favourable to the proposal. This was partly the result of the difficulties created by the War when those who were actually entrusted with the administration of central banks realised for the first time the immense strength and security which a provincial bank would bring to the entire co-operative movement in these provinces. In 1915, the Maclagan Committee strongly recommended the early institution of apex banks in each of the major provinces of India. In March, 1916, the Lieutenant-Governor convened a small conference of experts to consider the whole question and it unanimously came to the conclusion that a provincial bank was desirable. Government endorsed the recommendations of this conference, and, in September, 1917, it published the scheme with the draft bye-laws prepared by the conference for public opinion and criticism. But, unfortunately, no opinions or criticisms were offered to the Government. In December, 1917, the ninth provincial co-operative conference approved of the scheme and the draft bye-laws without any comment whatsoever. In December, 1919, the first meeting of the standing committee of co-operators held that a provincial bank was unnecessary at the time, and it postponed the consideration of the question for a year. In June, 1921, the fifth meeting of the standing committee resolved that there was no need for a provincial bank and the matter was dropped indefinitely. In November, 1921, the matter came up again before the sixth meeting of the standing committee at the instance of the Government for further expression of opinion. The committee re-affirmed its previous views and held that under the present conditions a provincial bank would only be an encumbrance instead of a help. In March, 1923, the ninth meeting of the standing committee, however, moved the Imperial Bank to allow cash credits to co-operative banks in these provinces on terms similar to those on which it was allowed to provincial central banks of Madras. This was carrying into effect the suggestion made by a member in December, 1914, at the seventh provincial conference, to establish closer financial connection between the co-operative societies and the Bank of Bengal. It was only an indirect admission of the immense advantages of establishing a link between the central banks and the commercial banks in the country which can best be secured by the establishment of a provincial co-operative bank. In April, 1924, I myself reopened the question at the eleventh provincial conference at Benares which resolved, after a long and careful discussion, that it was highly desirable to start a provincial co-operative bank in these provinces as early as possible and recommended that the standing committee of co-operators should take early steps to start it. Unfortunately, little was done to carry out the resolution and, in 1926, at the twelfth provincial conference at Fyzabad and, in 1927, at the thirteenth conference at Farrukhabad, I had to revert to the question in

order that the matter may be properly considered. The Oakden Committee considered the whole question in 1926. I was called as a witness before the committee in January, 1926, and I tried my best to impress upon them the necessity of starting such a bank. The Oakden Committee gave a limited support to the proposal. It thought that such a bank was needed and it recommended that steps should be taken to constitute it. It seemed quite clear to the committee that the time had come for the United Provinces to follow the lead of other provinces and to have an apex bank of its own as recommended by the Maclagan Committee. It even went a step further and recommended that Government should guarantee the interest on the debentures that must be issued in order to start such a bank. So far we gained. But, unfortunately, the Oakden Committee in discussing some of the difficulties of the scheme over-emphasized them so much that the Government was thoroughly frightened and they shelved the question indefinitely. Some of the difficulties which the Oakden Committee discussed were, I am certain, more apparent than real. For instance, the committee said that the Registrar on account of his knowledge and position, was in an unique position for controlling inter-lending. If the implication is that the Registrar can and will do it better than even the provincial bank, I am afraid it is very far from correct and the whole opinion was based on a very inadequate appreciation of all the facts in the case. A provincial bank will certainly do it much better, more quickly and at much less cost than the Registrar can ever attempt. The second difficulty to which the Oakden Committee referred is the old problem of seasonal glut. I have discussed this question in great detail below where I have showed that the problem *is* capable of satisfactory solution. The last we hear of the scheme is in 1929 when the fifteenth provincial conference at Jaunpur again recommended to the Government that early steps should be taken to organise a provincial co-operative bank. But unfortunately, nothing has been done so far and it is unlikely that the question will be seriously taken up before the Banking Committee has reported.

2. *The position in other provinces.*—Most of the provinces in India have, by now, established their provincial co-operative banks. The Bengal Provincial Co-operative Bank Ltd., was started in February, 1918. The Bihar and Orissa Provincial Co-operative Bank was started in April, 1914. The Madras Central Urban Bank was started in 1917. The Provincial Co-operative Bank, Central Provinces and Berar began work in 1912 though it soon ended in difficulties. The King Committee recommended the liquidation of the bank. Since then, the bank has been reorganised and reconstituted and it is now doing very well. The Bombay Provincial Co-operative Bank started work in 1911 and the Upper Burma Central Co-operative Bank in 1910. The Assam Provincial Co-operative Bank was started in 1922 and the Punjab Provincial Co-operative Bank was started in 1924 with a 6 per cent. guarantee on its debentures from the local Government.

It will thus be found that almost all the provinces in India have got apex banks though they have different names in different provinces. The only province in India which is still without it is our own province. The existing provincial banks in the country have a working capital of about 5 crores of rupees and their annual reports show that they are doing splendidly and are rendering very great help and service to the co-operative movement in their provinces. It is clear the provincial co-operative banks are spreading. They are overcoming their weaknesses and are daily acquiring new strength. An All-India Provincial Co-operative Banks' Conference has been started for the mutual discussion of their problems and difficulties. While all India is moving forward steadily, our own provincial bank is still in the air. It is moving like a shuttle-cock between conferences and committees. It is up to the United Provinces Banking Committee to give us a lead and to do something definite for the scheme.

3. *The case for the provincial bank.*—The Maclagan Committee recommended in 1915 the early institution of such a bank in the major provinces of India. In about ten years' time we in the United Provinces have been able to do nothing, while even Assam, Central Provinces, Burma and the Punjab have got their provincial banks long ago. This is a position on which we can hardly compliment ourselves and it can hardly be regarded as satisfactory from the provincial point of view. Surely the United Provinces is not so backward as Assam or the Central Provinces or even the Punjab, and yet the United Provinces stand a long way behind these backward provinces in this respect.

MR. B. B. MUKERJEE.

The first essential of a good provincial bank is that we must have a good number of central banks. In the United Provinces we have got about 80, which is quite sufficient to support a provincial bank. The great advantage of a provincial bank is the elasticity it provides in the supply of capital and the even distribution of resources that it brings about. The supply and distribution of capital are automatically regulated to the best advantage of all. The sources of capital for district banks and central banks are both inadequate and difficult. The sources of capital for a district bank are, generally speaking, the following :—

(*a*) Shares;

(*b*) deposits from members,

(*c*) deposits from non-members, and

(*d*) loans from joint-stock banks or cash credits or otherwise.

The central societies are financed by most of the above methods and also by the district banks. The sources are admittedly inadequate, firstly, on account of the limited size of the capital available in the interior parts of the country; secondly, because of the extremely limited area of its operation; thirdly, because the local *mahajans* will not deposit their resources in the central banks as the interest offered does not tempt them; fourthly, because even the limited number of local investors that we may have are now generally connected with district towns and sometimes they prefer to invest their money there because of the better management or greater safety of district banks, and lastly, because the joint-stock banks are not very eager or willing to lend to small central banks and they do not allow cash credits to the co-operative societies on a large scale. The result is that the central banks cannot command sufficient capital and the inadequate supply of capital retards the development of the co-operative movement in the country. Banks cannot always regulate their flow of capital exactly according to needs. Sometimes they have more money in deposits than they can lend out, while at other times they want much more than they can find. Commercial banks meet the situation in a variety of ways which are not open to the co-operative banks. They have business connections with other banks, and can borrow when in need. They have a wider field of investment open to them, e.g., in trade bills and other bills of exchange. In the case of co-operative banks, the Registrar tries, by correspondence, to balance the funds of the different banks and also to place them in touch with outside investors and other joint, stock banks. But by this control of inter-lending, the very best the Registrar can do is extremely limited. It is uncertain; we cannot depend upon it; we cannot plan and forecast big business in anticipation of the Registrar finding good luck in his endeavours. It is exactly here that the provincial bank becomes a supreme necessity. It will co-ordinate and control the finances of the district and central banks. It will thus bring about an equi-marginal distribution of all bank balances and bank resources. It will thereby mobilize and marshal into line all the forces of capital for the service of the co-operative movement. A better use of capital will mean the economy of capital which will mean an increase in the supply of it. It will have a wider source to exploit for capital which is now left untouched. Further, the more efficient management of the provincial bank will attract more capital as capital is very largely a question of confidence. It will thus provide additional funds and conserve the co-operative resources of the country. The number of our societies is still much too small as compared with either the total population of the province or the number of its villages or the size of its agricultural indebtedness. Adequate supply of finances will promote development along healthy lines and make the most of this humane movement. The co-operative movement is one of the greatest of the humanitarian movements in India and we really ought to get the best and the most out of it. If the poor cultivator cannot get all the loan he wants from the society on account of its adequate finance he is naturally driven into the arms of the *mahajan* for the balance. And once there, always there is the usual rule. The provincial bank will aid such banks which do not get sufficient capital by finding capital for them. It will also aid those which have a superfluity of capital by relieving them of the glut by investments elsewhere. It will thus be a balancing institution—a balancing centre. Like an "U" tube, it will equalize levels. At present the central banks, have to make their own arrangements either by circularizing each other or through the Registrar. The system involves delay, it is inefficient and uneconomical and, as the Maclagan Committee pointed out "the uncontrolled interlending among central banks involves an interlocking of liabilities which may lead to trouble." It also imposes a very heavy burden on the Registrar. When the amount of inter-lending is small the

Registrar can manage it without great difficulty, but as it grows into enormous amounts, it certainly becomes too much for the Registrar and a bank then becomes a clear necessity.

Further, a provincial bank will ensure a greater economy of reserves. At present the different banks are, each of them, compelled to keep large liquid resources to provide for all sorts of emergencies. But when there is a provincial bank connected with all of them, the reserve in the provincial bank need not be as large as the total reserves of the different banks nor need the branch banks keep as large reserves as before. It is very unlikely that the same crisis or the same trouble will affect all the banks in the province at the same time. The provincial bank will be the central reservoir of the province. For about 80 central banks we now keep as many cash balances and they amount to very large sums much of which remains unutilized. In times of panic a provincial bank will be a source of great strength to all central and district banks. It will come to their aid in times of need. Further, the need for proper control, co-ordination, supervision and audit of the central banks and primary societies is very great. The movement is still in its infancy in this country and there is very great need for sound and proper guidance and help at every moment; without such adequate supervision the movement is threatened with internal weakness which will arrest and set back the progress of the cause. At present, all control, supervision and audit are provided by the Provincial Co-operative Union. This is good so far as it goes and it is certainly better than what we had before when the whole work was centred in the hands of the departmental officers. But there is a limit to its aid. The provincial bank will have a trained and adequate staff for the purpose and, I think, it will do much better than the Union in the line. That will be a very great advantage to the movement.

Lastly, the provincial bank will be the much-needed link—the channel—between the co-operative movement and the commercial banking of the country. It will act as a medium between the two—a sort of post office. A provincial bank can more easily form business connections with the great commercial banks of the country than the branch banks and it can also get much "better terms for the co-operative movement as a whole during the cultivating season when the demand for money is acute and also dispose of the surplus cash when the demand in this province is slack." A provincial bank in touch with other commercial banks "will help to reduce the pressure for money during the busiest seasons as seasonal needs vary in different parts of India." It can also borrow from or lend to other provincial banks in the different provinces of India. This would be the ideal form of mutual aid and co-operation—the different parts of India mutually helping and co-operating with each other. A provincial bank would do business on a much bigger scale than the branch banks. It can secure much better terms and provide for much greater economies in the investment business of its constituent banks.

These are some of the advantages that we expect to derive from the provincial bank and it is a matter of great surprise that we have not been able to start one yet in spite of its manifold advantages. It is impossible to deny that the scheme has certain difficulties to which I would refer presently. But inspite of such disadvantages, it seems to me that the advantages will far outweigh the disadvantages and on a balance we would really do much better to have such a bank than go without it.

4. *The case against it.*—The first objection urged in some quarters to a provincial bank is that there is no need for it at present because, it is argued, no serious difficulty has yet arisen as regards the supply of funds. This argument is hardly correct. To assert that central banks have not as yet met with any serious difficulty in the provision of funds is strangely to misread facts. The real fact is that central banks do find it very difficult to find money at times and that vital interests have suffered on account of this difficulty. It is no doubt true that public confidence in the central banks is increasing and that deposits are flowing in, so much so that some district banks have actually reduced their rates of interest. In some cases also the deposits offered have exceeded demands and such offers had to be rejected. But such cases are rare and they would hardly support a general statement like the one referred to above, viz., that banks find no difficulty in finding money. A few isolated cases cannot lay down a general proposition and for one such case it would be possible to submit a hundred cases in the opposite way.

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The second objection urged is that it will produce keen and unhealthy rivalry between the district banks and the provincial bank. They may try to exploit the same field and there may be unhealthy competition for capital by manipulating the rates of interest, or it may even go to the other way and end in a slackening of the efforts of the district and central banks in their policy of attracting local deposits. It may thus stifle local efforts and local initiative in the hunt for idle money. But this apprehension, it seems to me, is groundless. The supply of funds to the branch banks will not be very much affected because of the following reasons :—

Firstly, the depositors who have confidence in the branch banks will not go to the provincial bank to accept a lower rate of interest. Local deposits will go to the local bank, larger deposits will go to the provincial bank. There will be a territorial distribution of money between them.

Secondly, the co-existence of more than one bank in the same centre has never frightened any banker and, to compare small things with great, it is an extremely common event in the business world to find a large number of banks working in the same place without friction and in perfect harmony. Not to speak of different banks in the same centre, even the same bank has several branches in the same place and each of them works in harmony and without any difficulty.

Thirdly, even supposing that the fear about an unhealthy competition between the two comes true, the probable extent of this danger is very much exaggerated. So far as co-location is concerned, there can only be *one* district bank in the same centre where the provincial bank is situated and there is thus only one bank with which the provincial bank *may* engage in competition. Even this is very unlikely. But granting for a moment that this is the case, the size of the danger is very limited.

Fourthly, the argument seems to take it as if the two banks—viz., the district bank and the provincial bank—will be two water-tight compartments, absolutely ignorant and independent of each other. But this will hardly be the case because some of the directors will be common to both. These common directors will ensure a uniformity of action and policy. After all, the directors in both would be educated men with a real interest for the co-operative movement and I think we can trust them and have confidence in their commonsense. We are sure they will do nothing which can, by unfair and unhealthy competition, affect the prospects of the entire movement.

Lastly, in spite of all these, a few cases of unhealthy competition may occur but it would not be impossible to provide for such cases by conventions of business or rules relating to arbitration of disputes or settlement of difficulties by entrusting power to a Board of Arbitrators elected by both banks with the Registrar as the neutral chairman.

The next objection urged is that it would lead to unnecessary friction between the district and the central banks on the one hand and the provincial bank on the other. The provincial bank might interfere too much with the independence and self-government of the branch banks. To this objection I would urge the same reply as I have given above, and I would further point out by analogy that the existing central and district banks have been working for years now without any difficulty or loss of independence and self-government. In a system of decentralized administration there is room for all.

Next, it is urged that the very idea of a provincial bank violates the principle of co-operation, viz., self-help and self-reliance. It is difficult to understand the exact significance of this objection. How the provincial bank will violate the principles of co-operation it is difficult to guess. What is meant but not so openly expressed is that the provincial bank will be somewhat of a superior authority and that the branch banks will be subordinated to it. The position of subordination will destroy the level ground between the two and destroy with it the principles of mutual help and mutual reliance. I am afraid the supporters of this inarticulate objection have a strange myopia. The sense of subordination can only come if the provincial bank is regarded as a superior controlling authority. The inferiority complex of the one can only be the result of a superiority complex in the other. The one is as imaginary as the other is ridiculous. This unfortunate situation would hardly arise at all. On the other hand, the provincial bank will be really regarded as a co-partner, an ally and an aid in the common work. It ought to be regarded as one of them and not foreign to them so that instead of destroying mutual help and mutual reliance it will really afford a much bigger scope for all that. Further, those who urge it have never taken any objection to Government initiative, Government supervision and Government control of the movement from the very beginning of its life in India.

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Another objection—sometimes urged—is that as a supervising and controlling agency, the provincial bank can only relieve the Registrar and his department. But it is regarded as doubtful if it will be an equally good and efficient substitute and, even if it is so, it will involve increased cost. It is also urged that it may not command the same amount of public confidence as is enjoyed by a Government department. Further, it is suggested that the institution of a provincial bank would result in the relaxation of supervision on the part of district and central banks towards the smaller societies and it would thus hamper the cause of co-operation in the villages. These arguments contain a number of truths, half-truths and untruths. No attempt is made to show why the provincial bank will not be as efficient as the department or the Union in the work of control and supervision. It is not even stated why, the moment the apex bank is started, there would be relaxation of supervision. The apex bank, it is nowhere claimed, would render the central banks unnecessary. A district organization would still be needed for efficient control and supervision. The cost will no doubt, be increased. There is nothing in this world which is really good that does not cost money. Why the provincial bank will command less confidence, it is not clear. It may pertinently be sked if the present State aided and State controlled co-operative movement really commands as much public confidence as it ought to. Anyhow, to satisfy the apprehension of these people, it may be possible to provide against loss of confidence by nominating one or two Government nominees in the directorate—in addition to the Registrar. The need of supervision is all-important. The Registrar's department is already overworked and top-heavy, and the present supervision is hardly adequate. Under such circumstances, a provincial bank may really do very much better than the department or the Union.

These are some of the objections which are usually urged against a provincial bank, but they do not appear to me to be very vital. But there are some *other* objections which are more important and some of them may be indicated here. For instance, it is urged that central and district bank officials are generally honorary and hence their working expenses are low. Thus, they are better able to supply cheap money. A provincial bank would have a high-salaried staff and its working expenses would be high. It will thus be unable to offer money as cheaply as the branch banks. That the provincial bank cannot be run for nothing is true and, as I have stated above, all good things cost money. But it certainly does not follow that because the total working expenses are high, therefore the rates of interest would be high. This argument takes no account of the economies of large scale business which the apex bank will derive. The biggest businesses have the largest total working expenses but it does not follow that the prices on their commodities are higher than the market levels because the total working expenses, if divided by the volume of business, would yield the minimum cost per unit. The substantial economies of large scale business will certainly come to its aid to a very great extent.

Next, it is urged that a rush on a provincial bank will affect all the central banks in the province whereas a rush on a central bank will keep the others untouched. This is partly true, but it cannot be used as a valid argument. If this argument is conceded, it would retard for ever all higher developments of banking. On the same ground, the Imperial Bank of India ought to be forthwith dissolved because a rush on it will break every financial house in the country. On the same basis, if the Chartered Bank has hundred branches, each of them ought to become independent of the main bank, lest its weakness would affect the branches. Thus the argument leads to strange conclusions. Its supporters will be the very first to be frightened by the phantom they have raised.

I now come to the last and the most serious objection, viz., the glut of idle money. The provincial bank would no doubt have a glut of money in the slack season. Its surplus balance may at times become so large as to entail heavy loss and unless the provincial bank resorted to various un-co-operative methods of investment, the glut of money will be the real monster in the way. The difficulty is best explained in the Registrar's note of May, 1929. I make no apology for quoting it here. "A provincial bank to justify its existence must provide money at the cheapest rate possible at the time when money is required by the central societies and also afford the highest rates possible, for the surplus funds at the season when co-operative business is slack . . . A bank whose work is mostly confined to agriculture cannot easily do this . . . Unless our provincial bank can manage to work with only so much capital as it can utilise in its legitimate business during the slack season and count upon some outside

financial help on easy rate of interest when the demand is heavy, we can hardly hope to make it a success. We have neither jute nor paddy to balance each other as in Bengal nor even big cotton dealers as in the Central Provinces, to relieve us of our surplus funds even if such an investment were to be considered a safe one for co-operative banks which appears to me open to question."

This question raises a problem of some real difficulty. The number of our industrial societies is still very small and thus the idle money will find no profitable employment throughout the greater part of the year unless different types of societies needed loans at different times of the year.

Under the circumstances, two alternatives are possible, viz. :—

(1) either the provincial bank must work with capital adequate for the busy season and count upon being able to invest its glut of idle money in the slack season, or

(2) it must work with limited capital adequate for the slack season and count upon being able to find some arrangement for cash credit or temporary loans by which it can increase its resources in the busy season.

These are the only two ways in which we can have the provincial bank. It is, I think, possible to have both.

Taking no. (1) first, viz., the possible methods of investing the glut of idle money in slack seasons I can honestly say that this is a spectre that does not haunt me at all. I can go further and say that this spectre has not haunted any other provincial bank in any part of India. If it has really done so, no provincial bank could have been started anywhere.

