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REPORT

of the

United Provinces Provincial Banking Enquiry Committee

1929-30

Volume II

EVIDENCE.

ALLAHABAD:

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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.

S. 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 counterclaims 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 any 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. (See 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 inquire 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 authorized 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 recognized 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.

Mr. E. A. H. BLUNT, C.I.E., O.B.E., I.C.S., Chairman, United Provinces Provincial Banking Enquiry Committee.

Memorandum on economic enquiries carried out in districts under settlement.

1. DURING the years 1928 and 1929 certain economic enquiries have been carried out by settlement officers in addition to their ordinary duties. One of the subjects of enquiry was agricultural indebtedness. The Settlement Commissioner has been kind enough to place at the disposal of the Banking Enquiry Committee all the reports at present available,—*i.e.*, all those of 1928 and one of 1929, and I have examined these carefully. As they stand, they cannot conveniently be used as evidence: for though the general scheme is the same in all cases, the settlement officer had discretion to decide the form in which he would present his facts and figures, with the result that the reports differ greatly both in the amount of information supplied and the manner of its presentation. I have accordingly attempted to collate these reports into a single connected account.

2. The tracts in which enquiries were made are as follows:—

District Rae Bareli.—Tahsils Maharajganj, Salon and Rae Bareli.

District Bara Banki.—Tahsils Fatehpur, Haidargarh and Ramsanehighat.

District Partabgarh.—Parganas Partabgarh, Ateha, Dhingwas and Rampur.

District Unao.—Parganas Safipur, Mohan-Auras, Bangarmau, Fatehpur-Chaurasi and Purwa.

District Lucknow.—Tahsils Mohanlalganj and Malihabad.

District Budaun.—Parganas Kot, Satasi, Bisauli, Islamnagar, Sahaswan, Usehat and Asadpur.

3. The year 1928 was an unfortunate one for an enquiry into indebtedness. There had been a poor *kharif* in 1927. There was every reason to hope for a bumper *rabi* to follow, but it was spoilt by excessive and untimely rains, whilst by September 1928, when the last of these enquiries was completed, it was apparent that the monsoon had failed, and that a second *kharif* failure was in prospect. The total volume of indebtedness was, consequently, much larger than usual: and the figures cannot be taken as true of normal times. On the other hand, they serve to show to what extent agriculturists possess reserves, whether of cash or credit.

4. It is necessary to state with some precision the scope of these enquiries.

(*a*) They related only to tenants, not to landlords.

(*b*) The method by which individual tenants were selected for enquiry differed. Most settlement officers preferred to examine the circumstances of every tenant in a certain number of representative villages: some preferred to take one tenant in every ten throughout the tract. It may be noted that a Hindu joint family cultivating in common was treated as a single tenant. The total number of cases examined was 38,930.

(*c*) For some unknown reason *taqavi* was in some cases, at all events, ignored. From the Committee's point of view, this omission is unfortunate, since the picture of indebtedness presented in these reports is incomplete. Nevertheless, it may be doubted whether the inclusion of *taqavi* would have made any material difference to the figures. The normal amount of *taqavi* distributed in a year lies between twelve and fifteen lakhs, an average of some Rs. 30,000 per district. Now in Rae Bareli, the total debt, excluding *taqavi*, of 7,158 tenants is in round figures 5·9 lakhs or Rs. 82 per tenant. Even if the entire normal allotment for the whole district had gone to these same tenants, it would only have increased their average figure by Rs. 4. There was, of course, a large distribution of 120 lakhs in October and November 1928; but this could only affect the figures of the one tahsil (Maharajganj) where enquiries were made in 1929.

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(*d*) The tenants concerned have been sub-divided into four classes as follows :—

(i) Free from debt.

(ii) Indebted to an amount less than the amount of one year's rent of his holding.

(iii) Indebted to an amount more than one year's, but less than two years' rent of his holding.

(iv) Indebted to an amount exceeding two years' rent of his holding.

This classification affords an excellent measure of the *burden* of debt. Writing in 1911, Mr. Moreland stated that the rent paid by a non-occupancy tenant was between 10 and 20 per cent. of the value of the gross produce of his holding. Since then both rents and prices of produce have risen : but the latter have risen relatively much higher than the former, whose growth has further been artificially retarded by the acquirement of preferential rights. It may be taken, therefore, that rent is relatively much less of a burden than it used to be, and that a tenant who owes less than one year's rent is lightly indebted. A tenant who owes more than one year's rent but less than two years' is moderately indebted. If he owes a sum greater than two years' rent he is, unodubtedly, heavily indebted.

(*e*) The tenants concerned have further been sub-divided—

(i) According to caste.

(ii) the various classes and relative importance of creditors.

These figures (which in my experience are a novelty) are of great importance. There is no doubt that social status, directly and indirectly and in more ways than one, has an effect on indebtedness : whilst it is obvious that there must be correlation between a man's assets and his credit.

(*f*) There is also a good deal of information, in more or less precise form, on the subjects of—

(i) the objects for which money is borrowed ;

(ii) the various classes and relative importance of creditors.

5. In the following table tenants are classified according to their indebtedness expressed in terms of their rent :—

District.	Free from debt.		Indebtedness in terms of rent						Total.
			Less than one year.		Between one and two years.		Over two years.		
	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	
Partabgarh ..	6,088	71	839	10	529	7	1,109	12	8,515
Bara Banki ..	7,495	65	1,858	16	1,055	9	1,063	10	11,471
Lucknow ..	2,872	63	731	16	896	9	551	12	4,550
Unao ..	1,914	55	508	14	377	11	684	20	3,483
Rae Bareli ..	3,039	43	1,617	23	940	13	1,512	21	7,158
Total* ..	21,408	61	5,553	16	3,297	9	4,919	14	35,177
Budaun ..	2,182	58	468	12	471	12	632	18	3,753
GRAND TOTAL	23,590	61	6,021	15	3,768	10	5,551	14	38,930

*The first five districts form a compact tract in the Gangetic plain, and have many points of similarity. Budaun's circumstances are entirely different. I have accordingly given a total for the five Oudh districts.

6. As already explained, debt is not a serious burden to those who owe less than one year's rent, for they can free themselves of it at any time without much difficulty. It is different with those who owe more. We can thus divide the tenantry into two classes, unencumbered and encumbered, as follows :—

District.	Unencumbered tenants (per cent.).	Encumbered tenants (per cent.).
Partabgarh	81	19
Bara Banki	81	19
Lucknow	79	21
Unao	69	31
Rae Bareli	66	34
Total ..	77	23
Budaun	7.	30
GRAND TOTAL ..	76	24

7. At first sight the figures appear incredibly favourable. Nevertheless, there is no reason for discrediting them. They were taken by the revenue staff, namely, *patwaris* and supervisor *qanungos*, who would have as close a knowledge as any outsider can possess of the circumstances of the tenants concerned. They were carefully checked by settlement officers, who, in the course of their ordinary duties, came into close contact with the people. There is, of course, a certain natural tendency for a debtor to conceal the full extent of his indebtedness; but that tendency would be counteracted by the fact that during the course of a settlement it is to the advantage of landlord and tenant alike to describe themselves as in poor circumstances.

8. After careful examination both of the economic reports and the rent rate reports relating to the tracts in question, I can point to certain circumstances which help to explain the favourable character of these figures.

(1) It is an undoubted fact that in these tracts, as elsewhere, the indebtedness of landlords is both much more widely spread and much heavier than the indebtedness of tenants. Similarly, the man who both owns lands of his own and cultivates lands leased from others, *i.e.*, who is both a landlord and a tenant, is more heavily indebted than the man who is a tenant pure and simple. These figures relate only to the last mentioned;* and consequently they cannot be compared with most published figures of agricultural indebtedness that I have seen, since these usually include landlords as well as tenants.

(2) Taken as a whole the tenants, in the five Oudh districts at all events, are relatively more prosperous than the majority of tenants in this province. These districts form a decidedly fertile tract. The great majority of all Oudh tenants possess reasonable security of tenure. The average holding, moreover, is considerably larger than it is elsewhere; in these five districts, judging from the rent rate reports, it lies between 4 and 5 acres, and usually nearer the larger than the smaller figure. In proof of these assertions, I give certain quotations from rent rate reports :

(*a*) *Pargana and district Partabgarh.*—"The tenantry is more prosperous than before. The standard of living, though still low, has improved. The houses present a decent appearance. There has been an increase in cattle, sheep, ploughs and carts. A substantial number of masonry wells

*Except, to some extent in Rae Bareli. See below, para. 9.

have been constructed by tenants, and under-proprietary and occupancy rights have been acquired for a consideration. Large sums of money paid as premium are a proof of their financial capacity to stand competition. A substantial number of persons is employed abroad and sends remittances to relatives at home." (*Syed Abdul Hasan, A.S.O.*)

(*b*) *Tahsil Nawabganj, Bara Banki.*—"The economic condition of the tenants as a whole is good . . . . The number of wells built by the tenants, together with the increase in the number of ploughs and in the number of carts alike, show that although the standard of living has not changed, the material prosperity of the tenants has increased." (*L. Owen, S. O.*)

(*c*) *Pargana Jhalotar-Ajgain, district Unao.*—"On the whole the condition of the tenants may be described as satisfactory . . . The growth in the number of carts, the increase in ploughs and plough cattle and the construction of nearly half the new wells by tenants at their own expense are features which point to the general well-being of the tenantry as a whole." (*Himmat Singh K. Maheshwari, S. O.*)

Quotations such as these could be multiplied, but these are enough to show that the tenantry is, generally speaking, reasonably well off—certainly better off than their fellows in other districts.

(3) Again, a larger proportion than usual of the Oudh tenantry consists of expert cultivators who can make the most of their holdings.

(4) Agricultural debt is of two kinds—

(i) There is a considerable proportion of *floating debt*, incurred for such purposes as the purchase of seed and the expenses of cultivation. This, though relatively small in the case of any individual tenant, bulks large in the aggregate.

(ii) *Quasi-permanent* or long-term debt, which is the result of larger borrowings for such causes as expenditure on ceremonies, litigation or the payment of rent.

The former is contracted from time to time throughout the year, the latter at irregular intervals when necessary. It follows, therefore, that the volume of total debt will be lower at some seasons than at others. In a normal year the amount of debt contracted on account of the *kharif* operations will generally be small, as these are relatively cheap. At intervals throughout the cold weather the tenant will find it necessary to borrow extensively for the expensive *rabi* and sugarcane operations, and possibly also to pay his *kharif* rent. The debt incurred for agricultural purposes will normally be at its highest about the time of the *rabi* harvest; and may be considerably increased if a tenant has a marriage ceremony to finance, since the marriage season usually takes place either at the end of the cold weather or the beginning of the hot weather. When, however, he has marketed his *rabi* crops in May or June, he will have money to pay off his floating debt, and possibly also to reduce his quasi-permanent debt. It follows, therefore, that the nature of any figures of agricultural indebtedness will depend to some extent on the time of year when they are collected; and there is no doubt whatever that this helps to explain, not only the favourable figures actually recorded, but also certain variations between them.

(*a*) The Unao, Partabgarh and Bara Banki figures were taken in the cold weather of 1927-28. None of these three districts had suffered in the preceding *kharif*, whilst at the time there was every expectation of a bumper *rabi*. Debt, therefore, was probably below the normal at this time. Unao, however, had suffered heavily from the floods of 1924, and there was probably a good deal of old debt outstanding from that time, with the result that the figures are less favourable than in the other two districts.

(*b*) In Lucknow the figures were taken in May 1928, after a relatively poor *rabi*, but not bad enough to justify any suspension, let alone remission, of revenue; whilst this was the time of year when debt is always lowest.

(*c*) The Rae Bareli figures are from this point of view specially instructive. In two out of the three tahsils concerned, they were taken during the rains of 1928, after two poor crops and with the expectation of famine to follow. Debt, therefore, was naturally above the average at this time of year; and the figures show higher debt than in other districts. In the third tahsil, they were taken in May and June of 1929,

the most favourable time, but after four bad crops in succession; and, to add to the tenants' difficulties, a considerable amount of rent had actually been recovered which should have been suspended. Here the figures are worse even than in the other two tahsils.

(*d*). In Budaun, some of the figures were taken before the *rabi* was harvested, some after it had been put on the market. In the former case, the figures of indebtedness were at their worst, in the latter case at their best. It is, indeed, the settlement officer in this district who has called attention to the seasonal variations of debt. He points out that of two neighbouring parganas, the more fertile showed the higher debt, simply because the enquiries were made before the *rabi* was harvested, instead of at a later date, as in the less fertile pargana.

(5) It is the same officer who points out that freedom from debt is not always due to prosperity. It can be, and is, due to the reluctance of moneylenders to give credit. For instance, the greater the security of tenure, the greater the ease with which the tenant can borrow. Again, a tenant in a precarious tract will find it more difficult to get credit than a tenant in a fertile tract. And, of course, a tenant or class of tenants who are known to be bad payers (such as the high caste tenants in Budaun) will find the moneylender much less complaisant than good payers (such as the Muraos and Kachhis in Rae Bareli).

9. The figures of Unao, Rae Bareli and Budaun taken as a whole are markedly less favourable than those of Partabgarh, Bara Banki and Lucknow. The only outstanding cause of this in Unao has already been mentioned [para. 8 (4) (*a*)]. As regards Rae Bareli, one cause has already been mentioned above [para. 8 (4) (*c*)], but there is another. In this district a certain number of the tenants whose cases were examined were also co-sharers, owning a certain amount of land of their own and leasing more land from other landlords. Like all landlords, they were more deeply indebted than tenants are or ever can be; and some at least of their debt is rather landlord's debt than tenant's debt. In Budaun, there is a good deal of old debt which is alleged to be due to the co-operative societies of the district, now in liquidation. Strenuous efforts are being made to recover outstandings from the former members, much to their indignation—an indignation which is justified, if, as they often allege, the money had already been paid only to be embezzled by the officers of the co-operative bank or society concerned. Another special cause which enhances debt in this district is the system of financing the sugarcane crop. Apparently, the *khandsal*, who is the trader dealing in the sugarcane juice, is in the habit of advancing to the cultivator, to finance his crop, a sum slightly larger than the value of the estimated outturn at forward rates. Apparently, he himself fixes the rates and, of course, fixes them in a manner favourable to himself. The result is that the producer never gets the full value of his produce, and since he must use that produce to repay the *khandsal*, the burden of his indebtedness constantly increases, especially when he takes, as he often does, an ordinary loan in addition. In short, the effect of the system is that the producer gives all the profits of cane growing to the middleman, *i.e.*, the *khandsal*, in return for the means of subsistence and the capital required for growing the crop. The original capital of these loans is, of course, practically irrecoverable and the *khandsal* knows it, but he is usually indifferent to the fact because his main object is to retain in his own hands the disposal of the produce. As an instance of the effects of this system, the settlement officer quotes the case of a village of some 900 acres in area, where out of a total debt of nearly Rs. 21,000, nearly Rs. 20,000 are *khandsali* debts. In this village only 32 per cent. of all tenants are free of debt and 66 per cent. owe more than two years' rent.

10. Complete figures of *indebtedness by caste* are available for five districts only, as the Unao reports give only percentages. The figures can be arranged in four main groups, as follows:—

(*a*) High castes—Brahmans, Rajputs, Musalman Rajputs and other Musalmans of good social position.

(*b*) Agricultural castes—Ahars, Ahirs, Kisans, Kurmis and Lodhs.

(*c*) Market-gardening castes—Kachhis, Koiris and Murais.

(*d*) Other castes.

11. The following table gives the figures for these groups :—

District.	Free from debt.		Indebted in terms of annual rent.						Total.
			Less than one year.		More than one, less than two years.		Over two years.		
	Number.	Per cent.	Number	Per cent.	Number.	Per cent.	Number.	Per cent.	
High castes.									
Partabgarh ..	2,136	66	479	15	141	4	486	15	3,242
Bara Banki ..	1,582	68	291	13	220	9	245	11	2,338
Lucknow	427	66	62	10	49	7	109	17	647
Rae Bareli ..	783	50	178	11	147	10	452	29	1,560
Budaun	450	62	66	9	70	10	143	19	729
Agricultural castes.									
Partabgarh ..	1,767	70	344	14	212	8	206	8	2,529
Bara Banki ..	2,664	69	555	14	296	7	324	9	3,839
Lucknow	290	62	68	15	37	8	69	15	464
Rae Bareli ..	214	47	49	11	67	15	121	27	451
Budaun	483	57	60	7	2	8	235	28	850
Market-gardening castes.									
Partabgarh ..	263	67	46	12	29	7	56	14	394
Bara Banki ..	213	60	63	18	43	12	36	10	335
Lucknow	8	50	51	31	21	13	10	6	164
Rae Bareli ..	261	40	227	33	107	15	82	12	677
Budaun	257	60	62	14	70	16	41	10	430
Other castes.									
Partabgarh ..	1,872	71	250	10	147	5	357	14	2,626
Bara Banki ..	3,086	62	950	19	495	10	458	9	4,989
Lucknow	1,717	61	499	17	283	10	309	12	2,808
Rae Bareli ..	1 842	41	1,161	26	623	14	857	19	4,488
Budaun	704	60	136	10	158	14	182	16	1,180

District.	Free from debt.		Indebted in terms of annual rent.						Total.
			Less than one year.		More than one, less than two years.		Over two years		
	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	
Total.									
High castes ..	5,378	63	1,076	12	627	8	1,435	17	8,516
Agricultural castes ..	5,418	67	1,076	13	684	8	955	12	8,133
Market-gardening castes.	1,076	54	449	22	270	13	225	11	2,020
Other castes ..	9,171	57	2 996	19	1,711	11	2,163	13	16 041

12. The percentages of "encumbered" and "unencumbered" tenants (*cf.* para. 6) are as follows :—

—	Unencumbered	Encumbered.
High castes	75	25
Agricultural castes	80	20
Market-gardening castes	76	24
Other castes	76	24
All castes (para. 6) . . .	77	23

13. Of the various groups, the high castes show the least favourable figures. The social factors which affect their economic condition are as follows :—

(*a*) Their women, whether Hindu or Muslim, may not work in the fields.

(*b*) Custom forbids a Brahman or Rajput to handle the plough. Some settlement officers report that this taboo is weakening in some places : but it is still widely prevalent.

(*c*) A high caste man who comes into physical contact with a member of an untouchable caste becomes impure, and must at once wash both himself and his clothes. As most field labourers are "untouchables" and it is difficult to avoid such contact in some of the field operations in which a high caste man could assist, the latter is apt to confine his energies to supervision. This taboo is also said to be weakening, but it still persists.

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These social customs have two economic results. Firstly, they increase the cost of cultivation, since the high castes must employ far more labour than the low. Secondly, high caste cultivation is rarely as skilful or productive as low caste cultivation. Where the Kurmi produces wheat, the Brahman produces barley: and second rate barley at that.

(*d*) Expenditure on various ceremonies is much larger amongst high castes than low. Not only has a Brahman or Rajput to spend more lest he lose social standing but he must observe all the twice-born rites, whilst a man of lower caste can restrict himself only to the most important. And there are sixteen of these rites (*sanskara*), all of which cost money; marriage, of course, is by far the most expensive.

On the other hand—

(*e*) Brahmans and Rajputs usually enjoy some rental privilege, which is often as high as 25 per cent. There are signs, according to the rent rate reports, that this privilege is dying out in some places: but it is still widely prevalent. Occasionally, other high caste tenants also enjoy such a privilege: but this is exceptional and due to some special cause, *e.g.*, relationship with the landlord.

(*f*) Brahmans have a valuable source of income in the shape of *purohiti*, *brit*, or *jajmani*,*—*i.e.*, priestly or caste dues. These include not only fees for services rendered but presents, usually of food, that are made either on festive occasions or by way of penance. One of the most common punishments in the penal code of a caste *panchayat* is the feeding of so many Brahmans—rarely less than five.

(*g*) High castes generally possess far more than their fair share of the larger holdings.

14. In short, the high caste agriculturist possesses certain definite advantages, which are however counterbalanced by the costliness of his cultivation and the inferiority of his crops. Apart from this, he has to bear specially high expenditure as a result of his social obligations, which is set off, in the case of the Brahman, by a steady income derived, with the minimum of toil, from his priestly avocation. On balance, the Brahman probably gains slightly; the Rajput undoubtedly loses. So possibly does the Musalman Rajput: for though as a follower of the Prophet, he should not be affected by any of the four high caste disabilities but the first, and certainly enjoys the first and third advantages, yet his Rajput blood tells and he clings to many of his old Hindu customs, especially such as appertain to his social status. Other Musalmans are less suitably placed in this category: the only taboo which affects them is that connected with the *purda* system. They seldom enjoy a rental privilege and they are often skilful cultivators, especially in Budaun. Had they been omitted, it is probable that the high caste figures would have been even less favourable than they are. And, as it is, the proportion of unencumbered tenants is lower, and of encumbered tenants higher, in this group than in any other; whilst the number of heavily indebted tenants, who owe amounts in excess of two years' rental, is markedly high.

15. The castes which specialise in tobacco, poppy and garden crops of all kinds have certain peculiarities of their own. Their holdings are almost invariably small, but their skill in intensive cultivation more than compensates for this disadvantage. Their agricultural operations are costly, despite the fact that their womenfolk work in the fields; and their rents are above the average. They live, probably, better than most villagers: and being well known for prompt payment, can command extensive credit. In such circumstances, it is not surprising that whilst relatively fewer of them are entirely free of debt, a larger number are lightly or moderately indebted and a smaller number heavily indebted, than in any other group. Indeed, but for a tendency amongst some in this group to vie with the high castes in the matter of social expenditure, debt among these market-gardeners would be altogether trivial.

16. The agricultural castes, properly so called, are in every respect better off than any other group: only 20 per cent. can be regarded as encumbered, whilst the proportion of tenants entirely free from debt is the largest recorded. "Other" castes, naturally, conform closely to the average figures for all castes.

**Brit* and *jajmani* are generic terms (=caste dues) used of any caste. (*Jajman*= client or patron). *Purohiti* is used of Brahmans only (=priestly dues).

17. A few individual figures require explanation.

(1) *Rae Bareli, high castes.*—There is an unusually high proportion of the heavily indebted. This is in part due to the fact which has distorted all the Rae Bareli figures, namely, the inclusion amongst tenants of a certain number of agriculturists who are also petty co-sharers, and, like all landlords, relatively deep in debt. Another cause is litigation. No less than one-third of the total high caste debt is due to this cause; whilst the similar debt of all other castes put together is only 40 per cent. of the high caste figure.

(2) *Rae Bareli, agricultural castes.*—Here too, there are both the inclusion of a certain number of co-sharers and high expenditure on litigation to disturb the figures. Out of the total debt of this group, a sum of Rs. 71,000, no less than Rs. 32,000, or 45 per cent., is due to the litigiousness of 29 Kurmis. A minor cause is said to be the high price paid by this caste for its imported plough cattle.

(3) *Budaun, agricultural castes.*—The proportion of heavily indebted tenants is high in this district too. The castes mainly concerned are Ahars and to a less extent Ahirs,—cognate castes that are pastoral as well as agricultural. The Ahar's cultivation is described as sound but not first rate: he is certainly not so skilful as the Kurmi. It is probable, too, that he spends money not only on cultivation but on cattle. But the principal cause of the heavy indebtedness of this group in Budaun is undoubtedly the failure of the local co-operative societies now in liquidation. The amounts which are alleged still to be due from the former members are large, and it is doubtless this which explains the high percentage of 28 that are heavily indebted in this group.

18. Figures of *indebtedness by holdings* are available from only three districts, namely, Bara Banki, Lucknow and Rae Bareli. The original groupings are (1) less than 2½ acres, (2) from 2½ to 5 acres, (3) from 5 to 7½ acres, (4) from 7½ to 10 acres, (5) from 10 to 20 acres, (6) from 20 to 50 acres and (7) over 50 acres. I have combined these seven into four groups as shown in the table below:—

Districts holding groups.	Free from debt.		Indebted in terms of annual rent.						Total.
			Less than one year.		More than one, less than two years.		Over two years.		
	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	
Bara Banki.									
Less than 5 acres .	4,909	64	1 312	17	759	10	703	9	7,686
From 5 to 10 acres ..	1,940	67	430	15	242	8	268	10	2,880
From 10 to 20 acres ..	555	71	101	13	52	7	72	9	780
Over 20 acres ..	91	73	15	12	2	1	17	14	125
Lucknow.									
Less than 5 acres ..	2,084	66	431	14	270	9	376	11	3,161
From 5 to 10 acres ..	561	56	234	23	88	9	122	12	1,005
From 10 to 20 acres ..	198	62	54	17	29	9	36	12	317
Over 20 acres ..	29	43	12	19	9	13	17	25	67

Districts holding groups.	Free from debt.		Indebted in terms of annual rent.						Total.
			Less than one year.		More than one, less than two years.		Over two years.		
	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	
Rae Bareli.									
Less than 5 acres ..	2,087	44	939	20	623	14	1,020	22	4,669
From 5 to 10 acres ..	758	41	496	27	248	13	356	19	1,858
From 10 to 20 acres ..	217	37	161	30	64	21	118	12	560
Over 20 acres ..	27	38	21	30	5	7	18	25	71
TOTAL.									
Less than 5 acres ..	9,080	59	2,682	17	1,652	11	2,102	18	15,516
From 5 to 10 acres ..	3,259	57	1,160	20	578	10	746	13	5,743
From 10 to 20 acres ..	970	59	316	19	145	9	226	13	1,657
Over 20 acres ..	147	56	48	18	16	6	52	20	263

19. The following table shows the figures of "unencumbered" or "encumbered" tenants, respectively :—

Group.	Unencumbered.				Encumbered.			
	Bara Banki.	Lucknow.	Rae Bareli.	Total.	Bara Banki.	Lucknow.	Rae Bareli.	Total.
Less than 5 acres	81	80	64	76	19	20	36	24
From 5 to 10 acres	82	79	68	77	18	21	32	23
From 10 to 20 acres	84	79	67	78	16	21	33	22
Over 20 acres ..	85	62	68	64	15	38	32	36

20. The figures, though interesting, need little comment. Since debt is measured in terms of rent, and rent depends on the size of the holding, it is obvious that, if other circumstances are equal, there should be only trifling differences between the figures of the various groups. And, in fact, that is so, save in two instances,—namely, the figure of the highest group in Lucknow and the figure of the lowest group in Rae Bareli, both of which are markedly below the figures of other groups in the same districts. In Lucknow the cause is the presence of many high caste tenants who are heavily indebted in the highest group : the largest holdings, of course, go principally

them. In Rae Bareli, as already explained, a number of tenants were included who were also co-sharers. These men were classified, however, on their tenancies alone, and as these would generally be small, they come into the lowest class, though their indebtedness is not to match.

21. *Causes of debt.*—Information regarding the causes of debt is much less satisfactory or complete. The reports of three districts say little or nothing on the subject. From Unao we get only the percentage of cases due to each cause but not the number of cases on which those percentages are based. The Budaun report does give that information, but not the amounts of money involved; and as a glance at the figures below will prove, that is a matter of importance. The Rae Bareli report alone supplies complete information. Again, all returns have some sort of a miscellaneous head: but the "causes" included under it differ widely. In the Unao figures, for instance, it includes "loans raised for domestic purposes, payment of ancestral debts, and litigation"—where the last named is not of sufficient importance to be mentioned separately. The Budaun miscellaneous head excludes ordinary domestic expenditure, and includes old debt due to the co-operative societies (see para. 9), debt due to sickness, casual disability, and (a curious item) dacoity. In Lucknow, with the exception of some Rs. 1,000, it means personal extravagance. Again, in Budaun, there is a second miscellaneous head for "maintenance," *i.e.*, domestic purposes. If the figures are to have any meaning they must obviously be re-arranged to correspond. I have accordingly acted as follows:—

(1) "Expenditure on domestic purposes," which is not mentioned individually, so far as I can discover, anywhere in the best of the three reports (Rae Bareli), can most suitably be added to "agricultural expenditure" (where in Rae Bareli it was most probably included). It usually represents money for food and clothing, which are as necessary to agricultural efficiency as seed or bullocks, whilst, from another point of view, it may be regarded as replacing the wages of labourers, which are *not* paid because the debtor's family works in the fields.

(2) Ancestral debts are almost certainly due to social expenditure in byegone years, and can best be added to that head.

(3) The old co-operative debt in Budaun is similarly agricultural debt in origin.

After making these corrections we then get figures as follows. (In Rae Bareli it has been necessary to go into decimals for a reason obvious from the figures):—

Cause of litigation.	Percentage of cases of debt in—			Amount of debt (Rae Bareli).	
	Unao.	Budaun.	Rae Bareli.	Actual.	Percentage.
				Rs.	
Expenditure on social ceremonies..	29	15	18·5	1,63,000	28
Litigation	2	3	3·2	1,40,000	24
Other non-agricultural objects ..	3	3	0·3	19,000	3
Agricultural objects	66	79	78·0	2,67,000	45

It is clear from these figures that the greatest proportion of all debt is incurred for agricultural purposes. It must not however be supposed that this agricultural debt is all equally productive, for a considerable part is due to payments of arrears of rent, or of *nazrana*, the premium taken by many landlords on admitting a tenant to his holding, or in lieu, wholly or partially, of an enhancement of rent. This is especially the case in Rae Bareli, where rents are often excessive and *nazrana* is common. In Budaun, some 13 per cent. represents the old debt to the co-operative societies: and a good deal

more, probably some 10 to 12 per cent., represents arrears of rent. In Rae Bareli, agricultural debt per debtor averages Rs. 84. Social ceremonies do not account for any undue proportion of cases, as is natural enough, since they only occur at irregular and somewhat lengthy intervals : but they do account for a very large part of the total amount borrowed. The average debt per debtor in Rae Bareli is Rs. 217. But of all wasteful and expensive debt, that incurred for litigation is far the worst. It amounts to nearly one-fourth of the total sum due in Rae Bareli, and averages per debtor no less than Rs. 1,007. The figure, however, is probably misleading, as some part of this debt, at all events, is due by quarrelsome co-sharers that are also tenants.

The average debt from all causes per debtor in Rae Bareli is Rs. 145.

22. *Creditors.*—Here again information in the shape of figures is meagre except from Rae Bareli : but they are of relatively little importance, and I do not propose to draw up a table. The general position is clear enough. There are (excluding Government) four principal classes of moneylenders :

(1) *The professional moneylender,*—who varies from the little local *bania* to the merchant-prince in the city. It is they who finance the larger loans, and the major part of all debt is due to them. In Rae Bareli, for instance, out of a total debt of Rs. 5,89,000 they have provided Rs. 3,40,000, or 58 per cent.

(2) *The debtor's landlord.*—A somewhat dangerous creditor, since he has a double hold over the borrower. It is stated, for instance, that occupancy tenants have been compelled to surrender their rights in liquidation of their debt. Fortunately this type of debt is not relatively large; in Rae Bareli it amounts to Rs. 94,000 or 16 per cent.

(3) *Other tenants.*—It is, in my experience, something relatively new for tenant to lend to tenant : but there is no doubt that the practice is now well-established, being reported from every district concerned. In Rae Bareli they have provided Rs. 1,28,000 or nearly 22 per cent. of the total debt. From some points of view, the change is satisfactory : it means that money, which otherwise would have probably laid idle, continues to circulate and to work Again, though there may be tenants sharp enough to realise that it pays to borrow at 24 per cent. and lend at 37½ per cent., so that moneylending by a tenant does not necessarily prove that he is himself free from debt, yet in all probability most lenders are themselves in possession of spare cash, and consequently there are resources available for investment whose existence had not been previously suspected. It means, finally, that the tenantry has unexpectedly large reserves. On the other hand, this invasion of the moneylenders' domain has its drawbacks. If the agriculturist has money to spare, he should put it into his own land, or use it for some industry subsidiary to agriculture. As it is, he is at best putting it into somebody else's land ; at worst, he may be putting it into somebody else's lawsuit.

(4) *The co-operative society or bank.*—The importance of co-operative societies as purveyors of credit varies greatly. In Unao, for instance, they lend an appreciable amount of money : in Rae Bareli, on the other hand, the debt due to them does not exceed Rs. 27,000 or 4 per cent. of the whole. The fault is not entirely their own. The tenant prefers to borrow from a moneylender at 24 per cent. or even at 37½ per cent. rather than from a co-operative society at 15 per cent. for two reasons—

(i) The moneylender does not delay in providing him with his money : the society has to make numerous enquiries before it may do so. The tenant himself has probably put off his borrowing till the last available moment, and since delay is in any case a serious matter in agricultural operations, he goes to the moneylender.

(ii) The society does, and indeed must, insist on prompt repayment : the moneylender is much more amiable to the defaulter.

Much the same is true of government loans : though here there is a third objection, in the petty peculations of the revenue officials to which a borrower has to submit if he is to get his money.

23. *Rates of interest.*—Little need be said in this subject. The most common rates are—

(1) The "*ugahi*" rate, by which a man who borrows Rs. 10 pays Re. 1 per month for a year.

(2) Two per cent. per month or 24 per cent. per annum.

(3) Two pice per rupee per month or 37½ per cent. per annum.

These are rates for unsecured loans. For loans secured on a mortgage the rates are from 6 to 12 per cent. Some have been recorded as low as 3 per cent., some as high as 75 per cent., but these seem to be exceptional. The co-operative society's rate is 15 per cent. and Government's rate for *taqavi* is 7½ per cent.

24. The Settlement Officer, Rae Bareli, in addition to his general report, sent in detailed notes on each village which he inspected. I reproduce these accounts below in abbreviated form in respect of eighteen representative villages. They all come from tahsil Maharajganj, which I have selected because the figures were taken during the course of the current year and will therefore be comparable with the figures of the villages especially surveyed for the Banking Enquiry Committee.

(*N.B.*—In respect of holdings, I have taken five acres as the normal.)

(1) *Ariawan.*—A fertile little village owned by a *taluqdar.* Recorded rents are low, but *nazrana* is taken on new leases and in lieu of enhancement.

Total number of tenants, 33.

(*a*) High caste tenants, 9, all Khanzadas (i.e., Musalman Rajputs). They enjoy a rental privilege of two annas in the rupee in the old holdings, but not in new holdings or holdings of which the rent has recently been enhanced. The holdings in size are rather above normal. Three tenants are free from debt; four owe less than a year's rent; one owes more than one year's and less than two years rent; one owes more than two years' rent. The total debt is Rs. 742 or about Rs. 124 per debtor. The whole is due to expenditure on agricultural improvements.

(*b*) Market gardening castes, 2 (Murais). Holdings are below average, as is usual with these castes. Both owe less than one year's rent—a total of Rs. 30—all due to agricultural expenditure.

(*c*) Ordinary tenants, 22. The average holding is below normal. Four are free from debt; six owe less than one year's rent; five owe between one and two years' rent; seven owe more than two years' rent. The total debt is Rs. 1,051. Of this Rs. 105, which is due entirely by one tenant, is due to expenditure on ceremonies, and the rest to agricultural expenditure.

Debt in this village is decidedly high and only 21 per cent. of tenants are free from it. A part is due to the construction of new wells, a part to unfavourable seasons. The Settlement Officer, however, suspects that the rents are concealed and that more is paid than the rent recorded.

Two-thirds of the total debt is due to moneylending tenants, mostly at 24 per cent.; about a quarter of it to the *taluqdar* landlord at 6 per cent. and the balance to non-resident *mahajans* who charge from 24 to 75 per cent. The rate of interest charged by the landlord is decidedly low, but as he has the usual landlord's hold over his tenants, the loans are practically secure.

(2) *Chilauni.*—A large village of which part is very fertile, part very precarious. As a whole it is below the average of the neighbourhood. The landlords are a large body of impoverished Rajputs. Rents are full but fully collected, whilst *nazrana* is also taken.

Total number of tenants, 158.

(*a*) High caste tenants, 22, mostly Brahmans, who enjoy a rental privilege of two annas in the rupee in the old holdings, but not in new ones. A few of these high caste tenants are also co-sharers. Their holdings are above normal; some have as much as 50 acres. Thirteen are free from debt; two owe less than a year's rent; seven owe more than two years' rent. The total debt is Rs. 5,650, sub-divided as follows :—

Rs. 3,050 (three debtors) is due to litigation. These three are co-sharers as well as tenants.

Rs. 1,515 (two debtors), due to social expenditure.

Rs. 1,085 (three debtors), due to agricultural expenditure. Of this, some Rs. 1,000 is due by a single tenant, who is also a co-sharer.

(*b*) Market-gardening castes, 15 (Murais and Kachhis). The average holding is of normal size. Five are free from debt; three owe less than a year's rent; seven owe more than two years' rent. Total debt is Rs. 1,252. All due to agricultural expenditure.

(*c*) Ordinary tenants, 121. The average holding is of normal size. Thirty-five are free from debt; twenty-three owe less than a year's rent; fifteen owe between one and two years' rent; forty-eight owe more than two years' rent. Total debt, Rs. 7,424, of which Rs. 140 is due to social ceremonies (two debtors), and the balance to agricultural expenditure. Also 34 per cent. are free from debt; but this percentage is unusually low as the result partly of four bad crops, partly of the high rents. Of the total debt about a half is due to resident *mahajans*, mostly at 24 per cent. one quarter to landlords, mostly at 6 per cent., and the rest to fellow tenants at 24 per cent.

(3) *Chhichha.*—A very poor village owned by a large body of heavily indebted Rajputs. Rents are excessively high.

Total number of tenants, 78.

(*a*) High caste tenants, 24, all Rajputs, who pay full rates; some, however, are also co-sharers. The average holding is above normal size. Two are free from debt; six owe less than a year's rent; sixteen owe more than two years' rent. Total debt Rs. 13,490, of which Rs. 1,600 (four debtors) is due to social expenditure and the rest is said to be due to agricultural expenditure, though the Settlement Officer is inclined to doubt whether this is correct.

(*b*) Ordinary tenants, 24. The average holding is of normal size. Nine are free from debt; four owe less than one year's rent; four owe between one and two years' rent; seven owe more than two years' rent. Total debt, Rs. 1,764, of which Rs. 510 (three debtors) is due to social expenditure and the rest to agricultural purposes.

Only 23 per cent. are free from debt. Though the total figure of debt is possibly exaggerated and some of it is really landlord's debt, it is not surprising to hear that in a rack-rented and precarious village, the tenants are in a deplorable condition and that many have left the village, mostly to take service in Calcutta and elsewhere. This is a good example of how heavy the burden of social expenditure can be. Despite poverty, the amount spent on ceremonies is over Rs. 2,000.

Half the debt is due to non-resident *mahajans*; half to landlords and fellow-tenants. The most common rate of interest is 24 per cent.

(4) *Medhauna.*—A really good and even excellent village owned by a large body of indebted Rajputs in eight mahals. Some areas have been sold to *mahajans*. The rents are high, but fully realised.

Total number of tenants, 105.

(*a*) High caste tenants, 41, mostly Rajputs, of whom some are also small co-sharers. There is no rental privilege. The average holding is above the normal size. Ten are free from debt; four owe less than a year's rent; three owe between one and two years' rent; twenty-four owe more than two years' rent. The total debt is Rs. 50,216, of which Rs. 21,195 (twelve debtors, most of whom are also co-sharers) is due to litigation; Rs. 15,152 is attributed to the extravagance of these small co-sharers; Rs. 12,599 is due to social expenditure. Only Rs. 1,270 (eight debtors) is due to agricultural expenditure.

All the figures are vitiated by the inclusion of these co-sharers. The village once belonged to a single wealthy landlord, whose numerous descendants are both extravagant and litigious. Many of them now own only a few acres in proprietary right, and even that land is mortgaged. They are selling it out, and will soon cease to be *zamindars* at all.

(*b*) Market-gardening castes, 6 (Murais and Kachhis). The average holding is less than the normal. One is free of debt; three owe less than one year's rent; two owe between one and two years' rent. Total debt, Rs. 156, of which Rs. 54 (one debtor) is due to social expenditure and the balance to agricultural expenditure.

(*c*) Ordinary tenants, 58. The average holding is less than normal. Eighteen are free from debt; twenty-four owe less than a year's rent; ten owe between one and two years' rent; six owe more than two years' rent. Total debt, Rs. 1,601, of which Rs. 135 (four debtors) is due to social expenditure, Rs. 60 (one debtor) to litigation, and the balance to agricultural expenditure.

Thirty per cent. only are free from debt. Most of the agricultural expenditure is due to arrears of the very high rents and to adverse seasons.

Of the total debt, two-thirds is due to landlords, being the purchasers who are forcing out the old landlords. Rates of interest vary between 3 and 6 per cent. secured and 24 to 37½ per cent. unsecured. About one-third is due to *mahajans* and a small balance to fellow-tenants but mostly non-resident. The rates in these cases are the same.

(5) *Rampur Panwara.*—There are two proprietors, both indebted, who have recently sold part of their property to a *mahajan*. The fertility of this village is about the average. Rents are moderate and fully collected.

Total number of tenants, 78.

(*a*) High caste tenants, 9, chiefly Brahmans. Rental privilege, 4 annas in the rupee. The holdings are rather larger than usual. Seven are free from debt; two owe more than two years' rent. Total debt, Rs. 17,100, of which Rs. 15,000 (one debtor) is due to litigation, Rs. 1,700 to personal extravagance and only Rs. 400 to agricultural expenditure.

(*b*) Market-gardening castes, 8 (Murais and Kachhis). Holdings are below the normal size. Three owe less than a year's rent; four owe between one and two years' rent; one owes over two years' rent. Total debt, Rs. 662, due entirely to agricultural expenditure.

(*c*) Ordinary tenants, 61. The average holding is of normal size. Seventeen are free from debt; sixteen owe less than a year's rent; sixteen owe between one and two years' rent; twelve owe more than two years' rent. Total debt, Rs. 2,978, of which Rs. 315 (3 debtors) is due to social expenditure and the rest to agricultural expenditure.

Thirty-one per cent. are free of debt. Of the total amount three-quarters is owed to non-resident *mahajans*, half at 24 and half at 12 per cent. The rest is owed to fellow-tenants, mostly at 24 per cent.

(6) *Jehta Usarha.*—A *taluqdari* village rather below the average of the tract in fertility. It however possesses an important bazar and rents are somewhat above average, though fully collected. *Nazrana* is also taken.

Total number of tenants, 44.

(*a*) High caste tenants, 10, all Brahmans, who enjoy a rental privilege of two annas in the rupee. The average holding is somewhat below the normal size. Nine are free from debt; one owes between one and two years' rent. His debt amounts to Rs. 150, of which Rs. 50 is due to social and Rs. 100 to agricultural expenditure.

(*b*) Market-gardening castes, 5 (Murais and Kachhis). The holdings are as usual small. One is free from debt; one owes less than a year's rent; three owe between one and two years' rent. The total debt is only Rs. 112 due to agricultural expenditure.

(*c*) Ordinary tenants, 29. The holdings are rather smaller than usual. Ten are free from debt; nine owe less than a year's rent; two owe between one and two years' rent; and eight owe over two years' rent. Total debt, Rs. 1,695, due solely to agricultural expenditure.

It is obvious that despite the high rents, the tenants are thrifty and probably benefit from the neighbourhood of the bazar. Almost the whole of the debt is due to resident *mahajans*. Two-thirds of it is at 24 and one-third at 37½ per cent.

(7) *Janai.*—A good *taluqdari* village. Rents are full and fully collected. Small sums in *nazrana* are also taken. A co-operative society works in the village.

Total number of tenants, 176.

(*a*) High caste tenants, 73. The Rajputs enjoy a rental privilege of four annas in the rupee in old but not in new holdings. Thirty-nine are free from debt; four owe less than a year's rent; ten owe between one and two years' rent; twenty owe over two years' rent. The total debt is Rs. 8,530, of which Rs. 3,199 (13 debtors) is due to social expenditure; Rs. 2,900 (four debtors) is due to litigation; and the balance to agricultural expenditure.

(*b*) Market-gardening castes, 12 (Murais and Kachhis). The holdings are rather below normal size. Six are free from debt; two owe less than a year's rent; four owe over two years' rent. The total debt is Rs. 834, of which Rs. 244 (two debtors) is due to social ceremonies and the rest to agricultural expenditure.

(*c*) Ordinary tenants, 91. The holdings are rather larger than normal size. Twenty-nine are free from debt; thirty-four owe less than a year's rent; twenty-three owe between one and two years' rent; five owe over two years' rent. The total debt is Rs. 2,349, of which Rs. 315 (six debtors) is due to social expenditure, and the rest to agricultural expenditure.

The agricultural debt is due mostly to the bad harvests of recent years; but 48 per cent. are free from debt. Of the total amount two-thirds is owed to *mahajans*, mostly at 6 per cent. About one-fifth is due to resident tenants, some of it at 6, some of it at 24 to 37½ per cent. The rest is due to the co-operative society at 15 per cent.

(8) *Khekharwa.*—There are two *mahals* originally belonging to non-resident Saiyids, one of which, however, is under the Court of Wards and one has recently been sold. Rents are high in the latter mahal and moderate in the former. The village is up to the average. A co-operative society is at work.

Total number of tenants, 99.

(*a*) High caste tenants, 57, nearly all Rajputs. There is no rental privilege. Some of them have large holdings. Most, however, have holdings of normal size. Twenty-five are free from debt; nine owe less than a year's rent; seven owe between one and two years' rent; sixteen owe more than two years' rent. Total debt, Rs. 3,776, of which Rs. 1,328 (six debtors) is due to social expenditure; Rs. 300 (one debtor) to litigation, and the balance to agricultural expenditure.

(*b*) Market-gardening castes, 6 (Murais and Kachhis). The holdings are of less than normal size. Two are free from debt; two owe less than a year's rent; two owe more than two years' rent. The total debt is Rs. 148; all due to agricultural expenditure.

(*c*) Ordinary tenants, 36. The average holding is less than normal size. Nine are free from debt; six owe less than a year's rent; six owe between one and two years' rent; fifteen owe over two years' rent. The total debt is Rs. 3,021, of which Rs. 2,200 (13 debtors) is due to social, and the balance to agricultural expenditure.

Of the tenants, 36 per cent. are free from debt. The amount spent on social ceremonies is excessive. Of the total debt, three-fourths is due to fellow-tenants, mostly at 24 per cent.; most of the rest to *mahajans*, also at 24 per cent. The co-operative society has only lent Rs. 305 at 15 per cent.

(9) *Khudna.*—The village belongs to a wealthy estate under the Court of Wards, but is sub-settled in eight *mahals*. The under-proprietors are all indebted. Its fertility is above the average. Rents are moderate and fully collected.

Total number of tenants, 86.

(*a*) High caste tenants, 52, with holdings of various sizes; some hold as much as 50 acres. No rental privilege. Sixteen are free from debt; three owe less than a year's rent; one owes between one and two years' rent; thirty-two owe more than two years' rent. Here too a number of the tenants concerned are also under-proprietors. The total debt amounts to Rs. 41,173, of which Rs. 23,006 (18 debtors) is due to social expenditure; Rs. 17,032 (10 debtors) to litigation, and only Rs. 1,135 to agricultural expenditure.

(*b*) Ordinary tenants, 34. The average holding is smaller than the normal size, though one has a holding of some 40 acres. Eighteen are free from debt; five owe less than a year's rent; four owe between one and two years' rent; seven owe more than two years' rent. Total debt, Rs. 1,634, of which Rs. 412 (four debtors) is due to social, and the balance to agricultural, expenditure.

Forty per cent. are free from debt. The expenditure on litigation and social ceremonies is remarkably high. Of the total debt, three-quarters is due to *mahajans*, mostly at 6 per cent. secured by mortgage on the under-proprietary shares; unsecured range from 24 to 37½ per cent. The rest is owed to fellow-tenants at similar rates.

(10) *Hardoi Khas.*—A village of four *mahals* belonging to a large body of Kurmi co-sharers. Its fertility is average.

Total number of tenants, 99.

There are no high caste tenants.

(*a*) Agricultural castes, 83, all Kurmis. Their holdings are rather larger than usual, and one exceeds 50 acres. Sixty-two are free from debt; five owe less than a year's rent; three owe between one and two years' rent; thirteen owe more than two years' rent. Total debt, Rs. 5,385, of which Rs. 2,598 is due to litigation, Rs. 1,940 to social, and the balance to agricultural, expenditure.

(*b*) Ordinary tenants, 16. The average holding is of about normal size. Eight are free from debt; five owe less than a year's rent; three owe between one and two years' rent. Total debt, Rs. 205, of which Rs. 50 is for social ceremonies.

It is remarkable that though this village is fully rented and rents are all collected, yet after two bad years, 71 per cent. are still clear from debt. Of the total debt, two-thirds is due to fellow-tenants, mostly at 6 per cent. and the rest to *mahajans*, mostly at 6 per cent., some at 24 per cent. The bulk of the debt is obviously secured.

(11) *Oi.*—A very fine village belonging to a *taluqdar;* fully rented. *Nazrana* is also collected. A co-operative society is at work.

Total number of tenants, 78.

(*a*) High caste tenants, 3, all Rajputs, with a rental privilege of four annas in the rupee, and all with large holdings. Two owe less than a year's rent; one owes more than two years' rent. The total debt is Rs. 465, of which Rs. 400 is due to litigation and social expenditure.

(*b*) Market-gardening castes, 55 (Murais and Kachhis). The holdings are mostly below the normal size. Six are free from debt; twenty-four owe less than a year's rent; eighteen owe between one and two years' rent; seven owe more than two years' rent. The total debt is Rs. 16,143, of which Rs. 15,730 (16 debtors) is due to social, and the balance to agricultural, expenditure.

(*c*) Ordinary tenants, 20. The average holding is below normal size. Four are free from debt; two owe less than a year's rent; four owe between one and two years' rent; ten owe more than two years' rent. The total debt is Rs. 2,197, of which Rs. 1,268 (six debtors) is due to social, and the balance to agricultural, expenditure.

Only 13 per cent. of the tenants are clear of debt,—a curious result in so good a village. But expenditure on social ceremonies is high. Of the total debt about one-third is due to *mahajans*, mostly at 24 per cent.; one-third is due to the co-operative society at 12 per cent.; and the balance mostly to fellow-tenants at 24 per cent.

(12) *Bainti.*—A *taluqdari* village of fair fertility, with moderate rents. A good deal of *nazrana*, however, is taken.

Total number of tenants, 131.

(*a*) High caste tenants, 22, mostly with relatively small holdings. Rajputs enjoy a rental privilege of four annas in the rupee in the old but not in the new holdings. Fifteen are free from debt; two owe less than a year's rent; one owes between one and two years' rent; four owe more than two years' rent. The total debt is Rs. 3,635, of which Rs. 1,235 (two debtors) is due to social expenditure; Rs. 2,200 (two debtors) is due to litigation, and the balance to agricultural expenditure.

(*b*) Agricultural castes, 10, all Kurmis, with holdings above the average size. Six are free from debt; one owes less than one year's rent; three owe more than two years' rent. Total debt, Rs. 850, of which Rs. 600 (two debtors) is due to social ceremonies and the balance to agricultural expenditure.

(*c*) Market-gardening castes, 16 (Murais and Kachhis). Holdings are decidedly smaller than the average. Two are free from debt; nine owe less than one year's rent; two owe betwen one and two years' rent; three owe over two years' rent. The total debt is Rs. 800 due entirely to agricultural expenditure.

(*d*) Ordinary tenants, 83, all with relatively small holdings. Thirty-five are free of debt; twenty-four owe less than a year's rent; fourteen owe between one and two years' rent; ten owe more than two years' rent. Total debt, Rs. 2,884, of which Rs. 810 (ten debtors) is due to social, and the rest to agricultural, expenditure.

Though a good deal of *nazrana* is taken, 44 per cent. are clear of debt. Some of it is due to *mahajans*, of which one-third is at 6 per cent. and the rest mostly at 24 per cent.

(13) *Bhawanigarh.*—A fair village owned by Brahman *mahajans* in two mahals. The rates are full but fully collected.

Total number of tenants, 103.

(*a*) High caste tenants, 15 all with small holdings. The Rajputs have a rental privilege of four annas in the rupee in the old but not in the new holdings. Thirteen are free from debt; two owe between one and two years' rent. Total debt, Rs. 400, all due to agricultural expenditure.

(*b*) Agricultural castes, 27, all Kurmis, with relatively small holdings. Twelve are clear of debt; five owe less than a year's rent; seven owe between one and two years' rent; three owe over two years' rent. Total debt, Rs. 1,490, of which Rs. 520 (four debtors) is due to social expenditure, Rs. 100 (one debtor) to litigation, and the balance to agricultural expenditure.

(*c*) Market-gardening castes, 12 (Murais and Kachhis). The holdings are small. Nine owe less than a year's rent; three owe between one and two years' rent. Total debt, Rs. 694, of which Rs. 230 (two debtors) is due to social expenditure and the balance to agricultural expenditure.

(*d*) Ordinary tenants, 49. Holdings are relatively small. Twenty-four are free from debt; twelve owe less than a year's rent; six owe between one and two years' rent; seven owe more than two years' rent. Total debt, Rs. 1,415, of which Rs. 362 (four debtors) is due to social, and the balance to agricultural, expenditure.

Some 48 per cent. are free from debt in spite of bad seasons, to which most of the debt is due. Seven-tenths of the total amount is due to *mahajans*, mostly at 24 per cent; the rest to fellow-tenants at various rates not exceeding 37½ per cent.

(14) *Purabgaon.*—A village in two *mahals* owned by a large body of Kurmi cultivating proprietors. The fertility is slightly below average. The rents are full, but fully collected.

Total number of tenants, 107.

(*a*) High caste tenants, 6, all with small holdings. Two are free from debt; two owe less than a year's rent; two owe more than two years' rent. Total debt, Rs. 420, of which Rs. 300 is due to litigation, and the rest to agricultural expenditure.

(*b*) Agricultural castes, 53, all Kurmis. Some of the holdings are decidedly large. The number includes a certain proportion of co-sharers, who are tenants in each other's *mahals*. Twenty-one are free from debt; four owe over less than a year's rent; four owe between one and two years' rent; 24 owe over two years' rent. The total debt is Rs. 26,640, of which no less than Rs. 22,515 (15 debtors) is due to litigation, whilst Rs. 2,725 (six debtors) is due to social expenditure. The balance is due to agricultural expenditure.

(*c*) Ordinary tenants, 47. Holdings are small. Twenty-five are free from debt; six owe less than one year's rent; eight owe between one and two years' rent; eight owe more than two years' rent. Total debt, Rs. 955, of which Rs. 408 (four debtors) is due to social, and the balance to agricultural expenditure.

This village affords a striking instance of wastefulness. Debt is heavy, but the agricultural debt is trivial. Even so, 46 per cent. are clear of debt. Most of the debt is due to *mahajans* at secured rates of 6 to 12 per cent. and the rest is due to resident co-sharers at similar rates.

(15) *Ashan Jagatpur.*—A large village of rather less than average fertility in four *mahals*, three of which belong to Kurmis and Bhats, whilst the fourth and largest *mahal* belongs to a *taluqdar*. The rents are high in all *mahals* but the last, where they are moderate. A co-operative society is at work.

Total number of tenants 162.

(*a*) High caste tenants, 57. Holdings are above average size. No rental privilege. Twenty-seven are free from debt; ten owe less than a year's rent; three owe between one and two years' rent; seventeen owe over two years' rent. Total debt, Rs. 15,092, of which Rs. 7,000 (three debtors) is due to litigation, Rs. 2,639 (five debtors) to social expenditure, and the balance to agricultural expenditure.

(*b*) Market-gardening castes, 11 (Murais and Kachhis). The holdings are small. Seven are free from debt, one owes less than a year's rent; three owe between one and two years' rent. The total debt is only Rs. 133, all due to agricultural expenditure.

(*c*) Ordinary tenants, 94, whose holdings are rather larger than normal size. Fifty are free from debt; eighteen owe less than a year's rent; fourteen owe between one and two years' rent, twelve owe more than two years' rent. Total debt, Rs. 3,243, of which Rs. 106 (one debtor) is due to social expenditure, and the balance to agricultural expenditure.

Even after two bad years, 52 per cent. are still free from debt. Of the total debt, half is due to *mahajans*, half at 6 per cent. secured and the rest mostly at 24 per cent.; about a quarter is due to the *taluqdar* at 12 per cent.: and most of the rest is due to fellow-tenants at varying rates. The co-operative society has only advanced Rs. 50 in all.

(16) *Rain.*—A village of two *mahals*, both held by *taluqdars*. Cultivation is precarious and the village is below average. In the large mahal, rents are low, but a great deal of *nazrana* is taken on enhancement and for new leases. In the other *mahal*, rents are fair.

Total number of tenants, 66.

(*a*) High caste tenants, 4. Brahmans have a rental privilege of four annas in the rupee. The holdings are relatively small. One is free from debt; three owe more than two years' rent. Total debt, Rs. 2,015, of which Rs. 1,110 (one debtor) is due to litigation, Rs. 450 (one debtor) is due to social, and the balance to agricultural, expenditure.

(*b*) Ordinary tenants, 62, mostly with relatively small holdings. Twenty are free from debt; seventeen owe less than a year's rent; five owe between one and two years' rent; twenty owe over two years' rent. Total debt, Rs. 4,940, of which Rs. 1,375 (five debtors) is due to social ceremonies, Rs. 155 (one debtor) to litigation, and the large figure of Rs. 3,410 to agricultural expenditure. Most of it, however, is due to payments of *nazrana*.

Some 32 per cent. are clear of debt. Most of the total amount is due to *mahajans;* some of it at 6 per cent., but most of it at 24.

(17) *Kurri.*—A village in two *mahals*, one sub-settled and the other held by a *taluqdar*. The village is of average fertility. Rents are high in the smaller, but moderate in the larger *mahal*. A co-operative society is at work.

Total number of tenants, 172.

(*a*) High caste tenants, 32. Holdings are above normal size. No rental privilege. Fourteen are free from debt, one owes less than a year's rent; two owe between one and two years' rent; fifteen owe more than two years' rent. Total debt, Rs. 9,727, of which Rs. 3,400 (seven debtors) is due to litigation, Rs. 3,980 (five debtors) is due to social, and the balance to agricultural, expenditure.

(*b*) Market-gardening castes, 8 (Murais and Kachhis). Holdings are larger than is usual with this type of cultivator. Six are clear of debt; one owes less than a year's rent; one owes between one and two years' rent. The total debt is only Rs. 42, all due to agricultural expenditure.

(*c*) Ordinary tenants, 130. Holdings are rather above the normal size. Forty-four are free from debt; twelve owe less than a year's rent; twenty owe between one and two years' rent; fifty-four owe more than two years' rent. Total debt, Rs. 7,459, of which Rs. 1,545 (14 debtors) is due to social expenditure, Rs. 60 (one debtor) to litigation, and the large figure of Rs. 5,814 to agricultural expenditure, inclusive, however, of accumulated interest.

The village has suffered considerably from adverse seasons and only 38 per cent. are clear of debt. But the rents are lenient: and the tenantry are obviously not too thrifty. About one-third of the total debt is due to the landlord at 12 per cent., rather less than a half to *mahajans* at varying rates from 6 to 37½ per cent., and a quarter to the co-operative society at 15 per cent.

(18) *Mainahar Katra.*—This village is described as a freak. Large areas are liable to flooding, when they grow hot weather rice, but in dry years give magnificent crops of wheat,—a most unusual cropping. It is owned by a *taluqdar*. Rents are fairly full, but fully collected. A co-operative society is at work.

Total number of tenants, 91.

(*a*) High caste tenants, 4, with holdings rather above average. One is free from debt; two owe less than a year's rent; one owes between one and two years' rent. Total debt, Rs. 205, all due to agricultural expenditure.

(*b*) Market-gardening castes, 1, who is free from debt.

(*c*) Ordinary tenants, 86, with holdings above the normal size. Thirty-eight are free from debt; forty owe less than one year's rent; five owe between one and two years' rent; three owe more than two years' rent. The total debt is Rs. 2,220, of which Rs. 1,020 (four debtors) is due to social, and the rest to agricultural, expenditure.

About 44 per cent. are free from debt. A large part of the agricultural indebtedness is due to the payment of concealed rent. Of the total, half is owed to *mahajans* mostly at 24 per cent., and about one-third to the co-operative society at 15 per cent.

Memorandum regarding the growth and manufacture of tobacco in the United Provinces.

1. *Area sown.*—THE figure varies within very wide limits; it was 64,000 acres in 1920-21, 98,000 acres in 1916-17 and 81,000 in 1928-29, which is over average in recent years. The average area over a term of years is only 79,000 acres.

2. *Nature of cultivation.*—Tobacco is an expensive crop in every way. It requires a soil containing an unusual quantity of nitrates, and grows best either within or in the immediate vicinity of an inhabited site, preferably an old site. Most of the famous Lucknow tobacco (mentioned, incidentally, in Kipling's "Kim") is grown actually inside the city. Soil of that kind is very highly rented. I have seen fields growing tobacco in the vicinity of a little country town that were paying Rs. 40 to Rs. 50 an acre, whilst neighbouring fields not fifty yards away paid Rs. 10 to Rs. 15. The rent of similar land in Lucknow city would probably run into four or five times the figure. Further, such soil is highly prized and in great demand. He will be a lucky cultivator who owns or leases as much as half an acre of it. But even if he have more he could not afford to put much of it under tobacco. Tobacco requires heavy manuring, heavy irrigation, preferably with brackish water, and such special attention as sprinkling saline earth (*noni mattā*) round the roots and over the leaves.

The result is that though some tracts (*e.g.*, Farrukhabad tahsil, certain parganas in Bulandshahr and groups of villages here and there) make something of a speciality of tobacco, a very large part of the crop is grown in small and even tiny plots in the immediate vicinity of villages.

3. *Manufacture.*—There are, roughly speaking, three different ways in which tobacco is manufactured, and four different kinds of article—

(*a*) The cultivator often retains his tobacco, or part of it, for his own use. In that case whatever processes the plant undergoes, he carries out himself. The process consists of little more than cutting and drying the leaves and twisting them into a sort of rope. The result is chewing tobacco.

(*b*) What tobacco the cultivator does not retain he usually sells to the local Kunjra. Kunjras are a small Muhammadan caste who deal especially in green-grocer's stuff, spices, condiments, fruit, and tobacco. Chewing tobacco they manufacture in much the same manner as the cultivator himself. For making smoking tobacco, the dry leaves are cut or chopped: occasionally the tobacco is mixed with *gur* before it is sold to the customer (in much the same way as "Navy Plug" is supposed to be mixed with molasses). The *bidi*, which he also makes (though most *bidis*, I believe, are imported) is a sort of very coarse cheroot made by rolling the leaf up more or less tight.

From the census returns I estimate that there are about 600 persons engaged in the manufacture of the tobacco and about 17,000 in its sale throughout the province.

(*c*) Finally, there are four tobacco "factories;" at all events, that was the number returned at the census of 1921. They are situated at Jaunpur, Lucknow, Cawnpore, and Farrukhabad. They employed between them 103 men and 13 women, consisting of three managers, one technical staff, three clerical staff, one skilled workman, and 108 unskilled workmen, of whom 13 are women and eight children under 14. The importance of these factories may be judged from the following facts:—

The Jaunpur "factory" consisted of one manager and 10 unskilled labourers.

The Farrukhabad "factory" consisted of 24 unskilled labourers with nobody to look after them at all.

The Cawnpore factory which uses power (the kind of power is not stated) had a manager, a technical expert, two clerks and a skilled workman to look after nine unskilled workmen.

In fact the only really important factory is that at Lucknow, with a manager, a clerk, and 65 workmen. This is a very old-established business which produces the famous Lucknow tobacco already mentioned; it is said to send its products all over India and to be doing a good trade. There is no power: all work is done by hand. The tobacco is specially selected, carefully prepared and "doctored," I believe, with scent.

4. *Condition of the tobacco trade.*—As far back as 1904, it was recorded with reference to Lucknow that "the industry has largely declined of late years, owing to the increased consumption of tobacco prepared after the European fashion. There can be no doubt that the use of the American tobacco, especially in the form of cigarettes, has grown to an enormous extent in India." If that was true in 1904, it is infinitely more true now. The use of this indigenous tobacco at the present time is probably confined to the old-fashioned, who still prefer the *huqqa*, and to the villager. The rest of the population, especially in the younger generation, are taking more and more not only to the cigarette but to the cigar and the pipe, and if they smoke the *huqqa* at all, it is only as a change. The trade, in fact, is seriously threatened by the Virginian peril, and any artificial rise in price of the commodity, such as would be caused by any kind of duty, might easily kill it.

Mr. MOHAN LAL SAH, M.A., LL.B., Member, United Provinces Provincial Banking Enquiry Committee.

Memorandum on banking conditions in the Naini Tal and Almora districts.

Introductory.

1. (*a*) *Boundaries.*—These districts taken together are bounded on the north by the snow-clad mountains beyond which lies the country of Tibet, on the east by Nepal, on the west by the Garhwal district, and on the south by the districts of Pilibhit, Bareilly and Moradabad.

(*b*) *Physical features and inhabitants.*—The following physical features and races of people are found in the two districts taken together :—

(*i*) Land near the snow ranges which are covered with snow for six months is inhabited by Bhotias who engage themselves mostly in trade with Tibet.

(ii) Hill areas are inhabited by hillmen or *paharis*.

(iii) The Bhabar, a strip of land just below the hills, extending for seven or eight miles further, abounds in good forests. The soil is stony and does not yield much produce. The climate is malarious. The area is mostly inhabited by hillmen.

(iv) The Tarai which extends between the Bhabar and the plains. The soil is good. The climate is highly malarious. The eastern part is occupied mostly by Tharus and Boksas, but other classes are found in the southern Tarai.

2. (*a*) *Produce of the districts.*—Agriculture is the main industry of the people. The principal crops grown in the hill areas are rice, wheat, millets (*mandua* and *jhungara*) and potatoes, turmeric, chillies, ginger and other spices. In Bhabar and Tarai rice, *lahi* (rape-seed), millets, gram, cotton (about 3,000 bales of 100 lbs. each) and wheat are grown. The amount of foodstuffs grown in the hills is not sufficient to meet the food supply and hence a large quantity is imported from the Tarai and the plains, except potatoes which are exported to different parts of the country. A large quantity of rice and practically the whole of the produce of *lahi* (rape-seed) is exported to different parts of India, from Bhabar and the Tarai.

(*b*) *Subsidiary industries allied to agriculture* are : potato growing, vegetable and fruit growing and milk selling near towns where there is a demand for these commodities, *gur* making, tobacco growing, paper making, apiculture, sheep breeding, tanning, *bhang* growing and *phulwa* making in some parts.

(*c*) *Minor industries not connected with agriculture* are : weaving cloth, calico printing, ginning, *gur* making at Kashipur and Jaspur, keeping large herds of cows and buffaloes in grassy lands in the Tarai and selling milk and milk produce, particularly *khoya*, in the Tarai. The quantity of cloth manufactured is worth 5 to 8 lakhs. Woollen goods are manufactured by Bhotias who trade with Tibet and in Patti Danpur to the extent of about 2 lakhs of rupees. Sacks made of hemp are also manufactured in some parts of Almora district.

(*d*) *Tea and fruit* are grown on a large scale by owners of big gardens, the latter to some extent by petty farmers also.

(*e*) *Forest produce.* (i) *Timber.*—These districts abound in good forests which contain pine and deodar trees in the hills and *sal*, *sisam* and *khair* (catechu) in the Tarai and Bhabar. The produce from forests in the Tarai is exported to several parts of the country, while the produce from forests in the hills is used partly for local consumption and partly for export in the shape of sleepers.

(ii) *Resin* is tapped directly by Government and sold to the Turpentine Factory at Bareilly.

(iii) *Catechu* is manufactured out of *khair* trees in the Tarai forests and is exported mostly to Cawnpore and Delhi.

(iv) *Minor forest produce* consists mostly of charcoal, dyeing and tanning materials, *har*, *bar*, *aonla*, myrobalams, medicinal herbs, *dalchini* (cinnamon), paper grass, lac, *jhula* (lichen) and torchwood.

(v) *Building materials.*—Slates and lime are found in plenty. They are sufficient for local use, but are a bit costly.

3. *Trade of the districts.*—(*a*) *Trade with other parts of India.*—The chief exports are : borax and wool (mostly imported from Tibet), hides and skins, bones, potatoes, oil-seeds, rice, fuel and charcoal, timber, turmeric, chillies, ginger and other spices, catechu, medicinal herbs, grass, cotton, *gur*, molasses, *phulwa*, *jhula* (lichen), *ghi* (mostly from Nepal), *babul* bark, honey, *musk* and *silajit*, fruits, resin and tea.

The chief imports are : salt, kerosene and mustard oils, sugar, tobacco, metals and grain, cotton and woollen cloth, liquor and hardware.

(*b*) *Nepal trade.*—The principal imports from Nepal are : medicinal herbs, *ghi*, wax, grain, hemp, spices dyeing stuffs, honey, *musk*, *silajit*, *phulwa*, *gur*, and durable paper which is used in settlement records and by Brahmins in writing horoscopes.

The principal exports are : cloth, metals, tobacco, kerosene oil, salt, sugar and fruit.

(*c*) *Tibet trade.*—The principal exports to Tibet are : cotton cloth, grain, sugar, tea and tobacco, brass and iron, while the chief imports are : borax, salt, wool, yak's tail, *musk*, shawls, carpets, Tibetan curios, horses and cattle (chiefly sheep). The imports being greater than exports, a large amount of money is sent every year to Tibet.

4. *Principal markets* of the districts are : Kashipur (cloth), Haldwani (grain and forwarding centre), Ramnagar (grain, timber, cloth, borax and wool), Tanakpur (Nepal and Tibet trade, specially wool, *ghi*, cloth, and timber), Almora and Ranikhet (distributing centres for cloth and grain), Naini Tal (fruit), Pithoragarh (Tibet and Nepal trade), Jouljibi, Bageswar and Thal fairs (Tibet trade at all the three fairs and Nepal trade in addition at Jouljibi fair).

5. *Existing banking institutions.*—There are branches of the Imperial Bank of India and the Allahabad Bank, Ltd., at Naini Tal. These branches are meant to attract deposits and do very little of lending business, whilst the Naini Tal Bank, Ltd., a joint-stock bank, advances mostly to Naini Tal people. In Almora there are the banking firms of Messrs. Anti Ram Sah and Sons and Messrs. Durga Sah, Mohan Lal Sah, who have branches at Almora, Ranikhet and Naini Tal. Both these firms carry on their business on modern lines, receiving money in current and savings bank accounts and on fixed deposits. There is a central co-operative bank at Haldwani which finances, supervises and controls all primary societies in the whole of the Tarai and Bhabar areas. In the Tarai primary societies number about 143. Of these 71 are working among Tharus, 16 among Bhoksas, both of whom reside in the eastern part of the Tarai, and 56 among others. Tharu societies are doing good work. Tharus of Katima are an illustration of how a class of people who were deeply immersed in debt and ignorance can be raised by sympathetic effort. They have redeemed the loans of the *mahajans* and know how to dispose of their produce, which consists chiefly of paddy. The societies among the hill population in the Tarai and Bhabar are not progressing. There were a few societies in Kashipur tahsil, but they had to be closed for want of interest on the part of the members who were in the clutches of the grain dealers and *banjaras* and also on account of the apathy of their *zamindars*. There are no industrial societies in these districts. In Almora district there are no co-operative societies except four or five among the *tamtas* (manufacturers of copper utensils) of Kharai (near Bageswar). Attempts were made to start some industrial societies at Almora and Ranikhet, but proved futile.

With these preliminary remarks I shall proceed to describe how these various industries, trade and agriculture are financed, keeping myself as far as possible to questions in the questionnaire.