I do not deny that the problem is difficult but what I insist on is that it is not insuperable. The difficulties are very much exaggerated. Let us face facts and insist on the realities of the situation. We can then find that the greater part of the difficulty is more imaginary than real. The remedy for the situation is not very difficult to find. The real remedy lies in finding some outside agency which will take the idle money from its hands in the slack season. The business of the provincial bank need not be comprised within the intra-marginal fields of co-operation. It may, in some cases, extend beyond such limits.

I can indicate the following remedies for the glut of idle money, viz. :—

(1) The glut is already there. A provincial bank will not *create* it. It will not be a *new* thing. By not starting the provincial bank we do not lay the monster. The grim spectre is always there. At present it is widely distributed amongst various central and district banks. With a provincial bank, the glut will appear only at the headquarters. The number of different places where the glut appears will be reduced to one : only its size will be greater.

(2) There are many banks at present which do not get all the capital they need. The glut will meet the requirements of such deficit banks. Their number is not inconsiderable.

(3) We can establish a link with the outside commercial world through joint-stock banks and the Imperial Bank. They can relieve us of our glut at once. They refuse to deal with each individual central bank but a provincial bank standing at the head of them all will be in a much better and stronger position to negotiate such concessions. We can lend to such banks and relieve ourselves of our glut. The Bengal Provincial Bank lent large sums to the Central, the Chartered, the Lloyds, the Hongkong, the P. and O. and other banks at varying rates for short periods from one day to three days and longer periods. Such rates vary. It lent recently Rs. 1,20,000 to the Hongkong Bank at 3¾ per cent, on one day's notice. We can borrow from such banks in busy seasons if we are working with short capital. It would be quite easy to carry it out.

(4) Through such a link we can easily step inside the walls of the Calcutta and Bombay money markets which can absorb any resonable amount of capital. The inter-provincial movement of crops, the harvesting of our different crops at different times all over India, the number and variety of our principal food and other commercial crops—all these can be so utilised in an inter-provincial movement of funds that when one bank finds itself forced with a glut another in a sister province may find itself in need of money. By a link with the Calcutta and Bombay money markets it will be possible to take advantage of the seasonal demands for funds in India. With such a resource at our back, we need have no fear of gluts. But this is a resource which only a provincial bank can command. It would certainly be beyond the reach of central and district banks.

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(5) We can easily lend our idle balances to the other provincial co-operative banks when they are in need of money. The seasonal demands for money vary in different parts of India so much so that the plethora of co-operative capital in one province can very easily be lent to meet the demands of financing the movement of different crops in different provinces of India. The Maclagan Committee had such inter-provincial co-operation clearly in view as the ideal type of co-operation. They pointed out that the "maximum benefit to co-operators and traders will result when inter-provincial business has been so developed that the plethora in one province can be lent to joint-stock banks in another . . . to finance the movement of some crop." Business must extend from being intra-provincial to inter-provincial. The Oakden Committee also agreed that a provincial bank can easily make such arrangements. But unfortunately, the Government in its resolution on the report of the Oakden Committee regards this "to be a very questionable assumption". Why the Government regards it as such, unfortunately, we do not know. But one would like to point out, *as a matter of fact*, that the Bengal Provincial bank had actually lent large sums to other provincial banks, e.g. Bihar, Burma and Bombay. The Bombay Provincial Bank had actually received large amounts of idle money from four or five provinces and Native States, and had, on the other hand, passed on its own glut for investment with other provincial banks. In the face of all this, I confess, I find it difficult to appreciate the reasons on which the Government regarded the proposal of inter-provincial lending as "a very questionable assumption". It would be about the best way to guide and control the regional movement of funds. The Provincial Co-operative Banks' Conference held at Bombay suggested certain steps in order to make this inter-lending more effective. For instance, it resolved that the question of seasonal surpluses and deficiencies in provincial banks could best be solved by a regular exchange of information regarding mutual needs and surpluses and by following the general banking system of receiving short-term deposits in busy seasons at higher rates and of reducing rates in slack seasons. It also suggested that some inter-relation between provincial banks in British India and provincial or central banks in Indian States would be desirable. In all these ways it would be quite possible to find outlets for our glut of idle money so that this difficulty need not seriously trouble us.

(6) Further, I need hardly point out, that the danger of unemployed idle money is very much exaggerated. The glut appears only for three months in the year from end of June to about end of September. There it usually a glut of money in this season in the money-markets of the country. The Oakden Committee found that the total idle balance in 3 years—from 1923 to 1925—came to 36 lakhs of rupees. In other words, the average idle balance in the year would amount to 12 lakhs of rupees only and that, please note, only for three months in the year. Stated in this plain way, the danger does not look half as big as it is sometimes made out to be. It is more apparent than real. It seems to me that we are merely raising phantoms in the clouds and then we feel afraid of fighting them. It is hardly possible to maintain it as a serious proposition that we cannot find an investment for 12 lakhs of rupees for three months in the year.

(7) Further, as they do in the Punjab, we can charge a slightly higher rate for the busy nine months of the year so as to compensate us—partly, at least, for the risk of some loss in the three idle months.

(8) We can also lend to outside industrial concerns—either directly or through and with the advice of the department of Industries. There are plenty of such small industries at Cawnpore, Benares, Lucknow, Allahabad, Agra and other smaller towns in the province. In the C. P. they also lend to the local cotton mills. With a wide variety of our industries in the province, the problem need not be difficult.

(9) We can develop the industrial side of co-operation and can start industrial co-operative societies on a more vigorous scale and develop our cottage industries. We can lend to them through the United Provinces Board of Loan Commissioners. It will be a new outlet for the employment of our idle money.

(10) We are sure to have, sooner or later, land mortgage banks in the province. The provincial bank may lend to them a part of their funds which it can afford to invest on long-term loans and can even finance their debentures. That will help it in its glut and will also help the land mortgage banks in the marketing of their debentures. Thus it will be mutually advantageous.

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(11) Lastly, if all the alternatives mentioned above fail—I know they cannot and will not fail—we can always invest in Government paper. There is no limit to the amount that we can invest in that way. It will give an income, save the idle money and give stability. Bengal had invested 33 lakhs in Government paper. Other provincial co-operative banks have done the same. I see no reason why we cannot do the same thing in our bank also. The return may be low, but it would certainly be much better than keeping money idle.

Thus, in all these different ways, I think we can solve the problem of a glut. The danger is very much exaggerated and it is more apparent than real.

If, however, we can't get rid of this nightmare at all, I then suggest that we should start with a limited capital that will be sufficient for our slack season and arrange to have cash credit and loans from joint-stock banks in the busy season. The Imperial Bank had granted such concessions in Bombay and Madras. The other joint-stock banks will, I am sure, also grant us that concession. They can refuse such concessions to isolated central or even district banks, but with a provincial bank at the head, the case is quite different. It need not be very difficult to arrange—specially after the Banking Committee has reported— with the joint-stock banks to give the provincial bank the necessary cash credit in busy seasons and to absorb the idle money in the slack seasons. The Imperial Bank has repeatedly said that they would consider this question favourably if a provincial bank was established. The Imperial Bank, so far, has not dealt fairly with the co-operative movement. Armed with so many exceptional privileges it ought to be compelled to deal fairly and generously with us and it is for the Provincial Banking Committee to suggest ways and means for it.

I have stated above the various considerations affecting the question. The question is not free from difficulties, but it certainly deserves the most careful consideration of the United Provinces Banking Committee so that we may have our provincial bank at an early date. It is useless to frame any definite scheme immediately. The principle, first of all, must be accepted. After we have done it, it would be time to frame a scheme and draft the bye-laws or the draft bye-laws published in 1917 with the Government resolution may be taken as the basis of discussion. There are various other matters, which I have not touched, which will require very careful consideration. For instance, the question of a Government guarantee on the debentures to be issued by the provincial bank will require very careful consideration. This question gave rise to a lot of controversy in other provinces. The methods by which the co-operative societies can get better access to the money markets will also have to be considered. The best way and the best time to float the bank is another matter. These and various other questions can best be settled later on after it is decided to start a provincial bank. I would prefer a small committee appointed by the Government to settle these questions *firstly*, because Government can easily get the services of experts; *secondly*, because a Government committee will have greater powers and opportunities of an exhaustive inquiry and *thirdly*, as the question of a Government guarantee to the debentures has to be decided, it would be an advantage and it would only be fair to have the whole question tested by a Government committee. With reasonable good luck and fair speed we can hope to start our bank at an early date.

The danger of glut is not the real difficulty. There is really no monster barring our way. It is only our imagination that appals us. The real difficulty is that we have not made up our minds yet.

The co-operative movement needs men with large hearts and larger faith. It needs—not the sceptic but—the evangelist. We must get on or get out. By expecting difficulties we only create them. Let us not lower our ideals for the sake of imaginary difficulties.

Caution and prudence are very good things and far be it from my purpose to underestimate them. But it is quite possible to have it overdone and, it seems to me, that in the United Provinces we are sick and suffering from an excess of caution. It is good to be cautious; it is better to be very cautious—but it is best not to be too cautious.

In the name of the co-operative movement which I regard as one of the greatest of modern humanitarian movements in India, I would ask the members of the United Provinces Banking Committee to insist upon a provincial bank. All other provinces have gone ahead; let us wake up. It is vital for us to get it. We must—and therefore, we can.

Mr. B B. Mukerjee.

The VICE-PRINCIPAL, Christian College, Lucknow.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—IN the Meerut district, the agriculturists borrow from the village *mahajan* to the extent of 90 per cent. and the remaining 10 per cent. from the butcher or *arhatias*, while in Sitapur they borrow as much as 95 per cent. from the village money-lenders, 4 per cent. from the co-operative societies and 1 per cent. from Government.

The purposes for which loans are taken and the proportion in which they are distributed in Sitapur are as follows :—

		Per cent.
1.	Seed	30
2.	Subsistence	25
3.	Repayment of earlier debts	20
4.	Marriage and other social functions	15
5.	Manure	15
6.	Payment of accumulated interest	10
7.	Purchase of plough or other cattle	5
8.	Expenses of cultivation	2

In Meerut they borrow for all the above purposes, except manure and expenses of cultivation, and in addition for payment of land revenue and in times of famine, which, along with marriage and other social functions, are responsible for 90 per cent. the debt.

Of the total debt, 60 per cent. is in cash and 40 per cent. in grain in Sitapur, while for Meerut the figures are 80 per cent. and 20 per cent., respectively. Again, the debt for short periods is five per cent. in Sitapur and 18 to 36 per cent. in Meerut.

Question 2.—The rates of interest for advances in cash are 12, 14 and 75 per cent., and for loans in kind 25 and 50 per cent.

The methods of calculating interest are simple, compound, *kist*, *ughai* (instalment), *timahi* (quarterly) and *shashmahi* (six-monthly). The interest is exorbitant.

The incidental charges paid are stamps, *nazrana*, *chhoot* (loot), labour and *dastak*.

Question 3.—All kinds of security are given and accepted in the case of borrowing for agricultural purposes, *e.g.*, ornaments, house property, land mortgage, standing crops and agricultural implements, and also personal security.

It is true that the better the title to land the greater the amount of indebtedness. Eighty per cent. of the *zamindars* and 95 per cent. of the agriculturists are indebted in Sitapur.

Question 4.—The usual methods for securing the repayment of debt are use of physical force or coercion and litigation.

An agriculturist borrows when grain is dear and repays at the harvest time when grain is cheap, thus suffering a loss in the change of rates. If the cultivators are educated and posters are published, they would know the prevailing rates in the market from time to time.

Question 5.—The cultivator does not take full advantage, of government loans, because of abuse, such loans being given to a favoured few and something being charged by the middlemen. These loans are always taken in abnormal years.

The loans should be given through *panchayats* or co-operative societies, which will avoid much corruption.

VICE-PRINCIPAL, CHRISTIAN COLLEGE, LUCKNOW.

Part H.—Small urban industries.

Question 1.—The finance of cottage industries is provided by moneylenders, co-operative societies, traders and proprietors of small shops.

The raw material is borrowed in terms of cash from the merchants, while the implements are either hereditary or supplied by the proprietors of small workshops.

The wares are sold by the artisans either by going to the nearest *bazars*, or to the merchants who lend the raw materials.

Question 2.—*Karkhanas* are to be found in the following industries, *viz.*, metal work, tailoring, shoe-making and *chikan* work (Lucknow).

The *karkhanadars* sell their articles to shopkeepers who sell to the general public. In some cases the *karkhanadars* deal directly with the consumers.

Question 3.—There is sweating of male labour, which co-operation can remove.

Question 5.—An industrial bank on co-operative basis should be an improvement in the present system of financing small industries. The bank should lend to artisan societies and to small workshops on good security.

Part J.—Internal remittance and negotiable instruments.

Question 1.—The existing facilities for internal remittance constitute postal and telegraphic money-orders, postal insurance, *hundis*, cheques, bank drafts, etc.,

The more economic instruments are not yet popular in small industries, and *hundis* are used only in the agricultural area by the *mahajans*. The chief remedy is literacy. Postal orders may be introduced with advantage.

Question 2.—The negotiable instruments are used mainly in whole-sale trade.

Question 3.—Supply bills facilitate internal remittance to a small extent only in presidency towns and important trade centres, *e.g.*, Calcutta, Bombay, Karachi, Madras.

Question 4.—The reduction of duty may help the extension of the use of bills of exchange.

Question 5.—It will be very helpful to have an extension, cheapening and improvement of post office agency for handling internal remittances.

Question 6.—The *sahjog hundis* are mainly current, *darshani* being rare. They are generally held by the merchants and do not pass freely from hand to hand. But they are sent to be discounted or rediscounted outside the district of origin as well.

Question 7.—In cities borrowing is done on the security of railway receipts accompanied by *bijaks* or invoices on the execution of lien notes. A system of municipal warehouses should be instituted, and on the security of delivery order, accompanied by the railway receipt, the borrowing of money during the process of marketing would be easier.

II.—INDIGENOUS BANKING.

A.—Organisation of indigenous banking.

Question 1.—The various classes of indigenous bankers are firms, shroffs, *mahajans*, *Rahathis*, *Kistias*

The *Rahathis* lend on the *ughai* system; the shroffs lend on the security of ornaments generally and in some cases, also receive deposits. Private bankers chiefly transact *hundi* business, receive deposits and lend by rediscounting with banks. The indigenous bankers do combine other business with their own. The principal business in some cases is shop-keeping, dealing in grain, cloth, gold and silver. Subsidiary business is indigenous banking, but among the *Rahathis* the principal business is moneylending.

Question 2.—The bankers lend money on pro-notes and personal security, and also on the security of property such as land and cattle. They help the trade by means of *hundis* and promissory notes.

Question 5.—The indigenous bankers generally keep their accounts on the *bahi-khata* system, but some private firms, working as agents of joint-stock banks, adopt the system of accounting.

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B.—Raising of funds by indigenous bankers.

Question 2.—The indigenous bankers provide themselves with funds by means of re-discounting *hundis* of joint-stock banks and in some cases receiving deposits. They also lend among themselves. The main defect in the present system is lack of co-operation between indigenous bankers and joint-stock or the Imperial bank. Another defect is the rarity of deposits.

Question 3.—Deposits are generally received for safe custody and in some cases, for instance by firms, on interest ranging from annas 8 to annas 12 per month per cent.

C.—Advances by indigenous bankers.

Question 2.—The organisation of banking can be improved if the indigenous bankers were to borrow as a general rule and not in exceptional cases as is now from the joint-stock banks by re-discounting *hundis*. This would tend to reduce the rates of interest for they would be regulated by the rates charged by the joint-stock banks which would be controlled by the Central Bank when it comes into existence.

The reduction in the rates is likely to benefit the agricultural community only when, as a result of inter-connection with the money markets, they cease to have money-lending, and there is competition among the moneylenders, who can borrow from the money market. Until this happens, reduction in the rates of interest may be intercepted by the village moneylenders.

VICE-PRINCIPAL, CHRISTIAN COLLEGE, LUCKNOW.

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Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturist borrows from village moneylenders, co-operative societies, Government (*taqavi*), and *zamindars*.

The purposes for which he borrows and the proportion of the debt distributed among such purposes are given below :—

Marriage and other social functions	50 per cent.
Famine and other kinds of distress	5 ,,
Payment of land revenue or rent	15 ,,
Seed (borrowed in kind) and cattle	8 ,,
Expenses of cultivation	2 ,,
Litigation and subsistence	5 ,,
Sinking of wells	1 ,,
Payment of earlier	5 ,,
Other purposes	9 ,,

The distribution of debt among lending agencies is as follows :—

Village money lenders	90 ,,
Co-operative banks	8 ,,
Government and zamindars	2 ,,

Eighty per cent. of the total debt in incurred in cash and 20 per cent. in grain.

Of the total debt 70 per cent. is incurred for long periods and 30 per cent. for short periods.

Question 2.—The rates of interest are 25 per cent. per annum for all loans whether incurred in cash or in kind.

The rates of interest are in my opinion exorbitant.

Incidental charges are *dharmada* (religious and charitable purposes), opening of the purse, etc.

Question 3.—Standing crops, oxen, house property, ornaments, and land mortgage are the various kinds of security given and accepted in borrowing for agricultural purposes.

It is correct to say that the better the title to land the greater the amount of indebtedness.

The comparative extent of indebtedness is—

Bigger landlords	75 per cent.
Pattidar	25 ,,
Occupancy tenants	90 ,,
Ordinary tenants	10 ,,

The amount of debt secured on land mortgage is increasing. Land mortgage 70 per cent., unsecured or otherwise secured 30 per cent.

Question 4.—The usual methods of enforcing payment of debt from agriculturists are distress of standing crops, attachment of property and arrest.

There is a difference of about 3 per cent. between the rate at which the cultivator borrows grain or repays it and that prevailing in the market.

There is no proper means to ascertain the prevailing rate. Information is sometimes had from reports of persons who sometimes go to the market for some purpose.

Question 5.—The cultivator does not take full advantage of the facilities provided by the Agriculturists Loans Act and the Land Improvement Act.

The reasons are ignorance and illiteracy, want of resourcefulness, and nervousness due to the unsympathetic attitude of subordinate tahsil officials and menial servants.

In abnormal years the cultivator borrows *taqavi* to the extent of 80 per cent. against 20 per cent. in normal years.

The present *taqavi* system is much officialized. Most of the cultivators do not like to apply for *taqavi* on their own initiative unless pressed by the *zamindar* or moneylender.

In each tahsil there should be a board of *zamindars* or *panchayat* to find out the needs of the cultivators, produce *taqavi* loans for cultivators and supervise the distribution of the *taqavi*. The tahsil officials should be the last persons to decide the granting of *taqavi* loans. The board should be made to see that the *taqavi* loan is utilised for the purpose for which it is granted; and that no *zamindar*, moneylender, or other agent deprives the agriculturist of the advantage of the loan.

Question 6.—Cultivators do not combine together to produce particular crops. In the existing condition of illiteracy any combination is unpracticable though it is highly desirable.

Question 7.—The present system of agricultural borrowing is defective for the following reasons :—

(*a*) Exorbitant rates of interest.

(*b*) Dishonest dealings of moneylenders.

(*c*) Large amounts are borrowed for social functions, and very little for agricultural improvements.

I suggest the following remedies :—

(i) The co-operative system should be popularized.

(ii) Exorbitant rates of interest should be penalized.

(iii) An agriculture board or *panchayat* should be established to see that dishonest transactions are reported to the competent authorities.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—The crops are brought to the market either by the agriculturists themselves or by their moneylenders or by merchants who purchase them in the village.

Question 2.—The money to finance the marketing of crops is obtained chiefly from the village moneylender, but in some cases grain merchants also advance money. The moneylender charges 25 per cent. interest on the money lent.

There are co-operative societies in our district but they do not assist in marketing the crops while, as a matter of fact, they should.

Question 3.—In the case of marketing his crop the cultivator pays—

(i) 25 per cent. as interest to the moneylender;

(ii) about ½ per cent. to the commission agent; and

(iii) about ¼ per cent. to the broker.

These charges vary with different crops.

As an incidental charge he pays 1/16 per cent. in *dharmada*.

Question 4.—The cultivator, after paying his dues to the moneylender and *zamindars*, stores his grain in his *kachcha kothas*. He should keep the grain in *pakka*, strong, well-ventilated and insect-proof rooms.

In markets grain is stored in *pakka kothas* and *godowns*. They are not well ventilated and hence much of the grain is spoiled by insects, etc.

Question 5.—About 75 per cent. of the grain is stored in the market to be used as security for obtaining credit from grain merchants and banks.

Question 6.—I think that a system of licensed warehouses could be worked in India. There would be need of Government assistance in the matter.

Question 7.—Cultivators do not combine together to market particular crops. Such combination is desirable, for poor cultivators can get help and facilities through the richer ones.

Question 8. The system of weighment in the markets is satisfactory.