MR MOHAN LAL SAH.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Before proceeding to describe the system of agricultural credit something must be said of the tenancy rules.

In the hills most of the land is owned by petty proprietors who till it themselves. Some of the land is held by occupancy tenants called *khaikars* who pay rent to the landholder, of which 20 to 50 per cent. goes to the landholder and the rest to Government as land revenue, whereas a small part is held by tenants-at-will who pay the landholder rent in kind or cash as agreed. The *khaikari* right is inalienable except to the landholder. On the extinction of the line of the *khaikar* the land reverts to the landholder (*hissedar*), except in the case of joint holdings by members of the same family and of *pucca khaikari* villages where the land reverts to reversioners. Besides agriculture a number of farmers are in Government or private service outside the district, while a number of families receive military pensions. A good number of villagers migrate to the Bhabar and Tarai with their cattle where they do various jobs. Agricultural produce is not sufficient to meet their requirements for all the year, but the hill farmer is, on the whole, in a state of better prosperity than his brother of the plains. The reasons for this are: ownership of land tilled by them; their bullocks last for a longer period as they do not have to sell them for payment of debts; the land does not require much labour, ploughing and irrigation, and they reserve a part of the produce for seed. There are very few big estates, the only noticeable one being Taluka Askot.

In the Bhabar and Tarai the case is quite the reverse. There the major portion of the land belongs to the Government who lets villages to *padhans* who are not generally ejected so long as they work satisfactorily, but their tenure is not secure and the land held is non-transferable, except in some cases with the sanction of the Superintendent, Tarai and Bhabar Estates. These *padhans* in their turn get the land tilled by a farmer called *sajhi* who gives them a quarter to a half of the produce of the land, or through their sub-tenants who pay rent in kind or cash as agreed. No attachment proceedings can be enforced against a cultivator unless the *padhan* or revenue authorities certify that no revenue or *taqavi* is due from the cultivator. Agricultural conditions are therefore different in the Tarai from what they are in the hills.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—(*a*) In the hills the agriculturist generally borrows from prosperous agriculturists, some of whom keep shops in villages, and to some extent from town moneylenders. In the Bhabar he borrows from *padhans* and grain dealers of Ramnagar and Kashipur in the Ramnagar area and *banjaras* of Haldwani in the Haldwani area. In the Tarai he borrows from *padhans*, co-operative societies and *banjaras* from Pilibhit and Bareilly districts, and to a limited extent from moneylenders from Champawat tahsil in the hills.

There is a class of lenders who lend only plough oxen and distribute half of the produce of the agriculturist's fields after paying the dues of the *padhan*.

The cultivator does not generally borrow *taqavi* except in abnormal years.

(*b*) The purposes for which the agriculturists borrow and the rough proportion in which the debt is distributed are:—

Purposes.	Proportion.	
	Hills.	Bhabar and Tarai.
	Per cent.	Per cent.
Repayment of earlier debts and payment of accumulated interest	20	20
Marriage and other social occasions	10	15
Payment of rent and revenue	..	8
Seed	...	5

Purposes.	Proportion.	
	Hills.	Bhabar and Tarai.
	Per cent.	Per cent.
Expenses of cultivation	..	10
Litigation	15	2
Purchase of plough and cattle	5	15
Subsistence (*padhans* do not generally borrow for this purpose)	5	15
Purchase of landed property	20	..
Repairs of fields	5	..
Advances to new tenants (*sajhis*) when old ones leave (only *padhans* borrow for this purpose)	..	10

(*c*) In the hills 80 per cent. of the debt is due to prosperous agriculturists and the rest is borrowed from village and town moneylenders or from Government pensioners who go back to their villages on retirement. In the Bhabar the debt is roughly divided in equal proportions between the town moneylenders and *banjaras* on the one hand and *padhans* on the other. Most of the *padhans* are in their turn indebted to grain dealers and *banjaras*. In the Tarai the debt is due to co-operative societies to the extent of about 40 per cent. in areas where societies are working and the rest to the *padhans*, moneylenders from Champawat tahsil in Almora district, grain dealers of Kashipur and *banjaras* of Pilibhit and Bareilly districts.

(*d*) (i) The debt is incurred mostly (say 90 per cent.) in cash, both in the hills and in plains areas.

(ii) The period of repayment in the hills is generally three years although the debt is contracted on demand pronotes or bonds, the period of repayment mentioned being generally one year. The happy-go-lucky hillman will not press for repayment of a debt till he finds that it is getting time-barred. I think that 90 per cent. of the agricultural debt is for long periods. In the Bhabar and Tarai the period for repayment is generally one year. The agriculturist borrows in cash in *Jaith* (May) and the debt has to be repaid mostly in kind by three instalments—paddy in *Pus* (December), *lahi* (rape-seed) in *Phagun* (March), and wheat in *Baisakh* (May), but interest is charged for the whole year. In certain cases the lender does not press for repayment till three years if the interest is paid every year. In the Bhabar the tenant is given a loan by the *padhan* at the time of settling in the villages : this debt has to be repaid before he leaves.

Question 2.—(*a*) In the hills the general rate of interest for cash advances is 12½ per cent. The rate of interest for loans in kind, whether for seed or subsistence, is 25 to 50 per cent. In one part double the quantity of grain advanced is taken on repayment. Sometimes interest is paid in kind at the time of harvesting crops. The rate of interest is generally one to two seers of grain per every rupee lent. In some cases of cash loans it is settled that the borrower will give a certain quantity of grain or *ghi* after some time. In the Bhabar and Tarai the rate of interest for cash advances is 12½ to 37½ per cent. in the Haldwani area, 18 to 25 per cent. in the Ramnagar and Kashipur areas and 25 to 37½ per cent. in addition to grain, in areas occupied by Tharus and Bhoksas.

except in the case of loans from co-operative societies which lend at 15 per cent. Further, no rebate in interest is given in respect of instalments paid.

(*b*) In the hills simple interest is generally charged, but in case of change of document the interest is added to the principal. In the Bhabar and Tarai interest is payable at the time the crops are ready.

(*c*) In the hills money is easily available for landholders, and I do not think that the rates are exorbitant except in some remote parts where grain is borrowed, or interest is payable in grain. In the Bhabar and Tarai the rates are exorbitant. I hear of cases where a tenant is not able to pay even interest.

(*d*) No incidental charges are now paid either at the grant or repayment of a loan, except that writing charges have sometimes to be paid to the writer of the document. In the hills there exists a custom of paying *ganth kholai* or a charge for opening the knot of the purse which extends from 2 to 6¼ per cent., but this custom is now disappearing, although it is still prevalent in some parts of Almora and Garhwal districts. Where the charge is 5 per cent. or more no interest is charged if the money is paid back within three months.

Question 3.—(*a*) In the hills the security generally accepted is the personal security of the borrower, but in cases where the debt is of a bigger valuation mortgage over land is taken; or if the borrower has no status, ornaments are pawned. In the Bhabar and Tarai standing crops are generally and ornaments seldom given and accepted as security.

(*b*) It is correct to say that the better the title to land the greater the amount of indebtedness, if the amount of debt is taken into consideration; but the landlord is less indebted than the tenant in proportion to his paying capacity.

(*c*) In the hills about 60 per cent. of the landholders are on the average indebted to the extent of roughly 10 to 30 per cent. of their worth, whereas 50 per cent. of the *khaikars* are indebted on the average to the extent of about 80 per cent. of their worth; but in several cases one man is a landholder as well as a *khaikar* at the same time. The *khaikari* land being inalienable is not worth anything. Tenants-at-will, mostly members of the depressed classes, are nearly all of them indebted to the extent of 100 to 150 per cent. of their worth. This estimate does not include the residential houses. In the Bhabar and Tarai the *padhans* are indebted to the extent of 60 per cent. of their worth, while tenants (there are only tenants-at-will there) are indebted to the extent of 200 to 300 per cent. of their financial status. As a matter of fact their financial status amounts to very little.

(*d*) In the hills the amount of debt on land mortgages is increasing, as the borrower is in most cases not able to repay the loan and consequently has to mortgage his land; and further, with the increase of dishonesty among people, the lenders are shy to lend without good security. At a rough estimate it is 15 per cent. of the total debt, the rest being unsecured. In the Bhabar and Tarai there can be no mortgage as there is no title except in the case of a few settled villages, in which case too it is increasing.

Question 4.—(*a*) In the hills enforcement of payment of a debt is by suit in court, but in the Bhabar and Tarai crops are taken over by the lender. The whole crops of *lahi* (rape-seed) and *hansraj* (table rice) are taken over. The balance of debt is recovered from the crops of wheat.

(*b*) In the Bhabar and Tarai grain is taken over by the lender in repayment of a loan half to 2 seers above the bazar rate as settled beforehand. In Haldwani areas it is sold at market rates, but is measured by means of a wooden vessel called *nali* which has a capacity of 2½ seers, but is calculated as 2 seers. This means an increase of 10 seers for every 2 maunds. Further, the cultivators give 1 *nali* of grain for every stack sold. There used to exist a custom of *rumal* and *chungi* by which, where the *padhan* was the financier, 4½ seers used to be weighed but counted as 4 seers only, but this custom has been declared illegal now. But, in some parts, the *banjaras* even now put a quarter to a half seer in a handkerchief in the pan of the scale containing the weights so that 4½ seers of grain is actually given by the cultivator but calculated as 4 seers. This is called the "*loop*" system. Further, they have their own weights which are about 18 chhattaks to a seer in weight; the law has no effect on them. The market rates are manipulated by the lenders in such a way that the rate is a seer below that at which it settles down after one month, by which time they start selling the grain. In the hills there is a difference between the rates at which grain is borrowed and repaid and the prevailing market rates in some parts only. The cultivators in the hills and in some parts of the

Bhabar know the prevailing rate, but are helpless, as unless they agree to sell their produce at a reduced rate they cannot get credit; while in the Tarai, and especially in Tharu areas, they have no means of knowing the prevailing rate as they do not go to the market, and do not use cash, but still use the system of barter and rely on the *banjaras*.

Question 5.—In the hills *taqavi* is rarely distributed; in abnormal years they take it only because they are compelled to do so on the failure of other credit agencies. The reasons for their apathy are :—

(*a*) It is realized shortly after the district is declared free from famine before the condition of the agriculturists has had time to improve.

(*b*) Hardships attendant upon realizations by distress.

(*c*) It is distributed in tahsil headquarters which are situated at four days' march from certain villages, and the cultivator to purchase grain has to go to the market which is situated at a distance of five marches, so that it takes him about ten or fifteen days.

In the Bhabar and Tarai *taqavi* is distributed in ordinary years, but people do not borrow it. The reasons given are :—

(*a*) *Taqavi* is given only once, while a cultivator can borrow from local moneylenders whenever he is in need and in small amounts like Re. 1 or Rs. 2.

(*b*) It takes a long time before an application is granted.

(*c*) No *taqavi* is granted except to the *padhans;* and without good security even *padhans* cannot get it.

(*d*) The moneylenders, specially *banjaras*, render various kinds of assistance and facilities which are not given by officials.

(*e*) They do not get *taqavi* up to their full needs.

Question 6.—In the hills the cultivators of one village combine to work in the fields of their fellow villagers by turn for transplanting rice, weeding and reaping harvest, and for threshing corn by loan of cattle, but the produce belongs to the owner of the field. In the Bhabar and Tarai combination is not possible as agriculturists have no time and labour is easily available. The only kind of combination existing there is the loan of cattle for threshing corn and pressing sugar. In some parts they combine for transplanting sugarcane.

Question 7.—In the hills credit facilities are adequate for landholders and the interest is not high. As a matter of fact there is no borrowing for agricultural purposes. But in the Bhabar and Tarai the interest is high; the cultivator is in the clutches of the lender for whom he has to work in *begar*. Causes attributed for this state of affairs are lack of title in land and the risk attendant upon the grant of a loan as there can be no attachment proceedings unless the revenue authorities and the *padhan* certify that no rent, *taqavi* or revenue is due from a cultivator. Even plough oxen cannot be attached. Further, there is an apathy among the people in borrowing *taqavi* and lack of interest in co-operative societies. These are some of the defects in the present system of agricultural credit to which the committee will have to turn its attention.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—(*a*) In the hills crops used for daily consumption are brought to market by the agriculturists themselves or by *ponywalas* who purchase them in the villages. In the case of potatoes they are purchased by the *banjaras* of Haldwani from cultivators in the Naini Tal district. In other parts they are sold by the cultivators to traders of small towns who forward them to their agents or *arhatiyas* at Haldwani or to *kumhars* keeping mules who take them to the railhead town. Weights used for potatoes are 60 seers per maund. Chillies and turmeric are brought by the cultivators to Haldwani and Ramnagar when they go there to purchase grain, tobacco, or oil, and purchased by *thengawalas* or middlemen who never weigh them, but settle the price by feeling the weight. These *thengawalas* sell the stuff to dealers in these commodities. The *thengawalas* generally meet the cultivators on the way.

In the Bhabar and Tarai they are taken over by the creditors, i.e., the *padhans*, moneylenders of towns in Ramnagar area, and *banjaras* as indicated in Part A above. Most of the *padhans* are indebted to other moneylenders, i.e., moneylenders of towns or *banjaras*, and they too sell their own crops and those that they have taken over from their cultivators. The cultivators and even the *padhans* do not generally go to dispose of their produce, but sell them to the *banjaras* at their villagers, except in the Haldwani area where they take their crops of rape-seed to the market. In rare cases where they do so they settle the rates at the market and the dealers send their own carts. In Ramnagar area *hansraj* (table rice) is purchased at the villages by *banjaras*, *lahi* (rape-seed) by *malis* and coarser rice by *kathoas*. Crops are brought to the market by these agents.

Tharus and Bhoksas do not go at all to the market, but sell their crops which consist chiefly of paddy to the *banjaras* or *lodhas* who come to their villages and weekly markets and supply them commodities necessary for their daily use, and barter rice with them at advantageous terms. Hindrances are being put by the authorities on the entry of *banjaras* in Tharu areas in Khatima tahsil, and this has stopped their activity to some extent. *Arhatiyas* or commission agents are appointed by tahsil authorities to purchase grain at market rates and forward it to big markets. Some of the *padhans* act as *arhatiyas*. The *kathoas* and *banjaras* husk rice out of paddy and sell it at the market.

(*b*) In addition to the differences mentioned above crops used for domestic consumption are sold at weekly markets, but those for export are sold to grain dealers or *arhatiyas*.

Question 2.—(*a*) Money is not borrowed by the agriculturists for purposes of marketing crops, but by the purchasers.

(*b*) Co-operative societies do not assist in marketing cultivators' crops except by advances to those *padhans* in Tharu areas who want to deal in grain.

Question 3.—(*a*) The cultivator has to pay no charges for marketing his produce where he sells in the village except about 2 seers for every stack sold, or at a lower rate where he sells to his creditors. Where he sells directly to the grain dealer in the market he has to pay *arhat* or commission at rates varying from Re. 1 to Re. 1-9 per cent. at different markets, *karda* or shortage ½ seer per bag, *dana* 5 annas per cent., *palledari* or coolies 6 pies per bag, *dharmada* 3 pies per cent., *Ram Lila* and mosque in Haldwani only ¼ seer per bag, half of which goes to the mosque and the other half to the *Ram Lila* fund. In Haldwani tahsil the *banjaras* pay Rs. 2 per cent. to the *padhan* of the village on the value of rape-seed purchased in cis-Gaula villages, while in trans-Gaula villages they pay Rs. 2 per cent. on purchase of all crops.

The following incidental charges are paid to grain dealers :—

Nature of charge.	Grain, rape-seed or *ghi*.	Potatoes.	Spices.
(i) The seller has to pay :—			
Arhat or commission	Re. 1 per cent. in Haldwani, Re. 1-9 per cent. in Ramnagar.	Annas 4 per maund	..
Karda or shortage ..	Half seer per bag ..	One pice per bag ..	Quarter seer per maund.
Dana	Annas 5 per cent. ..	Annas 5 per cent. ..	Annas 5 per cent.
Dharmada ..	Anna 1 per cent. ..	Anna 1 per cent ..	Anna 1 per cent.
Ram Lila or mosque in Haldwani.	Quarter seer per bag ..	Pies 3 per cent. per bag.	..
Coolies	Pies 6 per bag ..	Pies 6 per bag ..	Pies 6 per bag.

Nature of charge.	Grain, rape-seed or *ghi*.	Potatoes.	Spices.
(ii) The buyer has to pay :—			
Arhat or commission	Annas 8 to Re. 1 per cent. in Haldwani, annas 12 to Re. 1-9 in Ramnagar.	Re. 1 per cent. ..	Re. 1 per cent.
Dana, which is not charged where payment is made on the spot.	Annas 5 per cent. ..	Annas 5 per cent. ..	Annas 5 per cent.
Dharmada ..	Anna 1 per cent. ..	Anna 1 per cent. ..	Anna 1 per cent.
Coolies and cartage ..	Pies 6 per bag ..	Pies 6 per bag ..	Pies 6 per bag.
Ram Lila in Haldwani only.	Annas 12-6 per 100 bags	Annas 12-6 per 100 bags.	Annas 12-6 per 100 bags.
Gaushala—Haldwani	Pies 3 per cent. ..	Pies 3 per cent. ..	Pies 3 per cent.
Ditto Ramnagar	Pies 6 per cent. ..	Pies 6 per cent.	Pies 6 per cent.

In hill areas no incidental charges are levied on sale of goods except *arhat* at Rs. 3-2 per cent. on potatoes and Re. 1 to Re. 1-9 per cent. on other goods and one pice per pony load for *Lakshmi Bhandar* in Almora town.

Question 4.—(*a*) Grain is stored in the hills and the Bhabar in big wooden boxes called *bhakars* or in big basketwork receptacles called *bhokras*. In the Tarai it is stored either in basketwork receptacles or in *kothas* made of earth.

(*b*) Grain is stored in the market in the warehouses of grain dealers in bags, whilst in the Bhabar and Tarai it is stored in *kothas* in addition to being stored in bags.

Question 5.—Grain stored in markets is not used as security for obtaining credit, except that the Allahabad Bank, Ltd., Moradabad, advances on such grain stored at Kashipur after putting its own lock and seal. This facility is not available in other towns.

Such is the process of marketing of crops. The number of incidental and other charges make the commodities dearer for the consumer and deprive the cultivator of the full benefit in the rise in prices. At present the cultivator is in the hands of his financiers who manipulate the rates to their own advantage. He has to sell to them at higher rates, and the *banjaras* take their own weights which are about 18 chhattaks to the seer; and the law is not able to check them. The problem before the committee is how to enable the cultivator to sell his produce at the most advantageous rates.

Part C.—Extent and nature of agricultural indebtedness.

Question 1.—(*a*) I do not think that there is any existing estimate of the indebtedness of the agricultural classes.

(*b*) I have interviewed several persons on the point of the extent of agricultural indebtedness, and the general opinion seems to be that about 60 per cent. of the families of landholders are indebted on the average to the extent of about Rs. 100 per family; while 50 per cent. of the families of *khaikars* (occupancy tenants) are indebted to the extent of Rs. 50 per family. Ninety per cent. of the families of *sirtans* (tenants-at-will) are indebted to the extent of Rs. 25 per family. In the Bhabar the average indebtedness of the families of *padhans* is Rs. 2,000 per family, while that of tenants is Rs. 500 per family in the Haldwani area and Rs. 300 in the Ramnagar area. In the Tarai the average indebtedness of *padhans* is Rs. 1,000 each and that of tenants Rs. 50 each.

(*c*) In the hills about 15 per cent. of the total debt is secured on land mortgages of which approximately 10 per cent. is secured on registered usufructuary mortgages and 5 per cent. on unregistered usufructuary mortgages. Unregistered usufructuary mortgages are more common in remote parts where it is difficult to get the document registered. Moreover, in order to save expenses of registration people often resort to two or more documents of Rs. 99 each. In the Bhabar and Tarai there can be no mortgage as there is no title to land. In the hills debt which is not secured against land mortgage is secured against assets generally. A very little part, say 1 per cent., is incurred against pawn of ornaments. In the Bhabar and Tarai most of the debt is secured against crops.

(*d*) I have been able to collect the following information about the approximate indebtedness in the following areas :—

Area and peculiarities.	Number of families.	Indebted.	Amount of debt.		
			Secured on mortgage.		Unsecured.
			Registered.	Unregistered.	
			Rs.	Rs.	Rs.
Bhabar and Tarai.					
Three villages in Haldwani area, within 5 to 7 miles of market with good communication and well irrigated.	*Padhans* .. 3 Tenants ..33	3 33	.. ..	.. ..	9,000 13,000
Five villages in Haldwani area, good communication, settled villages, 5 to 7 miles from market.	Landlord .. 1 Tenants ..80	1 80	20,000 ..	.. ..	5,000 30,000
Ramnagar tahsil ..	*Padhans* 150 Tenants 4,000	140 3,500	.. ..	.. ..	3,00,000 8,00,000
Khatima tahsil (worked by co-operative societies ; moneylenders' debts redeemed).	*Padhans* 170 Tenants 2,000	80 1,200	.. ..	.. ..	80,000 60,000
Satarganj tahsil (worked by co-operative societies but moneylenders not paid).	*Padhans* ..80 Tenants 1,200	60 800	.. ..	.. ..	75,000 80,000
Hill areas.					
Six villages between 4 and 7 miles of Ranikhet with bad communication, two partly irrigated rest unirrigated.	Landholders 300 *Khaikars* ..50 *Sirtans* ..90	113 24 87	7,000	1,000	13,850 1,000 2,000
One village 5 miles from Ranikhet with good communication ; unirrigated.	Landholders 12	..	5,000	..	2,000
Three villages in patti Gewar, tahsil Ranikhet, between 48 and 56 miles from Ramnagar with good pony road ; major part of land irrigated.	Landholders 335 *Khaikars* 1,600 *Sirtans* 700	115 1,060 700	3,250	800	*38,500 31,500 25,000
Two villages in patti Gewar 50 miles from Ramnagar ; unirrigated.	Landholders 20 *Khaikars* 300 *Sirtans* ..10	15 240 10	.. .. ..	.. .. ..	3,500 6,000 400

*NOTE.—This figure includes the debt of a "landlord" extending to over Rs. 20,000.

MR. MOHAN LAL SAH.

Question 2.—(*a*) In the hills prosperous agriculturists are the principal creditors of agriculturists, while village and town moneylenders and retired government servants lend to a small extent, say 20 per cent. of the total debt. In the Bhabar and Tarai, *padhans* and grain dealers of Ramnagar and Kashipur *banjaras* are the principal creditors. The debt is due to the extent of 50 per cent. to the *padhans* and the rest to others. In areas occupied by Tharus co-operative societies are the principal creditors to the extent of 40 per cent., and the rest of the debt is due to hill moneylenders from tahsil Champawat and to *banjaras* from Pilibhit and Bareilly districts.

(*b*) In the hills richer agriculturists lend to their fellow agriculturists to the extent of 80 per cent. of the total agricultural debt, while in the Tarai tenants do not do so, but the *padhans* do, mostly with borrowed capital in order to tie them to the land.

Question 3.—Land and rights in land are not passing in any marked degree from the possession of efficient farmers to that of less efficient farmers in the hills as most of the creditors are agriculturists themselves, while in the Bhabar and Tarai *kham* land is not transferable without the sanction of the Superintendent, Tarai and Bhabar Estates, except in the case of a few settled villages, in which case it is passing on to non-agriculturists.

Question 4.—In the hills the cultivators are themselves land-owning classes, except a few owners of large areas of land and in Taluqa Askot. Questions regarding landowners do not therefore apply to the hills. In the Bhabar and Tarai, *padhans* who also are not owners of land except a few in settled villages, are indebted to the extent of about 60 per cent. of their financial status.

Question 5.—Causes of their indebtedness and the proportion in which these causes contribute are :—

	Per cent.
(*a*) Lending to tenants which debt is in several cases lost—	
Bhabar	30
Tarai	10
(*b*) Death of cattle during epidemic	20
(*c*) High charges of interest paid to present financiers ...	10
(*d*) Extravagance	30

NOTE.—In the case of a few owners of big areas of land in the hills extravagance accounts for 80 per cent. of their indebtedness.

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

Question 1.—(*a*) In the hills the agriculturist does not generally borrow for the purposes of production. He holds a very small plot of land and he and his family work it. In case labour is required the villagers work on the fields of other villagers by turn. In the Bhabar and Tarai professional moneylenders, mostly grain dealers and *banjaras* and *padhans*, who in their turn borrow from grain dealers, lend to agriculturists. There are primary co-operative societies in the Tarai, but they operate mostly among Tharus and Bhoksas.

(*b*) In the hills credit facilities are adequate. They are so in the Bhabar and Tarai, but are costly.

(*c*) The following defects are to be found in the existing system of agricultural credit in the Bhabar and Tarai and deserve the attention of the committee :—

(i) High rates of interest and other charges.

(ii) The agriculturist has to sell at a lower rate than the market one or has to give more grain than is calculated. *Banjaras* have their own weights which are 18 chhattaks to a seer, and the law is not able to check them.

(iii) The rates are so manipulated by the lenders that the market rates stand at 1 seer lower at the time when the agriculturist sells than what it becomes a month after.

(iv) The agriculturists cannot wait till the market rate rises.

(v) No co-ordination between various agencies.

Question 2.—(*a*) In the hills no part is played by the various credit agencies in bringing crops to market. In the Bhabar and Tarai *banjaras* who bring crops to market from the villages are financed by the grain dealers. These *banjaras* finance the agriculturists as stated. In the Ramnagar area the agriculturists are financed directly by the moneylenders, who bring the crops to market.

The grain dealers are financed when necessary by the richer grain dealers. The rate of interest varies from 9 to 12 per cent. per annum. During the potato season the rate of interest is 6 pies per cent. per day.

The Allahabad Bank, Ltd., Moradabad, lends on the security of grain stored at Kashipur as already stated.

The purchasers of crops at centres like Cawnpore, etc., pay cash or are given some credit by the grain dealers as agreed. The rate of interest in their case is 9 per cent. per annum.

The exporting firms pay for the goods ordered on presentation of the railway receipt.

In case of a surplus of grain or rape-seed they are sent to commission agents or *arhatiyas* in big centres. These allow or charge interest on the credit or debit balance in the account of the grain dealers at 7½ to 9 per cent. as agreed.

The system of finance of import trade is similar to that described in my note on the cloth trade.

(*b*) Credit facilities for purposes of marketing are adequate in the hills, but they are not so in the Bhabar and Tarai. The root of the whole trouble with the agriculturist there lies in the fact that he is heavily in debt to *banjaras* or dealers in grain, as a result of which he has to sell to them at their price. He has very little grain left to sell at the market or to get an advance on its security in order to enable him to wait till the rate at the market rises. As a result of this and of his indifference in going to the market the agriculturist plays very little part in marketing his crops. Other agents engaged in the movement of crops have to pay very high rates of interest, and there is no bank which could lend on security of grain except the Allahabad Bank, Ltd., Moradabad, which lends at Kashipur alone.

Question 3.—There is no co-ordination between the various credit agencies except that the *banjaras* who finance the agriculturists receive financial assistance from the grain dealers, and the Allahabad Bank, Ltd., Moradabad, lends on the security of grain stored in Kashipur. The chain is complete between the villages and the market (or *mandi*), but suddenly breaks at that point. The co-operative societies are looked down by the present financiers of agriculturists as their opponents and the joint-stock banks never come to their rescue.

Question 4.—Rape-seed is the only crop which is exported overseas. There used to be an agent of Messrs. Ralli Brothers who purchased rape-seed and wheat at a little lower price than the market rate. The *banjaras* and cultivators sold direct to them, and they had to pay no middlemen's charges. There is no such agent now, but they settle rates in advance with one firm of commission agents who supply them with a fixed quantity of rape-seed at those rates. The price is paid when the commission agent sends his bill for quantity railed. They pay commission at Re. 1 per cent., but pay no other incidental charges. Other exporting firms send their agents who purchase rape-seed and pay for them when the goods are railed.

Question 5.—Approximately 25 lakhs of rupees will be required to finance the agriculturists in case the present agency is to be replaced by a new agency in the Bhabar and Tarai. There are about 1,500 villages, and each village will on the average require Rs. 2,000 each.

Part E.—Land mortgage banks.

Question 1.—In the hills all loans are contracted either on demand, promissory notes or on bonds, the period of repayment mentioned being generally one year, and on mortgages where the amount borrowed is a big amount. The lender generally waits till the period of limitation nears expiry, except where he finds that the value of the property mortgaged is not sufficient to cover the accumulated interest and the principal. All loans in the hills are therefore long period advances, and I do not think that a landholder is

ever refused credit if he can give sufficient security. In the Tarai the title to land not being secure no loans can be obtained for long periods, except in the case of a very few settled villages. The same is true of tenants either in the hills or in the Tarai as they have no title in the land.

Question 2.—(*a*) In the hills security for long period advances is mortgage over land or house.

(*b*) There is no difficulty in obtaining loans on the mortgage of land either in the hills or in the case of settled villages in the Bhabar and Tarai as there exists a charm of acquiring landed property in the minds of lenders; the average interest in these cases is 8 to 12 per cent. But the borrower is seldom able to pay interest as a result of which the land passes to the mortgagee after eight or ten years. There is no system of payment by instalments and the debt is generally contracted for non-productive purposes and hence never paid.

Question 3.—Tenancy holdings are all non-transferable in these districts, and non-transferability does act as an impediment to long-term credit. It is for this reason that *doms* in the hills who are mostly *sirtans* (tenants-at-will) but occupy their spare time in doing the work of skilled artisans, in which jobs they get good wages, are so poor, and the rate of interest for agriculturists in the Tarai is so high.

Question 4.—Occupancy rights do not serve as an adequate security for long-term credit on account of their non-transferable nature, and this fact deserves careful attention of the committee, as unless they are made to serve as adequate security an agriculturist cannot get long-term loans and cannot undertake any permanent improvements to his land. The question is whether occupancy holdings should be made transferable, and, if so, what steps should be taken to protect land from passing into the hands of non-agricultural classes.

Question 5.—In my opinion a land mortgage bank is not very necessary in the hills as most of the debts are contracted for non-productive purposes; and further, holdings in land are of a very small size. But for those borrowers who want credit facilities for big loans for productive purposes, e.g., in the case of owners of orchards and tea gardens and in the case of owners of large areas of land, arrangements could be made through a land mortgage bank if established at a place like Bareilly or Moradabad. This bank might advance to holders of settled villages in the Tarai and Bhabar for payment of existing debts, if desirable. If, on the other hand, tenancy rules are changed so as to give the *padhans* and tenants a transferable title to land, a land mortgage bank will greatly assist them to pay off their existing debts. Money may be required for putting up proper fences as wild animals are at present doing a lot of ravages to land, and for building houses. Bhabar areas are mostly occupied by cultivators from the hills where they have shares in land. The land mortgage banks can advance on the security of these lands.

Question 7.—(*a*) The value of land in the hills is calculated on the basis of a percentage of the revenue paid.

(*b*) and (*c*) The value of land in these districts does not differ according to the crops grown but according to whether it is irrigated or unirrigated, whether it is occupied by *khaikars* or by tenants-at-will. Locality also affects the value.

(*d*) There is a good deal of difference in the price of land in case of sale by private negotiation and in case of sale on a court decree. The causes of differences are: (i) publicity of the notice of sale is not very wide, (ii) distance of the court where the sale is held from the place where the land is situated—sometimes it is about ten days' journey, but on the average it is five days' march. If proper publicity is given and the land is sold near the spot it fetches a higher price in an auction than it would otherwise do, as there are a number of persons who have a craving for land. I can give an instance where I was receiver of an insolvent's property. The plots of land were sold thrice at Almora, but there was none to bid. At last I secured an order to have it sold near the spot. The bids were 50 to 80 per cent. higher than the valuation made by the patwari.

(*e*) The average value of land is Rs. 400 for every rupee revenue paying land for irrigated land and Rs. 150 for unirrigated land, where it is not held by *khaikars*. Where it is held by *khaikars* the average value is Rs. 15 to Rs. 20 for every rupee revenue paying land, and it cannot be sold easily. In the case of settled villages in the Tarai the average value is twenty times the revenue paid.

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Part F.—Co-operation.

Question 1.—(*a*) As far as I am aware no relations exist between the co-operative banks and joint-stock banks in these districts. Attempts were made four years ago to obtain financial assistance from the Imperial Bank of India but failed. They are looked down by the present financiers of agriculturists as their rivals.

(*b*) There can be no question of competition between the co-operative and joint-stock banks as their spheres of activity are different.

Question 2.—Difficulties were experienced by the co-operative banks in raising funds locally only once or twice, when they borrowed from Government or from the estate of a minor. About ten years ago the then Deputy Commissioner of Naini Tal ordered that money belonging to minors be deposited in the co-operative bank. Since then no difficulties are experienced and the bank has about Rs. 25,000 lying idle for many years past. One reason for this is that the owned capital of the primary societies in Tharu areas is rising as a consequence of which they do not require much financial assistance from the central bank at Haldwani. Even now this bank has advanced to other co-operative banks even outside the province. Besides, money belonging to minor people are bringing deposits to the bank which are refused for want of investment.

Question 3.—The amount of capital for financing the co-operative movement in these districts is sufficient according to their present needs and activities. It is shy in hill areas. Two attempts have been made to open co-operative banks in Almora district but both have failed.

As I hold the view that co-operative banks are not very necessary for agricultural credit in the hills, I will not attempt to estimate the additional capital required. But co-operative societies may with advantage be extended in the Bhabar and Tarai among people who are not at present dealing with them. For gradual extension of the movement far and wide a capital of about 3 lakhs will be required to establish the work. Out of this Rs. 1 lakh might be raised by sale of shares, Rs. 50,000 from deposits and the rest by loans which will be repaid as the movement progresses and the owned capital of primaries increases. I think that sufficient money can be raised locally for gradual advancement of the movement, and in case of pressing need it can be borrowed from other banks of the province. In the hills co-operative societies will be necessary for financing cottage industries of which there is a pressing need and they will require a working capital of 2 lakhs to start with.

Part G.—Small industries allied to agriculture.

Question 1.—The small industries allied to agriculture in these districts are potato growing, vegetable and fruit growing, milk selling near towns, carrying goods on ponies, carting goods near cart roads, pottery, picking sticks from the jungle, husking rice, oil pressing, making wooden utensils, *gur* making, tobacco growing, mat making, sheep breeding, tanning, apiculture, paper making, *bhang* collecting and *phulwa* making. Out of these pottery, oil pressing, mat making, making wooden utensils, weaving hemp cloth and tanning are carried on by members of the depressed classes. Spinning and weaving woollen blankets and other articles are conducted in Patti Danpur and by Bhotias, but this industry is not to a great extent subsidiary to or allied to agriculture as the main vocation of life of the Bhotias is trade.

Question 2.—The condition of these industries is precarious except potato, fruit and vegetable growing which are on the increase. They are conducted on primitive methods and cannot stand competition with the finer produce of the mills. The Industries department conducted a survey of industries in all the districts of the province. Mr. Sapru has written a report on the Almora district and Mr. Joshi on the Naini Tal district. Their reports contain valuable suggestions for improvement of existing industries and extension of other industries, which are briefly as follows :—

(*a*) Improvement of the present stock of cattle.
(*b*) Introduction of scientific measures of apiculture.
(*c*) Introduction of simple, handy, portable spinning machines.
(*d*) Imparting of education in weaving.

(*e*) Introduction of doubling machines.
(*f*) Imparting of education in dyeing.
(*g*) Systematic and scientific breeding of sheep to improve local stock and its wool.
(*h*) Removal of certain grievances about forest grazing, cattle revenue and grazing dues.
(*i*) Removal of excise restrictions with regard to hemp plant grown purely for purposes of extracting fibre and introduction of *sanai* plants.

In addition to these some sort of demonstration or magic lantern lectures will be of much assistance. The district board primary schools might impart education in some industries suitable to the area.

Question 3.—(*a*) The existing industries with improvements may be taught to and introduced among those classes who do not occupy themselves in them. Cotton sowing, which has disappeared from the hills, spinning and weaving are industries which it is necessary to popularise as these districts consume a big quantity of cloth and quilts, which are imported from other districts. Other industries that could be introduced are: canning, bottling and jam making, sericulture, wood distillation, poultry farming and toy making among the depressed classes. There is a pressing need of cottage industries as agriculture is in a poor state.

(*b*) About 2 lakhs of rupees will be required for improvements to existing industries and for additional industries to start with. This capital should be supplied at moderate rates of interest by the establishment of industrial co-operative banks.

Part H.—Urban industries.

Question 1.—(*a*) In the Bhabar and Tarai—

(i) *Julahas* of Kashipur and Jaspur finance themselves or borrow from sellers of cotton yarn. These charge no interest if money is paid in eight days, but sell at a rate 3 pies to 6 pies per rupee above the market rate. They also borrow from professional moneylenders or, for purchase of yarn, on bonds repayable in two or three months or in a week. Interest charged is 25 per cent. and goods are taken over in default of payment.
(ii) *Chipis* (calico printers). Cloth merchants of Kashipur give them cloth and get it printed paying some wages. Some of the *chipis* purchase their own cloth and sell finished wares to Kashipur merchants who are their financiers. These lend them on the security of goods. Interest charged is 1 pice per rupee for eight days. Some *chipis* are weavers as well.
(iii) *Dhunas* (cotton ginners) work on the wage system getting a wage according to the amount of work done.
(iv) Washermen are paid for the number of *garha* cloth washed.
(v) Refiners of borax are their own financiers.
(vi) Makers of bullock carts borrow from moneylenders at an interest of 25 to 60 per cent. The amount is repaid when finished articles are sold at fairs. Sometimes wood is sold on credit.
(vii) Dairy farmers who keep large herds of cattle in the Tarai get an advance for purchase of cows from Haldwani shopkeepers. They have to sell their milk at 15 seers per rupee or *ghi* or *khoya* at a cheaper rate than the market. The produce is taken over by the lender at the *khatta* where the cattle are kept.

In the hills :—

(i) Shoemakers obtain financial assistance from local moneylenders. Interest in their case ranges from 2 to 6¼ per cent. The shoemaking industry is dwindling away.
(ii) *Tamtas* (or manufacturers of copper and brass utensils) of Almora work on the wage system. They are supplied with raw materials by the dealers and are paid according to finished articles supplied. *Tamtas* of some villages in Kharai Patti are financed by the co-operative societies while those of

other villages are financed by local moneylenders. Interest charged by the societies is 12 per cent. whilst that charged by moneylenders is 25 per cent.

(iii) Tanners borrow from village moneylenders at Lohaghat and Pithoragarh. Interest is charged from 2 to 6¼ per cent. per mensem from them.

(iv) Weavers of hemp fibres are financed by village moneylenders whom they pay 25 per cent. as interest.

(v) Goldsmiths. Gold and silver are supplied by the person who orders ornaments and the goldsmiths are paid their wages per tola of the ornaments made. Where they sell the finished articles, as in Naini Tal, shroffs from Kashipur sell gold or silver on credit.

(*b*) Raw materials are either purchased locally or are supplied by persons who engage them. Some raw materials, such as tanning materials, are picked from the jungle.

(*c*) The wares of these artisans are disposed of at weekly markets in the Tarai and at fairs in the hills or are purchased by local dealers.

Question 2.—(*a*) *Karkhanas* are found in shoemaking, tailoring, refineries of borax and weaving of hemp fibres.

(*b*) The shoemakers sell their finished articles direct to the consumer, so do the hemp weavers. The shoemakers engage workers and apprentices, paying them a certain amount of advance, which is deducted from their salary every month. The worker cannot leave so long as the advance is not paid. His services are transferred to another shoemaker on the new master paying the old. The hemp fibre weaving is done generally by women. They are engaged during winter only and are paid 4 annas to 6 annas per yard of cloth woven. Spinning is done by men who are paid at the rate of Re. 1 to Re. 1-8 per seer of fibre spun. Each man earns only 2 to 3 annas a day as he spins only 2 chhattaks.

(*c*) The tendency, so far as I know, is for the artisans to leave *karkhanas* and to concentrate in big cities.

Question 3.—(*a*) Instances of sweated labour are found among the shoemakers. Among weavers of hemp cloth the outturn produced by a man or woman is not much on account of the primitive implements used, and therefore they do not earn much; as a consequence of this the industry is dwindling away.

(*b*) There can be no exploitation so long as there are no proper industries. What is required are proper industries.

Part J.—Internal remittance and negotiable instruments.

Question 1.—(*a*) The branches of the two banks at Naini Tal and the two firms at Almora exchange cheques and issue drafts. At Kashipur, Ramnagar and Haldwani the cloth merchants require bills to send money to Bombay, Delhi and Cawnpore, whereas dealers in borax, grain and spices require money to be brought from these places. These merchants sell *hundis* that they have received from purchasers of their goods or issue *hundis* on firms to whom they have sent their goods for sale. These transactions are carried on through *dalals* to whom a commission of 1 pice per hundred rupees is given by each party. These *hundis* are sold at a rate which varies from 2 annas per cent. discount to 1 anna per cent. premium, which is very seldom. Amounts in excess of the *hundis* available is despatched by Government currency notes. Dealers in potatoes send railway receipts by value payable post.

Under the present contract with the Imperial Bank of India the bank issues drafts at 2 annas per cent. up to Rs. 10,000 and 1 anna per cent. above Rs. 10,000.

(*b*) The present system has the following defects: (i) lack of remittance facilities. At present there is a great demand at Kashipur and Ramnagar for drafts on Bombay, Delhi and Calcutta. It is estimated that at Kashipur alone bills will be required to the extent of Rs. 10,000 a week during the off season and Rs. 25,000 a week during the busy season (winter), (ii) paying banks raise great difficulties in the matter of identification of vernacular endorsements as a consequence of which merchants avoid using bank drafts, and (iii) lack of co-ordination between different banks and indigenous bankers as a consequence of which they are not allowed even a small overdraft and their bills are dishonoured, so that they have no facility to draw bills.

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Question 2.—In the hills the part played by negotiable instruments in internal trade is negligible, whilst in the Bhabar and Tarai negotiable instruments are used to the extent of 40 per cent. of the internal trade.

Question 3.—The present rules regarding the issue of supply bills are :—

(*a*) They are freely issued by the sadar treasuries on centres where currency offices exist. On places where there is no currency office they cannot be issued without the sanction of the Deputy Controller of Currency. The charges are 2 annas per cent. up to Rs. 10,000, 1 anna per cent. above Rs. 10,000. The reason for restrictions on the free issue of supply bills is to avoid difficulties of meeting a big demand for money at a place where the balance available is not sufficient. They are not issued by tahsil sub-treasuries; and no preference is given to bankers. They do not play much part in internal remittance.

Question 6.—In the hills *hundis* of any kind are not current. In the Tarai only sight *hundis* are current. Sight *hundis* in this district are easily sold and sent to the centre on which they are drawn to be cashed.

Question 7.—(*a*) Merchants of Kashipur and Ramnagar advance on the security of railway receipts and invoices to the extent of 60 per cent. of the value of goods.

(*b*) The difficulty in using these instruments is that they are not freely negotiable.

II.—INDIGENOUS BANKING.

A.—Organisation of indigenous banking.

Question 1.—The following classes of indigenous bankers are found in these districts :—

(*a*) The two firms carrying on banking business on modern lines. One of these firms combines hardware business, sale of Tibetan curios and of gold and silver. The other firm does not combine any other business with banking. Banking is the principal business of these firms.

(*b*) Town moneylenders who do not receive deposits but simply lend out their spare money. Most of these combine other business, e.g., a cloth or grain shop, contracts, etc., but some do not. Banking is subsidiary with do.

(*c*) *Arhatiyas*. They finance either grain or cloth business. Their principal business is *arhat* or commission agency. Cloth *arhatiyas* finance the retail sellers, while grain *arhatiyas* finance the *banjaras* and *padhans* who purchase grain at the villages or agriculturists directly, as in the Ramnagar area. They generally advance goods on the *bahi khata* system.

(*d*) Prosperous agriculturists and government pensioners who go back to their villages on retirement. Banking is their subsidiary business. They generally advance money with the object of purchasing the borrower's land or to oblige a fellow agriculturist.

(*e*) *Padhans*. Banking is subsidiary with them. They advance in order to have a hold on the tenant, to force him to remain in the village, or to purchase grain from him at a lower price. As a matter of fact most of them lend out borrowed capital.

(*f*) *Banjaras* of Haldwani, Neuria in Pilibhit district and of Baheri tahsil in Bareilly district. They lend to cultivators in the Bhabar and Tarai mostly from capital borrowed from grain dealers. Banking is subsidiary with them and they lend to purchase grain from the agriculturists.

(*g*) Hill moneylenders from tahsil Champawat in Almora district lend to Tharus and Bhoksas. Banking is their main business, but they remain in the area for six months only.

Question 2.—Agriculture is financed by town and village moneylenders, prosperous agriculturists in the hills, *padhans*, grain dealers, *banjaras* and hill moneylenders from Champawat. The methods in the Tarai are to lend the money in May and in subsequent months and to purchase the crops when they are ready. In the hills money is lent on bond, demand pronotes or mortgages. Trade and industry are financed by two banking firms, *arhatiyas* and by town moneylenders. Money is lent on pronotes generally, but where goods are supplied they are lent to *bijaks* or invoices.

Question 3.—It is rather difficult to estimate the resources of the indigenous bankers as the districts cover a big area, and further it cannot be known who is a banker as everyone with some money lends it; but the following rough estimate is given :—

Classes.	Capital.	Volume of business.	Expenses.	Return.
	Rs.	Rs.	Rs.	
(i) Banking firms ..	2,00,000	4,00,000	3,000	10 per cent.
(ii) Town moneylenders	10,00,000	15,00,000	Practically nil ..	9 ,,
(iii) *Arhatiyas* ..	15,00,000	35,00,000	5,000	12 ,,
(iv) Prosperous agriculturists.	5,00,000	5,00 000	Practically nil ..	8 ,,
(v) *Padhans* ..	50,000	2,50,000	Ditto ..	5 ,,
(vi) *Banjaras* ..	1,50,000	5,00,000	Ditto ..	18 ,,
(vii) Champawat moneylenders.	30,000	50,000	Ditto ..	18 ,,

This estimate of expenses does not include the salary of the proprietors.

Question 4.—There are no financial houses in these districts which deal solely in the provision of credit facilities by purchase and sale of *hundis*. The reason is that *hundis* are not current.

Question 5.—The banking firms keep accounts in vernacular in the modern system combined with the *bahi-khata* system. The town moneylenders and *arhatiyas* keep them on the *bahi-khata* system. There is one *rokar bahi* in which daily transactions are recorded one *roznamcha* or journal and one *khata* or personal ledger. Other classes do not keep regular accounts.

B.—Raising of funds by indigenous bankers.

Question 1.—(*a*) *Hundis* are not current in these districts. Fixed deposit receipt and current and savings bank account pass-books are used by the banking firms. The *arhatiyas* and grain merchants borrow on *bahi khata*, or on pronotes from Delhi and Bombay *arhatiyas* and other big financiers, e.g., those of Pilibhit, Thakurdwara and Moradabad. *Banjaras* and *padhans* borrow on pronotes and bonds from grain dealers.

(*b*) Samples of deposits, receipts and pronotes are attached*.

Question 2.—(*a*) The indigenous bankers borrow from other indigenous bankers or to some extent from the joint-stock banks. As a matter of fact the financiers of the cloth trade here are financed to a large extent by Bombay or Delhi *arhatiyas*.

(b) The Imperial Bank of India and the joint-stock banks give very little assistance to the indigenous bankers when the latter are in need of funds and the little that is given is on first-class security. The rate of interest charged is rather high, extending up to 10 per cent.

(*c*) The following defects are found in the present system :—

(i) Self-liquidating trade bills which can be rediscounted with the Imperial or joint-stock banks are not current. Goods are despatched either against cash payment or to customers and *arhatiyas* who remit the money as they see them.

(ii) The banks do not give any preferential treatment to indigenous bankers whereas they are continuously drawing away the money deposited with them.

Question 3.—Indigenous bankers in this district (two firms only) receive deposits on current accounts on which no interest is allowed, fixed deposits on which 3 to 6 per cent is allowed and savings bank deposits on which 3 to 3½ per cent. is allowed. These rates do not vary at different seasons.

*Not printed.

C.—Advances by indigenous bankers.

Question 1.—(*a*) and (*b*) Indigenous banker in these districts grant loans and allow cash credits on the following systems :—

(i) On pronotes repayable either on demand or after a certain period of time which is generally 8, 31, 61, 91 days or 6 months.

(ii) On bonds generally repayable after one year or on monthly instalments in the case of clerks and other government servants.

(iii) On the *qist* system in Ramnagar and Kashipur. The system works as follows. Supposing a person wants to borrow ten rupees. He writes a bond for Rs. 12 which is repayable in instalments of Re. 1 per month. On default of payment of the instalments the borrower has to pay interest at 6¼ per cent. per month on the amount of the instalments remaining unpaid.

(iv) Day to day loans, which are repayable in the evening of the day borrowed, or the next day. Such loans are generally taken by petty businessmen dealing in grain or *gur* at weekly markets. The rate of interest charged is annas 2 to Re. 1 per cent. There is a class of lenders who do this business alone.

(v) On mortgage of house and landed property.

(vi) Against railway receipts at Kashipur and Ramnagar.

(vii) Pawning of ornaments.

(viii) Against crops.

(*c*) Security for (i) to (iv) is the personal security of the borrower.

(*d*) The general rate of interest in the hills is 8 to 12½ per cent. In the Bhabar and Tarai it ranges from 9 to 12 per cent. in the case of traders, 18 to 48 per cent. in the case of contractors and 18 to 37½ per cent. in the case of agricultural loans.

Question 2.—The agricultural community has to pay 12½ per cent. interest in the hills and 18 to 37½ per cent. in the Bhabar and Tarai. Further, they have to sell crops at reduced rates. For loans in kind they pay 25 to 100 per cent. of the quantity borrowed.

Question 3.—The clients are supplied by the banking firms with pass-books or statements of their accounts periodically or when called for where there is no pass-book. The *arhatiyas* and town moneylenders supply them with periodical statements of their accounts.

D.—Exchange and money market.

Question 1.—(*a*) There is no local exchange and money market in these districts, but sight *hundis* on Cawnpore, Delhi, Bombay and Calcutta are freely exchanged at Ramnagar, Kashipur and Haldwani.

(*b*) There is no regular link between towns in this district and important trade centres like Bombay, Calcutta, Delhi and Cawnpore, but the firms have current accounts with joint-stock banks there; and further, dealers in borax, catechu, spices and grain hold or issue *hundis* on those places, and these *hundis* are purchased by dealers in cloth and other commodities which are imported, who require money to be sent to these places; and there are branches of the Allahabad Bank, Ltd., and the Imperial Bank of India at Naini Tal.

Question 2.—Brokers help to bring the buyer and seller of *hundis* together and they get paid at the rate of pies 3 per cent. from either side.

Question 3.—(*a*) *Hundis* for internal remittance are sold at the rate of annas 2 per cent. discount to anna 1 per cent. premium on rare occasions. *Hundis* for obtaining credit are not current.

(*b*) Rates vary according to demand and supply of *hundis* and Government currency notes.

Question 4.—The markets are not influenced by any associations.

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E.—Defects of indigenous banking.

Question 1.—Public confidence exists in the banking firms, but the borrowers regard them as unapproachable. Others receive very little deposits. *Arhatiyas* and grain dealers are relied upon by those who deal with them on account of their business-like habits. As a matter of fact much depends upon the personal factor, but there is no prejudice against this class of bankers. The financiers of agriculturists are relied upon by the borrowers that they will accommodate them whenever required.

Question 2.—The indigenous bankers experience the following difficulties :—

(*a*) The insolvency law is very easy and a protection order follows as a matter of course, as a consequence of which a considerable amount of the creditors' money is lost. No inquiry is made as to how a debtor has incurred a loss. As a matter of fact a number of persons have made it a trade to declare themselves insolvents after they have contracted a number of debts.

(*b*) Proceedings in court are very cumbersome and mean great delay; and after a suit is filed only 6 per cent. interest is allowed by courts although they have sometimes to pay more than this rate. The real difficulty lies in execution, and great delay takes place between the passing of a decree and the realization of the amount.

(*c*) Attachment before judgment on injunction not to alienate property is allowed after great difficulty.

(*d*) The summary procedure relating to negotiable instruments as laid down in Order XXXVII, Civil Procedure Code, is not freely used.

(*e*) They experience great difficulty in raising necessary funds when they are in need.

(*f*) Some banks, the Post Office and sometimes the Treasury do not recognize the indigenous bankers as bankers and raise great difficulties in the matter of paying crossed cheques and postal orders.

(*g*) Funds of a semi-public nature and regimental funds are not allowed to be deposited with indigenous bankers.

(*h*) Owing to depression in trade the borrowing public is not able to repay loans when they are due.

(*i*) The income-tax authorities raise great difficulties in accepting their accounts and take down the names of persons to whom interest has been paid and follow them, which the depositors dislike.

Question 3.—For the above reasons I consider that indigenous bankers are not sufficiently protected in law.

Question 4.—The dealings of most of the indigenous bankers other than village moneylenders are conducted on sound lines. Complaints have been heard that some village moneylenders do not give proper acknowledgements for amounts paid or grain delivered to them and file a suit for the whole amount without deducting the full amount paid. Much depends upon the personal factor.

Question 5.—Indigenous bankers are sometimes obliged to refuse demands for accommodation on account of insufficiency of working capital, specially during winter months when the money market is tight.

F.—Co-ordination.

Question 1.—(*a*) Indigenous bankers of the same class and of different classes lend to each other at a lower rate than is charged by the borrower from his customers according to their credit in the market. The dealers in cloth are freely financed by *arhatiyas* of Bombay and Delhi, who allow interest at the same rate on the credit balance of an *arhatiya* from these districts as charged by themselves.

The relations between the indigenous bankers and the joint-stock banks and the Imperial Bank of India are similar to that between an ordinary customer of the bank and the bank itself, except that some reciprocal concession is made in the matter of collection of their cheques, where the business done on both sides is of a large amount. The joint-stock banks are so cut off from the indigenous banking system that whereas no

charge is made by the joint-stock banks for collecting cheques on a client's account if they are drawn on another bank in the same town, 2 annas to 4 annas per cent. is charged for collecting *hundis* on indigenous bankers in the same town. Sometimes a charge of 2 annas to 4 annas is made from the drawee also.

(*b*) No preferential treatment is given to the indigenous bankers by the joint-stock banks and the Imperial Bank of India.

Question 2.—(*a*) No co-ordination exists between the indigenous bankers and joint-stock banks and the Imperial Bank of India in the provision of credit facilities to trade and industry generally.

Question 3.—At one time cheques drawn by customers of indigenous bankers in these districts in favour of persons or firms down country used to be returned by the banks there with the remark "The bank has no means of collection" and this lowered the indigenous banker in the eyes of their clients. But now this difficulty does not exist to a great extent and most banks send cheques to the bankers for payment, although sometimes complaints of this nature are still heard.

G.—Consolidation of indigenous banks.

Question 3.—The indigenous bankers would resent any measures designed to regulate their operations and to enforce publication of their balance sheets, as this would be a hindrance to private effort; and further, most of them are not able to prepare a balance sheet.

Question 4.—(*a*) Money lies idle during summer months but its extent is not much, as these districts have much business during summer months.

(*b*) This money remains in the hands of the indigenous bankers but does not concentrate in important trade centres except to a limited extent through cloth dealers who pay back the money advanced by the *arhatiyas* there or are paid an interest equal to that charged by themselves, and to a great extent through the branches of joint-stock banks whose main purpose is to supply their head offices with funds, and are allowed an interest of 1 to 2 per cent. above that allowed by themselves on deposits.

III.—INVESTMENT HABIT AND ATTRACTION OF CAPITAL.

A.—Encouragement of saving and investment habit.

Question 1.—(*a*) The existing banking resources of these districts are roughly 75 lakhs. They are derived from deposits from the public, specially the pensioner class, capital of indigenous bankers, loans and advances from *arhatiyas* and other bankers outside the district.

(*b*) They are adequate for the hills under the existing circumstances, but for consolidating, improving and opening new industries an additional capital of 20 to 50 lakhs of rupees might be required for the present. For the Tarai an additional capital of 10 lakhs for agricultural loans might be required in order to reduce the present high rates of interest. This capital will be returned after it has served its purpose. For industrial enterprises in the Tarai a capital of 20 lakhs may be required.

Question 2.—The present means and institutions for encouraging the habits of saving and investment are the banks and banking firms, who receive money on fixed and savings bank deposits, and Post Office savings banks. But these are situated at great distances, and are not availed of very much by the agricultural population, on account of their habit of lending to landholders.

Question 3.—The majority of the people in these districts are not in the habit of hoarding in gold and silver. The only quantity of these metals used is for ornaments.

Question 4.—Post Office Cash Certificates are popular in these districts with government servants and government pensioners on account of their attractive rates of interest, but they are not so with other classes.

Question 5.—(*a*) The Post Office savings banks do not at present afford adequate facilities to the investing public. They are situated at a distance from the villages and therefore not easily accessible.

(*b*) At present employees of the Government actually in service or retired, small contractors for purposes of security, and organisations like the Arya Samaj and co-operative societies take advantage of the facilities offered by Post Offices.

Question 6.—(*a*) It is true to say that the rates on Post Office Cash Certificates and Treasury Bills are so attractive as to create competition between Government and banks in attracting deposits.

(*b*) In my opinion this competition is not healthy as it increases the general rate of interest for the borrowing public and diverts money from trade and industry into government coffers. It is not only Post Office Cash Certificates and Treasury Bills that are taking away a large number of deposits from the banks, but the present policy of paying high rates of interest on government loans is drawing away a large amount of money from banks. Since the failure of several banks in recent years people have lost confidence in joint-stock banks and government securities can be sold easily in the market, and an investor receives interest up to the date of the sale, which he does not do in the case of bank deposits. These causes are contributing to the diversion of large sums from the banks. Whereas in 1914 the Allahabad Bank, Ltd., Naini Tal, used to advance money freely at 7 per cent. it is difficult to get a loan from the Bank at 9 per cent. now and that also on first class security. As a matter of fact this Bank has practically ceased to advance money in this part of the country.

Question 9.—The Government does not at present afford any facilities for purchase and sale of government securities. The banks and banking firms purchase and sell the securities for their customers at Calcutta through a broker and charge a commission of ¼ per cent.

Question 10.—The banks and banking firms get other securities sold and purchased at the Stock Exchange through brokers and charge ½ per cent. commission.

Question 11.—Agriculturists have very little money left after paying their debts. This money they keep with themselves or lend to fellow agriculturists, or acquire new property. Shopkeepers, merchants and traders invest it in business or acquire new property. Government employees in active service or retired keep it in private, joint-stock or Post Office savings banks. Some Government employees on retirement go back to their villages and utilize their money in advancing to other agriculturists, or in extension of their holdings. But they too use Post Office savings banks. Wage earners—mostly members of depressed classes—spend their money in drink or in providing their comforts. Bhotias invest their money in trade and business and a small part in purchasing property.

Question 12.—(*a*) In the hills farmers invest their surplus funds in a prosperous year in providing comforts, paying debts, lending to their fellow cultivators or in acquring new property, and a small part in making ornaments. In the Tarai they are seldom free from debt. They spend their money if they have any spare in luxuries, extravagances and in ornaments.

(*b*) In the hills the farmers lend to fellow agriculturists. The rate of interest is generally 12½ per cent.

(*c*) In the hills the total amount of capital in the possession of agriculturists would roughly amount to 15 lakhs of rupees. I think that it is growing, although not so much as would be expected. This estimate does not include houses, but includes live-stock. In the Bhabar and Tarai the capital in the possession of agriculturists would amount roughly to Rs. 80 lakhs of which 20 lakhs would be in the possession of *padhans* and the rest in the hands of tenants. It is, I think, decreasing. This capital is mostly in the form of live-stock.

Question 13.—(*a*) As far as I think, the banking habit is of slow growth in these parts, but the investment habit is not so. People are in the habit of investing in landed property, for which they have a craving.

(*b*) In my opinion the following causes contribute to the lack of banking habits :—

(i) Lack of sound banks. Modern banks are not in touch with the depositing public beyond large towns. The failure of several banks in recent years has caused nervousness in the depositing public. The *kothis* of old have dwindled away.

(ii) People have a charm for land and would lend only to those who have landed property.
(iii) People look to more interest which they can get from the agriculturists. Any one with a little money becomes a banker.
(iv) Poverty of the people is also another cause.

B.—Cheque habit.

Question 1.—The cheque habit is growing in those towns in which modern banking institutions exist, but not elsewhere.

Question 2.—The abolition of stamp duty on cheques has led to an increase in the use of cheques, by those that had already an account, but not to any appreciable increase in the number of accounts.

Question 3.—Cheques are used only in those towns where modern banking institutions exist and in those towns only by Government officers, members of the learned professions, some educated merchants and those merchants who can obtain cash credits.

C.—Vernacular script in banking.

Question 1.—As *munims* at present employed in different firms are quite efficient and cheap, vernacular accounts should be encouraged, but the accounts should be kept on modern principles of book-keeping with slight modifications to meet the present Indian practice in book-keeping. A customer should be supplied with pass-books in any vernaculars of the province, where possible. At present the banks raise great difficulty in the matter of identification of vernacular endorsements. This could be simplified so as to enable the holder of a bill of exchange to sign in any provincial vernacular he likes.

Question 2.—In these districts *Nagri* characters alone can and should be used. I think the *Sarafi* characters should be discouraged in every part of the country, as it is not understood by non-mercantile castes.

D.—Imperial Bank of India.

Question 1.—A branch of the Imperial Bank of India was opened at Naini Tal on the failure of the Alliance Bank of Simla. The Bank has done very little lending business here, but has received a number of deposits. This branch is not very much in touch with the public outside Naini Tal town.

(i) It has done very little to encourage the investment habit.
(ii) It has not played much part in promoting internal trade and industry, as it is not situated in a centre of trade and industry.
(iii) The indigenous bankers do not deal with this branch but with the Allahabad Bank, Ltd. It has taken no part in co-ordinating with them.
(iv) It is not situated in the centre of agriculture and so it has taken no part in providing facilities for agricultural credit.
(v) As the Bank is not doing much lending business except to holders of gilt edged securities it has not done anything to reduce the general rate of interest.

Memorandum on credit facilities for timber contracts in the Naini Tal and Almora districts.

A.—Tarai forests.

Tarai forests are sold by auction generally by the end of August. Ten per cent. of the sale money is realized on the spot as earnest money and the rest is paid in three instalments. Those contractors who are not known to the department or are residents of Indian States have to pay 20 per cent. as earnest money. Work starts in November. Contractors engage sawyers who are paid an advance. Wages of Delhi sawyers are Rs. 50 to Rs. 85 per pair according to outturn—4 c.ft. to 7 c.ft. a day—and of hill sawyers Rs. 26 to Rs. 35. The forests have to be cleared in June, but sawing must be finished in March. Coolies and cartmen engaged in carrying timber to the railhead are paid on delivery of the goods at the destination. The principal contractors belong to Almora, Naini Tal, Rohtak and Delhi districts.

Money is required for :—

(1) payment of earnest money. This is paid out of capital;
(2) advance to sawyers in October. Some of the contractors borrow for this purpose;
(3) sending rations to the forests. Most of the contractors borrow for this purpose;
(4) paying the first instalment in November. Money is generally borrowed for this purpose;
(5) carting, December to April. Money is borrowed in the beginning but later carters and coolies are paid out of the proceeds of timber sold;
(6) paying the second instalment in January: In case of a slack market, all the contractors are forced to borrow for this purpose; otherwise only part of the money required for this purpose is borrowed;
(7) paying the third instalment, and for settling final accounts of the workmen. This is paid out of the proceeds of sale of timber.

Money is badly required in March, but is repaid before the end of June.

The lenders are generally grain merchants of Ramnagar and Haldwani. The rates of interest charged by these lenders are generally 18 to 24 per cent. where money is borrowed in November and kept till the work is finished, and 24 to 48 per cent. for short period loans, 1 month or under. Some contractors are financed by moneylenders of Naini Tal and by the Naini Tal Bank, Ltd., or by moneylenders of Delhi at rates varying from 9 to 12 per cent. The security is only the personal security of the borrower. Money is borrowed for the purpose of these contracts up to the extent of about 4 lakhs. Additional credit facilities are required to the extent of 5 or 6 lakhs.

The attention of the committee is invited to the undermentioned defects :—

(i) Inadequacy of credit facilities.
(ii) High rates of interest.
(iii) Lack of security.

B.—Hill forests.

Extraction of sleepers is the only noticeable contract in connexion with the hill forests. In East Almora division the Bobbin Company of Bareilly has a contract for 5 years, while in Naini Tal division sleepers are extracted by petty contractors. The forests are sold in August or September. The contract runs for 1½ years. Work starts in November and money is employed for a full period of 1½ years as timber does not reach the railhead before that period.

Money is required for :—

(1) advance to sawyers in November. (Generally borrowed);
(2) payment of the first instalment in November. (Generally borrowed);
(3) sending rations to forest in December. (Purchased on credit);
(4) carriage of timber from forest to river bank in January, February and March. (This is done wholly by borrowed capital);
(5) payment of the second instalment and floating charges in August. (Need for money is greatly felt for this purpose);
(6) launching of sleepers and payment of canal dues, third instalment and final account of staff and sawyers in October and November of second year. (Very pressing need for money).

Credit facilities are utilized to the extent of about 1 lakh of rupees. Additional credit is required to the extent of about 2 lakhs. Interest charged is generally 12 per cent. and at times 18 per cent.

Mr. Mohan Lal Sah.

Memorandum on the finance of the cloth trade in the Naini Tal and Almora districts.

The hills consume a big quantity of cloth and a good deal is exported to Tibet and Nepal. Part of the cloth (say about 6 lakhs) is manufactured at Kashipur and Jaspur. This is sold on market days at Kashipur (Friday and Saturday). The rest of the cloth is imported (say about 35 lakhs) from Bombay and Delhi and to a small extent from Ahmedabad and Cawnpore. The principal market for the wholesale cloth trade is at Kashipur, but some of these wholesale dealers have branches at Ramnagar and Tanakpur.

The big retail dealers purchase cloth direct from Bombay and Delhi while the small retailers purchase it from dealers at Kashipur, Ramnagar and Tanakpur, who in their turn purchase it from Bombay and Delhi. Cloth is purchased at these places through *arhatiyas* or commission agents. These *arhatiyas* advance money for the purchase of cloth to the extent of three to four-fifths of the amount purchased. The advance is made on *bahi khata*, and no other instrument is used. Delhi *arhatiyas* charge *arhat* or commission at one per cent., Bombay *arhatiyas* at annas 8 per cent. They also charge the following incidental charges—*Gaushala* 6 pies per cent., school 6 pies per cent., *Parshad* 6 pies per cent. contribution to Hindu College, etc. Interest charged is 7½ per cent. by both Delhi and Bombay *arhatiyas*. Interest is allowed at the same rates on the credit balance of a customer. Kashipur cloth dealers charge *arhat* at Rs. 2 per cent. although they sell cloth from their own shop and charge their profits as well. The following incidental charges are made by them—*Gaushala*, 6 pies per cent., *Parshad* 1 anna to 2 annas per cent., schools one anna per cent., insurance by themselves 8 annas per cent. Interest is charged at 9 to 12 per cent.

A similar system prevails in respect of other commodities exported, except that Haldwani is the forwarding centre for most of those commodities, and distributing centre for some. Generally the retailers are connected directly with the wholesale dealers or *arhatiyas* in big towns, *e.g.*, Cawnpore, Bombay, Delhi or Calcutta.

Memorandum on the indigenous banking system of the United Provinces.

Introductory.

The indigenous banking system in these provinces is not organized as a part of the monetary system in India as in other countries. Any person with small capital starts lending to those with whom he is in daily touch, gradually increases his capital and becomes a banker. Traders, government pensioners, sons of members of the learned professions, *zamindars* and others constitute the indigenous banking population. Very few of them devote the whole of their time and money to banking. It is not that the institution of banking does not exist in the country, but the old financial houses which applied the major portion of their assets are disappearing rapidly, and unless something is done to revive the time-honoured institutions which have served a useful purpose for a long time it is feared that their existence will be wiped out altogether, and they will be replaced by firms of doubtful repute who will not shirk in stooping too low and whose sole object will be to earn a large margin of profit, whether by fair means or foul. As a result of the weakening of the indigenous bankers the trade of the province is receiving a big shock. Traders—big or small—are finding it difficult to obtain financial assistance when they are in need. The joint-stock banks are out of their reach, and the indigenous bankers are curtailing their business as much as possible, as on account of increase in bad debts and the competition of joint-stock banks they find that banking is not a profitable concern. The indigenous bankers, though not well educated to understand the modern problems in finance adequately, have sufficient practical knowledge and training necessary for their work. They are assisted by their *munims* who are efficient and are content with low salaries.

Not being in touch with the modern financial movements and problems the indigenous bankers are not a vocal class. They are ignorant of conditions prevalent elsewhere and do not understand broad problems affecting finance, nor even the part they play in the economic progress of the country. All inquiries and investigations with regard to their system of work are liable to be misunderstood by them. Specially where such inquiries are conducted by a government agency they are looked upon as an encroachment upon their business activities.

The indigenous bankers conduct their business with utmost secrecy. Every attempt is made to keep the business dealings with their customers secret. This is good. But they are so eager not to let anyone have the slightest hint about their business activities and position that they very seldom seek and find assistance from joint-stock banks, as the latter insist on two endorsements to the instruments on which they advance money, and they are not prepared to take an obligation from a fellow banker.

In spite of all these drawbacks the indigenous bankers play an important part in financing trade, industry and agriculture in the province. More than 95 per cent. of the agricultural operations are financed by them, small industries are wholly financed by the indigenous bankers, and, if I am not mistaken, 70 per cent. of the trade of the province is financed by them.

One difficulty that lies in dealing with the subject properly is that the definition of 'indigenous bankers' is so wide that it covers persons who lend a few rupees to the highest *kothiwals* who command a capital of several lakhs and are looked upon with respect by everyone. Further, there is not one system of indigenous banking in the whole province but several which differ from place to place, while even in one and the same place there are different persons who carry on their banking operations by different methods.

To turn now to the questionnaire.

Mr. Mohan Lal Sah.

II.—Indigenous banking.

A.—Organisation of indigenous banking.

Question 1.—As the provinces cover a vast area and the conditions vary in different parts of the province it is difficult to give a detailed classification of the indigenous bankers according to the system of their work, but I am aware of the following classes of bankers among those that exist in these provinces :—

(*a*) *Urban bankers and moneylenders, pure and simple* :—

(i) *Kothiwals.* The *kothiwals* who represent the most important class of bankers are considered to be the most respectable class of bankers. All prosperous bankers have a desire to be styled as *kothiwals.* This class of bankers transact only big business and their methods vary from place to place. There are some, *e.g.*, in Moradabad and Thakurdwara, whose activities lie mainly in advancing on the *qist* system, whilst there are others, *e.g.*, *kothis* of Allahabad and Lucknow, who grant big loans on mortgages and pawn of ornaments of big value, against goods, or to influential and prosperous persons; but in general they issue and discount *darshani* and *muddati hundis*, and lend on pronotes, bonds, mortgages and pawn of gold ornaments. They also receive money on deposit. They combine *zamindari* and ownership of house property with banking, which is their principal business and the nucleus of their estate. At present this class of banker lends money mostly against mortgage of property for two reasons, *viz.*, security and the fact that money invested in mortgages earns interest for 12 months, whereas money advanced to traders is utilized during busy seasons only and lies idle for about five months of the year. This class is not able to keep pace with the times and is falling out. They are not able to compete with the joint-stock banks and find that money-lending is not a profitable proposition on account of the fact that the borrowers are always on the look-out for loopholes for evading payment. Consequently they are now investing their capital in purchase of landed property.