Question 9.—Exporting firms enter into speculation in bigger markets and thus combining together try to control the prices of the market. This happens specially in the case of cotton, etc.

MR. R. C. BHARGAVA.

As a consequence the cultivator gets a lesser amount for his crops.

A company of local merchants should be formed which should obtain information regarding rates, etc., of bigger markets such as Bombay, etc., and should purchase the crops at this rate *plus* the usual expenses from this market to Bombay, and some nominal charges, and should not allow the speculating firms to purchase on lower prices than the prices at Bombay, etc., taking into consideration all the expenses.

Part D.—Credit facilities in respect of agricultural production and marketing.

Question 1.—The parts played by the different banking agencies in providing agricultural credit in respect of crop production are given below in order of their importance :—

(1) Village moneylenders.
(2) Grain dealers.
(3) Indigenous bankers.
(4) Co-operative societies.
(5) Government.

The existing credit facilities are not adequate. Government must come forward with more substantial help *minus* the vigour and the red-tapism noticeable in the present system of advancing credit.

More co-operative societies are highly desirable with the ultimate aim of establishing a central agricultural bank.

The defects in the existing system of agricultural credit are : usurious rate of interest is charged; lack of promptness in meeting the financial requirements of the agriculturists.

The tahsil staff should now and then inform the higher authorities of the condition of crops with a view to make known the requirements of the agriculturists.

Question 2.—Moneylenders and grain merchants play a prominent part in relation to the marketing of crops by financing the cultivator or by helping him to bring the crops to the market. The grain dealers then make purchases of the same; after, that, banks come in and help in financing the grain dealers in sending the crops from the distributing centres to the exporting ports.

The cultivator is never fully acquainted with the true condition of the market and his field produce does not fetch him its proper price. The cultivator should be in close touch with the banks, or rather banks should extend their helping hand in financing them.

Illiteracy of the cultivators is the cause of defects in the existing system of agricultural credit. Had they been aware of the facilities available they would have taken the utmost advantage of them.

Part E.—Land mortgage banks.

Question 5.—The establishment of land mortgage banks would solve the problem of long-term advances in this province.

Question 6.—There should be two land mortgage banks, one for farmers and small land-owners and the other for big land-holders (*zamindars* and *taluqdars*).

The big land-holders' banks should supervise and control the smaller banks.

They should have share capital of their own, together with the Government guarantee for interest. The capital should be sufficient to meet the needs of the land-holders and tenants and in proportion to the value of land in the locality.

The share capital should be available for subscription to the public and Government.

In case the share capital is not taken up by the public, Government should undertake the obligation of subscribing the balance.

The bank should be a corporate body, managed by a Board of Directors composed of educated share-holders. Each share-holder should have the right to vote at general meetings; other management should vest with the Board of Directors composed of five members, two of whom should be Government nominees. They should be entitled to a certain allowance or salary.

The maximum period of loans should be 30 years, and the amount of loans should not exceed 70 per cent. of the value of mortgage.

Land mortgage banks should obtain working capital from deposits, debentures and a central institution. All of these should supply the necessary capital.

Debentures should carry a Government guarantee for interest.

If debentures are not taken up by the public within a certain time, Government should take up the balance.

Debentures should rank as trustee securities.

To safeguard itself against loss, Government should accept mortgaged debentures.

The following changes of the existing law in favour of land mortgage banks are suggested :—

(i) Free issue of certificates of encumbrances by the registration office.

(ii) Abolition or reduction of stamp duty, registration charges and court-fees.

(iii) Notification of proposed mortgages.

(iv) Simplification of the process of foreclosure and sale in the event of non-payment.

The Provincial land mortgage banks should be co-ordinated under an all-India central institution. The constitution should be on the lines of the Imperial Bank of India. It should be a bankers' bank.

Question 7.—The only method that suggests itself to us as suitable for calculating the value of land is to take into consideration the fertility of the soil, the rent paid by cultivators, the prospects of improvements, transport facilities and nearness to a food market.

In my district the value of land per acre does not differ according to the crops grown on it.

Irrigation facilities and fertility caused by a good supply of manure at hand increase the value of land; whereas poorness of soil, deterioration of land owing to '*reh*' overgrowth of '*kans*' and other injurious weeds, and over-watering of the fields, affect the value of land adversely.

Private transactions are more favourable to the price obtained for land than sale by Government auction and sale on a court decree; but much depends upon the competition amongst buyers and the needs of the parties to the sale.

The proportion of the annual net yield of average quality land to its market value under normal conditions is 20 per cent.

Part G.—Small industries allied to agriculture.

Question 1.—There are some small subsidiary industries in our district such as *gur*-making, growth of tobacco, vegetable and fruit growing and cotton-ginning.

Question 2.—*Gur*-making is a flourishing industry, cotton-ginning factories are very small in number, while fruit, tobacco, and vegetable growing is done in all villages, but to a very limited extent of a few acres.

If the producers use power machines they can get better and greater amount of sugarcane juice for *gur*.

Question 3.—The agriculturist can be usefully employed in a number of industries which require a very small capital and which can be financed on the co-operative system, such as—

(*a*) Rope-making.
(*b*) Basket-making.
(*c*) Toy-making.
(*d*) Carpentry.
(*e*) Spinning and weaving.
(*f*) Poultry farming.
(*f*) Silkworm rearing.
(*h*) Cane work.
(*i*) *Kankar* mining.
(*j*) Gardening, etc.

Part H.—Small urban industries.

Question 1.—Cottage or art industries are financed chiefly by large dealers.

Artisans get raw materials from the large dealers, while they have their own implements.

The large dealers purchase their wares, though an infinitesimal proportion is disposed of by the artisans themselves.

Large dealers are the mainstay of the cottage industries inasmuch as they finance, purchase and distribute the products with the help of the middleman, who enables the large dealers to have transactions amongst themselves and the producers.

Question 2.—There is no such industry in our district in which master artisans work in *karkhanas*.

The middleman is the connecting link between *karkhanadars* and consumers inasmuch as he enables them to have transactions.

The workers work in consideration of the wages they get, and apprentices work with a view to learn the industry on sufferance of the workers.

Question 5.—A co-operative bank would be a suitable method of improving the present system of financing small industries.

Such a bank should issue loans preferably to the artisan societies and artisan share-holders of the bank and also the individual artisans or firms which have good credit and where the money is safe.

Question 6.—Sales associations, dépôts, or emporia should be organised, financed and managed by the artisans' co-operative societies or by a board of artisans selected from artisan societies, individual artisans or firms.

Part J.—Internal remittance and negotiable instruments.

Question 1.—For remittance of cash the following facilities exist :—

Currency notes, insured packets, postal orders, money-orders, telegraphic money orders, bills of exchange, *hundis*, promissory notes and cheques.

There are no defects in the present system.

Question 2.—Trade is very much facilitated by the use of negotiable instruments; the use of cheques is gaining ground. Bills of exchange are taking the place of *hundis*; much waste of money is avoided and time is saved; public is familiarised with the advantages of this instrument.

Question 3.—Supply bills facilitate to a great extent internal remittance.

Question 4.—Spread of commercial education is needed to extend the use of bills of exchange.

Question 5.—I would approve of the extension, cheapening and improvement of post office agency for handling internal remittances.

Question 6.—There are two kinds of *hundis*, *darshani* and *mite*. The latter is generally sixty-one days after sight.

They should be protected by some law such as the Negotiable Instruments Act.

The local *hundis* are held by merchants while others pass freely.

They are discounted locally and are also sent to Delhi, Bombay and Calcutta.

Question 7.—Rs. 75 per cent. money is advanced on the security of instruments of ownership, *e.g.*, railway receipts, invoices, etc.

No difficulty is experienced in using such instruments in this manner.

Dr. Sir TEJ BAHADUR SAPRU, K.C.S.I., LL.D., Advocate, High Court, Allahabad.

Memorandum.

AT the outset I may frankly say that I do not profess to possess any special knowledge of banks and banking in India and I am most reluctant to express any opinion on the financial aspects of banking, as these matters lie outside the scope of my ordinary work and I do not claim to have made by any special study of the economic issues connected with or arising out of banking operations in India. I have, however, formed some general opinions in the course of my 34 years' practice at the Bar during which I have had to advise several banks in these provinces and elsewhere, or to conduct their cases in courts of law, or to take up the cases of private individuals against banks. The cases that have been submitted to me for private advice or conduct in courts of law have given me plenty of food for reflection, and while it is possible that my views may be coloured by the legal aspects of the case I have come to hold the opinion that there is great need in this country for some sound legislation as to banks and their constitution.

I.

I have been amazed in some cases that no regard is paid to the composition of the Directorates. Anyone who is supposed to possess some sort of local influence is considered to be good enough to be appointed a Director, whether he knows anything or not of the working of banks, or whether he is possessed of the necessary judgement on financial questions. In not a few cases I have come across the names of local lawyers or local *zamindars*—who may probably be very good men in their own way—but who cannot claim to possess any special qualifications for the onerous duties connected with the office of a Director. Some of these banks have come to grief, and the investors have suffered seriously. I had a case in my hands some three years ago in which a branch of a bank in another province was started in a small hill station. The Manager or the local Managing Director was a man of no particular repute. The bank went into liquidation and, if my recollection is right, all that was discovered in the till was a sum of Re. 1-5-0. I thought the conduct of the people was inexcusable.

Some years ago I was asked to appear for a bank in a mortgage suit. The bank advanced a sum of Rs. 50,000 to the guardian of a lunatic who had been so adjudged by a court of law, and this loan was advanced on the security of the lunatic's estate without the sanction of the judge. Among the Directors were some lawyers, but no one seemed to have taken the care to obtain the judge's sanction. I doubt if some of the Directors knew that it was necessary to do so. The suit had to be compromised under my advice. I was not surprised when a few years later the bank went into liquidation.

Only a few months ago I had to conduct in the High Court the case of a bank. The sum involved was a lakh of rupees, and I have no doubt the case of the bank was perfectly honest but the irregularities in the transaction were so glaring that it was with no little difficulty that the bank, which had lost the case in the first court, succeeded in the High Court.

Even more recently I had to deal with the case of another bank and that had to be compromised because a fight in open court would have, in my opinion, resulted in a heavier liability being imposed on the bank.

Now, I may point out that these two recent cases were not of banks of mushroom growth but of banks of very high standing. Obviously I cannot be expected to disclose the names of the banks as these matters came to my notice in the course of my professional work. The conclusions I have arrived at are that there is need for legislation providing for—

(1) the minimum qualification of Directors. The possession of a certain number of shares alone should not be the only qualification required. Some previous training in a bank, or some special knowledge of the economic questions should be insisted upon;

(2) the minimum qualification for the appointment of managers or assistant managers or agents or local agents;

(3) for the compulsory appointment of legal advisers who know something of the banking commercial law and have made a study of conveyancing.

A good deal of the litigation in this country is due to the fact that people enter into transactions without obtaining previously legal advice or without getting their documents drawn up by trained conveyancers. I remember the case of a bank which could easily have saved a fee of several thousand rupees paid to me during the conduct of the litigation, if before, entering into the transaction it had paid a small fee of Rs. 100 to any decent lawyer and obtained his advice. The practice of retaining a family solicitor or a private solicitor, so common in England and also in the Presidency towns, is wholly unknown in these provinces, and the result is legal chaos.

II.

While I have said this much against the banks (and what I have said against the banks is even more applicable to the case of private bankers or moneylenders), I am bound to say that the state of our personal laws is such that a bank runs no ordinary risk in dealing with a Hindu or a Muhammadan borrower. I believe that in not a few cases the rate of interest goes up because of these risks. The constitution of the joint Hindu family is the root of the trouble. A Hindu father borrows money from a bank representing that there is necessity for the loan. The bank then sues him for the recovery of the debt and gets a decree. Then the debtor's son, or grandson, or brother brings a fresh suit to save the property and alleges that there was no necessity, and that his father, or grandfather, or brother was a drunkard, or an immoral person. Very often a suit of this character is inspired by the debtor himself. Now this litigation may last 5 or 6, even 10 years. Either the son or the grandson will succeed, or the bank. In either case the bank loses heavily. Similarly a Muhammadan debtor can easily defeat his creditor by transferring his property to his wife in lieu of dower which is not always a matter of record. The number of cases in which such dishonest methods are deliberately followed will be found to be alarmingly large if statistics for a few years are collected. Speaking as a layman, I think this state of things must seriously affect our credit and make the position of our banks peculiarly difficult. The remedy for this lies in legislation which, no doubt, will be opposed by some people on the ground of religion being in danger. There is in truth no religion in it. In point of fact joint families are breaking up and the old legal presumption that every Hindu family must be assumed to be joint until the contrary is proved is one of those superstitions of law which we have inherited from an earlier generation of the expounders of our law in British times. This ideal joint family, it is my conviction, exists more in the pages of Manu and the Law Reports than in fact. I suggest that it should not be beyond the pale of legislation to cope with the present state of things.

III.

It also seems to me that to improve our credit and to increase banking facilities, it is very necessary that our system of registration law should be modernised and stiffened. In actual fact there is not much sanctity attaching to registration in India. You may say in your registered bond that you have borrowed Rs. 50,000, and when the creditor sues you, you may prove that you borrowed only Rs. 5,000, and not Rs. 50,000. The law allows you to play this trick with the creditor. Again, a property may stand in *A's* name and *B* may claim that it was really his. This we owe to the doctrine of *Benami*. There is very little in the way of registration of titles, and, so far as *zamindars* are concerned, the revenue records are supposed to do duty for registration, but the revenue records can be, and are not infrequently, challenged successfully in courts of law. The effect of all these legal defects on the dealings between the borrower and the lender can only be disastrous to society and to our credit.

IV.

I have read the note on land mortgage banks attached to the questionnaire. Without expressing any opinion on the relative merits of one system or the other, I think, such banks are needed in these provinces. I have a great deal to do with the *zamindars* and the *taluqdars*. The instances of the indebtedness of a good many of them which have come to my knowledge are appalling. They are finding it increasingly

difficult to raise loans. The ordinary banks do not naturally like to get their money locked up for years, and then to face a heavy litigation. The *taluqdar* or the *zamindar* who wants to borrow, borrows not infrequently from private moneylenders and I doubt whether he always gets the whole of the money for which he gives the bond. He has got to pay the penalty for his bad reputation as a debtor and for the risk involved in dealing with him. More or less the same is true of the petty agriculturists.

I notice that it is stated in the note on land mortgage banks that "the experience of land mortgage banks is satisfactory and that they are rarely called upon to foreclose or take the properties under their own management." I am afraid that the experience of such banks in these provinces will not be so satisfactory and they will have frequently to foreclose or take the properties under their own management. Personally I think ample powers should be given to the banks to take over the properties of their debtors under their own management. This will, at any rate, save in some cases some portion of the property of the debtor. I have always regretted that our courts of law are unlike the English courts generally reluctant to grant what is technically called equitable execution of their decrees, with the result that the ordinary system of executant is a long dreary game which is more successfully played by the debtor than the creditor. Again I blame the law which has to be rescued from its chaotic condition.

Lala JAI GOPAL Sahib, Vakil and Honorary Magistrate, Budaun.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturist generally borrows from village moneylenders. The co-operative bank has ceased to exist in the district.

He generally borrows for all the purposes mentioned in the questionnaire, except for sinking of wells, buildings of banks and other agricultural improvements.

It is very difficult to ascertain the proportion in which the debt is distributed among the above purposes, but I think that loans are seldom advanced for marriage and other social functions.

The majority of the loans is incurred in cash, the rest in grain.

The debt is very seldom incurred for a short period.

Question 2.—When the debts are simple, *i.e.*, are not mortgage debts, the rates of interest vary between 2 per cent. and 3¼ per cent. per mensem, but if they are advanced on security of landed property the rate of interest is generally between 12 annas per cent. and Re. 1 per cent. per mensem if the amount of debt is above Rs. 1,000, otherwise the rate may rise to Rs. 2 per cent.

The rates of interest for loans in kind for seed are generally 25 per cent. per annum and for other loans in kind the rate of interest perhaps may be the same.

In the case of mortgage debts the rates of interest are compoundable with half-yearly or yearly rests, and in other cases simple interest is charged.

Looking to the poverty of the districts the rates are not exorbitant except in a few exceptional cases. But now the rates are reduced by the courts.

There may be other charges, but these are very few or rare.

Question 3.—Loans are advanced for agricultural purposes on the security of land mortgage, standing crops, house property in the towns and ornaments.

In my experience the allegation that the better the title to land the greater the amount of indebtedness is not generally correct. The poor cultivators are generally the greatest borrowers. It is very difficult for them to support themselves by the product of the crop, and I think sometimes they pay the rent to the landlord by borrowing from the moneylender. After the cultivators come the *zamindars* who often pay the land revenue by borrowing from others.

The amount of debt secured on land mortgage is gradually decreasing. The secured debt is losing popularity because the creditor has to suffer much hardship when he goes to the courts of law for a remedy. Muhammadan *purdanashin* lady debtors are also very strong opponents of the creditor.

Question 4.—I have very little experience of methods of enforcing payment, except that if the debts are not paid by pro-note demands the creditors generally realize their dues by means of law suits.

Question 5.—Very seldom the agriculturist takes full advantage of the Agriculturist Loans Act and the Land Improvement Act. He borrows *taqavi* only when there is scarcity of produce or famine, and at such critical periods *taqavi* is advanced to him freely. The ignorance of law appears to be the chief cause of his not availing himself of the advantages afforded to him by the Acts.

Question 6.—So far as I know the cultivators generally do not combine together to produce particular crops. Such combination is desirable but it appears to be improbable.

Question 7.—The present system of borrowing is defective: there should be more sympathy between the lender and borrower. Owing to the defective system of management or to some other cause the co-operative bank failed in the district. The agri-

culturist is at the mercy of the moneylender who is naturally selfish and cares more for the interest than for the borrower. If the co-operative bank be again established in the district on a firmer basis than before, I think there may be facilities of borrowing to the agriculturist.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—The principal crops of my tahsil Budaun are mostly brought to the market by the cultivators themselves personally, but often the grain dealers go to the villages, purchase the grain in cash and bring it to the markets in carts.

The methods of marketing do not vary whether the crop is used for domestic consumption or sold in the market.

Question 2.—As far as my personal experience is concerned money is not obtained to finance the marketing of crops from any class of moneylenders.

Question 3.—The cultivator ordinarily pays, in the case of marketing his crop, Re. 1-9 for grain worth Rs. 100, to the shopkeeper or weighman annas 6-3 per cent. for dust and mud, etc., weighed with the corn, and annas 6-3 per cent. to the *palladar* or grain carrier. This is what I ascertained from inquiry and this is the prevailing custom of Budaun city market.

These charges concern the marketing of grain only; in the case of cotton and sugarcane no such charges are levied.

No other incidental charges exist in the city of Budaun.

Question 4.—The rich contractor stores his grain in *khattis*. In the market the grain is stored in the market in ordinary bundles.

Question 5.—In my district the practice of storing grain in *khattis* in the markets as security for obtaining credit is almost non-existent.

Part E.—Land mortgage banks.

Question 1.—So far as my area is concerned loans are obtainable for long periods by landlords only. The tenants are not given long-term loans because tenancies are not transferable. There is no fixed rate tenant in my district.

Question 2.—Long-term advances are available on the security of *zamindari* property.

Generally there is a very little sympathy and goodwill between landowners and moneylenders. The borrower when he is in need of money yields to every proposal of the lender, but the borrower leaves no stone unturned when the lender wishes to realize his money. Under the Hindu law the legal necessity is the objection, and in the case of Muhammadans the *pardanashin* ladies raise the objection that the terms of the loans were not properly explained to them.

Question 3.—Non-transferability in the case of tenants does act as an impediment to long-term credit and increases the rate of interest.

Question 4.—The occupancy right does not serve as an adequate security for long-term credit.

If the law is modified and loans are available on the security of occupancy rights, *i.e.*, the occupancy rights are made transferable at least for a period of 10 or 12 years, I think there would be facilities both to the lender and the borrower. The *zar-i-peshgi* leases should be declared invalid under the loan for the period mentioned above.

Question 5.—The establishment of long-term land mortgage banks should solve the problem of long-term advances. It is very difficult for me to suggest what form of bank should be established in this province. The Punjab bank appears to be suitable, but the terms for advances of loans are hard. In my district at present it appears to me that it would be difficult to find sureties for the debt, and I think it unnecessary when the security of the property is sufficient.

Question 6.—In my humble opinion two banks, one for land owners and the other for farmers, are more preferable than the establishment of one joint bank.

There should be co-operation between the two banks; one bank should provide capital to the other in case of necessity.

In my opinion the Government and the banks should equally provide the capital.

The public should subscribe the share capital in the first instance.

LALA JAI GOPAL.