(ii) *Sarrafs.*—*Sarrafs* are of two kinds :—

(*a*) *Big sarrafs*, sometimes also called *kothiwal sarrafs*, transact only big business, *e.g.*, they advance big sums of money to landlords on mortgage of their *zamindari*, to traders and *sarrafs* on pronotes, discount and issue *darshani* and *muddati hundis* of big amounts, and take only gold ornaments on pawn. They also receive deposits, but they do not deal in gold and silver. Most of the *kothis* are the *sarrafi kothis.*

(*b*) *Small sarrafs.* These deal mostly in gold and silver. Their main occupation is to execute orders for ornaments. Some of them have branches in important trade centres like Bombay and Calcutta. They receive deposits of small amounts on which they allow interest. Their main banking business is to discount and rediscount *muddati hundis* and to issue and purchase *darshani hundis* on important trade centres. They lend money on mortgage of house property situated in towns, on pronotes (*ruqqa parcha ka len den*) and pawn of silver ornaments.

Kothiwals and *sarrafs* possess substantial capital of their own, but for raising very short term capital (one week) they issue sight *hundis* on their correspondents at important trade centres the payment of which can be delayed up to seven days according to the custom of those centres, by which time they are able to raise the necessary funds and pay their correspondents. For raising capital for a longer term (up to 3 months) they sometimes obtain assistance from joint-stock banks and the Imperial Bank of India by rediscounting *muddati hundis* in places where they are current. Smaller *sarrafs* repledge the ornaments pledged with them. *Sarrafs* are looked on by the business community as a very respectable class, inasmuch as those traders and merchants who belong to the "*sarrafi basna*" are entitled to make payment and receive payment of a *hundi* at their own office, which privilege is not accorded to other firms although they might be carrying on banking business on a much higher scale. A firm is admitted to "*sarrafi basna*" after a special ceremony. The word "*sarraf*" means a banker, whilst "*basna*" means only an office or place of business. Originally the word meant a cloth on which the books of a banker were tied or the cloth on which money was counted—like the chequered cloth which was the origin of the word exchequer.

(iii) Private bankers carrying on their business on modern lines. Their origin is very recent as they have sprung up with the advent of the British Government.

They cater for the needs of European civil and military officers in places where there are no branches of the Imperial or joint-stock banks. They consist mostly of government treasurers, army contractors and other persons dealing with the military authorities, *e.g.*, owners of houses in cantonments. As far as I am aware there are about 20 such firms in the province. They carry on their deposit business in exactly the same way as modern joint-stock banks, receive money in current account (issuing cheque books and pass-books), in fixed and savings bank deposits, and discount outstation cheques. Some of the firms do not receive money in savings bank deposits, whilst others carry on their other banking business on the same lines as *kothiwal sarrafs*, except that they receive money in current account for which they issue cheque books and pass-books. Their activities in respect of advancing money are mostly the same as those of other indigenous bankers, and there is not much difference in the methods employed by the joint-stock banks and higher classes of indigenous bankers in lending money. Only a few of these firms combine other business with banking, but practically all of them possess landed and house property. This class finds it difficult to raise funds when they are in need. The joint-stock banks and the Imperial Bank of India instead of coming to their aid would like to see them out of business, as they object to the use of the terms "banks," "bankers" and "banking" by them. The system of *hundis* which can be rediscounted is not very much in vogue outside a few big towns. To borrow from other bankers is considered derogatory to their position. They therefore restrict their moneylending business to their own capital and deposits. Some of these firms issue *muddati hundis* on rare occasions.

(*l*) *Town moneylenders.* These may be divided into two classes :—

(i) Professional. It is a mistake to suppose that the town moneylender belongs to any one class or caste. Their moneylending activities are generally confined to the class with which they come into contact in their daily affairs. Their methods of work also vary with the locality and class of persons with whom they have to deal. Their capital varies with their status. Big moneylenders advance generally to traders, men of status and ministerial staff of government offices, whilst smaller moneylenders advance to the menial staff of government officers, railway and municipal employees, sweepers, blacksmiths, factory artisans and mill hands and other wage earners. Annuity holders, *e.g.*, *wasiqadars* in Lucknow, also borrow from them after getting their annuities assigned to the lenders. As some of the town moneylenders lend to persons with no security or status their rates are very high. Their methods are generally to lend on the *qist* system (payment by instalments), on *rozai* system (payment by daily instalments), making day to day loans or on pawn of ornaments and other goods. Some pawnbrokers and others working amongst English knowing persons and Anglo-Indians have remodelled their offices on an up-to-date style, calling themselves "Loan Office," "Loan Bureau" or by similar other names. They generally lend to Anglo-Indians and others on the security of watches, trinkets, cigarette cases, typewriters, sewing machines, etc., for short periods. Some of these offices have converted themselves into joint-stock companies, calling themselves "Finance Corporation" or by similar names.

(ii) Casual moneylenders. This class consists of persons who have any spare funds. They generally advance for two reasons, *firstly*, to oblige a neighbour or a friend, and *secondly*, to gain a larger amount of interest than is obtained in bank deposits or government securities. Traders, government pensioners, sons of members of the learned professions, rich widows and others form this class. They do not follow any regular method, but generally advance on *ruqqas*, mortgages and pawn. As the charm of acquiring immovable property exists in India to a large extent, mortgages are becoming very popular with this class, the hope being the acquisition of the property mortgaged. Although this class is not a visible class of moneylenders, the aggregate of their loans reaches a high figure.

(*c*) *Moneylender*-cum-*traders.* (i) Dealers in finished or raw articles advance money on raw materials to artisans, *e.g.*, *dariwalas* advance to weavers; furniture merchants advance to carpenters; and *gotewalas* advance to pullers of wire. They advance only in order to purchase the finished articles from the artisans. Interest in their case depends mostly upon the demand of the finished wares, *e.g.*, in case the finished articles command an easy sale in the market the amount of interest charged is not high. Sometimes advances are made without interest, but the finished goods are purchased at a low price.

(ii) *Arhatiyas.* In the matter of the internal trade of the country banking is closely connected with trade not only in the sense that trade is dependent upon banking facilities, but also because the person who is employed in purchasing and forwarding the goods is the financier as well. These may be divided into two classes :—

(i) Those who are engaged in financing the movement of crops from the villages to the *mandi* and thence to the port towns or to the consumer, as the case may be. This class advances to the cultivators or to those who move crops from these persons to the *mandi*. They purchase crops from the persons on behalf of their customers, charging a commission called *arhat* and a small charge for charity and market dues. They forward the goods to the customer on the invoice system, making a debit entry in the customer's account for the value of the goods forwarded together with commission and market dues. Interest is charged or paid to the customer on the debit or credit balance at the customer's account at the same rate, which ranges between 7½ to 9 per cent. In case more goods come to the market than the orders, they purchase them on their own account and forward them to various customers for sale. They carry on business with their own capital, but when they are in need they get assistance from their principals at important trade centres or seaports by issuing sight bills on them or on those to whom they sell their goods. These sight bills are easily sold in the market. They also advance against the security of goods, mostly grain, *ghi*, *gur*, etc. As there is a quick turnover in their business they do not stand in much need of funds except when they stock goods for speculative purposes; and the joint-stock banks accommodate them against the security of such grain. In big centres like Cawnpore they obtain funds by issuing *muddati hundis* (usance bills).

(ii) Those who deal in the movement of finished produce from the port towns or the mills to the consumer. The activities of this class can best be illustrated by the system in which *arhatiyas* in cloth business work. They purchase cloth for their customers—the retail drapers—from the various wholesale dealers, pack and forward to the customers. The wholesale dealers allow credit for a period of 7 to 21 days according to the custom of the market, on the expiry of which they must be paid unless an arrangement is made for extension of the period and payment of interest. The *arhatiya* accommodates the retail draper according to his status and the nature of the dealings which he had with the forwarding agent in the past. The *arhatiya* allows or charges interest on the credit or debit balance at the same rates which are generally between 7 and 9 per cent. The principal markets from which the retail drapers in this province order goods are Bombay, Delhi, Cawnpore, Calcutta and Ahmedabad. They work with their own capital and with the credit allowed by the wholesale dealers, and in times of need issue 30 to 90 days *hundis*. Similar system prevails with regard to hardware, except that Karachi, Calcutta, Cawnpore and Bombay are the centres from where hardware is ordered and the wholesale dealers generally act as commission agents, charging commission on those goods only which they purchase from other dealers. In the matter of oilman stores and other goods the system of 30 to 90 days trade bills prevails to some extent, but the majority of the goods are supplied on the value payable system, the railway receipts being sent through banks or post offices. The various charges of the *arhatiyas* are given in my previous note and in the memorandum* submitted by my firm.

(*d*) *Finance of agriculturists* :—

(i) *Zamindars* play an important part in rural finance. The more prosperous amongst them lend to their brother *zamindars* on pronotes, mortgages and pawn of ornaments. Several of them lend to their tenants. Some lend only on the *qist* system, whilst others lend on other methods as well, which are (*a*) advances in kind for seed (*bij bhat*) where 1¼ times the grain borrowed is taken on repayment, and for subsistence (*khadwali*) where 1¼ to 1½ times the quantity borrowed is repaid, (*b*) lending of cattle (*adh batai*). Under this system the borrower of a cow keeps the cow calves, but the price of male calves is appraised and is distributed half and half. In the case of loan of oxen some *sir* land of the *zamindar* is cultivated free by the borrower, or

*Evidence, Vol. IV.

interest ranging from Rs. 2 to Rs. 3-2-0 per cent. is paid by the borrower on the value of the oxen, or a part of the produce is paid to the lender. In addition to this, where grain is borrowed for seed and subsistence the system of *batai* prevails in some parts under which a borrower of grain for seed and subsistence pays one-fourth to half the quantity of produce of his fields after repayment of the actual quantity borrowed. This system is becoming popular every day as the risk of failure of crops is divided between the borrower and the lender. Cash loans are given either against pawn of silver ornaments, against future delivery of *ras* (juice of sugarcane) or against crops, but mostly on the personal credit of the borrower.

(ii) Village moneylenders. The maligned village moneylender does not belong to any one caste or class. As stated earlier, any resident of a village who has some money starts lending it to agriculturists. Ziladars of *zamindars*, Brahmins, Kurmis, Kalwars patwaris and village shopkeepers are all engaged in lending to agriculturists. These lend against crops, cattle, houses, and mostly against the personal security of the agriculturists. Loans in kind are also allowed for seed and subsistence. The village moneylender performs an important part in the provision of credit to agriculture. Their rates are in several cases high, but the difficulty with the agriculturist is that there is no security behind the loans, as a result of which the moneylender has to depend upon the honesty of the borrower for the repayment of the debts. The object of the agriculturist moneylender is to acquire the land of the borrower, whilst that of the shopkeeper moneylender is to secure the crops of the agriculturist. As far I am aware, in the eastern districts the village moneylenders belong mostly to agricultural classes, whereas in western districts both the classes of lenders exist side by side. They are popular with the agriculturists because of the fact that they are handy and can be relied upon to provide loans whenever a customer is in need. As a matter of fact an agriculturist sticks to his banker for generations. The village moneylender works with his small capital and restricts his business to it. But the aggregate of the capital of all the village moneylenders would amount to a big sum.

(iii) Itinerant moneylenders (*Banjaras and Harias*). In the Tarai districts the *banjaras* lend to agriculturists. They go round the villages advancing to agriculturists in order to purchase their crops when they are ready. *Harias* go round the eastern districts. They are experts in realizing their money by constant dunning. In case a borrower delays payment they will sit at his door and make him feed the whole party.

(iv) Dealers in cattle who either lend the cattle to agriculturists or sell them at very high prices under the instalment system. They are butchers or other dealers in cattle. Their demands are very pressing and are made at inconvenient times when the cultivator has no money with him, as a result of which he has to borrow at very high rates.

(v) Itinerant Punjabis and Pathans. The Aghas and Punjabis sell cloth on credit to the villagers and the poorer classes in towns charging exorbitant rates of interest. They employ severe means to realize their debts *e.g.*, getting inside the kitchen (*chowka*) of Hindu debtors, administering threats, intimidation and *lathi* blows on the debtors. In my opinion this class is a menace to the people, and it is desirable that their activities should be checked as far as possible.

Question 2.—(*a*) Agriculture is financed directly by those who advance to the agriculturists, *e.g.*, the *zamindars*, village moneylenders, *banjaras*, etc., and indirectly by those who advance to these *zamindars*, village moneylenders and *banjaras*. The latter are mostly *kothiwals*, *sarrafs*, town moneylenders and grain dealers of towns or of *mandis* who advance to the village moneylenders in order to purchase grain from the latter at the time of the movement of crops. Of late contact between the cultivators and the grain dealers is increasing, but as the latter are not in daily touch with the cultivator they can advance only to those who reside near the *mandis*, and that, too, only a few days before the crops are ready. These moneylenders lend to the agriculturists during the sowing time when the cultivator borrows for seed until his crops are ready. In several cases the agriculturists sell their crops to the village *mahajans*. Sometimes grain is also advanced on the three systems—*batai*, *sawai* (1¼ times the quantity borrowed being repaid) and *deorha* (1½ times the quantity borrowed is repaid). The grain that is advanced for purposes of seed is called *bij bhat*, and the one advanced for subsistence is called *khadwais*.

There are a few *kothiwals* in the province who send *munims* to villages to advance on the *qist* system. This system is getting popular every day, and several persons besides

the *kothiwals* are advancing on it. Pawning of ornaments is also resorted to in several cases. Sometimes the borrower contracts with the lender to sell the crops at a certain rate when they are ready. The *batai* system is resorted to mostly by the *zamindars*.

(*b*) Trade is financed by the indigenous bankers, mostly *arhatiyas*, *kothiwals*, *sarrafs* and town moneylenders to a considerable extent. Joint-stock banks and branches of the Imperial Bank of India have been established in all the important towns of the province, but the tendency among them is not to invest the funds deposited with them in upcountry towns. Strict rules regarding security and forms of instruments are made, and the branch managers are not given any discretion to advance in contravention of those rules. As such small traders and businessmen regard them as unapproachable. The indigenous bankers advance on *hundis*, against security of goods, pawn of ornaments, on pronotes and on *bahi khatas*.

(*c*) Industry is financed by petty town moneylenders, dealers in the finished wares of the artisans or by the suppliers of raw materials. The suppliers of raw material do not charge any interest if the amount is paid within a week or so. The dealers in finished articles advance in order to have a hold on the artisans so that they might sell the finished articles to the lender alone. The town moneylenders lend money under the *qist* system (payable by monthly instalments) and *rozai* system (instalments payable every day). As the artisans carry very little security behind them, and the lenders do not expect to get back their original capital, the rates of interest are exceedingly high in their case. Bigger industries and owners of *karkhanas* do not have to pay high rates as they are generally men of substance and can be relied on. They deal mostly with bigger moneylenders, who do not charge high rates of interest.

Question 4.—There are a very few financial houses dealing solely in the provision of credit facilities by purchase and sale of *hundis* and other Bills of Exchange. Discounting and rediscounting of *mudatti hundis* is done by the *sarrafs* in those towns only where they are current. The reasons for their absence are :—*Firstly*, *muddati hundis* are not current in these provinces to any appreciable extent. *Secondly*, the list of persons whose *hundis* the Imperial and the joint-stock banks will rediscount is limited only to big bankers who, as stated above, possess sufficient capital of their own, and as such do not have much occasion to rediscount *hundis* with the Imperial or the joint-stock banks. *Thirdly*, the Imperial Bank of India rediscount *hundis* only at those centres where their *khazanchis* undertake to guarantee endorsements, which is not done at every one of their branches. Other joint-stock bankers do not insist on lending against *hundis* only, but lend on other forms of instruments also. At places where the Imperial Bank of India and the joint-stock banks have extended facilities for rediscounting bills in place of the system under which bankers whose names appear on the approved list discounting *hundis* for their customers and then rediscounting them with the Imperial Bank of India or the joint-stock banks, a system whereby the approved banker endorses the *hundis* for a customer and charges 2 annas per cent. commission for so doing has risen up.

Question 5.—Indigenous bankers keep their accounts under the *bahikhata* system. They keep one *rokar bahi* or cash book, one *roznamcha* or day book in which daily transactions are recorded, and one *khata*, or ledger in which personal accounts are kept. The books are kept under the double entry system, and the correctness of the entries is checked by means of a trial balance or *chittha* at the end of the month.

B.—Raising of funds by indigenous bankers.

Question 1.—As far as I am aware the following forms of instruments of credit are used by the indigenous bankers in these provinces :—

(*a*) *Hundis.—Muddati hundis* (usance bills) are used by *sarrafs*, *arhatiyas* and to a small extent by *kothiwals*. Generally in these provinces a firm draws *hundis* on itself. *i.e.*, the drawer and the drawee are the same person. The period for which *hundis* are drawn is generally 61 days, although they are sometimes drawn for a longer time, *e.g.*, 91 days or 6 months. These *hundis* are sold at market rates which vary from time to time according to the seasonal demand and the status of bankers and vary from 6 to 9 per cent. *Muddati hundis* current in the market are generally accommodation bills. The system of trade advances as explained on page is not by means of trade bills, but by means of a book entry accompanied by an invoice. Where they are drawn on the drawing firm itself these *hundis* are clearly accommodation bills. But they are used

for borrowing purposes because they are negotiable and because a borrower feels it his duty to pay a *hundi* on due date, otherwise he is disgraced in the eyes of the whole business community, for which reason he is very punctual in the payment of a *hundi*, which he is not in the case of other instruments. *Sarrafi hundis* are sold at lower rates than those drawn by other merchants. There is a tradition which is still in vogue at some places like Bareilly that the *sarrafi* rate or the rate at which a banker borrows money should never exceed 8 annas per cent. per month, and it is considered derogatory for a banker to borrow at more than this rate.

Darshani hundis (sight bills).—Where an indigenous banker is in need of funds for short periods or, say, 4 days, he sometimes issues a *darshani hundi* on his correspondent or branch at an important trade centre. Payment of this *hundi* can be delayed up to 7 days, and by this time the correspondent or the branch receives funds to meet the draft.

(*b*) Pronotes.—Demand pronotes are also used by smaller classes of *sarrafs* and town moneylenders, whilst borrowing from bigger *sarrafs* and *kothiwals* is used to an appreciable extent mainly because the duty on *hundis* is much greater than on demand pronotes.

(*c*) Deposit receipts.—In the case of deposits indigenous bankers do not as a rule give receipts, but where a customer insists a receipt is issued. A book entry is made and shown to the depositor. The firms carrying on their business on modern lines invariably grant a fixed deposit receipt.

(*d*) *Sarkhat.*—*Sarkhat* is used in three senses: *Firstly*, it is an agreement executed on a stamped paper whether it is an agreement by the borrower or by the lessee of a house or village or by parties to any other contract; *secondly*, it is a memo. on which all the payments by a borrower are noted; and *thirdly*, it is a memo. of account of a depositor made up to a certain date. It is in the last sense that this instrument is used for raising funds by the indigenous bankers. It is not used to a very great extent, but it is one of the forms of deposit used to some extent in all parts of the province except the hill districts.

Question 2.—(*a*) The indigenous bankers provide themselves with funds to meet the demands upon them by the following means :—

(i) *Kothiwals* borrow from other *kothiwals* or from their correspondents in other trade centres. At centres where the Imperial Bank of India or other joint-stock banks extend *facilities* for rediscounting *hundis* these facilities are availed of to some extent, but *hundis* not being in use to a great extent and on account of an increasing tendency among the *kothiwals* to advance on the security of mortgages, and because of the use of the system of endorsing *hundis* after charging commission in place of discounting them and afterwards rediscounting them with other banks, these facilities are not availed of to any appreciable extent. They get very little accommodation from the joint-stock banks or the Imperial Bank of India on account of these banks insisting on gilt-edged security. For raising short-term capital they issue *hundis* on their correspondents at bigger trade centres. At bigger trade centres the *kothiwals* issue their own *muddati hundis* (usance bills) which are discounted in the market promptly.

(ii) Big *sarafs* borrow from *kothiwals* or from other *sarrafs*, rediscount *hundis* with other *sarrafs* or issue their own *hundis* which they get endorsed by approved bankers and then rediscount with the joint-stock banks or the Imperial Bank of India. They also raise money by receiving their friends' or relatives' money in deposit.

(iii) Smaller *sarrafs* borrow from other *sarrafs* and *kothiwals* or issue usance bills which are purchased by big *sarrafs* and *kothiwals*. For short-period loans both classes of *sarrafs* issue demand bills on their correspondents or branches at important trade centres.

(iv) Town moneylenders and pawnbrokers borrow from other moneylenders on pronotes and also by repledging the goods pawned by them. Some smaller *sarrafs* also resort to the practice of repledging the goods.

(v) *Arhatiyas.*—Grain *arhatiyas* borrow from their principals at important trade centres or from other indigenous bankers, *viz.*, *kothiwals* and big *sarrafs*. This class freely issues *hundis* on their correspondents or principals at important trade centres, and thus provide themselves with funds. At places where joint-stock banks extend facilities for advancing money on the security of grain the *arhatiyas* borrow from them on such security. Cloth *arhatiyas* obtain funds by issuing usance bills or by borrowing

from other indigenous bankers, but as they work mostly in important trade centres like Bombay, Calcutta, Delhi or Cawnpore they do not find it difficult to get their *hundis* discounted. Interlending is very common among them.

(vi) *Zamindars* borrow from town moneylenders or *kothiwals*, whilst village moneylenders borrow from town moneylenders or grain dealers, mostly the latter. As a matter of fact, the village moneylenders depend mostly upon their own capital and rarely borrow from others. Interlending is also resorted to to a negligible extent.

(b) Some *kothiwals*, *sarrafs* and *arhatiyas* obtain assistance from the joint-stock banks and the Imperial Bank of India by rediscounting *darshani hundis* (demand bills) on out-stations and *muddati hundis* (usance bills) where the banks extend facilities for rediscounting. This facility is allowed in only a few towns; and further, the general system of trade advances being not by means of *hundis* but by means of book entries, the Imperial Bank of India and the joint-stock banks are not able to render proper assistance to the indigenous bankers. *Sarrafs* who generally take gold ornaments in pawn obtain loans by repledging the ornaments with the Imperial Bank of India at one per cent. above the bank rate or at a flat rate of 7½ per cent. *Arhatiyas* dealing in grain obtain assistance by pledging frain with the banks. This facility is not availed of to a great extent because, as pointed out by Mr. Nash*, the Agent of the Imperial Bank of India at Allahabad, a big firm considers it derogatory to allow the bank to put its signboard over the firm's godown. It is very difficult to obtain assistance on other forms or by other classes of bankers as the banks upcountry insist upon lending money against gilt-edged security only.

(c) The following defects are noticeable in the present system of obtaining finance by the indigenous bankers :—

(i) The banking organisation of the country is not co-ordinated under an organised system so as to enable financial agencies to obtain assistance from the others. All the financial houses are working independently of each other and cannot depend upon any other agency to obtain assistance when required. The same is true of various classes of indigenous bankers. There is nothing like a connected link between the different classes of indigenous bankers and the currency controlling authorities. It is true that some village moneylenders obtain assistance from other indigenous bankers, but this connection is not in the nature of any organised link, but is only a personal connection; and further, the assistance which they obtain is not sufficient to meet their requirements. Similarly, joint-stock banks and the Imperial Bank of India lend to the indigenous bankers only against gilt-edged securities, which makes it practically impossible for the indigenous bankers to raise sufficient funds when they are in need, and this results in the general increase in the price of money.

(ii) Absence of bills of exchange. As stated above, the general system of trade advances is not by means of bills but by means of book entries. This makes it difficult for an *arhatiya* to obtain necessary financial assistance by discounting or rediscounting the *hundis* which he may draw on traders to whom he has forwarded goods. This limits the business facilities of an *arhatiya* to the amount of his personal capital and the amount which he can raise by borrowing from others or by floating his *hundis* in the market with the assistance of the *dalals*.

(iii) Nearly all indigenous bankers have complained that the Imperial Bank of India and some joint-stock banks by opening new branches have taken away the money deposited with them and the business of exchanging *sight hundis* on out-station centres, but when they are in need of funds they very seldom come to their assistance and insist on obtaining gilt-edged securities. On the other hand, it is claimed on behalf of the joint-stock banks and the Imperial Bank of India that the indigenous bankers are not prepared to disclose their financial position, and hence they are not prepared to allow them any accommodation unless substantial security is forthcoming. Further, the Imperial Bank of India cannot under its charter allow any loans or discount any *hundis* which do not bear the endorsements of two independent persons. This the indigenous bankers are not prepared to do as they consider it below their dignity to get another banker to stand as surety for them. The indigenous bankers claim that as they are doing substantial business and possess sufficient amount of property which can at all times be verified and inquired into they should be able to obtain sufficient amount of accommodation on their personal security.

As the joint-stock banks are not within the reach of small traders, small industries and agriculture, it is necessary to increase the resources of the indigenous bankers in

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order to enable them properly to finance trade, industry and agriculture at reasonable rates of interest. This can only be done by two methods (*a*) by linking the various financial agencies with the proposed reserve bank either through the joint-stock banks or through certain big firms of indigenous bankers, and (*b*) by increasing the use of trade bills. A difficulty that arises in connection with making definite suggestions for connecting the indigenous bankers with the proposed reserve bank or the Imperial Bank of India is that the term indigenous banker is so wide and vague that every class of moneylenders is included in it. But this difficulty can be removed by linking the lower classes of indigenous bankers with the upper ones either directly or through the medium class of bankers, *e.g.*, the village moneylenders, poorer *giswalas* and others lending to small artisans and industrialists can be linked with the *sarrafs*, who in turn can be linked with the proposed reserve bank or the Imperial Bank of India, in order that money may easily flow in and back from the proposed reserve bank to the agriculturists and small scale manufacturers and traders. For this purpose it will be necessary to establish either branches or agencies of the proposed reserve bank or Imperial Bank of India in all the districts. As the proposed reserve bank cannot establish branches in all the districts or divisions and there is danger in the establishment of branches of the Imperial Bank of India and joint-stock banks that they will not prove profitable, will by competition sweep away the existing higher classes of indigenous bankers, driving away the only means of obtaining accommodation by several persons who are beyond the reach of joint-stock banks, and will take away the money deposited at its branches for investment in larger trade centres, I will not advocate the establishment of any more branches of the Imperial Bank of India or of joint-stock banks, but will certainly favour the establishment of agencies of the proposed reserve bank or of the Imperial Bank of India. Such agencies should in all cases be held by approved firms of indigenous bankers. These agencies shall advance money on cash credits to other indigenous bankers or to traders or purchase *hundis* on behalf of the bank. They shall work under the supervision of the bank and shall be responsible to the bank for any loss sustained through default in payment by a customer. Other general agency business, *e.g.*, collection of bills, payment of demand drafts and remittance of money should be carried on by both the parties for each other free of charge. It will be necessary that the agent should not use the bank's money in his own commercial business; hence it would be desirable that the agent should be a banker who does not combine banking with other trade or commerce. It would not be difficult to get such bankers in this province as there exist in every town some *kothiwal* bankers or shroffs whose other business is either ownership of landed or house property or sale and purchase of gold and silver. These agent bankers will be remunerated either by means of a commission or by putting an extra ½ to 1 per cent. on the interest charged. If the former method is adopted the agent banker will run the agency or branch more or less in a similar way as the branches run on the commandit principle in Germany. If the latter method is adopted, the agent banker acts as a liaison officer between the bank and the borrower, just as Sir Muthi Chettiar acts as a link between the Imperial Bank of India at Madras and the Chetties, the only difference being that the agent banker will keep some money belonging to the bank at his office, whereas Sir Muthia only arranges loans from the bank. The bank can demand some security from the agent banker which should be in the form of a first charge on the assets of the latter, but this will be unnecessary if the banks work in a spirit of trust and confidence which are very necessary in banking, as the documents will be executed by the borrower in favour, of the bank. The agreement should provide for the continuation of agencies for a long period and for the renewal of the contract, provided that the terms of the agreement are carried on satisfactorily. If the proposal is accepted I would suggest the establishment of some agencies by the Imperial Bank of India or the proposed reserve bank. I am not suggesting the opening of agencies by the joint-stock banks not because I think that they would not be beneficial—on the contrary they will be more beneficial than those of the Imperial Bank of India—but because the Imperial Bank of India and the proposed reserve bank, being State controlled institutions, the Government can influence them to open such agencies, and these agencies will be open to supervision by Government as to whether or not they are functioning in aid of industries or agriculture. The opening of such agencies by either of these institutions will form an incentive to other joint-stock banks to open such agencies at smaller centres or markets. Another value of these agencies will lie in the education in banking which the connection of the modern banking houses with indigenous bankers will impart.

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Money will be made cheap and the resources of the higher classes of indigenous bankers will be increased by the methods suggested above, but they do not provide any relief to the financiers of agriculture and of small scale industries. In order to increase the resources of the present financiers of agriculturists with a view to making money cheap for the agriculturists it will be necessary to provide certain facilities to the village moneylenders and make it easy for them and for the co-operative societies to raise necessary funds when required. For this purpose it will be necessary to establish licensed and registered moneylenders who will be given two facilities: *Firstly*, in realising their debts by giving them first charge over the crops of a borrower or his other assets after payment of rent or revenue. *Secondly*, he will have the right to obtain a loan or cash credits from the Agent of the Imperial Bank of India or of the proposed reserve bank or the district co-operative banks on the security of the bonds and pronotes up to a fixed limit to be determined according to his status (say one-third of the value of his unencumbered property). In the case of those small bankers who advance among the artisans, they are working in the towns and are well known to the higher classes of indigenous bankers there, so that the increase of the resources of the latter cannot fail to give relief to the former.

As has been already stated the system of trade advances is not by means of bills, but by methods of entries in the books of the lender, be he the *arhatiya* or the village moneylender, and corresponding entries in the books of the borrower where he keeps account books. Pronotes and other documents are used where cash is borrowed in bigger amounts than can be safely advanced without any written instruments executed by the borrower or where the loan is kept outstanding for a long period of time. The agriculturist borrows in small amounts as he needs them, and is illiterate and ignorant. It will not therefore be possible for a long time to introduce the use of bills of exchange for borrowings by agriculturists. It is only in the towns that the use of *muddati hundis* can be popularised. It can be done, *firstly* by extension of facilities for rediscounting, and *secondly*, by reduction of the stamp duty. The stamp duty on bills of exchange is at present 1 anna 6 pies per cent. *Hundis* generally current in the market at the present time are on the average of 61 days' duration. This means that a borrower has to pay a duty of 9 pies per cent. per month, and this increases the rate of interest by that amount. The Imperial Bank of India, too, has experienced difficulty in this connection, inasmuch as it has to pay the duty itself when it induces borrowers to convert a portion of their cash credit into Bills of Exchange in order to enable it to borrow from the Currency authorities. I would therefore advocate that for 10 years at least the duty on bills repayable within 3 months after date or sight drawn against goods and all bills payable within a period of 30 days after date or sight should be brought to the level of that charged on demand pronotes, and should be reduced to 6 pies per cent. on other bills payable within 3 months after date of sight. The duty on bills payable after a period of more than 3 months may remain as at present. I am making this preferential suggestion in the case of bills drawn against goods in order to increase the use of genuine trade bills. In order to ensure that the bill is really drawn against goods, the details of the goods against which the bill is drawn may be mentioned in the body of the bill.

Lack of rediscounting facilities also acts as a great drawback. It has been complained by several witnesses that the facilities afforded by the Imperial Bank of India are not adequate. One witness goes so far as to allege that the list of approved parties whose *hundis* the Imperial Bank of India might discount, framed by the local branch, is revised by the head office and only a few customers are approved. Mr. Gubbay also states in his paper that the branches of the joint-stock banks upcountry are meant solely for the attraction of deposits, which are forwarded to their branches and head offices in the port towns, with the result that they do not pay enough attention to giving rediscounting facilities to the indigenous bankers and other traders. His contention is that the security offered is not adequate. But if the joint-stock banks were to rediscount *hundis* that pass through indigenous bankers only, I do not think that any considerable amount of their money would be lost. As a matter of fact the rediscounting bank has a double-edged weapon in its hands. It can stop further rediscounting of *hundis* from an indigenous banker if the ones passing through his hands are not paid in time, and the disgrace that will attach to the name of a banker if a *hundi* is not paid acts as an effective inducement to pay a *hundi* on due date. I would therefore recommend that the Imperial Bank of India should allow better facilities for rediscounting *hundis* that at present allowed by the bank. At present the *khazanchi* of the bank

guarantees the endorsement of the parties to *hundis* and has also a hand in making confidential inquiries as to the credit and financial standing of the endorsers in the bazar. This system is defective, inasmuch as complaints have been heard that the financial standing of the parties is sometimes underestimated and several indigenous bankers remain out of reach of the Imperial Bank of India. Further, those bankers who work in places where there is no branch of the Imperial Bank of India cannot get accommodation by rediscounting *hundis*. If agencies or liaison officers were appointed who would arrange rediscounting of *hundis* for their customers with the bank and be responsible for prompt payment, use of *hundis* would increase.

As it will take some time before the system of borrowing on bills will be brought into effect the bank of the country, whether the Imperial Bank of India or the proposed reserve bank, should pay proper attention to developing cash credits. Even when the paper can be freely used the value of cash credits as a means of obtaining capital will not be lost.

The indigenous bankers have made some suggestions for increasing their resources, and the following may be considered by the committee :—

(i) Facilities for allowing overdrafts for small periods on the security of equitable mortgages should be accorded to indigenous bankers. The question that arises in this connection is whether this facility should be granted to all the indigenous bankers or only to some classes of indigenous bankers, and whether this should be a compulsory process or a voluntary one. In case it is a voluntary process the indigenous bankers might not be able to reap full advantage of the facility granted. In case it is made compulsory for the banks to advance against this kind of security, how is the danger of the bank finding itself in the lock-ups to be avoided? But there is no harm in making this sort of security legal as equitable mortgages are not recognised beyond the port towns. Further, this facility is asked for only short period borrowings.

(ii) The Imperial Bank of India should reduce the interest rates in the case of indigenous bankers.

(iii) The Government should abandon its present policy of allowing high rates of interest on its borrowings and should discontinue Post Office Cash Certificates. As the rates of interest paid by Government on its borrowings depend upon the international market they cannot be reduced, but it is desirable that the rates of interest on Post Office Cash Certificates should be reduced. This will increase the deposits with banks and bankers.

(iv) The Bombay Shroffs' Association has recommended that the Government treasury work may be entrusted to indigenous bankers, but I do not think that in this province, with the exception of one or two firms, indigenous bankers would be forthcoming to take up the work.

C.—Advances by indigenous bankers.

Question 1.—The indigenous bankers advance money in the following ways :—

(*a*) *Pronotes.*—These are payable on demand or after a certain period of time. Generally demand pronotes are in vogue as the maximum stamp duty charged is only four annas. The security is personal. Rates of interest depend upon the amount of money borrowed and the security of the borrower. Generally these are between 6 and 12 per cent. in urban areas among the middle classes and 18 to 37½ per cent. in rural areas and among the lower classes of people in urban areas, 24 per cent. being the more prevalent rate. Nearly all the classes of bankers lend on this instrument.

(*b*) *Bonds.*—These are instruments in writing in which the condition regarding the repayment, etc., are mentioned in detail.

(*c*) *Mortgages.*—Where the amount of debt is a big one or the period of repayment is long or the borrower is considered to be heavily indebted the borrower mortgages his house or landed property. The rates of interest for big amounts are 6 to 9 per cent. and for small amounts 9 to 18 per cent. All classes of bankers, especially *kothiwals*, *sarrafs* and town moneylenders, lend on mortgages as there is a charm of acquiring landed and house property in the mind of all persons with money. The period of repayment mentioned is generally 6 months to 5 years, but the lender will not insist on repayment of a loan unless he finds that the debt is getting time-barred or the value of the security is insufficient to cover the amount of the loan and the accumulated interest.