If the share capital is not taken up by the public, the Government should undertake the obligation of subscribing the balance.

The maximum period of the loans should not exceed twenty-five years. The value of property mortgaged should be double that of the amount advanced.

I think the Government should be recompensated from the profits of the bank.

The issue of certificates of encumbrances at a nominal cost would prove very beneficial.

If the finances allow, reduction of stamp duty and registration charges would be very advantageous.

Notification of proposed mortgages will avoid disputes or at least reduce disputes to a certain extent.

The process of purchase and sale should be simplified.

If the power to manage estates be given effect to in case the borrower makes default, it would prove beneficial both to the bank and the borrower.

Question 7.—The profits of the land would determine the value of such land.

I am only acquainted with the method of calculating the value of *zamindari* property which is generally twenty or sixteen times the value of annual profits.

The situation of the land, whether it is on the bank of a river, the position of the tenants, i.e., whether the tenants are occupancy or of other kinds, and the civil capacity of the shareholders and numerous other causes affect the value of the land.

There are differences between the prices obtained for land, *i.e.*, if the property is sold for non-payment of revenue I think the property will fetch the least value, and if the property is sold on a court decree, sometimes the property fetches a fancy price, but generally the property is sold for a proper price. I think private negotiation is the next advantageous system of selling property.

Twenty times the annual profit is the average value of *zamindari* property.

(For oral evidence, see pages 520—523.)

ORAL EVIDENCE.

Lucknow, January 25, 1930.

Present :

MR. E. A. H. BLUNT, C.I.E., O.B.E., I.C.S., M.L.C., ... *Chairman.*
DR. RADHAKAMAL MUKERJEE, M.A., PH.D., ... } *Members.*
MR. MOHAN LAL SAH, M.A., LL.B. ... ... }
RAI BAHADUR BABU MOHAN LAL, M.A., LL.B., M.L.C., ... }
DR. L. C. JAIN, M.A., LL.B., PH.D., ... *Secretary.*

(*Witness*: LALA JAI GOPAL SAHIB, *Vakil and Honorary Magistrate, Budaun.*)

Mr. Sah : You state in your memorandum that rates are not exorbitant looking to the poverty of the district. Do you think that if the people of the district were to become richer than they are now the rates of interest will decrease?—The rates will be reduced.

But how? Do you mean that the people will have more security behind their backs?—Yes.

So that the present high rates are on account of the fact that the borrower has no security behind his back?—They are poor.

The Chairman : You say that debt is seldom contracted for marriage and other social functions. Is that correct, because most of the evidence that we have had shows that a good deal of the money is borrowed for marriage and other social functions?—Yes. People do borrow money for marriage purposes.

You have said in your written evidence "I think that loans are seldom advanced for marriage and other social functions."—(*Witness*) It is very seldom advanced. That is my experience.

You mean that marriage and other social functions do not occur very often compared with other causes?—Yes.

What do they borrow for mostly?—For seed and cattle, and also for subsistence.

Dr. Radhakamal Mukerjee : Or do you mean that moneylenders are unwilling to advance money for the purposes of such extravagant expenditure as a social ceremony or a marriage?—Generally, speaking, there is not sufficient sympathy because the security is not sufficient. The agriculturists are very poor. In the case of seed loans the moneylenders would think that the security is better.

Not in these cases of unproductive expenditure?—No.

Mr. Sah : You say that there should be more sympathy between the lender and the borrower. Is not there a sufficient amount of sympathy between the lender and the borrower now?—Generally speaking, there is not sufficient sympathy between them.

What sort of relations exist at the present time?—When the agriculturist is in need of money the moneylenders advance the money to him, and there is sympathy; but when they have to sue the agriculturist that sympathy disappears.

So that till the time of suing there is sympathy, but when they go to the court the sympathy is lost?—Yes.

Rai Bahadur Babu Mohan Lal : Well, is that not natural? Where is the want of sympathy on the part of the lender if he brings a suit for recovery of his money?—As soon as the crops are ready moneylenders are ready to attach their crops.

Suppose you lend money to me, and if you find that my crops are ready and I have not paid your money, will you not attach my crops? I want to know the particular point which you want to bring out in the matter of the unsympathetic attitude of these lenders towards the agriculturists. If they tried to realize their money by attaching the crops, then where is the want of sympathy?—I only think that the borrower has no sympathy when they go to Court.

Could not any person go to Court?

The Chairman : I think your point is that there is no reason why he should be sympathetic in the circumstances.—(*Witness*) He should not be sympathetic.

You say in your answer to the first question the agriculturist generally borrows from village moneylenders. Would you mind telling me exactly what you mean by a village moneylender? Do you mean just the ordinary *bania*?—Moneylenders are generally *banias*.

Do *zamindars* also lend money to their tenants?—A few.

And have you heard of tenants lending to each other?—Some tenants do advance.

I was asking that because it is a point that was made by Mr. Waugh, the Settlement Officer, whom you probably know. He gave evidence to show that tenants do lend to each other.—(*Witness*) They do, but a very few.

Rai Bahadur Babu Mohan Lal: Do you find any difference between the attitude of the tenants and the attitude of a rural *bania* in the matter of lending to the village people?—I think there is very little difference.

And if the *zamindar* is a lender and the *bania* is a lender, do you find any difference between these lenders in the matter of the treatment of the borrower?—The landholder is more lenient.

Don't you know that if a *zamindar* lends money to his tenant he will, by coercive methods, realize his money at all costs which the village *bania* cannot do?—It is quite possible.

The Chairman: Is it your opinion that the landholder has a much stronger hold on his tenant?—Yes.

If the man owes him money both for a loan and rent he can always credit any payment to the loan and leave the rent in arrears?—Yes.

Rai Bahadur Babu Mohan Lal: Is it not so that the village moneylender is at a disadvantage in the matter of the realization of the loan? The *zamindar* will first realize his rent no matter whether the seed money is paid or not. Is not that the case?—Yes.

Would you prefer the tenants to go to the village *bania* or to the *zamindar* for taking loans? With whom would it be more advantageous in the matter of loans?—In this case I think the village *bania*.

Mr. Sah: You state in your answers to Part E, that long-term loans are obtainable by the *zamindars* of the district. Will you please state the period for which they are obtained? What is the maximum period?—For twelve years.

Is that the maximum period?—Yes, that is the maximum period.

Then is the repayment of these loans accepted in instalments or do the landholders insist on payment in full?—Yes, they do insist when the security is sufficient. They do not like to realize by instalments.

You say that the occupancy rights must be made transferable for ten or twelve years. Will not the transferability of occupancy rights lead to the passing of the land from the cultivating classes to the non-cultivating ones?—Yes, they will pass, I think.

Why do you recommend the transfer of holdings?—I say that, generally, occupancy rights are sub-let for five years as the law allows, and in some way or other moneylenders advance loans, but the occupancy rights are not transferable under the law. Then he adopts another method that sub-leases are executed in favour of their relations and other moneylenders for five years.

Then after five years the lease is terminated and the property remains with the tenant, but if they are made transferable and the money is not paid and the occupancy rights are sold, it can be made over to anybody? There is no guarantee of their remaining with the tenants?—But he will get compensation.

What compensation?

The Chairman: I think what you mean is that inasmuch as at the present time whether the occupancy right is transferable or not, the land is actually transferred by a sub-lease, you may as well make it transferable and have the whole thing legal. That is what you mean. At the present moment he actually could get transfer of the land for five years. What you suggest is that he should be able to transfer for ten years?—For ten or twelve years instead of five years. If the term is extended to ten or twelve years, I can see no harm.

Mr. Sah: But is there any bar to sub-leasing for ten or twelve years?—Yes.

You want that bar to be removed?—Yes.

Have you any experience that if the occupancy rights are made transferable for ten or twelve years, they will get loans on easy terms?—I think so.

That is your opinion? You have no experience?—No, this is my opinion.

LALA JAI GOPAL.

Dr. Radhakamal Mukerjee: On the other hand, would farming improve if such land goes into the hands of those moneylenders who do not cultivate the land? Would not the agriculturists suffer?—There is no doubt they will suffer. If the holding passes to the moneylender they will suffer. I think if instead of five the period is extended to ten or twelve years there will be no harm.

In other countries, and also in some other provinces in India, sub-letting is not allowed because land by sub-letting goes to a class which would not cultivate it themselves and thus the standard of cultivation is lowered. Now you propose that the period of the lease should be extended.—(*Witness*) But how are their wants to be satisfied?

The Chairman: He is thinking only of the position of the occupancy tenants. He means he will get the money on easy term.—(*Witness*) Yes.

Mr. Sah: Do you think that there will be sufficient business for a joint-stock bank in all the districts of the province, and particularly in your district?—In my district there is a need for such a bank. I have no experience of the other districts.

Can you give an approximate estimate of the business that can be carried on in a bank?—That I cannot.

Well, are you not aware of the fact that joint-stock banks have to pay a lot of overhead charges?—Yes.

Will they be able to meet their expenditure in Budaun?—I think Budaun can bear the expenses.

Supposing there is not sufficient business, do you think this demand of a joint-stock bank can be met by re-organising the indigenous bankers in your district?—Yes.

Rai Bahadur Babu Mohan Lal: Do you think that if any branch of a joint-stock bank is opened in your district it would be advantageous to the agriculturists, and, if so, in what way?—In the case of joint-stock banks it will be advantageous.

I want to know in what way will it be advantageous to the agriculturist?—If there are credit facilities in the district, agriculturists and labourers will be benefited.

In what way do you think that the starting of a joint-stock bank in your district would remove the difficulties of the agriculturist?—I think if the credit facilities are increased in my district it would be helpful.

In favour of whom?—In favour of the village *banias* and traders. We feel the want of credit facilities in my district.

Mr. Sah: You say that the secured debt is losing popularity because the creditors have to suffer much hardship. Does not the creditor feel that he is more secure when there is some security?—I think the law ought to be modified in this respect.

The question is this, the creditor has to face several difficulties in realizing his debts. Will this not increase the amount of the secured debts rather than decrease them?—Secured debts will not be decreased.

They should increase, you admit?—Yes, they should be increased.

The Chairman: In what particular way does a *purdanashin* lady oppose a creditor? In what way does she give trouble to her creditor?—When they go to Court and the lender is a Hindu . . . . .

Rai Bahadur Babu Mohan Lal: This I can explain better than my friend. The burden of proof will be on the creditor. He will have to prove the *bonâ fides* and the reasonableness of terms in the case of *purdanashin* ladies. Whilst in the case of other debtors if they urge that there has been undue influence and coercion the burden will be otherwise.

The Chairman: In other words, it is incidental to law?—Yes.

Rai Bahadur Babu Mohan Lal: Did you work it out by facts and figures that the tendency of secured debts is to decrease or is it simply a guess? I think that secured debts are increasing. Can you show that I am wrong by facts and figures?—I think in my district there is a tendency to decrease.

Have you got statistics, or is it simply a guess?

The Chairman: I think statistics will prove it in Budaun. I only think so, I am not quite sure.

Dr. Radhakamal Mukerjee: You say, that land is passing from the hands of farmers into the hands of creditors who are not efficient farmers. That indicates that such transfer could only be possible as a result of some debts being secured, and again you say that in the interests of the farmer you want to make rights transferable for a period of ten or twelve years?—Yes.

Now the question would arise whether through a modification of the law, as you propose, or through unrestricted sub-letting, all land would go from the hands of farmers into the hands of moneylenders—(*Witness*) I propose that instead of five, ten or twelve years may be substituted.

That would mean that instead of five years or three years as now, the moneylenders would be in possession of the field for at least ten or twelve years?—Yes.

And you have also said that these moneylenders are not efficient farmers at all. Don't you think that the agricultural condition of the Budaun district would greatly deteriorate if you allow this transfer for a longer period?—Moneylenders themselves will not cultivate the land. They will sub-let it to other agriculturists.

Even if they sub-let the holdings to other farmers don't you think that an intermediary will intervene as between the actual cultivator and the proprietor and some profits which might have gone to the actual cultivator would be intercepted?—No doubt they would be intercepted.

There is another alternative which I would like you to consider. You say from your experience that land is passing from the hands of farmers into the hands of creditors.—(*Witness*) My point is that occupancy rights are not passed, they are not transferable so that they will not pass to the moneylenders. If my view is accepted, they will remain in possession for ten or twelve years and land will pass from the agriculturist to the moneylender only in cases where the land mortgages are executed.

The Chairman: You are talking of *zamindari*?—Yes, *zamindari*.

Dr. Radhakamal Mukerjee: What do you propose for the tenants?—For the tenants I have proposed long leases.

The Chairman: There is one question I want to ask you. It is about *taqavi*. You say that the ignorance of the law appears to be the chief cause why the cultivator does not take advantage of *taqavi*. You mean, I take it, that he does not know about these two particular laws—these two Acts?—Yes, these two Acts.

Is it your opinion that he does not take *taqavi* freely, I mean in ordinary circumstances?—That is my view.

He takes it only in time of famine?—Yes, in famine.

Well now, do you consider that Government ought to supply *taqavi* freely at all times, or would you consider that they were right in supplying large quantities only at the time of famine? What do you think would be right?—If Government supplied *taqavi* at other times besides famine I think the agriculturist will be benefited.

(The Chairman thanked the witness who withdrew.)

Mr. SARDAR HUSAIN, M.R.A.C., Bar.-at-Law, Bara Banki.

Replies to the questionnaire,

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturist, in spite of co-operative societies, mainly borrows from village moneylenders.

He borrows generally for marriage and other social functions, payment of land revenue or rent, seed, litigation and subsistence.

The proportion of debt is distributed as follows :—

Fifty per cent. for rent, 10 per cent. for seed, 10 per cent. for marriage and other functions, 10 per cent. for litigation, and 20 per cent. for subsistence.

Of the amount borrowed 95 per cent. is from village moneylenders and less than 5 per cent. from Government co-operative societies, and of this about 70 per cent. in cash and 30 per cent. in grain.

Practically the whole of the debt is incurred for a short period with the exception of that sum which is borrowed for marriages.

Question 2.—The rates of interest differ with local conditions and the circumstances of the agriculturist.

For cash advances they are from 2 to 3 per cent. per mensem; for loans in kind for seed, from 2 to 4 per cent. per mensem; and for other loans in kind, 3 per cent. per mensem.

For loans in kind lenders generally take 1¼ or 1½ times the amount of grain advanced for seed in the next harvest; for cash advances lenders generally advance Rs. 10 in one season and take it back at the rate of Re. 1 in the following twelve months, and for other loans in kind, the rate is six pies or one anna per rupee per month.

The rates of interest are decidedly exorbitant.

At the time of advancing loans, if the money advanced is Rs. 100 or over, lenders generally deduct 5 per cent. from the principal which they generally term as "commission." In case of smaller sums they charge 4 annas for a sum of Rs. 10 for clerical work. Nothing is charged at the time of repayment of loans.

Question 3.—Generally no security is given in the case of borrowing for agricultural purposes, but in some cases trees, groves and cattle are mortgaged. In rare cases ornaments are pawned for securing loans for marriages and subsistence.

It is not as a rule correct to say that the better the title to land the greater the amount of indebtedness. Roughly sole proprietors of villages are less indebted than pattidars, and statutory tenants less than non-statutory ones. Of the tenants, 40 per cent., 20 per cent. pattidars and 5 per cent. sole proprietors are indebted.

Debt on land mortgage is increasing as well as that without securities, but the former when compared with the latter is greater.

Question 4.—For enforcing payment of debt from agriculturists. generally a servant of the moneylender demands the interest on the first of every Hindi month from the borrower and the whole amount at the harvesting time; if it is not satisfied the borrower is asked to execute a pronote in favour of the moneylender at the rate of six pies per rupee per mensem with quarterly rests, which, if not satisfied, is realised through litigation.

Grain is borrowed by weight and paid back 1¼ or 1½ times of the original weight regardless of the market rate of the grain. The rate can be ascertained from the local market.

Question 5.—Because of his ignorance and illiteracy the cultivator is unable to understand the provisions of the Agriculturists Loans Act and the Land Improvement Act; also, the procedure which is adopted by officials who distribute the loans is so intricate that an ordinary cultivator is unable to appreciate it.

The cultivator mainly borrows *taqavi* in abnormal years; but the system is too complex to be easily understood by him.

The system would be improved if somehow or other the services of patwaris are dispensed with and the particulars of the cultivators' holdings ascertained by competent *zamindar*. *Taqavi* should be distributed by tahsildars in each village when it is expected that there may be an elimination of corrupt practices for which the patwari type of servants is responsible.

Question 6.—Cultivators do not combine together to produce particular crops, but such a combination is desirable in the *tarai* portion of this district where cultivators grow sugarcane.

Question 7.—There are defects in the present system of agricultural borrowing. Agriculturists, particularly those who have small holdings, are absolutely in the clutches of the local moneylender who knows the cultivators' weaknesses and charges a very high rate of interest. They know when and how to approach the cultivators. If inspectors of co-operative societies were to mix freely with tenants, then, after some time, the cultivators will be sure to borrow from these bodies.

B.—Agricultural borrowing for purposes of marketing.

Question 1.—The principal crops in the district are taken to the nearest *bara* in gunny bags by bullock carts or buffaloes or horses. The *bara* owners, who are mostly marwaris in this district, purchase the grain. The biggest granary in this district is at Bhitariya about 4 miles from Daryabad railway station.

Generally, the cultivators harvest their crops without the help of machinery, and it is only the big grain-dealers who, by means of handworked machines, manage to get rid of dust and other impurities from the grain. Linseed and other oil seeds are purchased by them for export.

The methods of marketing the crop used for domestic consumption or that for sale in the market do not generally vary as far as the cultivator is concerned.

Question 2.—To finance the marketing of crops, money is taken from the grain merchant who charges about 1 per cent. per mensem and takes back his loan in the form of grain.

Question 3.—For marketing his crop, the cultivator pays—

(i) to the local moneylender from 25 to 50 per cent. This is called *sawai* and *derhi*;.

(ii) one per cent. to the commission agent,

(iii) to the *dalal* 8 annas per cent. and

(iv) to the wholesale grain merchant 8 annas to 1 per cent.

As a rule, these charges do not vary with different crops, and the only other incidental charge is that the cultivator sometimes has to pay for gunny bags.

Question 4.—In my district the cultivator stores his grain in *khattas* or *khaun* (pits). To guard against rats and insects in open *khattas* it is better to fumigate the pits by burning *neem*-leaves and to cover the pits with straw.

At Bhitariya grain market they store in gunny bags. Storing in *khaun* is better than storing in bags.

Question 6.—The system of licensed warehouses in the United States of America cannot succeed under the present conditions in the district. In big industrial centres it may succeed.

Question 7.—Cultivators do not combine together to produce particular crops. It is possible in growing cotton and sugarcane, and such a system may be profitable.

III.—INVESTMENT HABIT AND ATTRACTION OF CAPITAL,

A.—Encouragement of saving and investment habit.

Question 4*A*.—A national savings movement is possible in India if worked according to the illustration given under scheme 7 of the questionnaire.

MR. SARDAR HUSAIN.

Sheikh FAZL-UR-RAHMAN QIDWAI Sahib, B.A., LL.B., Bara Banki.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—Agriculturists in Bara Banki district generally borrow from village moneylenders.

They borrow mainly for :—

(i) Payment of accumulated interest	... ...	15 per cent.
(ii) Marriage and other social functions	... ...	20 ditto.
(iii) Payment of land revenue or rent	... ...	50 ditto.
(iv) Litigation	... ...	5 ditto.
(v) Plough cattle	... ...	10 ditto.

The debt is divided in the following proportion :—

Government *taqavi*—10 per cent.

Co-operative societies—3 per cent.

Village moneylenders—87 per cent.

95 per cent. of the debt is incurred in cash and 5 per cent. in grain.

From the nature of debts contracted the percentage of long-period debts comes to 30 per cent., but owing to exorbitantly high rates of interest the short-period debts are not generally liquidated within the time fixed for payment. The bonds in such cases are generally renewed and unpaid interest is added to the principal. This process goes on even for a number of years, and in extreme cases it results in the financial annihilation of the family of the borrower. Thus, under such exceptional circumstances, the long-period debts increase to 70 per cent.

Question 2.—The rate of interest is generally 24 per cent., and in some cases it ranges from 24 per cent. to 75 per cent. per annum. This rate is confined to village moneylenders. The co-operative societies, however, charge interest at 15 per cent. and do not resort to compound interest.

The rate for loans in kind for seed is generally 50 per cent. for half a year, which corresponds with the period spent in producing one crop, but failure to repay after six months results in the rate of 125 per cent. per annum on the compound interest system.

Calculations for interest are made six-monthly, and, in some cases, yearly.

The rates of interest are exorbitant.

A borrower has to pay from 5 to 15 per cent. of the loan by way of commission to the moneylender, and tip money to the moneylenders' servants and clerks. The agriculturist borrower is also required to supply a fixed quantity of straw, *gur*, etc., to the moneylender free of cost over and above the interest, and has to do some manual labour for him. No charges are incurred at the time of payment.

Question 3.—Generally, no security is taken by village moneylenders for loans advanced for agricultural purposes because the agriculturist cannot offer any. The tenantry in Oudh does not possess any transferable rights in land. In some cases, however, ornaments are pawned where the debts are for other than agricultural purposes.

Co-operative societies take the securities provided for in the Act.

It is correct to say that the better the title to land the greater the amount of indebtedness.

The extent of the indebtedness of the land-owning classes of this district is 75 per cent. as against 25 per cent. of the tenants. The details are as follows :—

Taluqdars with a rent roll over a lakh—20 per cent.

Other *taluqdars* and *zamindars*—55 per cent.

There are only two main classes of tenants in Oudh, *i.e.*, statutory and non-statutory. The extent of their indebtedness as already mentioned is 25 per cent. There are some occupancy tenants also but their number is negligible.

SHEIKH FAZL-UR-RAHMAN QIDWAI.

The amonut of debt secured on land mortgage is increasing. The proportion at present is as follows :—

Secured debt—74 per cent.

Unsecured debt—25 per cent.

Question 4.—Usually payments of debts are enforced by suits in civil courts.

Practically there is no difference between the rate at which the cultivator borrows grain or repays it and the prevailing rate.

There are no particular means to ascertain the fluctuating rates, but they are generally known as markets are numerous and evenly scattered.

Question 5.—The cultivator does not take full advantage of the facilities afforded by the Agriculturists Loans Act and the Land Improvement Act.

There are various reasons :—

(i) He cannot give any security of repayment.

(ii) He is very conservative and loathes making any improvement.

(iii) Demands of patwaris, etc., are too exorbitant.

(iv) The amount of *taqavi* to be advanced to particular individuals is determined by the revenue staff without reference to their needs and without inviting applications from them. The impression has gained ground that *taqavi* is a forced loan from Government and that borrowers have to accept the amount arbitrarily fixed by the authorities.

The cultivator borrows about 20 per cent. more *taqavi* in abnormal than in normal years.

Question 6.—There is no combination among cultivators for the production of particular crops. It is desirable that there should be such co-operation, but the present state of illiteracy and ignorance of the advantages of co-operation are disappointing.

Question 7.—The defects in the present system of agricultural borrowing are—

(1) High rate of interest.

(2) Demand of commission and tip-money besides the interest.

(3) Demand of straw, *gur*, corn and forced labour.

The causes appear to be as follows :—

(1) The cultivator's poverty.

(2) His lack of security.

(3) His illiteracy.

(4) His need.

To remedy the evil it is necessary (*a*) to educate the cultivators by means of lectures organised by the Co-operative department, (*b*) to introduce books on banking and economy, and (*c*) to penalize by statutes the extortionate methods of moneylenders.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—The principal crops are carried from small villages to a neighbouring town or grain market where grain merchants purchase them.

Sometimes the agents of exporting firms and big grain merchants settle the terms with the cultivators before the crops are ready and pay a part of the price in advance. In such cases, when the crops are ready they are taken to a neighbouring godown or to a railway station for despatch. Other crops are sold indifferently either in the village itself or in the market.

There is no appreciable difference in the methods of marketing according as the crop is one mainly used for domestic consumption or one mainly sold in the market.

Question 2.—Money to finance the marketing of crops is obtained from grain merchants and exporting firms. Usually these purchasers settle the rates before the crops are ready. The rates are generally fixed irrespective of the market rates, but sometimes the purchasers stipulate that they would take the crops at the rate of a few chattaks more per rupee than the bazar rate prevailing at the time of the delivery.

Co-operative societies do not assist in marketing of crops. In view of the present state of their development and management it would be too early for them to do so.

Question 3.—The cultivator does not pay any charges to the *bania*, the *arhatia*, the *dalal*, or the *beopari*. There are, however, certain minor levies ostensibly meant for charitable purposes.

The incidental charges are—(1) cartage for carrying the crops to a market town, railway station or godown, etc.; and (2) weighment charges.

SHEIKH FAZL-UR-RAHMAN QIDWAI.

Question 4.—The cultivator stores his grain usually in *kothis* and *bokhars* (*i.e.*, rooms which are devoid of all precautions against damage).

In view of the extreme poverty of the cultivator no suggestions for improvement can be made.

Grain is stored in markets in rooms specially set apart for the purpose. Straw is strewn on the floor when the building is *kachcha*. Grain is sometimes packed in sacks also.

Godown owners and merchants can very well afford to construct *pakka* buildings in which every precaution can be taken to protect the walls and floor from white ants and rats, etc. A tendency to construct a better kind of building has of late set in.

Question 7.—I do not know any instance of cultivators combining together to market particular crops. The combination would be very desirable, but it does not seem to be possible at this stage on account of illiteracy and ignorance of the advantages of co-operation.

Part C.—Extent and nature of agricultural indebtedness.

Question 1.—In an estate comprising several villages and shares in mahals with a rent-roll of Rs. 40,000, the debts of cultivators do not exceed Rs. 4,000.

All the debts are unsecured and unregistered. They are generally against the general assets of the cultivator. Sometimes ornaments are also pawned, but this is seldom done in contracting loans for purely agricultural needs.

Question 2.—The principal creditors of agriculturists are professional moneylenders. The richer agriculturist lends hardly five per cent. to the poorer.

I estimate the debt to be distributed as follows :—

Professional moneylenders	98 per cent.
Co-operative societies	2 ,,

Question 3.—As a result of the enforced payment of debt, land and the rights in land are passing in a marked degree from the possession of people who are efficient farmers into the hands of creditors who are not themselves efficient farmers. This causes the cultivator to produce less and less efficiently.

Question 4.—The land-owners of Nawabganj tahsil in Bara Banki district are indebted approximately to the extent of 7 lakhs the rent roll of the tahsil being 18 lakhs.

Question 5.—The special causes for the indebtedness of these classes are (1) extravagance, (2) partibility of estates and their resultant passing away and (3) litigation.

Question 6.—These classes pay the same charges or rates of interest as the agriculturist. These charges vary according to the intensity of the need of money.

Part E.—Land mortgage banks.

Question 1.—Loans are obtainable to any extent and for any period by landlords if they have sufficient security to offer.

Hardly two per cent. of the loans contracted by tenants are for long periods.

Question 2.—Long-period advances are available on the security of land.

The chief difficulties of long-period borrowers are (1) they are required to make over possession of the mortgaged property to the creditor; (2) the value of the property mortgaged is not less than three times the debt advanced, and (3) compound interest with half-yearly rests in cases where possession is retained by the mortgagor.

Question 3.—Non-transferability in the case of tenants acts as an impediment to long-term credit and increases the rate of interest.

Question 4.—Occupancy tenants are few in Oudh and they do not possess transferable rights in land.

I do not suggest any modification of the law as it would be ruinous for the tenants themselves. The present non-transferability acts as an impediment to borrowing large amounts.

Question 5.—In my opinion the establishment of land mortgage banks would solve the problem of long-term advances.

Question 6.—The introduction of the system of land mortgage banks prevailing in the United States of America, with slight modifications suited to the special conditions of this country, would be most appropriate.

SHEIKH FAZL-UR-RAHMAN QIDWAI.

There should be only one land mortgage bank to provide long-term credit exclusively to landowners—big and small. There should be none for farmers, for whom facilities for long-term advances should be provided for in the Act and Regulations of the co-operative societies.

They should have share capital of their own. The amount for each district should be 5 lakhs in the beginning. The share capital should be available for subscription to the land-owning classes. If the share capital is not taken up by the public, Government should undertake to supply the balance.

The maximum period of the loan advanced should be 25 years, and the amount should be 50 per cent. of the value of the mortgaged property.

Land mortgage banks should obtain working capital from (i) deposits, (ii) debentures, and (iii) a central institution. Debentures should carry a Government guarantee, both for principal and interest. If they are not taken up by the public within a certain time, Government should take up the balance. Debentures should rank as trustee securities.

The following changes in the law, in favour of land mortgage banks, are suggested :—

(i) issue of certificates of encumbrances by the registration office, either free or at a nominal charge;

(ii) abolition or reduction of stamp duty, registration charges and court-fees;

(iii) notification of proposed mortgages, with a view to avoid disputes and counter claims by parties other than the clients of the bank;

(iv) Simplification of the process of foreclosure and sale in the event of non-payment, and

(v) power to manage defaulting estates.

(*j*) Co-ordination of land mortgage banks under an all-India central institution will not be desirable.

Question 7.—To find the value of land find the gross rental of land to be mortgaged, deduct the land revenue and the incidental charges, and value the net profits at the rate of 3·5 per cent. to 4·5 per cent. if the rental is up to the standard. If it is not, and it appears that there is a sufficient margin for enhancement, add 60 per cent. of such amount of enhancement to the gross rental and then calculate in the manner indicated above.

In my district the value of land per acre according to the crops grown on it does not differ; calculations are made on the basis of net profits.

If the rent-rates are up to the standard rates of the locality, or, in other words, enhancements have been regularly made from time to time, the valuation would be made usually at the rate of 3·5 to 4·5 per cent. If the rent-rates are lower than the standard rates, the valuation would be made usually at the rate of 2·5 to 4 per cent.

There is no appreciable difference between the land sold by Government auction and the land sold by sale on Court decree. These two classes of sale fetch lesser prices than those obtained by private negotiation.

In the first two classes of sale the authorities pay very little regard to the market value, specially so when the last bid is sufficient to pay up the demand of the decree-holder or the Government. Moreover, the authorities show little sympathy to the debtor.

The proportion of the annual net yield of average quality land to its market value under normal conditions is between 3 and 4 per cent.

Part F.—Co-operation.

Question 1.—Generally, there are no relations between the co-operative banks and other banks in the country. In some cases, however, co-operative banks have obtained a cash-credit account in joint stock banks to a certain limit by pledging pro-notes of their societies and their reserve and other funds. This enables the co-operative banks to draw on those banks whenever they require money immediately. While, on the one hand, the system has the advantage of easier availability of money and investment of idle money, it has, on the other hand, a disadvantage in the shape of a lower rate of interest which the joint stock banks allow for the money of co-operative banks at their credit, specially when the money raised by co-operative banks from other sources carries a higher rate of interest than that allowed by joint stock banks. But such arrangements are very rare, and the need of a provincial co-operative banking organisation is keenly felt.

There is no competition between the co-operative banks and the joint stock banks.

Question 2.—Co-operative societies have difficulties in raising either short or long-term capital.

SHEIKH FAZL-UL-RAHMAN QIDWAI.

Question 3.—The capital available for financing the co-operative movement is not sufficient. Approximately, a sum of Rs. 1,00,000 would suffice for the present.

District and municipal boards and courts of wards should be made to deposit their money in co-operative institutions. Capital may also be raised by issuing debentures. Deposits from the public depend on the stability and assets of the movement, which are the chief requisities for inspiring confidence.

Question 4.—It is possible to stimulate the growth of the co-operative movement by financial concessions, and such action is desirable.

Question 5.—The establishment of the provincial co-operative bank would stimulate the co-operative movement in this province.

Part G.—Small industries allied to agriculture.

Question 1.—There are no such subsidiary industries in this district. Cultivators of sugarcane, however, prepare *gur* out of the produce of their own fields.

Question 3.—The establishment of industries contemplated in this question depends upon the development of the co-operative movement. Individual or joint-stock enterprises are likely to lead to discontent and may become a source of labour unrest, chiefly for the reason that they would be employing permanent kind of labour and may have no sympathy with the agriculturists. It is, therefore, essential that such industries should be mainly run by the agriculturists themselves. This is possible if an organised body like the Co-operative department gives an impetus and encouragement to them.

SHEIKH FAZL-UL-RAHMAN QIDWAI.

Rai Sahib Pandit DEVI DAYAL PATHAK, Advocate, Mainpuri.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturists borrow from Government co-operative societies, and village moneylenders.

The purposes for which they usually borrow and the proportion of debt distributed among such purposes are given below :—

(i) Repayment of earlier debts	$\frac{1}{50}$
(ii) Marriage and other social functions	$\frac{1}{4}$
(iii) Payment of land revenue or rent	$\frac{1}{10}$
(iv) Seed	$\frac{1}{4}$
(v) Expenses of cultivation	$\frac{1}{12}$
(vi) Subsistence	$\frac{1}{4}$

Half the debt is incurred in cash and half in grain.

Debt in grain is incurred for a period of six months or less and that in cash is incurred mostly for a year.

Question 2.—For cash advances the rates of interest are Rs. 2 and sometimes Rs. 3 per cent. per month.

For loans in kind for seed and for other loans in kind, the rate is $\frac{1}{4}$ in weight extra after six months.

Compound interest is calculated with yearly rests.

The rates of interest are in my opinion exorbitant.

If grain is given for the amount due, one seer per rupee is taken above the market rate.

Question 3.—Mostly no security is given or can be given by a mere tenant in case of borrowing for agricultural purposes.

It is correct to say that the better the title to land the greater the amount of indebtedness.

There is neither increase nor decrease in the amount secured and insecured debts. This proportion is 2 : 1.

Question 4.—To enforce payment of debt from agriculturists suits are brought and standing crops and other products are attached and sold.

Question 5.—The defects in the present *taqavi* system are that the *patwari*, when he comes to the tahsil to verify the status of the applicant, forces a tenant to pay him at least one-fifth of the amount of *taqavi;* and when he is sent to realize *taqavi* he will put off payment and accept illegal profit.

The joint liability of the tenants who take *taqavi* on the same date frightens them from coming for *taqavi.*

To receive payment of *taqavi* the tenant has to come to the tahsil and thus he has to spend some time and money.

I suggest that collection of *taqavi* should be made in the village; that *taqavi* should be distributed in the village; and that there should not be joint liability.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—Sometimes the tenant himself brings the produce to market for sale, but mostly *banias* purchase it in the village at a cheaper rate and bring it to market.

Question 2.—The *banias* borrow money from grain merchants and go to villages, purchase grain there and bring it to market. These *banias* borrow money at Rs. 2 per cent. per mensem.

The co-operative societies do not but they should assist. The difficulty is they do not lend money to individuals who are not their members.

Question 3.—In this district there is no custom to pay any charge in the case of marketing of crops.

Question 4.—The cultivators store grain in *bakharis* or in big earthen pots.

Question 5.—In markets it is stored in hemp bags.

Question 6.—In this district there is no custom of cultivators combining to market particular crops. Such combination is not desirable.

RAI SAHIB PANDIT DEVI DAYAL PATHAK.

Pandit BHAIRAB DATT Sahib, B.A., L.L.B,, Advocate, High Court, Ranikhet, district Almora.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturist borrows from private individuals who are well-to-do, for repayment of earlier debts, marriages and litigation. All the debts are incurred for long periods

Question 2.—In towns the rate of interest is 12 per cent. per annum. In the mufassil the rate extends to 18 or 24 per cent. per annum in certain cases.

Rates above 12 per cent. are excessive.

Question 3.—Land mortgage is the security usually given and accepted in borrowing for agricultural purposes.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—Very little grain is brought to the market, but chillies and *hardi* are taken to Ramnagar *mandi*.

Question 2.—Money to finance the marketing of crops is obtained from village *sahukars*—they lend at 18 to 24 per cent. per annum.

Part C.—Extent and nature of agricultural indebtedness.

Question 2.—There are no professional moneylenders in villages except a few in certain localities. Every well-to-do man does moneylending business on a small scale.

Rai Bahadur Pandit TARA DATT GAIROLA, M.A., Vakil, Pauri, district Garhwal.

Replies to the questionnaire.

I.—Agricultural credit and credit facilities.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturist borrows either from the village moneylenders or from *sahukars* in the local towns.

He borrows—

(i) For repayment of earlier debts.
(ii) For marriage and other social functions.
(iii) For famine and other kind of distress.
(iv) For litigation.
(v) For purchase of plough or other cattle.
(vi) For agricultural improvements—such as construction of *guls* or water channels and reclaiming and terracing new cultivation.

About 60 per cent. of the debts are contracted for payment of bride prices and other social functions, 10 per cent. for litigation, 10 per cent. for purchase of plough or other cattle. 10 per cent. for purchase of land and for agricultural improvements, and 10 per cent. for purchase of grain during famine or other kind of distress.

Of the total debt about 75 per cent. is borrowed from village moneylenders and 25 per cent. from *sahukars* dwelling in towns, and about 90 per cent. is incurred in cash and 10 per cent. in grain. About 80 per cent. is incurred for long and 20 per cent. for short periods.

Question 2.—For cash advances the rates of interest are from 12 per cent. to 25 per cent.

Very few loans in kind for seed are taken.

For other loans in kind the usual rate varies from 25 per cent. to 50 per cent.

The rate of interest is usually calculated by the *katotri* method, and in the majority of cases it is 12 per cent. which is not exorbitant.

A premium called *ganthkhulai* (loosening the purse strings) of 5 per cent. is usually charged at the time of granting loans which is either added to the principal or taken in cash.

Question 3.—Land mortgages are the usual form of security for loans for agricultural purposes.

It is correct to say that the better the title to land the greater the amount of indebtedness. The proportion of indebtedness between landlords, occupancy tenants, and tenants-at-will will be roughly 4 : 2 : 1.

The amount of debt secured on land mortgage is increasing. The comparison of indebtedness of the various classes of landlords and tenants is as between 3 to 1.

Question 4.—To enforce payment of debt from agriculturists either the old debts are renewed by executing fresh bonds or pronotes for the principal and interest, or suits are filed in courts.

Grain is borrowed by the method known as *pantara* (*i.e.*, after six months at the harvesting time the quantity borrowed with one-fourth added to it is returned in kind). In some cases it is returned with half of the original quantity added to it. The prevailing local or market rates are not taken into consideration. The cultivator knows the market rates when he brings his grain to it for sale.

Rai Bahadur Pandit Tara Datt Gairola.

Question 5.—In this district *taqavi* advances are given only during scarcity or famine. The Agriculturists Loans Act and the Land Improvement Act are not generally known in this district. In few cases *taqavi* loans are taken for construction of water channels for irrigation purposes.

The reason why the cultivators do not take full advantage of the facilities provided by these Acts is that most of them are not even aware of their existence. Another reason is that the applications for such loans are sent to subordinate officials, such as the *patwari*, who generally take a commission before recommending the applications, which, together with the rate of interest on the loan, makes the loan prohibitive.

In this district the cultivator borrows *taqavi* mostly in abnormal years, when the Government notifies it to the public. The ratio between normal and abnormal years must be about 1 : 9.

I would suggest the following improvements in the *taqavi* system :—

(i) The rate of interest should be lowered.

(ii) The enquiry on the applications for *taqavi* should be made by some higher officer than the *patwari*, such as the naib tahsildar or the *qanungo*.

(iii) Loans at a nominal rate of interest should be given for constructing irrigation channels and other land improvements.

Question 6.—For some years there have been combinations among the agriculturists in some villages in Upper Garhwal for sugar cultivation. The villagers jointly purchased machines for pressing sugarcane and other implements for making *gur*. Such combinations are quite possible and practicable if the cultivators are properly guided.

Part C.—Extent and nature of agricultural indebtedness.

Question 1.—My experience is confined to villages in the district of Garhwal only. I have made personal enquiries regarding the estimates of the indebtedness of the agricultural classes in several villages in my neighbourhood.

In this district in a village of, say, 25 families paying Rs. 100 land revenue, there will be roughly fifteen proprietors who cultivate their own land and five occupancy tenants and five non-occupancy tenants.

A rough estimate of the indebtedness of such a village will be as follows :—

For proprietary bodies—

	Rs.
(i) Registered land mortgages	500
(ii) Unregistered land mortgages	2,000
(iii) Debts against other assets	200
(iv) Unsecured and verbal debts	300

For tenants—about one-fourth of the above amount, under each head. The occupancy tenants, known as *khaikars*, mortgage their holdings generally to their landlords, and in a few cases to outsiders with the consent of their landlords. The non-occupancy tenants, called *sirtans*, are mostly *doms* who borrow against other assets than land.

Question 2.—There are no Government banks and few co-operative societies in this district. The principal creditors are the village *sahukars* and professional moneylenders living in the neighbouring towns.

The villager *sahukars* are the richer agriculturists. The proportion in which the poorer agriculturists and professional moneylenders of the town lend is roughly 4 to 1.

Question 3.—As a result of the enforced payment of debt, land and the rights in land are passing from the possession of people who are efficient farmers into the hands of creditors who are not themselves efficient farmers, but not to a very great extent.