(*d*) *Pawning of ornaments and utensils, etc.*—*Sarrafs* and *kothiwals* generally lend on pawn of gold or silver ornaments, etc., and utensils are sometimes pawned by lower classes of people. Interest charged varies from 7½ to 12 per cent. in town areas according to the amount borrowed and upon whether the ornaments pawned are of gold or of silver. In rural areas and among the lower orders of people the rates charged are 12 to 24 per cent.

(*e*) *Pledge of grain and other marketable commodities.*—This form of security is accepted by *kothiwals* and *arhatiyas* dealing in grain. The rates of interest charged are very low as the amounts of loan are big and the security good.

(*f*) *Hundis.*—*Hundis* are purchased by indigenous bankers working in urban areas, for example, *kothiwals*, *sarrafs*, banking firms, town moneylenders and *arhatiyas*. The security of the borrower is personal, but the repayment of a *hundi* is considered to be a sacred duty of the borrower, and unless the borrower is prepared to get himself declared insolvent he will pay the amount of a *hundi* on due date or arrange with the holder of the *hundi* to get it changed. For various reasons enumerated on page *hundis* are not very popular and are not used in many districts. They are not used at all in rural areas, and I do not think that they would ever be used there. Rates of interest vary according to the season of the year, the security and the status of the borrower.

(*g*) *Assignment of annuities and pensions.*—At Lucknow loans are often made to *wasikadars* on assignment of their pensions.

(*h*) *Loans on bahikhatas.*—For interlending amongst bankers and where *arhatiyas* forward goods to a trader generally no instrument in writing is used, but loans are made simply by means of a debit or credit entry in the books of the lender and borrower. The rates of interest charged vary from 6 to 9 per cent., but generally the rates of interest are 6 per cent. for interlending.

(*i*) *Kist.*—This system of lending is common among the *kothiwals* of Moradabad and Thakurdwara, the *rastogis* of Lucknow and other town moneylenders of various towns. The *kothiwals* send their *munims* to villages and their operations are not confined to the areas surrounding their towns only, but they advance in localities far off from their headquarters, for example their *ilakas* (areas in charge of a *munim*) extend as far as Bombay and the Punjab. The *kothiwals* generally advance small amounts to agriculturists or among the labouring and artisan classes. They advance under the following methods :—

(i) Rs. 20 are advanced and Rs. 25 are realised at Re. 1 per month.
(ii) Rs. 10 are advanced and Rs. 12 are realised at Re. 1 per month.
(iii) Rs. 16 are advanced and Rs. 20 are realised at Re. 1 per month.
(iv) Rs. 4 are advanced and Rs. 6 are realised at Re. 1 per month.
(v) Rs. 16 are advanced and Rs. 20-10 are realised at one anna per day.
(vi) Rs. 20 are advanced and Rs. 24-6 are realised at one anna per day.
(vii) Rs. 2 are advanced and Rs. 2-2 are realised at one anna per day.

The system of daily realization is called *rozai*. In addition to the abovementioned charges a borrower has to pay 1 anna 6 pies to 4 annas as writing charges.

(*j*) *Day to day loans or overnight loans.*—These are repaid either the very day on which they are borrowed or on the next day. They are availed of by petty traders who go to the market towns or by hawkers and ekka or tongawallas. Rates of interest paid vary from 2 annas per cent. to one anna per rupee a day.

(*k*) *Speculative loans.*—Among certain castes a *thali* is sent round the various guests assembled on the occasion of a marriage or other ceremony and the guests put a silver coin in the *thali*. Sometimes a contract is made with the lender that for the consideration of a certain sum of money advanced beforehand the lender takes the full amount collected in the *thali*. In case the amount of collection is less than the amount advanced the lender suffers the loss. For example, if Rs. 50 are advanced and the amount of collection amounts to Rs. 45 only, the loss of Rs. 5 is borne by the lender; but if the collection amounts to Rs. 55, Rs. 5 are the profit of the lender.

(*l*) Cerfain moneylenders and some traders advance money on raw materials to artisans and either take finished articles from them or receive payment in cash. Here too the rates of interest at first sight look exorbitant, but the security behind these advances is of the flimsiest nature and the lender is never in the hope of getting back the original capital advanced by him.

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(*m*) Village moneylenders advance to agriculturists from time to time and also supply them with grain for seed and subsistence as well as cloth and other commodities. When the account comes to a big sum they get a pronote executed for the whole amount. As a matter of fact the account of a village moneylender is more or less like the bill of a grocer's shop with cash items in and between. The rates of interest are 18 to 37½ per cent., but generally 24 per cent. per annum or 2 per cent. per month is charged; but there is very weak security behind these loans, being only the personal security of the borrower. Sometimes the crops of the borrower are purchased by the lender, but this practice is decreasing now and the cultivators are selling the grain themselves. This tendency is noticeable in areas where the moneylender is generally a fellow agriculturist. In some parts crops are mortgaged for a debt. This practice is more prevalent in western than eastern parts of the province. In some parts interest is not charged for one month, and instead of that the cultivator gives a certain quantity of grain as *dop*. In parts where *banjaras* are the financiers a certain quantity of grain is put in a handkerchief and put on the pan containing the weights so that more grain is weighed than is calculated.

(*n*) In the Rohilkhand division certain *zamindars* and other manufacturers of sugar advance money to the cultivators of sugarcane in June or July and make a contract for delivery of juice. The general practice is to advance Rs. 25 per *karda* (100 maunds of juice). Now Rs. 25 are advanced in June or July and the cultivator supplies in December 100 maunds of juice procurable out of 160 maunds of cane. The price of sugarcane at this time is generally 5 annas per maund, and if the cultivator had sold it in the market he would have got Rs. 50 for it. Over and above this must be added the labour of the cultivator in extracting the juice out of the cane.

(*o*) *Loans in kind.*—Loans in kind are made either on *sawai* where 1¼ times the quantity borrowed is repaid *deorha* where 1½ times the quantity borrowed is repaid and *doona* where double the quantity borrowed is repaid. Of late the system of borrowing on the *batai* system where the lender gets a share of the produce of a field after deducting the quantity of grain advanced for seed an dmaintenance. This system is becoming more popular with the borrowers because the risk of failure of crops is borne by the lender as well, and is more prevalent in the western districts of the province. Some moneylenders convert the value of the grain advanced in kind into money and then charge 25 per cent. interest. At the time of receiving also they convert the cash amount receivable into money and then receive back the principal and interest in kind.

(*p*) *Loan of cattle.*—There are three methods of making loans of cattle and are prevalent in different parts :—

(i) payment by instalment,
(ii) sharing of the produce of a field, and
(iii) sharing of the male offsprings of a cow.

Question 2.—As regards the reduction in rates of interest charged by the village moneylenders from the agricultural community, it must be remembered that these high rates are due to the facts (*a*) that the borrower has very little security to offer, (*b*) that the lender is a man of small means with very little capital, (*c*) that the loans are of very small amount, and (*d*) that the borrower is illiterate and ignorant. It is, therefore, not possible to obtain a material reduction in the rates charged by the village moneylenders until the agriculturist has better security and until he becomes more intelligent and has more general education. But in my opinion the rates can be reduced to some extent, whilst complaints of the nature of dishonest dealings and cooking of accounts by village moneyleders can be removed by licensing by them. This licence should, *firstly*, encourage the village moneylenders in their business and to take licences and *secondly*, should regulate their dealings. As regards encouragement, licensed moneylenders should get the same facilities for realisation of their debts as are at present enjoyed by the co-operative societies, and they should also be linked either with the district co-operative banks or agencies of the Imperial Bank of India: either directly or indirectly, so that they may be able to secure accommodation on the security of their advances or of their immovable property. As regards regulation of their business the licence should lay down the maximum amount of interest which may be charged and should also provide for the inspection of accounts by sub-divisional officers or inspectors of co-operative societies. But one objection against inspection of accounts by inspectors of co-operative

societies is that in areas where a society is working the inspectors would unduly harass the village moneylenders as the societies are admittedly out to smash the indigenous bankers if possible. The licence should not be compulsory, i.e., the moneylender should not be debarred from lending money if he does not take a licence, but if he takes one he may hope to obtain better facilities to lend money. The licence should not restrict the area in which a licensed moneylender can do business but he should be allowed to do business wherever he likes. In case it is felt desirable to impose some restriction as to the area in order to have an effective check on the dealings of the moneylenders the area mentioned in the licence should be as wide as possible and there should be a number of moneylenders working in the area.

I have considered the suggestion of Mr. Kharegat as regards the moneylenders merging themselves in co-operative societies by becoming members and placing their money in deposit with the society, but I do not think that it is possible that the moneylenders will give up their private moneylending business. It has been admitted by Mr. Kharegat himself "that at present moneylenders will not merge themselves in the co-operative societies." Further, Mr. Kharegat says that moneylenders will not lose their dominating position by merging themselves in the co-operative societies. I therefore do not see much advantage by the method suggested. I have also given some thought to the formation of village moneylenders' co-operative societies and the system, as far as I am able to understand, is to work as follows :—

The village moneylenders in one area are to form themselves into one society and instead of lending to the various tenants the society will lend to a co-operative credit society. Now the difficulty that arises in this connection is, firstly, whether the village moneylenders will give up their active business, as out of the persons joining the society only one man will be the manager and only three or four of them will be the directors of the society. Who will be the lucky individual who will hold the position of the manager of the society and who will be the directors is a question which will lead to constant bickerings. Another difficulty that lies in the matter is that the creditor at present holds a position of domination over a debtor, and I doubt very much if the moneylenders will be prepared to give up this dominative position. For these reasons any scheme which will not leave the moneylender to pursue his individual business as he has been doing up to now does not appeal to me, nor does it appear feasible. The moneylenders might join the society and invest part of their money in shares, but it seems very doubtful whether they will give up their own private moneylending business. The experiment is being tried in the Punjab and I think it is better to wait and see the results there. Of course such societies, wherever established, will benefit the moneylenders as it will teach them modern methods of banking and the value of combination.

Question 3. The bankers operating among the higher classes, viz., business men and educated persons, send copies of accounts to their clients at least yearly and supply them whenever required, whilst those operating amongst lower orders of society explain the account whenever required by the clients. It is in evidence that in certain parts accounts of agriculturists with their clients are made up after every crop and are explained to them before the general body of village people, generally on *Dooj* after Diwali and *Purnima* in Baisakh, and there is not much cooking of accounts. Complaints are often heard of village moneylenders that their accounts are not properly kept up and that a debt once borrowed multiplies very fast and even if double or treble the amount borrowed is paid up the debt is never cleared; but as far as I think, some money or commodities must have been borrowed in the interval.

D (I).—Exchange and money market.

Question 1.—Exchange and money markets can be said to exist in all the important centres of the province, but are more defined in the larger financial centres.

Question 2.—Transactions in the money market are of two kinds :—

(*a*) Purchase and sale of *hundis* used for internal remittance.

(*b*) Purchase and sale of *hundis* or other instruments for borrowing money.

Both these kinds of transactions are carried out through *dalals* who visit the various financial and business houses and inquire into their daily requirements. The *dalals* thus bring together the buyers or sellers of *hundis* and other bills, the borrowers and the sellers and assist them in carrying on the transactions which but for their help it would have been difficult for them to carry out. The *dalals* are remunerated at rates varying from 2 annas 6 pies to 5 annas per thousand at different places, and their remuneration is paid at some places by the seller of *hundis* only whilst at other places it is borne equally by the seller and the purchaser. It must be noted here that the indigenous system of purchasing and selling *hundis* for internal remittance is advantageous both to the seller as well as to the purchaser for if these transactions were carried out through banks both the purchaser and the seller of drafts would have to pay a commission of at least 2 annas per cent. to the banks, but here both of them together have to pay at the most 5 annas per thousand to the *dalals*. But here in this case the purchaser has always the risk of *hundis* being returned.

The indigenous money markets in mufassil towns are linked with the important money markets, e.g., Cawnpore, Calcutta, Bombay and Delhi, through *arhatiyas* who have their principals in important towns for whom they purchase grain, cotton or other commodities and from whom they order finished goods for sale in the mufassil, or through correspondents and agents of indigenous bankers to whom they forward the *hundis* which they purchase on those towns or on whom they issue *hundis*. It must be noted here that, in order to avoid the penalty fixed by local usages, the indigenous bankers sometimes issue *zikri chithis* which are drawn on their correspondents asking them to pay the amount of a *hundi* in case the drawee mentioned in the *hundi* fails to do so. The indigenous banking system is thus sufficiently linked with the important money markets.

It must be remembered in this connection that the cloth trade and grain trade is financed to a great extent from important money markets mentioned above, the money being returned when goods have been sold.

Question 3.—(*a*) Hundis for internal remittance are purchased and sold at rates varying in different seasons between 2 annas per cent. premium to 2 annas per cent. discount. The factor governing these variations are the demand and supply of *hundis*. During busy seasons money is required to be brought for purchase of grain in up-country towns and during slack seasons money is required to be sent to important money markets for payment to the *arhatiyas;* there and then the rate goes up to a premium. In places where the Imperial Bank of India has its branches the rates are limited up to two annas per cent. for amounts below Rs. 10,000 and one anna per cent. above Rs. 10,000 as the Imperial Bank of India is prepared to issue drafts at these rates.

(*b*) At the few places where *muddati hundis* are current they are sold and purchased during winter seasons when the money market is tight at rates varying between 7¼ and 9 per cent. and during slack seasons at rates varying between 5 and 7½ per cent. according to the credit of the parties. The Imperial Bank of India rate affects the bazar rate. I do not think that the bazar rate in the United Provinces affects the Imperial Bank of India, but it is the combined result on bazar demands all over India that affects the Imperial Bank of India discount rate.

Question 4.—The markets in this province are not influenced by any association of bankers or traders. As a matter of fact hardly any associations exist and where they do exist they do not seem to have any effective voice. The functions of *panchayat sarrafas* wherever they exist seem to be confined to the writing of certificates of dishonour of a *hundi* or writing the third duplicate of a *hundi* where the original and two copies are lost.

Question 5.—The following local usages are noted in connection with *hundis* :—

(*a*) When a *hundi* is dishonoured the holder gets a certificate to that effect from the *panchayat sarrafa* of the place.

(*b*) The seller is liable to pay the following charges to the purchaser of a *hundi* which has been returned and to certify as stated above :—

(i) Eight annas *nakrai sakrai* or a penalty. This penalty is Rs. 2 in Agra. At Bareilly *nakrai sakrai* stands at 8 annas per cent. on *hundis* on Delhi and Cawnpore and Re. 1 per cent. on *hundis* on Calcutta and Bombay.

(ii) *Arhat* or commission at usual rates, i.e., the charge made by the correspondent of the buyer.

(iii) Interest at 9 per cent. per annum from the date of negotiation of a *hundi* to the date of repayment of money.

(iv) *Postage.* At some places the postage is fixed at 8 annas.

(v) Where a *hundi* is negotiated at a discount the seller pays the full amount mentioned in the *hundi* to the purchaser, but where it is sold at a premium the seller pays the full amount that he has received. In Bareilly and some other eastern districts there is a custom of the seller making repayment at the rate at which the *sarraf* issues the *hundi* on that particular date. But as there are frequent quarrels about this rate a convention has been established under which the seller of a dishonoured *hundi* repays at the rate of Rs. 100-8-0 per cent. for *hundis* on Calcutta and Bombay and Rs. 100-4-0 per cent. for *hundis* on Delhi and Cawnpore.

(*c*) The drawee of a *hundi* is entitled to defer payment of a *hundi* for three days at Calcutta and Bombay and seven days at Delhi and Cawnpore, but he will pay to the holder interest at the rate of 7 annas 9 pies per cent. per month.

D (II).—Internal remittance and negotiable instruments.

[*Part I—J of the questionnaire.*]

Question 1.—(*a*) In this province the following facilities exist for internal remittance :—

I. In places where banks exist.—

A.—*Purchase of bank drafts.*—The rates are :—

(*i*) at places where there is a branch of the Imperial Bank of India, two annas per cent. for amounts between Rs. 1,000 and Rs. 10,000, and one anna per cent. for amounts above Rs. 10,000. From joint-stock banks the Imperial bank of India charges half the abovementioned amounts. Other banks at those places also issue drafts at those rates. For amounts less than Rs. 1,000 a charge of four annas per cent. is made. The Imperial Bank of India have the advantage of free transfers from one place to another through the medium of currency chests.

(*ii*) at places where there is no branch of the Imperial Bank of India, other banks generally charge four annas per cent.

B.—*Purchase of hundis.*—These *hundis* are sold either by grain merchants who have their offices at important trade centres like Bombay, Calcutta and Cawnpore or by *kothiwals* or *sarrafs* who deal in *hundis*. The rates for sale and purchase of *hundis* are fluctuating and go down from two annas premium (Rs. 100-2-0) to two annas discount (Rs. 99-14-0). The remitter generally remits by *hundis* available in the market, and if there is a dearth of them purchases drafts from banks or sends Government currency notes. It happens more than often that *hundis* on mufassil stations to which a trader wishes to remit money are not available. The remitter in such cases purchases a *hundi* on an important trade centre and forwards it to the payee at the mufassil station who sells it in the market and credits the remitter with the amount received from its sale. For example, *X* at Bareilly wishes to remit Rs. 5,000 to *Y* at Meerut. No *hundis* on Meerut are available, but *hundis* on Bombay or Delhi are. The remitter will send the *hundi* on Bombay or Delhi and will get credit at Meerut for the amount at which it is sold. Sometimes *hundis* on Bombay or Calcutta are sold at a premium at Delhi or Cawnpore and in such cases the remitter in the mufassil will send his correspondent at Delhi or Cawnpore *hundis* on Bombay or Calcutta instead of a *hundi* on Delhi or Cawnpore itself. Besides these rates for purchase and sale of *hundis* *dalals* through whom these transactions are carried out are remunerated at rates varying at different places. At Kashipur they receive 3 annas per cent. from either side; at Bareilly they receive 6 pies from each side; whereas at Allahabad, Cawnpore and Lucknow they receive 6 pies per cent. from the seller only.

C.—*Sale of hundis.*—The *darshani hundis* (sight bills) of good firms are easily sold at the market. As a matter of fact a *dalal* will never purchase for his principal the *hundis* of a firm which has not sufficient credit in the market. During the slack season when there is not much demand for *hundis* the surplus stock of *hundis* is sold to the banks, who also discount them at the bazar rates when they stand at a discount.

II. *In places where there is no bank.*—

Hundis are sold and purchased at those places where there are no banks, but the rates are higher, going up to 4 annas per cent. premium (Rs. 100-4-0) and going down sometimes to 4 annas per cent. discount (Rs. 99-12-0). A number of *hundis* from these places find their way to big towns, e.g., those of Pilibhit and Budaun come to Bareilly, those of Manjhanpur and Mirzapur come to Allahabad or Benares.

In addition to the above methods of internal remittance, supply bills are freely issued by the district treasuries on centres where there is a currency office, and on those places where there is no currency office with the sanction of the Deputy Controller of Currency. Telegraphic currency transfers for amounts over Rs. 5,000 are also made by the treasuries on centres where currency offices exist. The restrictions on the free issue of supply bills are imposed with a view to avoiding difficulties in meeting large demands for money where the Government may not have sufficient funds to meet the demand. The rates for issue of supply bills are two annas per cent. for amounts up to Rs. 10,000 and one anna per cent. for amounts exceeding Rs. 10,000.

(*b*) The following defects are noticeable in the present system :—

(i) The indigenous bankers have no preference in rates for internal remittance over the general public.

(ii) The Imperial Bank of India has a position of advantage over other banks.

(iii) Paying banks raise great difficulties in the matter of identification of vernacular endorsements on account of which drafts are generally sold to some bankers who have an account at a bank.

(iv) High cost of remittance.

(v) Drafts are not available on all centres.

(vi) Supply bills are not freely available.

The following remedies are suggested :—

(i) Better co-ordination between different banks and bankers, by which they may carry on general agency work for each other free of cost and be in a position to issue drafts on each other whenever necessary.

(ii) Better facilities for internal remittance.

(iii) The joint-stock banks and approved firms of indigenous bankers who deal in *hundis* should have the same facilities of transfer as the Imperial Bank of India has..

(iv) Lowering rates for supply bills, and bank transfers, and issue of supply bills to joint-stock banks and indigenous bankers free of cost.

(v) Removal of restrictions on the free issue of supply bills up to a certain amount on centres where branches of the Imperial Bank of India do not exist; and arrangements should be made for treasuries to issue bills.

(vi) Simplification of the process of vernacular endorsements.

(vii) Better clearing house facilities.

Question 2.—Negotiable instruments play a considerable part in the internal trade of the province. I think that from 50 to 75 per cent. of the internal trade is carried on by means of negotiable instruments at different places.

Question 3.—Supply bills play very little part in internal remittance.

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, but they cannot come into use to any appreciable extent until proper facilities are afforded by and to all banks and bankers for rediscounting self-liquidating bills. 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 remoter parts of the province.

Question 5.—The post office might with advantage issue travellers' letters of credit and reduce the present money order charges but collection of bills and cheques might be left to the indigenous bankers.

Question 6.—(*a*) The following classes of *hundis* are current in these provinces:—

(*i*) *Darshani hundis* or sight bills.—These bills are generally used for internal remittance. They are also used by the indigenous bankers in some parts for raising funds for short periods, e.g., a week, as according to the market usages payment of a *hundi* can be deferred till seven days in Delhi and Cawnpore, and three days in Calcutta and Bombay and the banker can arrange to send funds within that period.

They are further sub-divided into—

(i) *Sah jog* which is payable only to a "*sah*" or banker, and in effect means a crossed *hundi*.

(ii) *Dhani jog hundi*, which is payable to any person.

(iii) *Firman jog hundi* is one which is payable to "order" of the payee.

(iv) *Dekhandar hundi* is payable to "bearer".

(*a*) *Muddati hundis* or usance bills are used generally to obtain credit. These are sub-divided into *dhani jog*, *sah jog*, *firman jog* and *jokhami hundis*. A *jokhami hundi* is a *hundi* as well as an instrument of insurance of goods against which the *hundis* is drawn. Under its terms if the goods are lost in transit the drawer suffers the loss. They are very rarely used in this province. Sight bills are used practically all over the province. Usance bills are not used in several districts of the province.

(*b*) At present *hundis* are governed by local usages which have to be proved in court. Some of the important and useful local usages can 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 for non-payment can be fixed. The local usages on the point vary from place to place, and further they do not apply to instruments written in English. The law could be made uniform on those points. It is doubtful whether the law recognises them as negotiable and they could with advantage be brought within the scope of the Negotiable Instruments Act.

(*c*) There are certain small trade centres where *hundis* do not pass freely from hand to hand. But in big trade centres like Bareilly, Allahabad, Lucknow or Cawnpore they pass from hand to hand.

(*d*) *Hundis* are freely discounted in every trade centre where they are current, but there are certain smaller trade centres from where *hundis* are sent to bigger trade centres to be re-discounted, e.g., *hundis* of Manjhanpur and Mirzapur are sent to Allahabad, those of Pilibhit, Budaun and Ujhani are sent to Bareilly.

Question 7.—(*a*) It is possible to borrow during the process of movement of crops on the security of railway receipts. *Hundis* accompanied by railway receipts are negotiated in the market more easily than *hundis* unaccompanied by any such instruments.

(*b*) The difficulty experienced in using such instruments is that they are not fully negotiable, although goods are delivered on the order of the consignee. Another difficulty experienced in using those instruments is that they do not fully disclose the contents of the consignment. Further, they can be used for raising capital for short periods only, i.e., during the period when the goods are in transit.

E.—Defects of indigenous banking.

Question 1.—Kabulis and other itinerant moneylenders are looked upon with dread and contempt. The most objectionable practice used by them is force in the case of Kabulis and sitting down at the door of a debtor and making him feed their party in the case of *hariyas* and lenders of cattle.

Opinion about *qistias* is divided. Amongst the borrowers he is popular because of the easy method of repayment but the rate of interest is regarded by the general public as usurious. Although travelling expenses of *gumashtas* and *sipahis* are rather comparatively high the net gain to the *qistia* is about 24 per cent. This, too, is high but the *qistias* operate mostly among the smaller fry.

Banjaras are relied upon by their clients inasmuch as they help them in various capacities, but here too, they levy all sorts of exactions from the cultivators. This is not liked by the general public, although the cultivator does not feel it.

Opinion about the village moneylender is divided. Some regard him as a necessary evil whilst others like Mr. Simcox think very highly of him. It cannot be denied that the village moneylender provides the agriculturists with money when they urgently require it and thus makes agriculture possible. He gives the agriculturists various facilities by bringing money to the agriculturists' doors. Without the assistance of the village moneylender it would not be possible for an agriculturist to carry on his operations. But the complaint about village moneylenders is that they subject the cultivator to exactions in the name of market charges. These charges are, however, not connected with the banking activities of a moneylender but with his mercantile operations, i.e., purchase of grain. Whether a cultivator sells grain to his creditor or in

the open markets, whether the price is paid in cash or is credited to his account, he will be subjected to the same charges. And the major portion of these charges does not remain with the purchaser of the grain, e.g., *palladari* goes to the coolies, weighing charges to the weighmen, *chungi* to the *zamindar*, etc. Another complaint that is made about the moneylenders is that the borrower is made to sign papers for a larger amount than is actually advanced; and the charge of fraudulent manipulation of accounts is also laid at his door. But it must be remembered that the moneylender supplies the borrower various articles from time to time, so that his accounts are very complicated and difficult to understand. The practice of taking bonds for a bigger amount than the actual amount advanced is in vogue, but this is not done without the knowledge and consent of the borrower. The reasons for this practice are *firstly*, in case a suit is filed, the lender has to undergo various extra-judicial and extra-legal expenses which are not allowed by the courts; *secondly*, courts might not allow the interest mentioned in the bond. Where the debtor is prompt in making payments to the lender, he will not take advantage of the fact that he holds a document for a much bigger amount than is actually advanced by him. The rates of interest charged by the village moneylenders appear at first sight to be exorbitant, but the rates of interest are regulated by the risks involved in lending, and the security offered by the agriculturists is of the flimsiest nature.

Other classes of bankers, except those that work among the very lower order of society, are looked upon with great respect, on account of their business-like habit and high code of business morality.

I do not think that there is any prejudice against the moneylenders in this province which would hamper them in carrying on their business, although there is no sympathy for them in the minds of theorists and certain educated persons.

Question 2.—All classes of indigenous bankers experience the following difficulties in carrying on their business :—

(*a*) The proceedings in court means great delay and the intricacies of Hindu law and of Muhammadan law help a debtor to defeat the lender in recovering his dues. Ordinarily a suit is decreed after 18 months and then there are appeals after appeals so that it actually takes four or five years before a decree is confirmed by the appellate court and then the real difficulty lies in the execution of a decree. Proceedings are dilatory and troublesome and then there is no end of objections which are filed by the judgment-debtor's kinsmen and other relations. By the time an attachment order is made the judgment-debtor removes all the property and successfully evades payment to the decree-holders. I have noticed that in several cases no interest *ad litem* is allowed by the courts and the rate of interest that is allowed by courts after the passing of a decree is only 6 per cent. although the bankers have often to pay more than this rate to their creditors.

(*b*) There are several legal and extra-legal expenses which have to be incurred in obtaining a decree but which are not allowed as costs to the decree-holders.

(*c*) The insolvency law is very easy and gives a dishonest debtor ample opportunities for evading payment to the creditor. An order of adjudication is made as soon as the court is satisfied that the debts of the applicant amount to more than Rs. 500.

(*d*) Indigenous bankers experience some difficulty in raising necessary funds when they are in need as joint-stock banks are very reluctant to advance them money except on gilt-edged securities as has been stated above. The branches of the joint-stock banks in up-country stations are meant to collect deposits and not to extend advancing facilities in those towns. Other bankers, e.g., *sarrafs* and firms carrying on banking business, experience difficulties by joint-stock banks, the Imperial Bank of India, post offices and sometimes the treasuries not recognizing them as bankers and objecting to make payment of crossed cheques to them, and not making any distinction between them and the general public in extending facilities of cheaper remittance, etc.

(*e*) Some banks, specially the Imperial Bank of India and Government treasuries, create great difficulties in the matter of identification of vernacular endorsements.

(*f*) Funds of a semi-public nature are not allowed to be deposited with the indigenous bankers. An objection against allowing funds of a semi-public nature to be deposited with the indigenous bankers is that the indigenous bankers do not publish their accounts. But publication of accounts was never insisted upon from English private bankers like Messrs. Grindlay & Co., Messrs. Cox & Co., etc., and further, the status and position of indigenous bankers can be easily known by the value of the immovable property which they possess.

(*g*) Undue competition by the Imperial Bank of India and some joint-stock banks is at present injuring the indigenous bankers. It has been mentioned by Dr. Jain* that 56 branches of the Imperial Bank of India were working at a loss in 1928. I do not, therefore, see any necessity of that bank opening any more branches unless they can be worked at a profit. The indigenous bankers would be satisfied if they earn an amount equivalent to the expenses incurred by the joint-stock banks or the Imperial Bank of India.

Question 3.—The legal difficulties mentioned above are experienced by all bankers, whether indigenous or joint-stock, and I would suggest the following measures for the consideration of the committee :—

(*a*) The number of civil courts be increased, wherever possible, in order to expedite the decision of cases, and the cases should not be prolonged on account of frivolous objections. There should be special judges to deal with cases of a commercial nature.

(*b*) It would be a great advantage if, as suggested by Mr. Roy, Judge of the Small Cause Court, Lucknow, that some sort of security be taken from an objector to attachment of property. This provision will, of course, add a hardship in genuine cases, but as the abuse of the above law is frequent such modifications do more good than harm.

(*c*) Attachment before judgment should be granted more freely than at present and as soon as a creditor can satisfy the court that he has a *bonâ fide* claim. Process-servers should, as far as possible, be replaced by well paid bailiffs who would realise their responsibility and be not easily won over by petty bribes and thus frustrate the prompt execution of the court's order for attachment.

(*d*) Codification and recognition of Hindu law and Muhammadan law will do a lot of good. At present it happens that several claimants to a property turn up the moment the property is attached and it would conduce to the benefit of society if the law is reformed.

(*e*) The scale of legal charges which can be recovered from a judgment-debtor should be revised and should contain all the expenses which the parties have rightly to undergo but are not at present allowed.

(*f*) The rate of interest *ad litem* and after decree which is now allowed at 6 per cent. per annum should be increased and a fair rate be allowed considering the contract between the parties.

(*g*) Summary procedure relating to negotiable instruments should be used more freely than at present. For small amounts a court similar to the Court of Request in England should be constituted in which the total amount of law cost should not exceed Rs. 5. A possible argument against this procedure would be 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 a decree in such cases being almost inevitable, it is an advantage to the judgment-debtor to be saddled with less costs.

(*h*) Recognized indigenous and joint-stock bankers should have a first charge on the assets of a debtor after satisfying Government dues and mortgages.

(*i*) I would not favour the entire abolition of the insolvency law as it is meant to afford protection from undue harassment by his creditors to a person who has genuinely suffered loss and degraded himself into such a position as to seek the protection of an insolvency court, but what calls for a

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remedy is the misuse of the law. As far as I remember, in England an applicant for being adjudged insolvent has to file an account showing how he suffered the loss and the reasons for seeking the protection of the insolvency court. It would be very advantageous if insolvency courts were to make full inquiries as to how a person suffered a loss and were to satisfy themselves that there is no fraud or schemes to defraud the creditors. This would prevent fraudulent applications for insolvency.

I would also suggest that the provision in the Insolvency Act whereby the receiver can inquire into all transfers made by the insolvents during a period of two years prior to the date of filing the application for insolvency should be so amended as to raise the period to five years. Further, applications for such inquiry should be entertainable by the court whilst deciding whether an application for being adjudged insolvent should be granted or not, and such transfers should be taken as evidence of fraudulent intention.

(*j*) As regards the other complaint of the indigenous bankers, *viz.*, that they are not treated as bankers, I would suggest that the Imperial Bank of India and Government treasuries, post offices and other departments should recognise the *kothiwals*, *sarrafs*, and banking firms carrying on business on modern lines as bankers and give them the same treatment as the joint-stock banks.

Question 5.—The indigenous bankers, as far as I know, are not able to meet all acceptable demands for accommodation on account of insufficiency of working capital. Although they have a considerable sum of money in their coffers yet they have to cut their coat according to their cloth. Suggestions for extending the sources of the indigenous bankers have been made in answer to question no. 2(*c*) of part B.

Part F.—Co-ordination.

Question 1.—(*a*) Indigenous bankers of the same class and of some of the other classes advance money to each other at a cheaper rate than to the general public, as they regard them as more reliable and look upon them for assistance when in need, but there is no co-ordination between them for the purpose of joining each other in providing credit to a particular trade or industry. Further, indigenous bankers of one station do agency business for those of other districts.

(*b*) The joint-stock banks and the Imperial Bank of India do not recognise the indigenous bankers as bankers, and treat them as ordinary customers. The indigenous banking system and the modern joint-stock banking system work separately.

Question 2.—(*a*) No co-ordination exists between the indigenous bankers on the one hand and joint-stock banks and the Imperial Bank of India on the other in the matter of provision of credit facilities to trade and industry generally. Better co-ordination as possible by—

(*i*) recognition of the higher classes of indigenous bankers as bankers,

(*ii*) entrusting of agencies of the proposed reserve bank or the Imperial Bank of India to indigenous bankers as suggested on page .

(*b*) A Provincial Bankers' Association with branches in important towns will greatly assist in understanding each other if a sufficient number of joint-stock and indigenous bankers join it, but I doubt very much if many indigenous bankers will do so.

Question 3.—(*a*) It is a practice with some joint-stock banks and several branches of the Imperial Bank of India to return cheques on indigenous bankers working in mufassil towns sent to them for collection by their customers with the remark "No means of collection." Not only this but complaints have been heard that some branches of the Imperial Bank of India charge *ekka* hire or commission for collecting cheques on private bankers and on the small joint-stock banks in the same station where they are situated at some distance from their offices, although according to banking usage no commission is charged for collecting cheques on a banker whose offices are situated within 2 miles and lie in the business quarter, *e.g.*, I have heard a complaint from the managing director of a banking corporation to the effect that the Imperial Bank of India charges *ekka* hire for collecting cheques on them, although the corporation has its offices in the business centre whilst the Imperial Bank of India has its offices in the Civil Lines, which is a non-business area, and the Imperial Bank peon visits their offices almost three or four times every day. This lowers the indigenous bankers in the eyes of their constituents.

(*b*) I would suggest either of the two following measures for removing these difficulties :—

(*i*) Every indigenous banker issuing cheque books and pass-books should keep an account with the nearest branch of the Imperial Bank of India. The collecting bankers should get cheques cleared through these branches of the Imperial Bank of India.

(*ii*) Every private banker has an account with at least one joint-stock bank. This information could be collected and the names of such joint-stock banks could be recorded in a directory and the collecting banker could get their cheques cleared through these banks.

Part G.—Consolidation of indigenous banks.