Question 4.—The total indebtedness of the land-owning classes of the whole district may be roughly estimated at about 15 times the annual land revenue which they pay. The total land revenue in this district is about three lakhs while the extent of the indebtedness of the land-owning classes will be about 50 lakhs.

Question 5.—Some of the special causes of this indebtedness are—

(i) the bride prices which most of the agriculturists have to pay,—the rates are between Rs. 500 to Rs. 1,500 per bride.

(ii) Other social and religious functions such as *athwar* (killing of male buffaloes); *pandav* dances, and other religious ceremonies to propitiate evil spirits.

(iii) The heavy rate of interest and premium (*ganthkhulai*) charged by *sahukars*.

(iv) The ignorance of the ordinary villager in his dealings with shrewd *sahukars*. The *sahukars* generally charge compound interest by adding up the principal and interest at every default made by the creditor.

Part G.—Small industries allied to agriculture.

Question 1.—The *gur*-making industry on a very small scale is confined to about five or six villages in patti Dasjula, Upper Garhwal. Hand-spinning and weaving of wool is very common in the whole of Upper Garhwal, about one-third of the area of the district. Tobacco is grown along the Gangetic valley on a large scale, but there is no factory for its manufacture on a commercial scale. Vegetables are grown for sale in towns and in the neighbouring villages on a small scale. There are a few mango groves around Srinagar, but there is no fruit industry worth the name in the district.

Question 2.—The condition of such industries is deplorable with the result that the people have to depend for their living mostly on agriculture and service.

I beg to offer the following suggestions :—

(i) The fruit industry for which the district is most suitable should be encouraged by Government, by deputing a fruit expert to advise and help the agriculturists. In fact a fruit expert had been imported from England for Kumaun at my suggestion when I was in the United Provinces Council between 1915 and 1920. But I do not know why the proposal was dropped subsequently.

(ii) There is large scope for the cultivation and manufacture of cotton as a cottage industry along the Gangetic valley. Hon'ble Badri Maharaj of Fiji Islands, when he visited this district last year, told me that cotton could be grown in this district on a commercial scale.

(iii) A great improvement is possible in the woollen industry in Upper Garhwal, if the Government deputes an expert to instruct the villagers in improved methods of woollen manufacture. I am afraid the district board, as at present constituted, is incapable of doing anything in this matter.

(iv) By organising co-operative societies and banks at convenient centres to work and finance such industries.

(v) The manufacture of baskets, mats, stools, etc., of *ringal* can also be successful in Upper Garhwal.

(vi) The tanning industry can also be successful at a few places such as Srinagar.

(vii) The success of these industries mainly depends on providing working capital at a cheap rate of interest. This is only possible if co-operative and other kinds of banks are opened in large numbers throughout the district.

Question 3.—Cotton and woollen spinning and weaving may give employment to a farmer in the off-season.

The only way of securing working capital for such enterprises is the opening of co-operative or other kind of banks (*vide* vii above).

Rai Bahadur Pandit BRIJMOHAN CHANDOLA, M.A., LL.B., Advocate, Pauri, district Garhwal.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—MEN generally borrow from village moneylenders.

They borrow specially for marriage, famine, expenses of cultivation, litigation, purchase of plough or other cattle, and subsistence.

Money borrowed is spent almost equally on the above.

Debt in cash and grain are incurred in the ratio of about 2 to 1.

Question 2.—Generally the rate of interest for cash advances is now 12 per cent. per annum and sometimes 18 to 25 per cent.

For loans in kind for seed and for other loans in kind the quantity borrowed *plus* half the quantity borrowed has to be repaid.

Simple and compound interest is calculated.

The rates of interest are exorbitant.

An incidental charge is *ganthkhulai* or premium at 5 per cent.

Question 3.—Land mortgage, standing crops, house-property, and ornaments are the usual kinds of security given and accepted in borrowing for agricultural purposes.

It is generally correct to say that the better the title to land the greater the amount of indebtedness.

Hissadars 60 per cent. are in debt; tenants, *i.e.*, *khaikars* and *sirtans*, are not generally in debt so much: 20 per cent. of them are in debt.

Land fetches more money now as the price of the land is rising; men generally lend money more on land mortgage than on other security here; often-times it is lent on promissory notes and bonds also, when the amount lent is not very large.

Question 4.—Payment of debt from agriculturists is enforced by attaching their moveable property.

Question 5.—For seed and cattle, the cultivator takes *taqavi* very seldom, and he never borrows *taqavi* for building tanks or wells.

The cultivator does not borrow *taqavi* because the Government charges high interest and extends no time for repayment.

He generally borrows *taqavi* in times of famine.

There are defects in the present *taqavi* system.

I would suggest less interest and that more time should be given for repayment.

Question 6.—Cultivators do not combine together to grow particular crops, combinations are desirable.

Question 7.—There are defects in the present system of agricultural borrowing. In case of default money is sternly realized by sale of lands. This vigour should be slackened, *i.e.*, lands may be sold when all efforts to realize money fail, and facilities should be given to the borrower so that he might repay and yet save his honour and lands. In extreme and proper cases the debt may be remitted to a certain extent.

Part B.—Agricultural borrowing for purposes of marketing.

There is an absolute lack of modern communications in this district. The benign Government has done very little in this matter here, although the needs have increased fourfold. Men eat what they produce,—generally there is no export of grain from this district to outside places in the commercial sense of the term. If there is any, it is very little. On the contrary, men in this district have to purchase food-stuffs from the plains on a large scale. The questions in this part have very little to do with this district and relate more properly to the plains. The benign Government may kindly be pleased to grant means and funds to this district whereby plentiful yield may be produced and sufficient both for consumption and exportation.

RAI BAHADUR PANDIT BRIJMOHAN CHANDOLA.

Part C.—Extent and nature of agricultural indebtedness.

In the present state of things it is very difficult to venture any estimate. In Garhwal banks and co-operative societies do not exist, and the village moneylender may be considered to be the sole moneylending agency. If a man lends here he has to pay for other work of his, and if he is a skilful moneylender, he can keep up his principal for a few generations. Lending on a large scale is not known. It appears that the labouring classes here are earning more than the aristocratic classes whose expenses are doubling, and the result often is that land is passing from the latter into the hands of the former; hitherto the labouring classes have been the cultivators and the aristocratic classes the creditors. The cultivators are trying their very best to acquire *hissadari* lands and to make it yield its utmost.

Part H.—Small urban industries.

If anything like cottage or art industries can be said to exist in Garhwal it is the "Tiyunkhas," "Lawas," etc., of Garhwal. In Upper Garhwal several kinds of fine woollen carpets, dress, beddings, etc., are spun and woven by men and women; in the "Rath" portion of Garhwal the "*Bhangilas*" or "*Tiyunkhas*" are more generally made; these may be called the homespun of Garhwal. There is plenty of wool in Garhwal; it is for utter want of proper machinery and communications that an enormous quantity of wool is exported from Garhwal to other places in the plains below annually. Much of what is mentioned in this part does not apply to Garhwal; there are no such things here as *karkhanas*,—everything goes its old round here just like in primitive times. Unless motor roads are introduced into the interior of Garhwal, it is not profitable to think of modern inventions and conventions as applying to Garhwal.

II.—Indigenous banking.

If there is any indigenous banking in this district it is by the village moneylender generally; the few moneylending *banias* and contractors may be considered as exceptions; although a better mode of life and accommodation and finer tastes are springing up, the physical machinery and appliances here are those of times of yore. To a superficial observer it may appear that now more money is coming into Garhwal from various sources, yet it is clear that the way of living has become doubly expensive, and men who laboured hard before have now become mere idlers. Indigenous or home productivity seems to be fast declining, and though there seems every now and then a fair external gloss, the inward state seems to be rotten to the core. Cattle and ploughing seem to be neglected, and there is no prospect of the attainment of any perfection towards the realization of the modern civilized life, and the fine contents of many of these questionnaires by contrast only intensify and signalise the backwardness of this district.

It may be added that the village moneylenders of Garhwal keep up a spirit among themselves which enables them to maintain uniformly the exorbitant rates of interest they slyly try to exact at times.

It is desirable that indigenous banking should be encouraged in Garhwal, and large sums of money should be placed in the hands of responsible indigenous bankers to enable them to have something of the system obtaining elsewhere.

III.—Investment habit and attraction of capital.

As stated above, modern inventions and conventions have not got a footing at all in many matters in this benighted district of Garhwal. Postal cash certificates or the cheque habit or resort to banks, etc., are things of romance to an average Garhwali of today. The investment habit may be confined to a few Government servants or a few merchants or contractors (in the Gangetic valley towards the Hardwar side), but it is not in vogue by the general public in any of the modern forms. The habit of investment is not foreign to a Garhwali but seems to be inherent in him. The general form of investment which a Garhwali used to adopt until very recently was the making of ornaments or jewellery for his females. This habit of making ornaments was of great use to a Garhwali in times of distress or need. *e.g.*, famine, marriage, etc. This habit is now fast disappearing and is replaced by nothing permanent and useful. It may be said of a modern Garhwali that he is a man whose expenditure is greater than his income.

Rai Bahadur Pandit Brijmohan Chandola.

Mr. AMRIT RAI, Advocate, Rae Bareli.

Replies to the questionnaire.

I.—Agricultural credit and credit facilities.

Part C.—Extent and nature of agricultural indebtedness.

Question 1.—It would be very difficult to frame an accurate estimate or even a rough estimate of the existing indebtedness of the agricultural classes without instituting a close and comprehensive enquiry through the agency of landlords, village *mukhiyas*, and influential tenants, and, after collecting the figures so obtained, to check, compare and classify them with reference to figures available in the income-tax officer's returns and assessment notes. The latter officer may be asked to extend the limits of his operations to a wider range.

Certainly it would be possible, if it is feasible and worthwhile, to distinguish between and classify borrowings into two main heads, *viz.*, secured and unsecured debts.

Question 2.—In my opinion co-operative societies, professional moneylenders and grain dealers are the principal creditors of the agriculturists.

The richer agriculturist does not lend to poorer to a very appreciable extent.

Question 3.—Even if as the result of the enforced payment of debt, land and the rights in land were passing from the possession of people who are efficient farmers, the result contemplated will not in my opinion follow. The cultivator, situated as he is with no other resource to fall back upon, will not relax his interest in cultivation and will cling to the soil with all his might till the last moment.

Part E.—Land mortgage banks.

Question 1.—Loans for long periods are not available to a great extent, unless the security be ample and the moneylender opulent, with his eyes on acquiring land or accumulating capital.

Question 2.—Long-period advances are available on the security of landed property.

Long-period borrowers cannot obtain loans on easy instalments and favourable rates of interest. The terms are very often onerous and one-sided in favour of the creditor.

Question 3.—I should think that non-transferability in the case of tenants acts as an impediment to long-term credit and increases the rate of interest.

Question 4.—The occupancy right does not serve as an adequate security for long-term credit.

If the law could be amended so as to make temporary transfers by occupancy and statutory tenants valid for specified purposes, such as payment of rent, purchase of seed, agricultural implements and cattle, effecting agricultural improvements and other reproductive purposes, repayment of old debts, and family and legal necessities in the technical sense, the value of such security for long-term advances would be increased.

Question 5.—I think the establishment of land mortgage banks should go a long way towards solving the problem of long-term advances in this province.

Question 6.—It would be more convenient and appropriate to have two such banks. They should work in co-ordination and co-operation with each other.

I should prefer that land mortgage banks have their own share capital under State supervision, on the lines of the co-operative banks. I cannot give the amount of capital, but it should be commensurate with its size and importance.

The share capital should be available to the public, including corporations and local bodies.

Mr. Amrit Rai.

If the share capital is not taken up by the public, the Government should undertake the obligation of subscribing the balance.

For land mortgage banks, there should be a Board of Directors which may elect its executive committee.

I should put the maximum period of the loans advanced by a land mortgage bank at 20 years, and the margin between the amount of loan and the value of mortgage at 40 per cent.

Land mortgage banks should obtain working capital from (i) deposits, (ii) debentures, and (iii) a central institution.

Debentures should rank as trustee securities.

If debentures are not taken up by the public within a certain time, Government should take up the balance.

Government will be safeguarded against loss as it will have its hand in the management in proportion to its stake in the bank.

Land mortgage banks should have power to manage defaulting estates.

Provincial land mortgage banks should be co-ordinated under an all-India central institution, the constitution to be worked out by experts.

Question 7.—The value of land should be at so many times the net annual profits, the average for the number of times to be worked out on the rate prevalent in the various districts of the province.

There is no valuation of land on the basis of different kinds of land, but on the profits of different parcels of land.

The only factors affecting such value that I can think of are the rentals and the prospective room for enhancements therein.

There are of course obvious differences between the prices of land obtained in public and private sales owing to the involuntary and voluntary nature of the two.

The average market value is close on 30 times the annual net profits of the land.

Part F.—Co-operation.

Question 1.—Co-operative banks and other banks work on their separate lines in their own respective spheres without the one coming into unhealthy conflict or competition with the other.

Question 2.—Where co-operative societies are successfully working there are no special difficulties in raising either short or long-term capital.

Question 3.—I think the amount of capital available for financing the co-operative movement is sufficient in most places.

Question 4.—It is possible to stimulate the co-operative movement by financial concessions, and such action is desirable.

Question 5.—The establishment of the provincial co-operative bank would stimulate the co-operative movement in this province.

Mr. WAJID ALI, Advocate, Rae Bareli.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturist borrows mostly from village moneylenders. Ninety-five per cent. of the total loans is taken from them.

He borrows generally for marriage and other social functions, but also for the following purposes :—

(i) Famine and other kinds of distress, (ii) seed, (iii) litigation, (iv) cattle, (v) subsistence.

The proportion is : (i) marriage, 50 per cent., (ii) seed and other expenses, 20 per cent., (iii) subsistence, 30 per cent.

Of the total debt 50 per cent. is incurred in cash and 50 per cent. in grain. Ninety per cent. is for short periods and 10 per cent. for long periods.

Question 2.—The rate of interest for cash advances is generally not less than 2 per cent. per mensem. For loans in kind for seed in some villages they charge *dehri* and in others they charge both *dehri* and *sawai*. For other loans they charge *sawai*.

Both simple and compound interest with half-yearly rests is charged. The rates are exorbitant.

Question 3.—Generally the security taken is standing crops and personal security. Landlords are relatively more in debt than tenants.

The comparative extent of indebtedness is landlords 90 per cent. and tenants 10 per cent.

Debt on land mortgage is increasing; it compares with unsecured debts in the proportion of 95 to 5 per cent.

Question 4.—Payment of debt is enforced by law suits.

There is practically no difference between the rate at which the cultivator borrows grain and the prevailing market rate. Markets are now numerous where cultivators can ascertain prevailing rates.

Question 5.—Cultivators want to take full advantage of the Agriculturist's Loans Act and the Land Improvement Act, but they are not given full opportunity to do so. If a cultivator stands in need of say Rs. 100 he is sometimes allowed only Rs. 5 or Rs. 10, and thus he has to go back to his village bankers. He does borrow *taqavi*, but his needs are not fully satisfied because the amount allotted falls short of his total demand. The demand for *taqavi* in abnormal years is ten times more than in ordinary years.

There are many defects in the present *taqavi* system. Cultivators have not got easy access to *taqavi* authorities and have mostly to depend on the mercy of patwaris and supervisors. The cultivator has often to fall back on his *mahajans* who sometimes, out of rancour, refuse to make any advance and very often raise the rate of interest. The advances are not available at the proper time.

To remedy these defects the cultivator should be given easy access to *taqavi* authorities, and either village co-operative societies of tenants and *zamindars* should be started or *taqavi* advances may be made through lambardars of villages or other respectable people.

Question 6.—There is no combination of cultivators for the purpose of production as far as I am aware, and I think under existing circumstances such combinations are not desirable.

MR. WAJID ALI.

Question 7.—The present system of borrowing from private sources is defective in so far as they charge very exorbitant rates of interest and I suggest that a limit should be put on the rate of interest by legislation. *Taqavi* loans would be a blessing if they are advanced liberally to the needy tenants.

Part C.—Extent and nature of agricultural indebtedness.

Question 1.—In my opinion not less than 20 per cent. of a village population is indebted to village (local) moneylenders.

Question 2.—Professional moneylenders and grain dealers are the agriculturists' principal creditors.

The extent to which the richer agriculturist lends to the poorer is not more than one or two per cent. of the village population.

Question 3.—In Oudh no kind of tenancy except under-proprietary is transferable, but enforced payment of debts has alienated a lot of proprietary and under-proprietary tenures into the hands of creditors. But this does not cause the cultivator to produce less or less efficiently in Oudh.

III.—INVESTMENT HABIT AND ATTRACTION OF CAPITAL.

A.—Encouragement of saving and investment habit.

Question 1.—The existing banking resources are local *banias*, petty moneylenders, local and touring *Aghas* and *Rastogis* and Punjabis, co-operative societies, banks and Government *tagavi* loans. I consider these to be inadequate as far as agriculturists are concerned, but I am sure if *taqavi* advances were to be liberally made, the agriculturists would be saved from much of the trouble and anxieties to which they are otherwise subject

Question 2.—The existing institutions for encouraging the habits of saving and investment are post office savings banks and cash certificates, co-operative societies and a branch of the Allahabad Bank, Limited, at Rae Bareli. They provide full facilities to the public, but starving peasantry has little to invest.

Question 3.—The people are in the habit of investing in silver and gold.

Question 4.—Postal cash certificates are popular, but steps can be taken to make them more popular.

Question 5.—Post office savings banks afford adequate facilities to the investing public. All classes of persons who can save take advantage of the various facilities for investment offered by the post office, but to make it more attractive the interest should be raised from 3 to 4 per cent. per annum.

Question 6.—In my opinion there is no competition between Government and banks in the matter of attracting money.

Question 8.—I don't think it will promote the savings habit if public bodies like municipalities were to afford savings bank facilities.

Question 9.—The Allahabad Bank tries to induce people to purchase government securities.

As the money spent in purchasing government securities cannot be recovered except by sale thereof, I don't think even big agriculturists or small investors would like to take up some form of government securities.

Question 11.—Surplus money is invested in the postal savings banks or with the Allahabad Bank, Limited, or reserved for any emergency that might arise in course of their business.

People use their surplus money in their trade or calling or on ceremonial occasions.

Question 12.—Certain land-owners spend their surplus funds in a prosperous year in improving their farms or in payment of their debts and liabilities. They seldom lend the surplus money to fellow agriculturists. If one lends to another fellow agriculturist it is on the same terms as any village *mahajan* or grain-dealer.

Question 13.—The banking and investment habit in India is of slow growth. I can attribute this to the life-long want of the habit and to the Indian people being chiefly agriculturists.

MR. WAJID ALI.

B.—Cheque habit.

Questions 1 *and* 2.—The cheque habit is growing and the abolition of stamp duty has increased both the use of cheques and the number of accounts.

Question 3.—Government officers, gentlemen of the legal profession, big merchants and literate landowners use cheques.

Question 4.—Payment of government servants and bank employees by cheque and receipt of cheques in payment of government dues would surely promote the cheque habit. Opening of cheque accounts by post offices would decidedly be an improvement specially at places where such facilities do not exist.

C.—Vernacular scripts in banking.

Question 1.—I would suggest the use of vernacular scripts in banking.

Question 2.—I would insist on the use of Nagri or Persian script.

Mr. SHIVA NARAIN LAL AGARWAL, Advocate, Hamirpur.

Replies to the questionnaire.

(NOTE.—*The replies to Parts IA and B are those of the following gentlemen* :—
(1) *Mr. Shiva Narain Lal Agarwal, Advocate, Mainpuri;*
(2) *Mr. Shiva Prasad, Vakil, Hamirpur;*
(3) *Babu Ajodhia Prasad Sahib, zamindar and moneylender, Hamirpur; and*
(4) *Babu Lakshmi Chand Sahib, Treasurer and zamindar, district Hamirpur.*
The remaining answers are those of Mr. Shiva Narain Lal Agarwal alone.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturist borrows from Government, co-operative societies, and village moneylenders.

He borrows for all the purposes mentioned in the questionnaire, except for manure, sinking of wells and building of banks.

Debt is incurred mostly for (1) seed, (2) subsistence, (3) cattle, and (4) marriage.

Debt from the Government is taken for seed, *bandhi*, wells, cattle and subsistence; from village moneylenders for seed and subsistence only from co-operative societies for seed, subsistence, and cattle.

Debt in cash is two-thirds and in grain one-third.

Debt is incurred for short periods (six months).

Question 2.—For cash advances the rates of interest are from 8 annas per cent. to Rs. 2 per cent. per mensem.

For loans in kind for seed, ¼ for eight months; generally 25 per cent. grain is taken at the same harvest.

For other loans in kind, ¼ for eight months.

The rates of interest are exorbitant.

Incidental charges are stamp duty and writing charges.

Question 3.—The usual security given and accepted in borrowing for agricultural purposes is land mortgage, houses and ornaments.

In most cases it is correct to say that the better the title to land, the greater the amount of indebtedness.

Landlords are more indebted than tenants generally. Nearly all petty co-sharers and a few big *zamindars* are indebted. Among tenants there are a few exceptions who are not indebted.

Question 4.—The payment of debt from agriculturists is enforced mostly by suit.

There is no difference between the rate at which the cultivator borrows grain or repays it and the prevailing rate. The latter can be ascertained from the village weighman.

Question 5.—The cultivator takes full advantage of the facilities provided by the Agriculturists Loans Act and the Land Improvement Act.

In abnormal years he borrows to the extent of 14 annas in a rupee.

The defects in the present *taqavi* system are that it is a joint system and *zamindars* are not consulted when *taqavi* lists are prepared.

In the joint *taqavi* system, debt is recovered from joint debtors and not from their heirs. The system should be such in which the burden should fall on the heirs, and *zamindars* should be consulted.

Question 6.—Cultivators do not combine to produce particulars crops. Combination is not possible and not desirable.

Question 7.—In the present system of agricultural borrowing there are defects in the realization of debt. Government realises its dues with facilities which are not open to village moneylenders.

that in Hazaribagh. Does that occur in your village?—II do not know, but he is not

Note by Lala Babu Prasad, Sub-divisional Officer, Hamirpur.

There is no defect in the present *taqavi* system. It would be contradicting the principle of joint security if heirs are made to pay. Applicants do not want to consult *zamindars* who in some cases help tenants by advancing money and seed at a higher rate of interest.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—*Zamindars* and cultivators bring their crops direct to market.

The methods of marketing vary according as the crop is one mainly used for domestic consumption or one mainly sold in the market.

Question 2.—Money is obtained to finance the marketing of crops from grain merchants and exporting firms. Grain merchants lend on 1¼ system; exporting firms charge *arhat* dues.

Question 3.—The cultivator ordinarily pays in the case of marketing his crop—

One *chhadam* for every rupee worth of grain to the *bania* and 10 annas for every hundred rupees worth of grain to the *arhatia*. There are other incidental charges also.

These charges vary with different crops.

Question 4.—The cultivator stores his grain in *khattis* and *bandas*. This is the cheapest arrangement. No improvement is possible.

In markets the grain is stored in sacks and in kothas.

Question 6.—Mr. Madon's Bill to encourage the establishment of independent warehouses in India will prove useful in large grain markets.

Part D.—Credit facilities in respect of agricultural production and marketing.

Question 1.—In the matter of providing agricultural credit in respect of crop production, Government gives *taqavi*. The Imperial Bank of India and joint-stock banks help the co-operative banks indirectly in giving loans, which in their turn provide agricultural credit. Indigenous bankers, professional moneylenders, and grain merchants give direct help in advancing cash and grain. Organisations or companies trading in fertilizers and agricultural implements provide credit in the form of fertilizers and implements.

The existing credit facilities are not adequate. The number of banks in rural areas should be increased, and the bank language should be in the vernacular of the district, *i.e.*, cheques may be issued in Hindi or Urdu as the case may be.

The cause of the defect in the existing system of agricultural credit is mostly illiteracy of the people. They cannot understand the credit facilities afforded to them and therefore they do not take advantage of them. Education propaganda should be started.

Question 2.—Professional moneylenders and grain merchants help the agriculturists in marketing crops by helping them in bringing their crops to the adjoining markets. These in their turn are helped by joint-stock banks and the Imperial Bank.

If warehouses or storehouses were started in every village, villagers will be able to get money for their crops more easily than they do at present, and they will be able to realise better prices because their corn will remain as security and they will be at liberty to sell when high rates prevail in the market.

Part E.—Land mortgage banks.

Question 1.—Landlords can obtain loans for long periods. Tenants cannot.

Question 2.—Long-period advances are available on the security of land.

The special difficulty of a long-term borrower is that he cannot easily get a creditor.

Question 3.—Non-transferability in the case of tenants is an impediment to long-term credit and increases the rate of interest.

Question 4.—The occupancy right does not serve as an adequate security for long-term credit as it is not transferable by law.

A modification of the law allowing transferability in the case of tenants would increase the value of such security for long-term advances.

(*Note by Lala Babu Prasad, Sub-divisional Officer, Hamirpur.*)
I do not agree. Such a law would very adversely affect *zamindar's* rights.

Question 5.—The establishment of land mortgage banks would solve the problem of long-term advances in this province.

Question 6.—There should be two such banks.

There should be co-operation between the two.

Land mortgage banks should have share capital of their own.

The share capital should be available for subscription to the public.

If the share capital is not taken up by the public, Government should undertake the obligation of subscribing the balance.

The public and the Government both should have representatives in the management of the bank. Each share-holder should have a vote irrespective of the number of shares he holds. Rights of share-holders will of course vary in other respects.

The maximum period of the loans advanced by a land mortgage bank should be 30 years and the margin between the amount of loans and the value of mortgage, half.

Working capital to be obtained should also be long-termed.

Debentures should carry a Government guarantee for interest only.

If debentures are not taken up by the public within a certain time, Government should take up the balance.

Debentures should rank as trustee securities.

To safeguard itself, Government shall have the first right to . . . ?

The following changes of the existing, or special arrangements, in favour of land mortgage banks are suggested :—

(i) Issue of certificates of encumbrances by the registration office at a nominal charge.
(ii) Reduction of stamp duty, registration charges, and court-fees.
(iii) Notification of proposed mortgages.
(iv) Simplification of the process of foreclosure and sale in the event of non-payment.
(v) Power to manage estates.

Provincial land mortgage banks should be co-ordinated under an all-India central institution.

Question 7.—The value of land should be calculated on the land revenue multiplied by twenty times or so.

The value of land per acre differs according to the crops grown on it.

The price of land obtained by private negotiation is higher than that by sale by Government auction for non-payment of revenue and also that obtained by sale on a court decree.

The proportion of the annual net yield of average quality land to its market value under normal conditions is 1 to 30.

Part G.—Small industries allied to agriculture.

Question 1.—The following are the subsidiary and supplemental industries to agriculture :—

(1) Dairy farming.
(2) Hand-spinning.
(3) Growth and manufacture of tobacco and vegetables.
(4) *Gur*-making.

Question 2.—The condition of such industries is good. By introducing improved systems and educating and marketing the producer would get a better return for his produce.

Question 3.—Spinning and weaving would give employment to a farmer in the off-season.

Working capital for such enterprises can be secured from co-operative banks and moneylenders.

Part H.—Small urban industries.

Question 1.—The cottage or art industries of my area are financed by village moneylenders and, since the days of the *khaddar* movement, by the *khaddar* association.

Artisans get their supply of raw materials and implements direct.

Wares are taken to the market for disposal, and sometimes they are sold in the village itself.

Since the days of the *khaddar* movement the cottage industry has greatly increased, and middlemen and large dealers help in financing and marketing.

Question 2.—In *khadaar* weaving there are *karkhanas*.

Consumers have to pay the middleman's profit to the middleman, because the commodity does not always come direct from the producer to the consumer.

Workers and apprentices work under *karkhanadars* and get their wages from them.

There is no tendency in these industries for the artisans to drift from their homes to small workshops, or *vice versa*.

Question 3.—The co-operative system would be the best protection against exploitation.

Question 4.—Co-operative organisations would remedy sweating and exploitation to a great extent.

Question 5.—A co-operative industrial bank would be a good method of improving the present system of financing small industries.

Such banks should issue loans, not only to artisan societies, but also to individual artisans and firms.

Question 6.—Sales associations, dépôts, or emporia would be of great assistance in advertising and marketing art wares. It would be better if such sales association, etc., were organised by co-operative societies.

II.—INDIGENOUS BANKING.

A.—Organisation of indigenous banking.

Question 1.—Moneylenders and merchants are the two chief classes of indigenous bankers.

The former give loans generally on the security of ornaments, property, land, and also on the crop. The merchant class of bankers generally combine trade with the business of lending money; and in that case trade is their chief and moneylending only a subsidiary business.

Question 2.—Agriculture, trade, and industry in this district are mostly financed by the indigenous bankers.

Question 3.—The resources of indigenous bankers are very few. The capital is mostly their own; to some extent they derive the capital from local deposits.

The volume of their business is very little. It is limited only to local areas or adjoining villages.

Their expenses are few; they are limited to law-suits.

The average net return of each class of indigenous bankers is not very great when they are solely dependent on banking business.

Question 4.—There are no financial houses dealing solely in the provision of credit facilities by purchase and sale of *hundis* and other bills of exchange. The cause for their absence is that the indigenous bankers generally combine the banking business with that of trade.

B.—Raising of funds by indigenous bankers.

Question 1.—Sight *hundis* are the chief credit instruments used by the indigenous bankers in the district.

Question 2.—Indigenous bankers provide themselves with funds to meet the demands upon them by borrowing from other local persons and funds.

It would be better if they were organised as a body by some law and bound to keep accounts in a systematic way and not allowed to charge exorbitant rates of interest.

Question 3.—The indigenous bankers receive deposits at rates above 8 per cent. per mensem. The rates vary at different seasons.

C.—Advances by indigenous bankers.

Question 1.—Indigenous bankers grant loans and allow cash credits to borrowers by taking written bonds, or on ornament securities, and also on mortgages.

Indigenous bankers generally issue loans for interest in cash, but sometimes they also give loans in the shape of seed, to receive back 1½ of the seed at the time of harvesting.

Personal, ornaments, land, and property securities are accepted to cover the loans.

In the case of loans granted on the security of the crop and in the shape of seed, 25 per cent. rate of interest in kind is accepted, and in case of loans granted on the security of ornaments, property, etc., low rate of interest, *e.g.*, 12 per cent., is charged.

Question 2.—The agriculturist has to pay the settled rate of interest in cash or kind as the case may be; over and above that he has to satisfy his creditor by giving some more additional products of his field.

A reduction in the present rates of interest would benefit the agricultural community to a great extent.

Question 3.—The clients of bankers have almost no facilities in inspecting their accounts with them.

E.—Defects of indigenous banking.

Question 1.—Public opinion is indifferent regarding indigenous bankers in my locality.

Question 2.—Indigenous bankers experience difficulty in carrying on their business.

Question 3.—They are sufficiently protected in law and they do not require any additional safeguards or privileges.

Question 4.—The defective dealings of indigenous bankers with their clientèle are due to the illiteracy of the borrowers. They should be educated.

Question 5.—Indigenous bankers are often obliged to refuse acceptable demands on account of insufficient working capital. For extending these resources they should be licensed and should get some privilege at the hands of co-operative banks and joint-stock banks.

F.—Co-ordination.

Question 1.—Indigenous bankers of the same class are generally on friendly terms and they get help from each other.

Indigenous bankers of different classes generally act in their own sphere, but the merchant class bankers sometimes at the time of necessity take help from the solely moneylending class.

There is some co-ordination in the various kinds of banks in this province but not as much as desirable.

The Imperial Bank of India and the joint-stock banks do not give any preferential treatment to the indigenous bankers over other customers because of their being so, though they get some better treatment on account of better security.

Question 2.—Co-ordination between indigenous bankers and other banks exists only to a very little extent.

At the time of a crisis the indigenous bankers should be helped by the other banks after examination of their case. The establishment of a provincial bankers' association with branches in important trade centres is recommended.

Question 3.—Great difficulty is experienced in the collection of cheques on indigenous bankers working in mufassil towns.

The establishment of a greater number of banks in rural areas will solve the problem to a great extent.

Part G.—Consolidation of indigenous banks.

Question 1.—Indigenous bankers should be recognised by the Government by some law, and should get some privileges making them serviceable to the community.

Question 2.—The conditions of such recognition should be keeping up correct and up-to-date accounts to be inspected at any time by inspecting officers employed by the Government for the purpose, and producing balance sheets.

Question 3.—The indigenous bankers would resent no doubt the conditions for their recognition designed to regulate their operations and also the publication of their balance sheets, but when they look to the advantages and privileges they should consent.

Question 4.—To a great extent money lies idle with the indigenous bankers at certain times of the year.

It is possible to find remunerative employment for this money in the district.

Question 5.—The indigenous banking system in the district is only connected with the principal money markets indirectly through the merchant class moneylenders. Direct connection by the establishment of a bank in the district is possible and desirable.

I regard it as desirable and essential also that a Central Reserve Bank be established to create a bond of connection between all the elements of the banking system.

Indigenous banks should be linked directly with the Central Reserve Bank.

MR. SHIVA NARAIN LAL AGARWAL AND OTHERS.

III.—Investment habit and attraction of capital.

A.—Encouragement of saving and investment habit.

Question 1.—Banking resources in the district are very few. The indigenous bankers generally depend upon their own capital.

They are not adequate.

Question 2.—Co-operative societies and the Post Office Savings Banks and indigenous banks are the institutions for encouraging the habit of saving and investment. They require both improvement and extension.

Question 3.—The people of the locality are in the habit of investing in gold and silver ornaments to a great extent.

Question 4.—Postal cash certificates are not popular in my district.

The revision of the rate of interest to a higher one and changing the terms of issue would increase their popularity.

Question 5.—Post office savings banks afford sufficient facilities to the investing public.

Only some men of the educated classes take advantage of the various facilities for investment offered by the post office.

Generally illiterate people do not take advantage at all. Education propaganda is necessary.

Question 6.—I consider the allegation that the rates of interest on postal cash certificates and treasury bills are so favourable as to create competition between Government and banks in attracting money, to be true.

But no harm is done by this competition.

Question 7.—The issue of gold cash certificates would accelerate saving and investment habit to a great extent.

Question 8.—If public bodies like municipalities, etc., be ready to afford savings bank facilities, it would promote the savings habit. The working and investments of such banks should be regulated strictly by law.

Question 9.—Whatsoever facilities for the sale and purchase of government securities are afforded by Government, the Imperial Bank and other banks are taken advantage of by a limited number of educated people only.

The procedure of purchasing and selling government securities should be made simple and easier so that agriculturists and small investors may take advantage of them.

Question 10.—No facilities, except those afforded by the Government, are available for the purchase and sale of government securities.

Question 11.—Some educated people invest their savings in the postal savings banks and some in the co-operative banks. Merchants and moneylenders utilise their money in their respective businesses. Ordinary men and agriculturists keep their surplus savings lying idle or they spend it in performance of religious and matrimonial ceremonies or in making ornaments for their children, wives and relatives.

Question 12.—Only some farmers invest their surplus funds in the co-operative societies, but the general case is as mentioned above.

Sometimes agriculturists also lend their surplus money to their fellows on almost similar terms as the moneylenders.

No estimate of the amount in the possession of the agricultural population in the district is possible. It is not distributed equitably. It is decreasing owing to unfavourable weather conditions for the last three years.

Question 13.—I agree with the view that in India the banking and investment habit is of very slow growth. The illiteracy of the people is the chief cause. The co-operative societies are the best means to educate the people to invest their savings in productive undertakings.

Part B.—Cheque habit.

Question 1.—The cheque habit is growing in India.

Question 2.—The abolition of stamp duty on cheques has led to an increase in the use of cheques and the opening of more accounts.

Question 3.—Only a limited number of the educated classes use cheques

Question 4.—The payment of government servants and bank employees drawing above Rs. 100 by cheques, and freer receipt of cheques in payment of government dues would surely promote the cheque habit.

Post offices should open cheque accounts, particularly at places where such facilities do not exist.

Question 5.—The thumb-impression in place of signature in the case of illiterate people on the cheque should be accepted.

C.—Vernacular scripts in banking.

Question 2.—I would insist on the use of Nagri script because this script is the most legible one.

D.—Imperial Bank of India.

The opening of new branches of the Imperial Bank of India in recent years has resulted in the encouragement of the investment habit, the promotion of internal trade and industry, the increase of facilities for agricultural credit, indirectly in the reduction in the general price of money, but their effects have not been very great. They are mostly indirect and little.

Babu ACHAL SINGH Sahib, of Osah, district Rae Bareli.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturist in this area borrows from Government, from co-operative societies, and from moneylenders.

He borrows for repayment of earlier debts, payment of interest, marriage, etc., for relief in distress due to famine, for payment of rent, for buying seed and to meet the expenses of cultivation and litigation and other agricultural needs. A major portion of the loan is taken from moneylenders. It is only at the time of famine that money is borrowed from Government and from co-operative societies.

About 50 per cent. of the loan is taken for agricultural purposes and from moneylenders. The remaining 50 per cent. is borrowed for domestic and marriage expenses, etc., from rich men of the same village. Above five per cent. of the loan is taken from Government, and that, too, at the time of famine and drought. Very little of it is taken from co-operative societies, though Government grants *taqavi* at the time of cultivation of opium and cultivators take it.

About 75 per cent. of the debt is incurred in cash and 25 per cent. in grain. The latter is incurred for domestic consumption and other needs.

Money is advanced for long periods, but grain for six months only.

Question 2.—The rate of interest is generally 2 per cent. per month, but occasionally as much as Rs. 3-8-0 per cent. is charged, and even more than that. Grain borrowed for seed has to be repaid at 50 per cent. interest, and that borrowed for consumption at 25 per cent. interest, to be realised at the time of the next harvest.

If loan for seed is taken in cash the rate of interest remains the same. There is no separate rate of interest for such loans. The rates of interest are certainly high.

The only expense incurred at the time of borrowing money are the stamp and the fee for writing the bond.

Question 3.—When borrowing money for agricultural purposes people sometimes mortgage or sell standing crops or houses, etc., but they never mortgage agricultural implements.

As a rule, it is not correct to say that the better the title to land the greater the amount of indebtedness, where the landlords are good and merciful, the tenants are not in debt, otherwise poor cultivators are mostly in debt. *Zamindars* have effected very little improvement during the last twenty-five years or so as regards irrigation, etc., hence their tenants are in debt.

The amount of debt secured on land mortgage is increasing.

Question 4.—The payment of debt from agriculturists is realised by taking his grain or purchasing his garden, etc., or by means of attaching his property through the law courts.

The loan taken in grain has to be repaid in grain alone. It is not repaid in cash. If repaid in cash, the payment is made at the time of harvest, the price of the grain due being calculated at the prevailing market rate. This causes loss to the cultivator.

Question 5.—The cultivator takes no advantage of the facilities provided by the Agriculturists Loans Act or the Land Improvement Act. He borrows very little or no *taqavi* at all for building wells and tanks. The reasons for this are—

(*i*) Because he lives at a distance from the tahsil.

(*ii*) Government realises the debt at the fixed time without any concessions. The cultivator is put to much inconvenience owing to want of money which he is obliged to borrow. If he is unable to repay the debt Government realises it by means of attachment of his property which lowers him in the estimation of his fellow cultivators.

BABU ACHAL SINGH.

(*iii*) Owing to want of education they see no advantage in it and are therefore put to much inconvenience.

Generally no one borrows *taqavi* in a prosperous year. Cultivators obtain their seeds by borrowing from moneylenders when there is famine; money is, no doubt, borrowed from Government, but to a very limited extent.

The defects in the system are—

(*i*) *Taqavi* is distributed late in the season. By the time the Government make an inquiry the cultivator has already met his needs by borrowing from moneylenders.

(*ii*) Government realises the money at the time of the next crop, or as soon there after as possible. The moneylender allows sufficient time for payment, and, by the payment being delayed, he gets more interest.

(*iii*) People are put to much inconvenience in going to the tahsil and are not in the habit of doing so. Want of education is also a reason.

If the Government advances *taqavi* at the time of need and grants it for a sufficiently long time, and also shows some concession in realising it, the present state of affairs is bound to improve. It would be still better if the rate of interest is lowered and centres for the grant of *taqavi* are established at shorter distances from each other.

Question 6.—Cultivators sometimes combine together to produce certain crops, such as sugarcane, etc. If weak and poor cultivators adopt this method it would be better for them.

Question 7.—If money is advanced for agricultural purposes on a low rate of interest for a long time, and centres are established for that purpose near villages, more money will be borrowed.

Part C.—Extent and nature of agricultural indebtedness.

Question 1.—The principal creditors of cultivators are moneylenders, and next to them co-operative banks and Government.

The richer agriculturist lends to the poorer to the extent of 80 per cent.

About 80 per cent. of the debt is borrowed from moneylenders, and the remaining 20 per cent. from Government and co-operative banks.

Question 2.—As a result of the enforced payment of debt, land is certainly passing into the hands of those who are not efficient farmers. By this process the cultivator can have no hope of reaping any benefit by borrowing. If he borrows his bullocks, etc., are attached, and he cannot get enough produce from the land.

Question 3.—Seventy-five per cent. of the *zamindars* are in debt.