Question 3.—Indigenous bankers would not welcome measures to regulate their operations and enforce the publication of their balance-sheets. I do not think that the majority of them could understand the benefit arising out of the publication of a balance-sheet and why it is necessary. These measures of regulation and publication of balance-sheets are necessary in the case of a public company with a large number of shares, specially where such shares are daily purchasd or sold in th Stock Exchange in order to protect persons dealing in them and to give the partners information about the actual working of the company. Or they are necessary to protect depositors, but most of the indigenous bankers do not receive any deposits. Further, in cases where they receive any deposits the depositor satisfies himself before he puts his money into the bank. Further, the fear of disgrace and the unlimited liabilities act as a sufficient protection for a banker. In this connection I would like to invite the committee's attention to the following paragraph on page 349 of Mr. B. T. Thakur's book entitled "Organisation of Indian Baking" :—

> " . . . . . Private banks and bankers should continue their activities as best as they like and no sort of hindrance or check or regulations should be imposed upon their business. The sanctity of private business, so long as its liability is unlimited and it does not violate public morals, should be left untouched. Moreover, in practice, it would be difficult to segregate them from other private business concerns because very often such banks and bankers combine other business with banking. They should be left to be judged by their customers who naturally are not blind to their own interests. If such banks do not give sufficient publicity to their affairs or appear to be violating safe principles of banking, their customers can be expected to bring pressure upon them. In their own interest this class of people will tend to reform themselves if they wish to continue their business satisfactorily. Some of the private English banks have begun recently to publish statements of their accounts to keep up confidence of their clients. Similar bodies will do so in India also, specially when banking facilities on the part of public companies are introduced in accordance with the suggestions given in this book."

What is required at present is not the regulation of banking but encouragement

Question 5.—The indigenous banking system is sufficiently well connected with the principal money markets through the correspondents and branches of *sarrafs* dealing in agricultural products or *arhatiyas* dealing in finished goods whether imported or produced in the country. The trade in finished goods and the grain trade received a sufficient amount of finance from the port towns of Bombay and Calcutta and the important trade centres.

I have considered the following means of consolidating and improving the indigenous banking system with a view to making it more serviceable to the community :—

(*a*) The indigenous bankers should separate their other business and should not participate in active dealings involving trade risks. As a matter of fact one of the causes of decay of some firms of indigenous bankers is that they engaged themselves in speculative undertakings, *e.g., badni*. Here also I would invite the committee's attention to the following paragraph on page 350 of Mr. Thakur's book on "Organisation of Indian Banking" :—

> "It may, however, be mentioned here that private bankers would greatly enhance their business and confidence in themselves if they confined their attention to banking and allied activities and did not participate in active trading, involving trade risks. They could, of course, continue their commission agency business, but anything smelling of trading on their own account with the depositors' money would, in the long run, be injurious to their prosperity. They can do bill brokers' and discounting business

which affords great opportunities. They can thus be a connecting link between ordinary small borrowers and big banks. Such houses play an important part in English banking and to some extent in this country also. These activities are capable of expansion to the mutual advantage of themselves, corporate banks and borrowers."

Any proposal for the reform of the indigenous banking system will naturally include the condition that the indigenous bankers separate their banking establishment from their other trade activities.

(*b*) The indigenous bankers should reorganise their business on modern lines. It is highly desirable that the indigenous bankers should keep pace with the times, if they would like to keep their importance. For this purpose they should reform their methods of business in such a manner as to turn their offices into miniature banks. The nature of the business carried on by most of the indigenous bankers working in towns and commercial centres is of the same nature as that carried on by Messrs. Cox & Co., King & Co., and Messrs. Grindlay & Co. prior to their amalgamation with big English banks. Both of them combined banking with a commission and forwarding agency. I think they would increase their respect and status if they reorganised their business on lines similar to those of the firms mentioned above. The problem is who is going to take the lead in inducing the indigenous bankers to reorganise their business? I think that in case the indigenous bankers were recognised as bankers and given facilities on condition that they reorganise their business, they will do so.

(*c*) The indigenous bankers should turn themselves into private limited liability companies. There is at present a tendency in this province for joint family firms and others to register themselves as private limited companies. They are thus seeking the advantage of the principle of limited liability and as it is not necessary for them to publish their balance-sheets they enjoy the benefits of a private firm as regards secrecy of their position and dealings, so that the system embraces the worst features of both limited liability as well as a private firm. One advantage that is claimed for this system is that the bankers will not be able to withdraw their capital but they may withdraw it in the shape of a loan to themselves.

(*d*) The amalgamation of the business of local indigenous bankers into a joint-stock bank owned and controlled by themselves. As I have stated earlier no scheme which does not leave the indigenous bankers to carry on their business themselves appeals to me. Here under this system some of the indigenous bankers who will join the amalgamation will have to give up their active business, and the question as to which of them are going to be the manager, managing director, and members of the board of directors, and who are to sit idle, will always cause constant quarrels and bickerings. I do not, therefore, think that the amalgamation will be a success. To my mind it seems that any scheme of combination will not be so successful as that of alliance.

(*e*) The establishment of banks of the kind known in Germany as Commandit Principle Banks, under which arrangements one or several private bankers become the chief controlling officers of a joint-stock bank and also its partners. The liability of the shareholders is limited to the amount of their shares, but that of the partner banker is unlimited and extends to the whole of his 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 insuring that the prosperity of the banker is linked to the prosperity of the bank and the principle of unlimited liability insures cautious working and inspires confidence in depositors. This is good so far as it goes, but I doubt very much if a sufficient number of firms would be forthcoming to take up the unlimited risk.

(*f*) I have also considered the suggestion of a co-operative bank consisting of indigenous bankers working in urban areas. At present the indigenous bankers complain that the joint-stock banks do not sufficiently accommodate them according to their full requirements and in case there is a co-operative bank of their own it would accommodate them up to their full requirements and further discount their *hundis* which it will rediscount with the Imperial Bank of India or the proposed Reserve Bank.

The co-operative bank could also act as an acceptance house. The establishment of this sort of bank will leave the existing firms of indigenous bankers to carry on their business as best they can, but will at the same time supplement their resources and act as a valuable link between the indigenous bankers and the proposed Reserve Bank of India or the Imperial Bank of India. The greatest value of such a bank would lie in its educative work, inasmuch as this bank will keep them in touch with the daily

movements in the money markets and will take apprentices for training in up-to-date methods of banking.

There are certain insurmountable difficulties as regards the working of the banks. Who is to take the lead in organising such a bank? Whether the Directors will not fix the *hæsiyat* of other members incorrectly and result in regular quarrels, whether the number of bankers forthcoming to join the bank will be sufficient to make it a success and whether the bank will be able to attract sufficient working capital in order to accommodate all its members in time of need, whether the amount of profits earned by the bank will be sufficient to meet the expenditure,—these are a few difficulties which make me suspect that the bank will not be a success.

(*g*) In each district either a branch of joint-stock banks or a local joint-stock bank with a local directorate may be established and the indigenous bankers may be linked to these banks. In this course the following dangers mentioned in the questionnaire cannot be avoided :—

(*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.

(*v*) Further, in a small station, a joint-stock bank would not be able to attract enough business to make its establishment profitable.

(*h*) Having considered all these suggestions I consider the best arrangement would be to link the indigenous bankers with the proposed Reserve Bank or the Imperial Bank of India either directly or through agencies of the Imperial Bank of India or the Reserve Bank, as mentioned earlier in this note. These proposals would be would be operative only in the case of the higher classes of urban bankers. Proposals as regards reorganisation of the rural bankers have also been made earlier in this note.

(*i*) *Government recognition.*—It is also highly desirable that the Government should recognise the indigenous bankers as bankers. At present they are regarded as merchants simply and not as bankers. This hampers them in carrying on their business. I would, therefore, recommend that the higher classes of indigenous bankers should be recognised as such and accorded the same treatment in the eyes of the law as joint-stock bankers. Further, the proposed Reserve Bank and the Imperial Bank of India should also do the same. The conditions of such recognition should be :—

(*i*) Separation of banking business from other allied businesses.

(*ii*) Reorganisation of banking business on modern lines.

(*iii*) Security for Government accounts.

(*j*) It has also been proposed that the indigenous bankers should re-model their business on the same lines as those of bill brokers in Europe. This would be the natural result of the extension of facilities for rediscounting of bills.

Mr. B. T. THAKUR, M.A., Member, United Provinces Provincial Banking Enquiry Committee.

Memorandum on land mortgage banks.

My replies to Part I—E of the questionnaire, which deals with the subject of land mortgage banks, are as follows :—

Questions 1 *to* 4.—I have not much personal detailed knowledge of the subject matter of these questions. I am however able to say that facilities for long term credit, as understood in other countries, meaning loans for periods sometimes extending over 50 years, do not exist in this province. Loans by landlords on the mortgage of their property are often handed from father to son and grandson, but the terms of the mortgage very rarely cover an extensive period for repayment or distribution of repayment. Subject to this qualification, I think it is easier for landlords to borrow than the tenants, because tenants are not able to give any tangible mortgagable security. Occupancy rights, particularly in those cases where they are non-transferable, do not serve as adequate security. If suitable modifications are made in the existing law relating to rights of tenants, it will be possible to use them as security. I would, however, suggest that such modification and the consequent availability of occupancy rights as mortgage security should be restricted so as to be in favour of a limited class of creditors, *e.g.*, land mortgage banks.

As regards the rate of interest, it is a truism of economics that the lesser the acceptable nature of security, the higher the rate of interest; and as such, if tenants are not able to offer any tangible security, they must pay comparatively higher interest.

Question 5.—I think the establishment of a properly constituted land mortgage bank in the province will ameliorate the condition of the cultivators and landlords as well as increase their productivity.

Questions 6 *and* 7.—A note on the constitution and working of the proposed land mortgage bank is appended.

As regards the prices of land obtained in sale by Government auction for non payment of revenue, or on a court decree, or sale by private negotiation, there is normally a difference between the three cases, depending upon the forced nature of sale and consequent lack of free play of factors upon which the market price depends. It may be that the sale takes place at a moment when there is paucity of buyers, or money is tight, or the time is otherwise inopportune due to preceding failure of crops, etc.

Note on land mortgage banks.

1. There should be one land mortgage bank in the province. I do not favour the idea of having two or more banks dealing with long term credit to tenants and land-owning farmers and landlords. The nature of credit to be provided in all these cases is the same and the difference is only in the degree of credit. It would therefore lead to the unification of working, policy and machinery if there is one institution. If there are more than one institution, there is possibility of clash of interests, unhealthy competition, different kinds of debentures and higher total cost of working. If there are two banks, one small and another big, the smaller will have to pay a higher cost for accommodation and will not be able to employ efficient and skilled management. It will also not inspire the same amount of confidence in its debentures as the bigger land bank; and if any mishap occurs to the small bank, through the force of mass psychology, which hardly discriminates, the bonds of the bigger bank are also likely to lose in popularity. The land mortgage bank should however employ a different agency for extending long term credit to the tenants as well as fix the proportion of amounts to be advanced to tenants and landlords, the more so because the security from the former will not be tangible.

2. *Functions of the bank.*—The main function of the land mortgage bank should be to supply long term credit and for this purpose to do all kinds of financial operations necessary or incidental thereto, some of which are hereafter referred to in detail. Broadly speaking, they will fall in three main divisions: (*i*) To borrow money; (*ii*) To lend money; (*iii*) To manage or dispose of the security for loans. In the initial stages provision of credit should be confined to the cultivating community, including landowners, and later, if experience warrants, its operations may extend to the granting or under-writing

of loans to public bodies, like municipalities, etc., as well as on city properties, as is being done by land mortgage banks in some foreign countries. Also I would restrict its financial operations to long term borrowing and long term lending, and not include therein short term credit, excepting so far as it is necessary for its ways and means and current dealings, though some land banks accept demand deposits. It should not invest money in the purchase of landed property unless it is for the purpose of providing office premises or residences for its officers or for purchasing property which it held as security for loan. But the last kind of purchase should be only undertaken when there are no buyers at reasonable prices; and also they should be sold off at the earliest opportunity. The bank may engage in the sale and purchase of negotiable securities, particularly its own debentures, both on its own account and on account of its customers and the public.

3. *Incorporation.*—The bank should be established under a special Act of the provincial legislature providing for the re-examination of the Act after a period of 30 years in the light of the actual experience gained of its working.

4. *Capital.*—The bank should have initial paid-up capital of Rs. 25 lakhs. Capital and guarantee serve ultimately the same purpose, so far as the creditors are concerned, viz., to provide ultimate security against loss; but inasmuch as capital represents money actually contributed before the commencement of or during the course of business, and as such is more visible in form and easily comprehensible, and guarantee is only potential security, it is advisable that the bank should have capital. Moreover, capital will form the initial resources with which to commence business.

The initial capital of Rs. 25 lakhs of the bank should be divided into 25,000 shares of Rs. 100 each. These shares should be designated as "A" shares. The amount payable on shares should be Rs. 25 with application, Rs. 25 on allotment, and the balance in two calls, within one year from the commencement of business. The "A" shares should be offered for subscription to the public, banks, co-operative societies, etc. The Imperial big commercial banks working in the province, Provincial Co-operative Bank, The British Indian Association, etc., should be persuaded to apply for an appreciable block of shares in the bank and thus actively participate in its working. If the whole capital is not taken up within two months from the opening of the subscription list, the balance should be taken up by the provincial government. The Government may later sell the shares in the market, as and when it is possible, but not below par.

Besides the capital contributed at the commencement in the shape of "A" shares, each borrower must possess shares up to the value of 5 per cent. of the amount advanced to him. Such capital would naturally come in when the loan is sanctioned and would be deducted from the amount of the loan. Capital received in this manner should be distinguished from that offered in the beginning and designated as "B" shares.

The object in suggesting the latter type of capital, viz., "B" class shares, is to enable the borrowers to take an active and intelligent interest in the affairs of the bank as well as to afford them an opportunity of compulsory saving. An arrangement of this kind also paves the way for ultimate handing over of the direction of the bank's affairs to the borrowers themselves if found necessary and advisable, as will be explained hereafter, thus conforming to the highest ideal of co-operative credit. The provision of long term credit in America provides for contribution of such capital on the part of the borrowers.

5. *Rights of shareholders and directors.*—In views of the fact that the holders of "A" shares are original contributors of capital and do not receive any direct benefit, excepting dividend, they should have more rights than the holders of "B" shares. Thus the appointment of directors, declaration of dividend and decision on other important matters at the annual meeting should rest with the owners of "A" shares. Also, in case of liquidation, "A" shares should have preference over "B" shares. Holders of "B" shares should, however, be permitted to attend the annual meetings, take part in discussions but not enjoy a vote. They should appoint an advisory committee as explained hereafter. The shareholders of each class should have, *inter se* the same rights and privileges, excepting in the matter of appointment of directors.

6. *Appointments of directors.*—There should be in all not more than twelve directors. They should be appointed as under:—

(1) Four to be elected by the general body of "A" class of shareholders, each voting in proportion to the number of shares held by him. Each of the directors

so elected must possess at least shares of the face value of Rs. 5,000. If considered necessary, a limit may be prescribed upon the maximum number of votes which a single shareholder can possess. In such a case the limit should not be under 100 votes which means that those who have contributed Rs. 10,000 or more by way of capital would rank alike. The directors elected under this head should not have any active connection with the constituencies or groups, referred to hereafter, who have additional right to nominate directors.

(2) One to be nominated by the Provincial Co-operative Bank, assuming that such an institution would be established in due course. If this institution does not own at least Rs. 50,000 worth of shares, the right to nominate will not be available.

(3) One to be elected by all the commercial banks working in the province, each bank having one vote. In order to be able to vote, each such bank must possess at least Rs. 10,000 worth of shares.

(4) One to be nominated by the reserve bank of the country, if that comes into being, otherwise by the Imperial Bank of India. It is suggested that the reserve bank and the Imperial Bank should subscribe at least Rs. 1,00,000 towards the capital of the land mortgage bank.

(5) One to be nominated by the provincial Legislative Council.

(6) Two to be nominated by the Governor-in-Council, one of whom should be a non-official.

(7) The Director of Agriculture or any other principal government officer who is connected with land problems, should be an *ex officio* director.

(8) One to be nominated by the land credit board, referred to hereafter.

7. *Chairman and term of office of directors.*—The Board should elect its own Chairman. Directors referred to at (2) to (8) above should hold office for two years but they should be eligible for re-appointment at the expiry of their term of office. Directors referred to at (1) should hold office for four years, but one of them must retire every year, and should be eligible for re-election.

8. *Advisory Committee.*—The holders of "B" shares should elect six persons from among themselves to form an advisory committee. This advisory committee should ordinarily meet once in three months with the directors of the bank. Whenever necessary, the directors may convene a meeting of the advisers earlier. The functions of this body should, as the name implies, be purely advisory. They should have the right to demand any information they want, as well as address the annual general meetings. An arrangement of this nature will educate the cultivators in financial matters and in course of time give them sufficient knowledge and experience to take up control of the bank, provision for which is being referred to hereafter.

9. *Management.*—The bank should be managed by a paid manager who should have sufficient experience of banking and financial conditions. A detailed knowledge of the working of the monetary and stock markets at important centres in India and abroad, and changes taking place therein, will be absolutely necessary if the operations of the bank are to be successfully carried out. He should preferably be a banker. His appointment should be in the hands of the directors but subject to confirmation by the Governor-in-Council. Under him there should be experienced officers who should have experience of agricultural and land problems, their management, value, marketability, legal rights, etc. I would suggest that to begin with there should be two assistant managers, one to be conversant with the land problems, agricultural valuation and management and the other who must combine general knowledge of law, finance and agriculture. Besides, there should be an experienced accountant. The appointment of these three officers must rest with the directors.

10. *Agents and branches.*—It will be sufficient if the bank utilizes the agency of district co-operative banks to receive and make payments on its behalf. If later it is found that such co-operative banks are not able to give satisfactory service, the bank may open a few branches.

11. *Loans advanced by the bank.*—The land mortgage bank should make long-term loans for any of the following purposes :—

(1) Improvement of a permanent nature in land.

(2) Reclamation of land.

(3) Buying of land.

(4) For construction of works which would increase productivity of land, e.g., construction of tributary canals, streams, bridges, etc.
(5) Repayment of previous debts.
(6) Providing of equipment and mechanical facilities for cultivation with a view to substantial improvement in production.

The land mortgage bank must see that the moneys advanced by it are utilized for the purposes for which they are sanctioned. Whenever necessary, the payments should be made by the bank on behalf of the borrower and not by the borrower himself.

12. *Security for loans.*—The loans should be secured by the mortgage of property. This will be possible in the case of landlords and landowners. In the case of tenants, the occupancy rights should be made assignable and transferable to the co-operative credit societies and the land mortgage bank. Necessary changes in the law may be introduced. Further, loans to the tenants should be secured by the endorsement of primary and district co-operative societies, through whom only applications by tenants should be submitted. The applications for loans by landowners and landlords should be received directly by the bank. If, however, it should be considered advisable, it may be prescribed that applications from the landowners also may be received through district co-operative societies or at least submitted to them for report. In view of the fact that loans to landed proprietors will be comparatively of large amounts, I would not burden such societies with any financial responsibility for such loans recommended by them, which would often be out of all proportion to their resources.

The security of occupancy rights is not very tangible and as such I am recommending that advances against them should be guaranteed by the primary and district co-operative societies. Moreover, such loans would be comparatively small and well distributed.

In order not to weaken the assets of the land mortgage bank as well as to inspire confidence of the public in its debentures, I would suggest that a certain proportion be observed between the total advances secured by mortgage of land and mortgage of occupancy rights. The latter class of advances should not be more than 25 per cent. of the former. If the evidence which the committee is collecting reveals that the proportion of indebtedness of tenants to that of the landowners is much larger than this percentage it may have to be increased. But the creditor, viz., depositor and debenture holder, will require better security. In such a case it would be necessary for the Government to offer their own guarantee, over and above that of the endorsing co-operative societies.

It may also be considered in this connection whether it will be possible to arrange a life insurance scheme whereby the borrowing tenant will be required to insure his life up to the amount of loan, so that in case of premature death the benefit received from the insurance can be utilized towards adjustment of the loan.

Only first mortgage should be accepted. If the property is previously encumbered, such encumbrances should be released from the proceeds of the loan.

13. *Amount of loan.*—The amount of loan should not be more than 50 per cent. of the market value of the land or ten times the annual average yield of the land, based on the figures of the last five years, whichever is less. In the case of tenants the value of the loan should be not more than ten times the nett and annual average saving, after deducting all necessary expenses, including his cost of maintenance. The evidence which is being collected by the committee will discose what percentage does the nett saving form of the gross value of crops; but assuming that it is 10 per cent. the amount of loans to tenants should not exceed the gross value of annual crops.

14. *Value of land.*—The value of land for the purpose of advances should be determined on the following basis :—

(1) On the basis of average nett yield during the last five years and the average rate of interest during the same period, at which loans have been made by the mortgage bank. In the initial stages, i.e., until the land mortgage bank has done sufficient business, the Imperial bank rate may be taken in lieu of its own rate.

(2) The average value of land sales, making due allowance for the difference in quality, physical surroundings like nearness of market, railway station, etc., and the nature of crops grown.

(3) Market value as may be ascertained from local enquiries and at which sale may be possible. [The average of (1) (2), and (3) will be a fair criterion of the value of land.]

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15. *Repayment.*—Repayment should be by equal annual or semi-annual instalments or annuities. The amount of yearly annuity should ordinarily be not more than 1 per cent. above the rate of interest unless the borrower wishes to arrange for or there are other special features requiring accelerated repayment.

16. *Period of loan.*—The period of loan should ordinarily not exceed 50 years. If, however, it is disclosed in evidence that the margin of saving of the cultivating community is really small, I would suggest that the annuity should be ½ per cent. over the rate of interest and the period of repayment determined accordingly. The borrower should however be at liberty to repay the whole amount after the loan has been in existence, say for 5 or 10 years. In case the mortgaged property is sold earlier, the bank should be permitted to release the property on receiving the outstanding amount of loan plus any further amount which may be necessary to compensate it for loss of interest. Recovery of such a charge should not be with a view to making profit but only for meeting anticipated loss in interest on account of disturbance in the schedules of contracted receipts and payments and must not be more than 5 per cent. of the amount outstanding.

17. *Methods of obtaining working capital.*—The bank should obtain funds in any of the following manners :—

(*a*) *Deposits and saving certificates.*—The bank should accept deposits for not less than five years. It should also issue savings certificates payable after 5, 10, 15 years or longer periods. The total amount of such deposits and savings certificates should not be more than ten times its paid up capital and reserve.

The savings certificates should either be so expressed as to make interest payable every half year or they should be made payable in lump sum at maturity, the redemption amount including both principal and interest.

The bank should, however, be at liberty to discount such deposits and certificates or to make advances on their security, if it has spare funds.

For some years to come, until the land mortgage bank has proved by actual work that it can be entrusted with wider discretion, I would not allow it to accept demand deposits. Short-term credit may be required by the bank for its ways and means position, e.g., payment of interest when there is some delay in getting instalments from borrowers or for managing properties taken over by it on default, but for the present it should be obtained in the shape of loans and not by way of deposits.

(*b*) *Debentures.*—It may issue debentures on the security of its general assets. Such assets would comprise mortgages in its favour. Such mortgages should be assigned to a trustee on behalf of the debenture-holders, as will be fully explained hereafter.

The value of outstanding debentures should not exceed twenty times its paid up capital and reserve.

(*c*) *Loans.*—To supplement its resources it may take loans from banks, Government and foreign markets, on the security of its general assets.

The total of liabilities under (*a*), (*b*) and (*c*) should not be more than 30 times its paid up capital and reserve.

18. *Debentures.*—The terms under which debentures are issued will depend upon the market conditions. They should however be so framed as to give power to the bank to repay them after they have run a particular number of years, say five or ten, even though they may not have matured for payment, the holder being compensated on account of earlier repayment; or, the bonds should contain a clause of repayment by percentage drawings, after a certain number of years. A provision of this nature will enable the bank to utilize instalments received towards repayments of loans and save itself from loss through keeping large idle funds, earning no or comparatively less interest. less interest.

If the land mortgage banks in different provinces combine together and co-operate with each other in the matter of flotation of debentures, they will be able to obtain the best of terms. It is suggested later that all the provincial land mortgage banks should be co-ordinated under a Land Credit Board. The United Provinces have not got any stock market worth the name and the proposed board will serve as a medium between the bank and the highly developed markets.

There should be a provision for getting the debentures underwritten. If the debentures are not taken up by the public, they would in such a case be taken up by the underwriters. If however the cost of underwriting at any time appears to be great, the Government should come forward to take up the unsold portion of the issue, say after the lapse of 2 months from the date of issue. Such an announcement would inspire public confidence. The Government may later sell them as and when necessary.

It would add to the popularity of debentures if prize or lottery conditions are attached to them as is the practice on the continent. It would also be possible in such a case to cheapen their cost.

The interest payable on the debentures should be free of income-tax.

The amount of debentures issued by the land mortgage bank should not be more than the amount owing to it on the various mortgages. All such mortgages should be assigned to a trustee on behalf of the debenture-holders. The Official Trustee or Administrator-General of the province or any other responsible high government officer or a trustee corporation or a trustee department of a respectable bank should be such a trustee. The assigned mortgages, however, may continue in the safe custody of the bank.

If owing to repayment of loans, the amount of outstanding debentures happens to be more than the amount due on the relative mortgages, such sums should be invested in trustee securities, or purchase of debentures. Such investments should be similarly assigned to the trustee to make up for the difference between the amount due on debentures and loans. The bank should, however, be at liberty to cancel the debentures purchased by it, so as to equalize both the items.

The officer of the bank whose duty should be to see that the value of security assigned to the debenture-holders equals the amount due to them should be personally held liable if he allows any neglect in this behalf.

19. *Government aid.*—It may be necessary in the first few years to extend a Government guarantee for the fulfilment of obligations of the bank to the debenture-holders. The mortgage security should invariably prove adequate for the debenture-holders and as such the Government guarantee would be nominal and in course of time will prove to be superfluous and therefore unnecessary. In the initial stages, to familiarize public confidence in the debentures of the land mortgage bank, such a guarantee would be necessary—at least it would accelerate their progress. Also, in case the bank has to borrow in the foreign market, a Government guarantee would be necessary both to facilitate as well as cheapen such a borrowing.

I have mentioned in paragraph 12 that for that portion of the debentures which are secured by mortgage of occupancy rights a Government guarantee should be extended. There would be no necessity for a special guarantee of this kind if all debentures issued by the bank are so guaranteed. But even if the Government be not disposed to give a wholesale guarantee for all debentures it should at least cover that portion of debenture security which represents loans to tenants.

The Government guarantee, to whatever extent applicable, should cover both principal and interest repayments.

To safeguard Government against loss I have suggested power to Government to appoint a few directors as well as a hand in the appointment of the manager. They will be sufficient to look after Government interests and not sanction any business in respect of which it may be later necessary to have recourse to the Government guarantee. Some may suggest that by way of adequate protection for the Government guarantee it should be necessary to give power to the Government to declare in advance that they would not be prepared to guarantee any portion of the bank's liabilities. There is no doubt that they could easily do so through their own nominees. If the bank is really working on prudent lines there will be no occasion for such a threat; and as I am assuming that the bank would work on proper sound principles, I would rather avoid any complexities of this nature, which ultimately tend to weaken public confidence and create embarrassments. I would, however, allow power to Government to re-examine after some time the question of their guarantee if experience proves that such an undertaking in actual practice means financial loss.

As an additional precaution against loss the Government should have power to call for any information from the bank, as well as examine and audit its working. If the suggestion that there should be a separate Government agency to periodically audit and examine accounts and working of all banks is approved it would afford adequate protection to the safety of the Government guarantee.

It may happen that owing to shortage of cash resources, say on account of large-scale default on the part of the borrowers, the bank is not able to pay interest to the debenture-holders as and when contracted and the Government is called upon to do so under the terms of their guarantee. Such payments would in reality be in the nature of loans to the bank, which would eventually be repaid when outstandings from the borrowers are realized, and should carry interest. The rate of interest which such sums should carry will depend upon the market conditions and may be somewhat penal

in nature. Actual loss to the Government will only occur if the assets of the bank are insufficient. This would be after capital and reserve have been exhausted. In actual practice such will hardly be the case.

To compensate the Government for undertaking an obligation of this nature it is being suggested below that it should participate in the profits of the bank.

20. *Special legal privileges.*—In order to enable the bank to carry on its business smoothly and cheaply as well as to prevent it from vexatious proceedings so often met with in land and commercial cases, I would suggest that the bank should enjoy the following privileges. Suitable special changes in the law of the land will have to be made. They should be only applicable to the land mortgage bank, i.e., an ordinary creditor should not be allowed the benefit of the changes: he should have recourse to the ordinary law. Advantages of provisions calculated to effect saving in the working cost of the bank will naturally pass on to the agricultural community or the Government, both of which deserve special consideration—the former on account of its usefulness in the economic life of the country and its debt-ridden condition and the latter because of their foregoing some sources of revenue and undertaking financial responsibilities.

(1) The debentures of the land mortgage bank should rank as trustee security and they should be accepted by the Government departments as security for contracts, etc.

(NOTE.—I am inclined to recommend that even the shares of the land mortgage bank should be classed as trustee security).

(2) The occupancy rights should be made assignable and transferable to the co-operative credit societies and the land mortgage bank, any of whom should in the event of foreclosure have power to sell such occupancy rights.

(3) The crops and farm wealth, including live stock, should be assignable as security to the co-operative credit societies and the land mortgage bank at least up to 10 per cent. of their value. I am reluctant to allow total assignment because in case the banking machinery is not able to cope with the full demand of the cultivator for credit, such an enactment would stop all other sources which at present provide him with money and thus cripple his cultivation.

(4) The registration authorities should issue certificate of encumbrances free of charge.

(5) The mortgage deeds should be exempted from stamp duty and registration charges, particularly in the case of tenants and occupancy holders. The landowners and landlords should, however, continue to pay stamp duty and registration charges on the present scale.

(6) The land mortgage bank should notify in the papers of the place in which the property is situated, as well as in the Government Gazette, and also post such a notice in the registration office, that it would advance on the mortgage of such and such a property and any one disputing the right and title of the intending borrower to mortgage the property should notify to the bank within three months, failing which the mortgage in favour of the bank should rank prior to all claims even if subsequently upheld by a competent law court. It is of course understood that the bank would take every care to ascertain that the party asking for a loan has power and title to borrow, that the security he is offering is free from encumbrances, or at least would be free from encumbrances from the proceeds of the loan, and that no lawsuits in respect of the title to the land and other matters connected with the security are pending. Notification of the intention to mortgage should be considered as a final measure more or less to safeguard against any possible (remotest) defect in the title due to defective successions in the past, undetectable even on careful investigation; it should not absolve the bank from taking ordinary reasonable precautions or serve as a protection against palpable negligence.

(7) The bank should have power to take possession of the mortgaged property on any default in payment without going to court. In the event of any resistance by the mortgagor to hand over the property, the nearest competent court within whose jurisdiction the property lies should immediately, on receiving a simple application from the bank, take steps to get the property. The court will have no power to go through the merits of the case. The bank should be exempt from any court-fee in respect of such an application.

(8) On a default occurring the bank should have power to manage, sell, or lease out the mortgaged property either after obtaining possession or wherever possible in anticipation thereof, without the intervention of the court.

(9) The bank should be indemnified for any acts done *bonâ fide* of the nature referred to at (7) and (8).

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(10) The accounts of the bank, both as evidence of indebtedness as well as in respect of the management of the mortgaged property, should be accepted as correct, and certified copies thereof should be sufficient.

21. *Profits, dividend and reserve fund.*—With the exception of special concessions referred to already the bank should be subject to the payment of all taxes and charges which an ordinary individual or concern usually pays. The net profits of the bank should be distributed as and in the following order :—

(i) Ten per cent. should be taken to reserve until it equals paid up capital.

(ii) From the balance, 5 per cent. cumulative dividend should be first paid on "A" shares and thereafter 5 per cent. non-cumulative dividend on "B" shares. But no dividend should be declared under any of the following cases :—

(*a*) When any amount is due to the Government on account of payments made by them, or sums advanced by them to the bank, to meet obligations under their guarantee to the debenture-holders.

(*b*) When the value of properties purchased by the bank from borrowers on default and still remaining on its hands equals or exceeds the amount of paid-up capital and reserve.

(*c*) When the amount of loans in respect of which default has occurred and the bank is obliged to take over properties for management exceeds 50 per cent. of its paid-up capital and reserve.

(*d*) When the total of lock-ups of the nature of (*b*) and (*c*) equals or exceeds the amount of its paid-up capital and reserve.

(iii) The balance should be divided in equal parts, one part to go to the Government and the other to the shareholders. The Government is undertaking real responsibilities and obligations and it is but fair that they must participate in surplus profits.

(iv) The amount payable to the shareholders under (iii) should be so distributed that the extra amount payable on "A" shares should be double of that payable on "B" shares. This is suggested not only with a view to offer attractive and additional inducement to the original shareholders, whose subscription towards capital will be voluntary whereas those of the borrowers will be compulsory, but also from the financial point of view. Because the amount of "A" shares comes all at once and remains longer in operation and the amount of "B" shares comes gradually and slowly, sometimes after substantial reserves have been built up, the incidence of "A" shares in earning profits is much more than that of "B" and as such "A" shares should be entitled to some preference in the distribution of surplus profits.

22. *Land Credit Board.*—All the provincial land banks should be co-ordinated under a board to be called the Land Credit Board. It should exercise controlling and examining powers with regard to the affairs of the banks. It would add to the confidence of the banks' creditors if the board looks into the valuation of mortgaged properties off and on and satisfies itself that adequate security is being taken and offered to debenture-holders, etc. It may issue instructions from time to time to the banks for their guidance and in general by its influence, both direct and indirect, bring about the unification of policy, practice and procedure of all the land banks.

The rates at which the land mortgage banks make loans, borrow monies or issue debentures should be subject to the confirmation of the board. The preliminary charges which banks make when investigating applications, making valuation and taking mortgages should be subject to the approval of the board. The board should assist the bank in the flotation of debentures and whenever possible may arrange the issue of debentures with a view to getting the most favourable rates. Also it may from time to time arrange for loans both in India and abroad, whenever necessary and suitable, in favour of the banks to add to their resources.

The expenses of the board should be borne by the land banks, provincial governments and the Government of India on some equitable basis.

The board should consist of six members and a secretary. The secretary should be appointed by the board subject to the approval of the Governor General-in-Council and must be an experienced banker and financier.

The term of office of the members should be three years, but to keep up the continuity of work and policy, two members should retire every year by rotation. The board should hold its meetings as and when it is necessary but at least once in three months. The board should elect its own chairman.

The board should be constituted as under :—

(*a*) A nominee of the Governor General-in-Council.

(*b*) A nominee of the Central Legislature, the present Council of State, or a body corresponding thereto, having due voice in such nomination.

(*c*) A nominee of the provincial governments, each government having one vote.

(*d*) A nominee of the provincial land mortgage banks, each having one vote.

(*e*) A nominee of the joint-stock banks, exchange banks, Imperial Bank and provincial co-operative banks, each bank having one vote. The joint-stock banks having paid-up capital and reserve of less than Rs. 25 lakhs should have no vote in such election. Further, such a nominee should be subject to the approval of the bank of issue, when it comes into existence.

(*f*) A secretary or member of the Government of India who has experience of land, agricultural and financial problems should be *ex-officio* member.

23. *Re-examination of Charter, liquidation, etc.*—If at the expiry of thirty years the initial period of charter, referred to in the beginning, it appears on re-examination that sufficiently large capital has been accumulated in the shape of "B" shares, that the holders of such shares have gathered adequate knowledge and experience of the working of the land mortgage bank, and that it is advisable either on account of over-capitalisation or any other cause to repay the capital in respect of "A" shares, it might be done so, but such shareholders should receive at least half the amount of the then existing reserve, in addition to the par value of their shares.

In case of liquidation of the bank for any cause, "A" shares will have preference over the "B" shares. If after the repayment of capital to "A" and "B" shareholders any surplus is disclosed the same should be divided in four parts, two to go to holders of "A" shares and one each to the Government and holders of "B" shares.

24. *Short account of special privileges and subsidy enjoyed by land banks in other countries.*—It may not be out of place to briefly refer to the special facilities enjoyed by the land banks in other countries, both in law and at the hands of their Governments.