Question 4.—The special causes for the indebtedness are: the poverty of cultivators, excess of expenditure over income and inability of *zamindars* to cultivate the fields themselves; marriages of daughters, inability to distinguish between necessary and unnecessary expenses due to want of education, and costs of litigation.

Question 5.—The landowning classes do not have to pay any special charges or rates of interest in respect of their borrowings.

Part D.—Credit facilities in respect of agricultural production and marketing.

Question 1.—Government, the Imperial Bank of India, the joint-stock banks, etc., all try their best to lend money to cultivators, but they fail to meet their demands. Cultivators are not generally aware of all the facilities available, nor do they try to take advantage of them.

The existing credit facilities are inadequate. Village moneylenders charge high rates of interest. Help from Government comes too late and full advantage is not taken of it. If cultivators are made to understand the advantages of Government help by means of lectures and notices, it is possible that they may be inclined to borrow from Government.

Money should be lent for a sufficiently long time, and centres for advancing money should be established everywhere. The debt should be realised without causing much hardship. If this is done more money will be borrowed.

BABU ACHAL SINGH.

Very little money is advanced for the purpose of marketing of crops. Rather there is no such practice in these parts. If this method is adopted, and the producer is helped to send his produce to the market, much progress can be made.

Question 2.—Merchants who lend money themselves compel their producers to sell the grain at their hands at a cheaper rate to repay the loan advanced to them. The same thing happens in case of money being borrowed from a bank. The cultivator is, therefore, unable to reap the full benefit of his labour.

Part F.—Co-operation.

Question 1.—There is not enough competition among the co-operative banks and joint-stock banks in this district. Very few people try to take advantage of them.

Question 2.—People do not consider it quite safe to invest their capital in banks. The banks, therefore, find it difficult to raise capital.

Question 3.—There is a sufficient amount of capital available in this district for financing the co-operative movement, but it belongs to a few persons only, not to the public; hence the public do not take much part in it. If they do so, the capital of the bank might be enhanced and people might come to have closer relations with the bank and profit thereby.

Question 4.—It is possible to stimulate the growth of the co-operative movement by granting financial concessions such as exemption from income-tax and inclusion of debentures in the list of trustee securities, and an increase in the number of co-operative societies is desirable.

III.—INVESTMENT HABIT AND ATTRACTION OF CAPITAL.

B.—Encouragement of savings and investment habit.

Question 1.—The inhabitants of this district can invest their money in post office savings banks, in purchasing government bonds through the treasury or post office co-operative banks, and the Allahabad Bank.

The existing banking resources are adequate, as the people of the district are not much in the habit of depositing money or inclined to take advantage of banks, etc. If they are made to understand the advantages of banks by means of lectures they may acquire the habit of investing money in banks.

Question 3.—For encouraging the habits of saving and investment there are, besides the banks, post office bonds. But people pay very little attention to them. They have not much faith in banks, and the existing means do not provide sufficient facilities to induce the public to invest their money in banks. They require improvement or extension, especially outside the principal trade centres. The people of my locality are, to a certain extent, in the habit of investing in gold or silver.

Question 4.—Postal cash certificates are not popular in my district. If the rates of interest and other terms are suitably altered they are likely to become popular.

Question 5.—If facilities for investing money in post office savings banks are increased and the rate of interest enhanced, and things are sufficiently explained to the people through notices and leaflets, they are likely to invest more money in post office savings banks. At present only literate persons invest money in such banks.

Question 7.—Villagers know nothing about the gold cash certificate. When they are made known to the people they might invest their money in them. It is bound to prove profitable, and it is hoped that large sums of money might be invested later on.

Question 11.—People are in the habit of keeping surplus money with them. They lend that money or purchase and store grain.

Question 12.—The farmers keep their surplus funds with them in a prosperous year and invest it in purchasing ploughs or bullocks.

Question 13.—People in India are not much in the habit of depositing their money in banks. The habit is of very slow growth. There is no other reason for this except lack of proper education. If the advantages of banks are explained to the people much progress can be made in this direction.

BABU ACHAL SINGH.

Rai Bahadur LALA SHEO PERSHAD, M.B.E., Bareilly.

Replies to the questionnaire.

I.—Agricultural credit and credit facilities.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—Ordinarily an agriculturist in this district borrows money from the village moneylenders, from his co-tenants, from the relations of those government servants who send money to them, from the adjoining moneylenders (*mahajans*), secures money by mortgaging sugarcane crops to the local sugar merchants or to other tenants or to the *zamindars*, from the Afghans, who advance loans as well as cloth, etc., on the credit system, or from those persons who lend money on the instalment system, from the relations of the legal practitioners who reside in the village or from the relations of the *patwari*. They also get some advance on their opium crop from the Government and in a very small degree from the co-operative society. If they fail with all these handles they resort to pawning their ornaments either locally or in the mufassil.

The tenant borrows for all the purposes mentioned in the questionnaire except for building tanks, because no tenant would require such a large storage of water. Over and above these there are other occasions for borrowing, *e.g.*, for giving English education to his children, for buying modern luxuries, and for other extravagant and immoral purposes, *e.g.* drinking and gambling and for paying illegal gratification in litigation. The amount of debt due to each object cannot be stated for, except in the case of co-operative societies, no moneylender cares to see the purpose for which the money is required, provided the borrower holds his credit, and the borrower can easily misrepresent his requirements to secure money.

The debt is mostly obtained from the private moneylenders.

Ordinarily the loans are secured till the harvest season which extends for six months. If taken for longer period they are secured either by simple or by usufructuary mortgage of the holding for five years; on sugarcane crops for a year or so with a condition that the repayment should be made after pressing the cane on which the money is secured.

Question 2.—The rate of interest on cash advances rises from Re. 1 to Rs. 3-2-0 per cent. per month according to the status and prompt payment of the debtor. On loans in kind one-fourth of the advance is taken as interest at the next harvest. The interest is generally calculated monthly per hundred and a month is divided into 30 days. The rates are apparently exorbitant, but in view of the fact that the methods of recovery through court are so expensive even such high rates are not sufficient to cover the expenses of litigation. If those modes of recovery are allowed to the private moneylender as are in vogue for co-operative societies, agricultural farmists, etc., then I think that these rates are high.

A borrower pays the following charges also, *viz.*, duty, writing charges, brokerage and in some cases some allowance by way of perquisite to the moneylender's *gomashta*.

Question 3.—Besides on mortgages, loans are secured on standing sugarcane crops. Household things are not deemed sufficient security. Implements of husbandry are exempt from attachment, *vide* section 60 of the Civil Procedure Code, and hence they cannot be regarded as security. Ornaments are pawned and their rate of interest is also low.

It is correct to say that the better the title to land the greater the indebtedness. Those landlords who have no other source of income are 99 per cent. in debt and the tenants about 85 per cent.: those who do not depend on mere agriculture are 99 per cent. in debt.

The amount of debt secured on land mortgage is increasing because section 82 of the Tenancy Act is ineffective and the tenants are generally given more than one chance of evading ejectments by fresh and successive grants of time by the court; and thus

the tenants gladly transfer their holdings to the sub-tenants, and the *zamindars* seeing this abuse refrain from resorting to this system. This fact of transfer is often concealed by executing the *patta* and the bond separately.

Question 4.—Recovery of debts is enforced through the law courts.

Question 5.—Cultivators do not take full advantage of the facilities provided by the Agriculturists Loans Act and the Land Improvement Act, because they have to face certain difficulties, *e.g.*, the delay which is caused in deciding the application, and the expenses which a tenant has to undergo in securing loans under the Acts.

In abnormal years tenants apply for even four times as much *taqavi* as in normal years.

The existing *taqavi* system is defective. The *patwaris* should be altogether excluded from this affair and the arrangements should be made through respectable local men under official supervision.

Question 6.—There is no combination between cultivators for the purpose of production and I think such combination is impracticable until tenants be sufficiently educated.

Question 7.—The present system of agricultural borrowing is unsatisfactory. Under the Civil Procedure Code tenant defendants have much liberty: they get unnecessary time at the time of the original suit and execution proceedings. Subletting is also injurious. Owing to one year's time for recovery allowed by the Village Panchayat Act and absence of provision for arrest in the Village Munsifs Act, as also the fact that the decree-holder has to go to the tahsil for executing a *panchayat's* decree, a lender at the time of advancing money can never be sure that he will get his full amount. These are the factors resulting in high rates of interest; if these are remedied then the rate of interest will go down of itself. If the same facilities be allowed to private individuals as are allowed to co-operative societies and the Government then too the result will be the same.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—In the majority of cases the products are sold in the town or district markets by the tenants directly through the commission agencies of the shopkeepers; in some cases the mufassil dealers go to the spot and buy the grain when it is just ready for storing.

Question 2.—The co-operative societies do help in this matter.

Question 3.—The cultivator has to pay two pice per rupee as commission fee to the *arhatia*. The charges vary with different crops.

Question 4.—The cultivators store individually in earthen pots and this is the best method for them.

Question 7.—Only the sugarcane crops are sold jointly; other crops cannot be sold in this way.

Part C.—Extent and nature of agricultural indebtedness.

Question 2.—A rich tenant does advance to a poor tenant according to his status.

Question 3.—Unless stringent restrictions are placed on subletting, it is impossible to stop the transfer of land from the possession of efficient farmers to that of persons who are not themselves efficient farmers.

It is not a fact that the tenant produces less, but he has ample freedom to sublet and does not like to exert himself.

Question 5.—The causes of the indebtedness of the land-owning classes are as follows:—On account of extravagant habits during the last 20 years the expenses have gone up disproportionately to the income. The income has been increased by half, whereas the expenses have gone up five times—for example, a *kahar* servant could be had for Rs. 4 twenty years back, but now one has to pay him Rs. 12 to 15. The *zamindari* expenses have gone up similarly. Higher English education is imparted to the children, which is far more expensive than the Indian education; they, when educated, cannot get suitable posts and they are reluctant to serve ordinarily; this burden too falls on the *zamindari*. Twenty years back rich eatables, such as fruits and foreign articles, were unknown, whereas at present every one longs to have them. Similarly, the *zamindari* expenditure

has also increased, *e.g.*, formerly a *zamindar* could maintain a pair of bullocks or a horse for Rs. 15, but these days he has to spend Rs. 50 or 60. The evil does not end here; the *zamindars* maintain motors and horses together and spend Rs. 200 to 800 on their maintenance.

Question 6.—The rate of interest on loans to landowners is not fixed; it varies according to the status of the borrower.

Part D.—Credit facilities in respect of agricultural production and marketing.

Question 1.—The money which is advanced for crops is solely advanced by co-operative societies, the local moneylenders and *mahajans*. These facilities are not sufficient. My suggestion is that legal security should be strengthened so that the tenants should be aware that the loan is meant to be repaid rather than a denial of the repayment, *e.g.*, similar facilities should be allowed to private moneylenders and the banks as are for the Canal and other similar departments. By this suggestion I mean that the borrower should be well aware of his responsibility to repay. For example, if *A* is a lender but not the *zamindar*, *A* will have no benefit if he secures *B's* ejectment, but by this means *B* will realize his responsibility and will not try to evade payment lest he may be ejected. Secondly, village *panchayats* and village munsifs' courts should be established in every village and the present defects of these courts should be removed as I have suggested in answer to question no. 7 of Part A. Similarly, the Civil Procedure Code should be amended. In my opinion the tenants should be burdened with sufficient responsibility of repayment, so that moneylending may become easier and they will not borrow needlessly but subject to such checking as is exercised by the co-operative societies. If the same facilities be given to private moneylenders as are enjoyed by Government and semi-Government societies then moneylending and borrowing shall become very easy and the tenants shall be in a better position and will soon become rich, and the rate of interest in private dealings shall become low.

Part E.—Land mortgage banks.

Question 1.—A *zamindar* can secure loans for long periods according to his position by mortgaging his property. A tenant can secure long-term loans according to his position by mortgaging his holding.

Question 2.—Often land is mortgaged with a condition that it cannot be redeemed till full repayment and in this way long period debts can be secured.

Question 3.—Non-transferability of tenants' rights is an impediment to long-term credit, but by this restriction only a few rich tenants can live in the village and the rest will starve and will share the same fate as *zamindars* who are 99 per cent. in debt and whose properties were sold every month on the 20th by public sale. The rate of interest is increased on account of subletting.

Question 4.—At present the freedom of subletting impairs the solidity of security in the shape of occupancy rights, but if restrictions be placed on subletting, the security can be improved.

Question 6.—Land mortgage banks might prove useful to the *taluqdars* and *zamindars*, provided the loans do not exceed eight times the revenue. The mode of realisation should be similar to the realisation of Government revenue. For *zamindars* paying Rs. 5,000 or upwards revenue there should be a separate bank. There should be no connection between the two.

Question 7.—In estimating the value of land, a comparison is made of neighbouring sub-tenants' rents, the rent which is paid to the *zamindars* and 10 per cent. other sundry charges are excluded, the balance is divided by 12 and the result is taken to be equal to a hundred to a rupee. It can be said that 12 per cent. is excessive and 6 per cent. reasonable, but I say that the other 6 per cent. is for recovering such incidental losses as the leaving of the village by the tenant or his death or the postponement or total remission of the revenue by the Government.

Babu NAVIN CHANDRA Sahib, of Farrukhabad.

Replies to the questionnaire.

I.—Agricultural credit and credit facilities.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturists generally borrow from the village moneylenders; co-operative societies cover only a very small area. Government also distributes *taqavi* in times of famine, flood, etc., but the sum is very insufficient and not available at the proper time.

They borrow for all the purposes mentioned in the questionnaire, excepting building of tanks and other agricultural improvements. Generally they borrow for seed, manure, cattle, etc. For example, in the cultivation of potatoes, tobacco and sugarcane half the debt is required for manure and seed and half for other expenses.

They borrow 80 per cent. from the village moneylenders and the remaining 20 per cent. from the co-operative societies and other sources.

Seventy-five per cent. of the debt is incurred in cash and 25 per cent. in grain.

The debts are generally incurred for long periods.

Question 2.—The rate of interest is 2 per cent. per month for cash advances, and for loans in kind for seed and for other loans in kind, 25 per cent. of the grain for six months.

Interest is calculated six-monthly.

In my opinion the rates of interest are high.

Borrowing from the village moneylenders costs only documentary expenses and their registration, etc., but with distribution of *taqavi* the case is quite different as the cultivator gets only 50 per cent. of the loan allotted to him and the remaining 50 per cent. is spent on the receiving and repaying agency which consists of *patwaris* and *chaprasis* and other tahsil staff. In this way the object of the Government of distributing *taqavi* is defeated, and instead of a blessing proves a curse to them.

Question 3.—The village moneylenders do not get any security.

It is quite correct to say that the better the title to land the greater the amount of indebtedness.

Ninety-five per cent. of the landlords, 85 per cent. of the occupancy tenants, and 60—70 per cent. of the tenants-at-will are indebted.

Both unsecured debt and debt on land mortgage is increasing.

Question 4.—No other method except suing in the law courts is used to enforce payment of debt from agriculturists.

The difference between the rate at which the cultivator borrows grain or repays it is nearly half a seer less per rupee than the bazar rate at the time of giving the grain and half a seer more than the bazar rate at the time of repaying. Every cultivator is presumed to know the bazar rate.

Question 5.—The cultivators take no advantage of the facilities provided by the Agriculturists Loans Act and the Land Improvement Act, *i.e.*, they do not borrow *taqavi* freely. They do not borrow for the reasons already given in the answer to question no. 2 above. Famine only forces them to accept *taqavi*. In ordinary times no *taqavi* is borrowed.

Babu Navin Chandra.

Taqavi is available to the poor cultivators only on the illegally gratified recommendation of the *patwaris* and *kanungos*, and in this way the very object of *taqavi* is defeated. Instead of relieving the poor cultivators it is a source of income to the lower grade officials of the Government and sometimes higher officials. Then, when repaying the above the system is still more hurtful to the cultivators. There are no hard and fast rules for repayment, but the same is realised by the *patwaris*, *kanungos* and naibtahsildars according to their will, or postponed when they are paid sometimes. When these subordinate officials are pressed by Government to realise, they sell by auction every belonging of the cultivators on nominal prices and thus totally ruin them.

Government should frame such rules for the distribution of *taqavi* so that the distribution may be made by the high officials on their personal enquiry of the conditions of the individual agriculturists, without any recommendation from the patwaris or subordinate officers, so that those who need *taqavi* need not approach the *patwaris* or such junior officers. Similar rules are necessary for the collection of the *taqavi* so that the *patwaris* and such junior officers feel that it is their duty to collect *taqavi* and the question of granting time and amount of collection may not be at their disposal. In my opinion the standard of granting *taqavi* should be fixed on the total amount of the rent the agriculturist pays or the total acreage of the land he owns. Whatever standard on rent and acreage of land the Government pleases to establish will facilitate the high officials in distributing *taqavi* without depending on their subordinates and will also save the agriculturists from their clutches. Thus the agriculturists will get the full *taqavi* in time of need. Regarding the collection of *taqavi* they should be collected by petty instalments sanctioned by the Government according to the circumstances of the agriculturists who should feel that they are bound for payment and the junior officers for the collection so that the collection is not on the whims and at the disposal of the subordinates. The effect of these rules will be that they are bound for payment of the instalments, therefore they will be ready for payment. There will be no occasion for offering illegal gratification and the officers to accept them.

Only the Commissioner should have the power to alter the amount of the instalments under such circumstances as necessitate the suspension or remission of the Government revenue.

Question 7.—The current borrowing system of the agriculturists is very defective and ruins them.

The defects of the *taqavi* system I have pointed out above.

They pay high rates of interest to the village moneylenders and in addition to this, the account is not generally clear and honest. The consequence is that the agriculturist who once happens to borrow cannot free himself from the clutch of the lender.

The Government should frame rules which will force the village moneylenders and such other persons who lend money to the tenants to keep their accounts according to the Government sanction and their accounts should be checked regularly by high responsible officers who understand accounts well and the status of whom is above question. If this is done, the illiterate tenants will be saved from these dishonest moneylenders.

Similar rules safeguarding the interests of the moneylenders from the dishonest tenants should also be framed so that the moneylenders may collect the money given in loan for purely agricultural purposes without any difficulty. At present there is no other way to exact their loan except by civil litigation which is so expensive that practically speaking no amount is recovered. Whatever is exacted is generally equal to the legal and illegal expenses of the court. Moneylenders should be given such facilities as to recover their money by decree by producing a certificate from the proposed auditing officers to the court, as is effected by the certificate of the Registrar of the Co-operative Societies, and for their execution a special attaching officer should be kept.

The crop for which the loan is given by the moneylenders should be considered as in mortgage.

If the Government wants to save the landlords they should be given special facilities from the Imperial Bank or co-operative societies on a low rate of interest by mortgaging their landed property.

BABU NAVIN CHANDRA.

Lala CHANDRAMUL SINGH Sahib, district Rae Bareli.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturist borrows from Government, big agriculturists, and moneylenders.

The objects of his borrowings and the proportion of debts due to each object are as follows :—

	Per cent.	
Repayment of earlier debts ...	... 10	
Payment of accumulated interest ...	... 5	
Marriage and other social functions ...	... 15	
Famine and other kinds of distress ...	... 15	
Payment of land revenue and rent ...	... 10	
Seed	... 10	(in the shape of grain.)
Litigation	... 25	
Purchase of plough or other cattle	... 5	
Subsistence	... 5	

Of the total debt 75 per cent. is incurred in cash and 25 per cent. in grain.

In grain the debt is repayable in six months and in cash in a year or more.

Question 2.—Rates of interest are as follows :—

For cash advances—mostly 1 per cent. and in a few cases Re. 1-9-0 per cent. per month.

For loans in kind for seed—25 per cent.

For other loans in kind—25 per cent.

The rates are certainly exorbitant. There is no other charge incidental to the grant or repayment of loans.

Question 3.—Grain is lent on trust only; for cash security of land, houses, and ornaments is taken or there is a mortgage with possession.

It is, no doubt, correct to say that the better the title to land the greater the amount of indebtedness, for generally landlords are more indebted than tenants. Seventy-five per cent. of landlords are indebted.

The cultivators can always ascertain the prevailing rate of grain in the market as *bayana* (earnest-money) of each village is kept in the bazar.

Question 5.—The cultivator wishes to borrow *taqavi*, but those who do not hold land on lease and are sub-tenants do not receive it. When land is shared by four persons, and its lease is in the name of one man only, the man in whose name the lease is will be able to obtain *taqavi*, but others will not.

In abnormal years loans are taken half as much again or twice as much as in ordinary years.

In my opinion if the status of land is neglected and *taqavi* is given on the security of big cultivators everyone would be benefited by it.

Question 6.—Many cultivators combine in sowing *sanwan* and sugarcane, and other crops are also sown in combination.

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