England.—The Agricultural Credits Act of 1928, amongst other things, provides for the following :—

(1) That the Government shall advance to the proposed land mortgage bank, for the purpose of establishing a guarantee fund, not exceeding in the aggregate £750,000 and not at any time exceeding in the aggregate the amount at that time of the paid-up share capital, such advances—

(*a*) to be payable in instalments, so, however, that the aggregate amount paid shall not exceed :—

	£
On incorporation	250,000
By April 30, 1929	500,000
By April 30, 1930	750,000

(*b*) to be free from interest for a period of sixty years and thereafter to carry interest at such rate, not exceeding the average yield of such Government funded stocks, as the Treasury from time to time may determine;

(*c*) in the case of winding up, to rank after other liabilities of the company to creditors, and that if after the discharge of such other liabilities, the balance of assets available is insufficient to pay the sums due to the Government and the shareholders in full, the assets so available shall be divided *pro rata*.

(2) The Government shall make payments of £10,000 per annum for ten years as contribution towards the cost of administration of the bank.

(3) The Government may agree to procure the underwriting of debentures to such aggregate amount as may be necessary to raise a sum not exceeding £5,000,000.

(4) The Government may subscribe to debentures to an amount not exceeding in the aggregate £1,250,000, and any such subscription will be deemed a local loan.

(5) Debentures issued by the bank shall be included amongst the securities in which a trustee may invest funds.

Ceylon.—The recommendations of the committee constituted in November, 1927 to frame a scheme for the establishment of a state mortgage bank for Ceylon, amongst others, contain the following :—

(1) The Government to guarantee the principal and interest of debentures, the limit for raising working capital through debentures being fixed at Rs. 25,000,000.

(2) The Government to take all debentures to the total extent of Rs. 3,000,000.

(3) The bank to have full power to recover its overdue loans and interest by selling off the security without recourse to court.

United States of America.—The Federal Farm Loan Act was passed in 1916 to facilitate long term credit. Amendments to this were passed later with a view to improving the land credit system. The following are some of the special features, showing efforts and responsibilities of the Government in this matter, etc. :—

(i) The whole country was originally divided in 12 districts and there was to be a Federal Land Bank in each district. Each bank was required to have a minimum subscribed capital of $750,000 before commencing business. If within 30 days after the opening of the subscription list any part of the minimum capital remained unsubscribed, the Government was to subscribe the balance. On account of restriction on voting power, non-cumulative and restricted nature of dividends etc., the public did not take much interest in the shares of the land banks and Government had to subscribe nearly 90 per cent. of the offered capital the total of their original contribution amounting to $8,891,270. The Government was not to receive any dividend on such stock held by them.

(ii) The borrowers and their associations were required to contribute 5 per cent. of loans to them by way of capital and after the total of such additional capital had amounted to $750,000, 25 per cent of future subscriptions from borrowers were to be applied to the retirement of original shares, until they were all retired at par. Under this provision over 7 million of Government capital have been repaid between 1917 and 1924.

(iii) In order to provide a wider market for the bonds they are made lawful investments for the following purposes :—

(*a*) For all fiduciary or trust funds; they may also be accepted as securities for all public deposits;

(*b*) All member banks of the Federal Reserve system may buy and sell them;

(*c*) Any federal reserve bank may buy and sell them under certain conditions.

The bonds are deemed and held to be instrumentalities of the Government of the United States and as such they and the income from them are exempt from Federal, State, municipal and local taxation.

By an Act of 1918 the Government was authorised to purchase bonds of the Federal land banks and the total of such investment in 1921 amounted to nearly $200 million, out of some 400 million dollars of bonds then outstanding. But as the movement gained strength and popularity, the necessity for Government to purchase land mortgage bonds became less and less and on the 31st December, 1924, treasury holdings amounted to only about $100 million out of $900 million of bonds outstanding on the same day. The Government holding further decreased to $85 million by 30th June, 1925. I understand after 1921 the Government has not found it necessary to purchase any bonds.

Over and above the United States Treasury's undertaking to take up debentures it was also empowered to deposit with Federal land banks for temporary use, on the recommendation of the Federal Farm Loan Board, a sum not exceeding the difference between the total paid-up capital of all the 12 banks and 50 million dollars.

(iv) The Federal land banks do not issue their own individual bonds, but obtain bonds from the Federal Farm Loan Board who issue them against assignment of mortgages.

All the district land banks are responsible for the bonds issued by the board. In case of shortfall in the assets of any bank to meet its liabilities on the debentures issued on its behalf, all other banks will bear the loss in proportion to the amount of their respective debentures outstanding in the market.

There is a Federal Farm Loan Board which possesses guiding, superintending, controlling and examining power over all the Federal land banks.

France.—The Credit Foncier De France which was established in 1852 received a subsidy of 10 million gold francs from the Government by way of free gift. The State exercises wide powers over the affairs of the bank, though in practice there are hardly

any occasions on which such power is exercised. Bonds are considered as trustee security.

Germany.—There is special Act of the legislature which governs incorporation and affairs of the land mortgage banks. It provides for Government supervision in the matter of valuation of properties, Government inspection of accounts, etc., so as to give adequate security to the debenture-holders and thus inspire public confidence. The central and mortgage banks issue bonds on behalf of their member banks, the responsibility of the member banks being joint and several for all such bonds issued by their respective central banks. The bonds rank as trustee security.

The amount of bonds of the land mortgage banks in the hands of the public in 1908 was estimated at 9,000 million gold marks ($2,200 million or over Rs. 650 crores). The provision of systematic long term credit also helped to increase general acceptability of real estate security and the total credit extended by banks, insurance companies, public, etc., based on mortgages and other real estate, was estimated on the same date at 40,000 million gold marks.

The following are some of the cases which show how financial aid was given by the Government in the initial stages :—

(*a*) Preussische Central-Boden Credit Actien-Gesselschaft. When the bank was originally established in 1870 the State and some banks actively connected with the State had an interest in the bank's capital which was later repaid or sold in the market when the bank attained full development.

(*b*) Kur-und Neumarkisches Ritterschaftliches Kredit Institute, etc. This was founded by Frederick the Great who made a gift of 20,000 Thaler (old currency of Germany 1 Th.=3 Marks), which formed the initial capital. All the profits of the bank were to remain in the bank and be added to this capital. In 1908 the original slender State contributions became 7 million gold marks of capital. If at any time the authorities of the bank found that there were more than normal profits, the surplus was distributed to the borrowers and credited to their respective loan accounts, in proportion to their respective debts.

25. *Foreclosure.*—It was revealed in evidence taken by the United States National Monetary Commission in 1908 that the German land banks very rarely find it necessary to foreclose. One bank said : "We have foreclosed only once during the last ten years on country properties and the average in the case of city properties is about 1 to 146 mortgages. We do not have to buy the property as a rule but simply have to take the steps and somebody buys it up."

Memorandum on internal remittance and negotiable instrument.

A remittance operation is of a two-fold nature—there is a party that receives money and another which pays out money. Although the public can freely buy remittance from banks against cash payments they cannot, in the very nature of things, sell remittance, which depends upon their credit position and financial respectability. In such a case they arrange with their bankers to first collect moneys on their behalf and then pay to them.

Transmission of money can be by telegraph known as T. T. (Telegraphic Transfer), by mail, i.e., *hundi*, draft, money order and the like, and actual transport of notes and coin. The period which must elapse between the moment when one purchases a transfer against cash payment and the moment when the seller's agent pays to the order of the purchaser at destination will depend upon the distance between the two places and be greater in case of mail transfers than in the case of telegraphic transfers. During this period of transit one of the two parties to the transaction is "out of money" which, so far as he is concerned, ceases to earn interest. The seller of remittance on the other hand is ordinarily able to utilize this sum for earning interest. The charge or commission which is paid in respect of exchange or transfer of money is thus often made up of two elements, (i) cost of transfer (ii) interest for the period of transit.

My replies to Part I-J of the questionnaire are as follows :—

Question 1(*a*).—The extent and nature of remittance facilities vary considerably from place to place and to get a fair idea of the conditions prevailing in the province the question must be sub-divided, each sub-division dealing with places where monetary and market conditions are more or less identical. The following are the main subdivisions and particulars concerning each :—

(i) *Big cities.*—Under this will come places like Cawnpore, Benares and Agra where market conditions are well developed. The following are the agencies which can be utilized for the purpose of remittance :—

(1) Imperial Bank of India.
(2) Other banks, including joint-stock and exchange banks.
(3) Indigenous bankers.
(4) Merchants.
(5) Treasuries and sub-treasuries.
(6) Post Office.

The Imperial and other banks will transfer any amount from the place of their branch to any other place where they have branches or agency arrangements. With them it will be a question of price. If the request for transference of funds exceeds the amount which they can do on the basis of their business position the banks will ask for a higher charge so as not to suffer loss when getting cover in the market or from the Imperial Bank.

The charges of the Imperial Bank are generally fixed at ¼ per cent. on sums below Rs. 1,000, ⅛ per cent. on sums above Rs. 1,000 but under Rs. 10,000, and 1/16th per cent. on sums above Rs. 10,000. There are, however, instances where they reduce these charges. In the case of banks, when they want to transfer funds from one branch to another branch, through the Imperial Bank, they have to pay half of the above rates. If the transfer is to a place where the bank requiring remittance has no branch, say, to a correspondent or agent, the Imperial Bank charges full rates. The Imperial Bank is able to prescribe these uniform charges, because of the exclusive benefit it derives from currency chests. The rates of other banks vary according to their cash and business position. On an average they would be slightly less than those of the Imperial Bank. When they want funds and are not able to sell to the market they sell to the Imperial Bank at discount. They, however, rarely sell at discount to the public.

Indigenous bankers and merchants who have to bring surplus funds from another place, or by way of a banking exchange operation, also sell their drafts and telegraphic transfers to people who may want to remit money. The rates for such a remittance are generally less than those of banks. If the market or public is not able to meet such demands of bankers and merchants they have to sell their bills to banks, which costs them more.

Transfers through treasuries by means of remittance treasury receipts, supply bills and telegraphic transfers are not freely available to the public and must require previous sanction of the currency department. Rates for such transfers are the same as prescribed by the Imperial Bank for the public, including banks.

Money can be remitted through post offices, either by money orders or registered insured parcels. Value-payable parcels also involve a remittance operation. The money

orders are costly and very rarely availed of by the mercantile community or for large sums. They meet the needs of small people and very small amounts. Insured parcels containing half and full notes are often employed, particularly when bank charges are higher than the cost of such insured postal transmission. The method of transmitting by half notes is frequently employed by banks and such parcels need not be insured for full value.

(*ii*) *Non-commercial places where there are branches of the Imperial and other banks.*—

Agencies (1), (2), (5) and (6) referred to in the preceding section are also available in these places. The charges of banks are, however, somewhat higher on account of lack of competition of commercial houses and indigenous bankers.

(*iii*) *Non-commercial places where there are branches of joint-stock banks but not of the Imperial Bank.*—

Agencies (2), (5) and (6) meet remittance requirements, but on account of absence of competition of the Imperial Bank, etc., rates of joint-stock banks are higher than in the cases (i) and (ii).

(iv) *Mandis with banks.*—Under this class come places like Chandausi, Hathras, Hapur, etc. Here the conditions are the same as described at (i), though on a smaller scale. Further, the transactions are generally one-sided, viz., merchants want cash and sell remittances to banks. The demand for such operations is seasonal when crops have to be moved. If there is no branch of the Imperial Bank, joint-stock banks make a higher charge. Also indigenous bankers and merchants at such places generally rely upon banks to meet their requirements. The big exporting houses as well as bankers of big cities open their seasonal offices. They either make arrangements with banks or bring funds from neighbouring district towns, if the latter arrangement is cheaper.

(v) *Mandis without banks.*—Under this group will come places like Budaun, Banda, Lakhimpur-Kheri, etc. Agencies (3) and (4) meet all the requirements of the market, though sometimes recourse is made to (5), *i.e.*, treasuries and sub-treasuries. In season, agents of buying houses carry cash to pay for their purchases, or merchants and bankers go to banks in the neighbouring places. The cost of transmission of money is much higher than in the cases (i) to (iv).

(vi) *Other places.*—These places generally depend upon the village banker or post office or go to neighbouring places. Highest rates are charged at such places.

(vii) *Villages without post offices.*—No organization is available here which can handle remittances excepting possibly a small moneylender, who may have accounts with bankers in other places; and those who want any facility for sending money must go to the nearest post office. Remittance requirements at such places are, however, negligible. Often buyers of produce take cash with them and pay to the farmers. The cost of carrying money is more than amply repaid by cheaper prices of grain.

(*b*) The defects of the present system are—

(1) The cost of transfer, both with and without the incidence of interest is high. This is particularly so in places where there are no banks.

(2) Money order charges are very high.

(3) By giving a monopoly of treasury chest transfers to the Imperial Bank it is put in a position of vantage over the other banks, which it utilizes as a general instrument of competition.

(4) A large number of places are without remittance facilities.

(5) Supply bills are not freely available.

(6) There is a good deal of actual currency and coin movements. It is excusable when such movements are seasonal in their nature or for places where opportunities for remittances are limited or non-existent. But besides these cases there are several instances where transport of currency can be avoided, e.g., by banks, commercial houses and railways.

I suggest the following measures for improving the above defects :—

(1) Conditions should be re-arranged as to considerably reduce the necessity for the actual movement of currency and coin. There should be the maximum of economy in the handling of cash. The result of such an attainment is obvious, viz., expansion of cheaper credit. To obtain the above end we must have—

(*a*) Propaganda for greater use of instruments of credit, payment and collection. Banks, Government and the public should all participate in this.

(*b*) Less illiteracy so that there should be more people to take recourse to modern methods of remittance.

(*c*) More banks. This is being investigated by the committee. Assuming that vigorous efforts will be made to increase bank offices, it would nonetheless take some time

before the system is fully expanded. Until this is achieved, banks should open seasonal offices. Also co-operative banks should be encouraged to handle remittance operations, particularly at places where there are no commercial banks.

(*d*) Clearance of instruments referred to at (*a*), without cost, or what is known as "Par Clearance." Under this we shall have local, provincial and all-India clearing facilities in favour of banks, and it will be possible for any bank to transfer funds from one place to another without cost, e.g., if a bank "A" at Moradabad has a cheque or a bill payable, say at Surat, it should be possible for the bank to collect it, through the chain of clearing houses, without paying any commission. The bank will send it to the institution working as the provincial clearing house (it may be a branch of the proposed reserve bank, Imperial Bank or any other bank), which will in turn clear it through the central clearing house where all the inter-provincial items will be cleared.

In order that the institution working as a clearing house does not suffer any loss of interest, it would be necessary that the Par Collection should be available after the date on which moneys are expected to be received at destination: this will remove the incidence of interest. The institutions need not necessarily await advice of payment, as the members of the clearing houses would be quite good to repay if the bills are not collected. A system of value dates, depending upon the period of transit from one place to another, can be fixed and credit should be given to the member bank in the books of its clearing house, on such dates. Expenses of working the clearing houses should be borne by the members but if any extra remuneration should be necessary, it would be sufficient if the value dates are so arranged as to embrace either twice the time of transit, or the time of transit plus two extra days, whichever is less. In the former case advice of payment will have been received, but in the latter such would not be the case. The case of telegraphic transfers, where the period of transit is negligible, is being dealt with separately.

To facilitate accounting, credits for such collections may be given on the day on which items of collections are handed in, but they would not be available for drawing unless their respective value dates have been reached. If any bank wants immediate credit, it should be possible for it to get it on paying an amount which would compensate the institution working as the clearing house for loss of interest during the interval.

(2) The advantage at present enjoyed by the Imperial Bank of India in the matter of currency chests and transfers should be withdrawn. Until the reserve bank, which will take over currency functions, is established, the facility of transferring through currency chests should be available to the clearing houses only. If the Imperial Bank performs the clearing house functions it should have recourse to the currency chests for the benefit of all the members of the clearing house alike and only to the same extent.

(3) The banks which are members of the clearing system should be able to arrange telegraphic transfers from one place to another through the clearing houses or the currency chests at the following rates :—

(*a*) Sums up to Rs. 10,000 at one-fourth of a rupee for every Rs. 1,000 or part thereof, with a minimum of Re. 1 plus actual telegram charges.

(*b*) Sums over Rs. 10,000 but less than Rs. 1,00,000 at one-eighth of a rupee for every Rs. 1,000 or part thereof, with a minimum commission of Rs. 2-8-0 and maximum commission of Rs. 10 plus actual telegram charges.

(*c*) Sums over Rs. 1,00,000 at one-tenth of a rupee per Rs. 1,000 or part thereof plus actual telegram charges.

If the remitting bank requires a draft instead of a telegraphic transfer it would pay the same rate of commission but not the telegram charges.

Amounts received by way of commission in respect of the above transfers should be utilized for the benefit of the clearing house system and if there is any surplus the same should go to the State. When a bank of issue is established, as the currency authority it would be its responsibility to provide clearing facilities without any charge, as well as its prerogative to take the whole of this commission, a portion of which would percolate to the State on account of its participation in the profits of the bank.

(4) In return for the special charges referred to at (3), banks should undertake to provide remittance facilities to their clients at rates which should not be more than double those which are chargeable to them.

(5) Transfers by supply bills should be freely available, particularly at places where there are no banks, or where there is a great seasonal demand. It will generally be found that treasuries at such places, on account of large revenue collections, have large funds, and they will be much relieved from the movement of currency if their funds can be utilized locally. Rates for such transfers should be reduced so as to conform to the same scale as in (3) for banks and twice such rates for the public.

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If under the new order of things, Government treasuries as depositories of Government and public balances cease to exist and monies which at present remain with them are assimilated in the country's banking system, the deficiency proposed to be supplied by the supply bills will no longer remain. The banks which take over the cash and currency functions of the treasuries will meet the demand. But one of the conditions on which such treasury functions are handed over to the banks should be the fixation of a maximum scale of fees for transfers as described at (3).

(6) Money order charges should be reduced to a quarter per cent., with a minimum of two annas. Looking to the fact that people can and do remit full notes by insured post, which costs them one-eighth per cent. for insurance *plus* registration charges, the adoption of the lower scale for money orders now suggested is not only equitable but it will also avoid movement of funds and lead to currency economy. The incidence of such a reduction on postal revenue will not be much and be more than counterbalanced by increased business. The reduction in money order charges will benefit the poorer classes who generally avail of this medium, and also cheapen remittance charges at places which are without banks and at the mercy of the local banker.

(7) Railways must co-operate with the banking and currency authorities. At present they rail cash from stations to headquarters irrespective of any consideration of the local demand. They should be made to pass on their station collections without extra charge to treasuries, post offices, bankers' clearing houses and recognized banks at local and neighbouring places against corresponding credits at headquarters, as and when there is demand for money at such places.

Question 2.—The negotiable instruments used in connexion with internal trade are :—

(i) *Cheques.*—These are used in making payments of local purchases. They are very rarely used for purchases from out-stations. The use of cheques for this purpose is not universal but very limited, a large number of sales being possible and taking place only on cash payment.

(ii) *Hundis and demand bills.*—When a merchant in one place sells goods to another merchant in another place, he draws a demand bill or a *darshani hundi* upon the purchaser for the value of goods asking him to pay the amount to the order of the banker or merchant through whom he collects or negotiates the bill. These bills are sometimes accompanied by railway receipts and sometimes clean, the railway receipts, in the latter case, being sent directly to the purchaser. *Hundis* are sometimes drawn on the commission agent to whom the goods are consigned for sale. In that case they are drawn for an agreed percentage of the market value of the goods (usually 75 to 80 per cent.), which is in the nature of an advance by the commission agent to the drawer of the bills, the account being settled later when the goods are actually sold. In short, demand *hundis* and bills are drawn by one person upon another where the latter owes him or has agreed to lend him money. Sometimes they are merely utilized as accommodation bills for the purpose of getting temporary short-term credit from banks and the market, and there are instances where such "kite bills" have been in continuous operation, between a chain of places. Sooner or later these operations have resulted in a financial crash. Demand bills play a very large and important part both as a medium of finance and payment for the internal trade of the country.

Under this head should also be included demand promissory notes which function as evidence of loans payable on demand.

(iii) *Usance bills* or *muddati hundis.*—These are generally drawn for the purpose of finance and very rarely for trade purposes. If *A* wants money from *B*, *A* may draw a *hundi* promising *B* or order, a certain sum of money, say after three months. *B* may keep the *hundi* with himself or discount it with a banker. An appreciable amount of such bills is in use in big cities like Cawnpore, where a large block of such bills finds an ultimate resting place in the portfolios of banks. In a number of cases when the *hundi* originates and is taken by *B*, the sole object of *B* is to utilize his money on interest, but at the same time he is careful to select such an instrument of indebtedness as he can mobilise whenever he may happen to be in need of funds. Shroffs who specialize in lending short-term credit to traders rarely accept anything other than *hundis*, because they can discount the *hundis* with banks and thus increase the turnover of their business and their business profit. However, there are many instances where a *hundi* in reality does not represent any advance by the payee to the drawer but is simply a convenient document drawn and endorsed by two parties with the object of getting money from a bank, which they divide between themselves. Such *hundis* also come under

the category of "kite bills," and instances are not wanting in which the holders of such bills have suffered loss.

The amount of financial usance bills in use in the province is comparatively much smaller than that of other documents of debt.

In foreign countries a very large number of trade bills and trade acceptances are floating in the market. Under this system the purchaser promises to pay to the seller a few months after the date of the bill, which is fixed in advance and is generally two, three or four months. Such bills, being backed by actual trade transactions, are more reliable than mere accommodation bills. In our province the number of such trade bills is negligible. Sales are made on credit, but credit is in the shape of account current, and as such is not a form which can be easily mobilized or marketed.

Question 3.—This is answered in my reply to question no. 1.

Question 4.—The stamp duty on bills and *hundis* should be abolished. As explained under question no. 2, credit sales take the form of an overdrawn account for which there is no stamp duty. The period of payment for credit sales is usually fixed in advance but the buyer does not give a bill because it requires a stamp. Similarly, a large number of loans on the basis of demand promissory notes are in reality fixed-term loans, but because fixed-term *hundis* require an *ad valorem* stamp, only demand promissory notes are executed. Transactions of the above nature, which are very many in number, can be all made negotiable and a basis of bank credit, and through that medium a basis for a portion of the national currency. The bill system also enables merchants to correctly foresee their future incoming and outgoing money and thus helps them to be prepared for and be punctual in their financial obligations. Bill stamps may provide some revenue for the Government, but they lead to the deterioration of commercial practices and offer premium on intentional misstatement of actual financial and credit dealings.

The experience of other countries shows that with the abolition of stamp duty on bills, the bill habit has rapidly developed.

Question 5.—Under the present state of affairs any agency which can help in economizing the movement of funds will render a distinct service in the economic development of the country and should be taken advantage of. The post office has been carrying on remittance and collection operations for a very long time and, as such, has sufficient experience. On account of its very large number of branches, throughout the length and breadth of the country, and being backed by Government's name, it is most fitted to immediately undertake—and without much extra cost—extension of its functions as a remittance agency. At places which are fully provided with such facilities, people will find it more convenient to deal with banks: but the postal agency will fill a real gap in the interior where there are no banks. As such there will be no undue competition between the post office and private banks and bankers. As a further safeguard, the scale of charges for postal services may be somewhat higher than what have been suggested in the case of banks and their clients.

It may be argued that the extension of postal functions in the direction of exchange activity may at times involve some post offices in payment obligations much more than their normal cash position would allow. A solution for such a contingency has been suggested in my reply to question no. 1(*b*).

(i) *Money orders.*—This has been dealt with under question no. 1.

(ii) *Bills for collection.*—The post office should undertake to handle these items. It is nothing but an extension of its present system of collecting value of railway receipts and parcels under the V. P. P. method. The only change will be that whereas under the present method the railway receipt goes in a closed envelope and the post office has no actual knowledge of the contents, in the case of collection of bills and cheques, they will be handed open to the post office and at destination the drawee will have an opportunity to look at it, to verify the signature of the drawer, etc., before making payment. The charges for such services should be: (*a*) same amount of stamp as for a registered article *plus* (*b*) money order charges. (*a*) should be affixed in advance and (*b*) should be deducted from the amount of collection.

(iii) *Travellers' letters of credit.*—This will be greatly appreciated by travellers, particularly pilgrims. People from all parts of India visit sacred places and under present conditions only a very small fraction of them, if any, can avail themselves of banking facilities at such times. They have consequently to carry large amounts of cash with them. The danger of fraud can be avoided by affixing the photograph of the beneficiary and his signature, wherever he can sign, on the letter of credit. When receiving money at post offices he will sign receipts or affix his thumb-impression and the amount

so paid will be deducted from the amount available, the letter being finally collected for cancellation when the last amount is paid. It will of course always be understood that the cost of the letter of credit is paid by the purchaser in advance at the issuing post office. The charges for this should be : (*a*) same amount as in the case of money orders *plus* (*b*) a fixed commission of Re. 1.

Question 6.—(*b*) The following changes should be made in the law with regard to negotiability and negotiable instruments :—

(i) It should be possible to cross bills and *hundis*, and in that case they should have the same benefit and safeguard as crossed cheques. The practice of *shahjog* in respect of *hundis* should be legalized.

(ii) Railway receipts should be included in the list of negotiable instruments. In practice, the ownership of goods represented by them passes from hand to hand by mere endorsement, but in point of law the negotiability is said to be not perfect. Any defects and doubts on this point should be removed.

(iii) *Beejaks* in respect of grain storage, which are current in *mandis* should be regarded as negotiable in law.

(iv) Warehouse warrants and delivery orders should be considered as negotiable instruments.

(*c*) The following practices are observable in the province as a whole, in the matter of *muddati hundis* :—

(i) When the original payee of a *hundi* is a merchant, he generally keeps the *hundi* with himself until maturity. In rare cases he offers it for discount to a banker or bank.

(ii) When a *hundi* is taken for the purpose of getting finance, it is discounted with a bank or a banker.

(iii) When the payee is a banker he generally discounts it with a bank and utilizes the proceeds for getting more *hundis* and thus increases his turnover.

(iv) It sometimes happens that holders of *hundis* in (ii) and (iii), instead of discounting them with banks, sell or discount them in the market, with their own endorsement. The purchasers regard them as "Mercantile Treasury Bills" or short-term investments. Rates at which *hundis* are sold in the market depend upon seasons and the financial position of the endorsing firm. It is very rarely that such a purchaser again sells the *hundi*, though from point of law there is no obstacle to such a sale. If he may happen to want money before it is due he generally takes it back to the firm from which he bought it and re-discounts it.

The above practice of selling *hundis* in the market is current in Cawnpore.

(*d*) When the original holder or payee of a *hundi* is a banking firm which has a number of branches, it often does happen that the *hundi* is sent for sale or discount to a place where it can get the best price. Just before it is due for payment it is redeemed by the endorsing firm and sent to the original branch, where it originated, for being paid by the drawer. It sometimes happens that even merchants and bankers who have no branches, are able to take advantage of cheap discounting facilities at important centres, through agents or correspondents, whom slight commission is paid for negotiating their bills. It frequently happens that a banker sends out his representatives to *mandis* and other places to advance money on *hundis* and these *hundis* are discounted by him in his market or to his banker. He takes up such *hundis* himself just before maturity and returns them with his agent for being collected from the drawers.

Question 7.—(*a*) As far as my information goes there are no instruments of ownership in this province which are considered sufficient in themselves for the purpose of an advance, with the exception of railway receipts. But in the last case the advance is only for a very short term, limited to the period of transit. Advances are made on *beechaks*, but for every *beechak* there is a complete *kotha* or *khatti*, which automatically passes on to the purchaser who henceforward must himself look after its safety. *Beechak* is more or less an evidence of the quantity and quality of goods stored, and not exactly an instrument of ownership.

In some places in India delivery orders of firms and factories and warehouse warrants are accepted by banks as security for advances; but whether a bank would accept a particular delivery order or warrant would depend upon the respectability of the office which issues it. Instances are not wanting in which issuing houses have not been able to deliver the goods represented by their orders. This practice is, however, not prevalent in this province.

(*b*) Mobilization of goods as acceptable security for bank credit cannot be achieved unless suitable warehouses are established. Warrants of such warehouses should be made negotiable by endorsement. A separate note is submitted on warehousing arrangements for the province.

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Memorandum on marketing and warehousing.

THERE are several abuses in the marketing of agricultural produce which tend to decrease the return to the cultivator. They have been pointedly brought to the notice of the Committee by more than one witness. The subject, however, does not fall wholly within our province, and we are mainly concerned with the financial side of it. We can refer to abuses like differing weight systems and sundry charges levied in *mandis* which should be standardized and regulated. A general recommendation may be made to introduce "open market facilities" on the lines of the "Berar Cotton and Grain Market Law." The enabling and voluntary character of the Act should be emphasized.

2. Coming to the financial side of marketing the present stages are—(1) The producer sells to the village *bania* or to any buyer from the nearest *mandi* who comes to his village; (2) the next buyer is the *arhatia;* (3) the *arhatia* sells to the retailer to be passed on for local consumption; to other members of his profession; to the mills for manufacturing purposes; to the exporter for external trade; and rails to other places and port towns where there is a demand for such commodities, either by way of a direct sale or to be sold on his account on a commission basis. It often happens that the *arhatia* makes purchases on account of his customers, for which he charges a small commission, and later sends them the goods or re-sells in the local market, as he may be instructed. At the first stage the sale-proceeds go to the village *bania* to reduce the cultivator's indebtedness, to pay for the purchase of articles like cloth, etc., and to meet rent and revenue obligations. The preliminary buyer uses his own money for meeting such purchases or gets it from the *arhatia*, who in turn relies upon his customers, *sarrafs* and banks for the supply of funds. In the first two stages no instruments of credit are used. In the third stage the *arhatia* may borrow on *hundis*, promotes or by hypothecation of goods to banks. When he has to draw money from outstations in respect of goods sold or railed, he writes a demand *hundi* which he negotiates with banks or in the market. It is paid at destination by the drawee. Money received in the *mandi* on account of sale of produce finds its way into the Government treasuries for revenue purposes; to the railway booking and goods offices for meeting transport charges; back to the centres of trade to pay for goods imported locally or in retirement of loans; and the balance, if any, represents increase in the local capital by way of gain. I have suggested in my note on "Internal Remittances" how the circulation of money can be economized.

3. The cultivator has no holding power. As soon as his crops are harvested he begins to sell them, for he is in urgent need of money to repay his debt or meet pressing expenses. Prices, moreover, are lowest at the beginning of the season. Naturally, therefore, he does not get an adequate price. Of course, there is no guarantee that by waiting he will get more; and there are instances in which prices have fallen rather than risen with the progress of the season, because prices are not governed merely by local factors. But if the sales are not all made at one time but distributed so as to keep level with the demand and consumption the cultivator should get a better return. This he can only do if he has got storage and financial facilities. He should be able to get money as soon as his crops are ready. The co-operative societies may advance him for production—they are only able to meet the requirements of a small proportion of the agriculturists in this behalf—but they do not do so for marketing purposes. Possibly their financial resources do not permit them to extend their operations. It should, however, be not difficult to enter into a working arrangement with commercial banks whereby the pressure for marketing finance can be transferred to them. Storages will have to be established where the grain should be collected from the producer and graded according to quality; and these storages should be hypothecated to banks who will grant advances on their security. Banks already transact this type of business, their dealings with *arhatias* being on similar principles—in fact, they will welcome it because of its self-liquidating nature. A small margin to cover any fall in price will be required, but even then the producer should be able to get a sufficient amount to meet his pressing engagements; or the co-operative society can supply this margin, wholly or partly, as an advance to the farmer just like other advances. It is not necessary that commercial banks should have their own branches to take charge of storages as they do in the case of *arhatias*. Co-operative societies can be their agents and trustees for holding such security. No portion of the produce should be released unless it is paid for. The above coalition should be possible under the existing arrangements without the medium of marketing societies. Each producer will be responsible to sell himself as and when he finds it profitable. All that the co-operative societies will be required to assure the banks is that they will be able and can be trusted to safeguard the security. Such a guarantee should be easily forthcoming.

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4. The establishment of marketing societies on co-operative principles will possibly introduce better services for marketing and marketing finance. But we have to ascertain if sufficient men are available to handle such organizations, or whether it will not be more economical in working expenses to combine both these functions in the present co-operative credit societies.

The rates prevalent in the neighbouring *mandis* and the important provincial and Indian markets should be published to enable the cultivator to know the market tendencies and to determine when he should sell, and whether he is getting a fair return. Co-operative credit societies and/or marketing societies can combine to render these services. The Government should allow free transmission of telegraphic messages in this connection or at the most levy a nominal fee, say, at one-fourth the press rate.

In the initial stages the marketing functions, whether they be undertaken by separate societies or be combined with those of the credit societies, will naturally be confined to limited areas and the sales will be made to merchants in the neighbouring *mandis* or the provincial towns. But as they gain experience there is no reason why they should not further extend their operations. Marketing organizations will necessarily diminish middlemen's profits and to that extent increase the farmer's income.

5. Although it is not necessary to construct special storages in the first stages of the marketing organization and the present method of storing in *khatis* and *kothas* should be workable, as the work grows it will be found that special storing facilities would be necessary. At places which are served by railway, godowns could be built by them; goods will have ultimately to be moved by them, and it will save handling and weighing charges which are now paid at various stages. At other places the marketing societies can build them. Storage in bulk will economize space, and as such will reduce dues in respect thereof. For such purposes it will be necessary to discriminate produce according to quality, and special men will have to be certified to do the grading work. Their work and certification should be subject to State supervision.

6. I have stated above that *arhatias* pledge their goods to banks to secure finance. Possession of *kothas* or *khatis* in which grain is stored is transferred to banks who put on them their own signboard and lock. Banks, however, extend credit on this type of security only to people whom they regard as respectable. In bulk storage there is great danger of fraud as regards quantity and quality, because merchants when filling may put rubbish or inferior stuff at the bottom, and, owing to the irregular shapes of godowns and *khatis*, determination of volume, from which weight can be calculated, is not always accurate and therefore banks lay special emphasis on the financial position of the borrower when determining the limit of credit, and the advance is not made merely on considerations of alleged value of security. Also the wealthier classes of merchants, those who can arrange finance in the market without any security, consider it derogatory to have the banks putting their signboards on the godowns, and opportunities for bank credit for this kind of business are thus further restricted. It would make the position of banks more secure as well as eliminate considerations of delicacy on the part of traders if the storage of commodities is carried on as a distinct and separate activity, unconnected with the mercantile or financial aspects. And if such activity is carried on by respectable agency and under State supervision, that would lend additional weight to the certificates that may be issued in respect of goods stored, and consequently the banks will be more liberal in granting accommodation. Making these certificates negotiable will facilitate dealings in the goods represented by them, and this in turn must simplify the commercial and credit problems associated with them.

7. The notes on warehousing and Mr. Madan's draft Bill* in connection therewith received by our committee from the Indian Central Banking Enquiry Committee outline a scheme analogous to what I have suggested above. In studying these notes one is struck with an important safeguard provided in the German Act, which is lost sight of, or rather ignored, in the draft Bill. Condition (2) governing the warehousing business reads as :—

> "A warehouse owner, who is issuing warehouse warrants, is not allowed to buy, sell or lend money on goods of a kind with the warehousing of which he is concerned either for his own account or for others. He is also not allowed to buy and sell other goods on credit. He is also not allowed to act as a guarantor of business of this nature."

* See Annexure I to the questionnaire.

The object of this condition is obvious, *viz.*, to avoid temptation for tampering with or fraudulent mixing of goods entrusted to the warehouse owner's care, and putting him in a position where he can exercise undue pressure, on the strength of his financial interest in the goods, on the depositor to sell goods to him at below market price or at a time which may not be opportune from the seller's point of view.

8. Warehousing can be easily conducted by the State, particularly as it is the largest carrier of goods. It should be comparatively easy to have storage and warehousing arrangements at each railway station. Sooner or later surplus goods have to be handled by railways for the purpose of transport, and it will remove unnecessary disputes about shortage in weight, etc., if they take over custody from the very start. It would save the producer and the merchant cartage, loading and unloading, and handling charges at the intermediate stages which at present exist until the goods reach the railhead. We have only to consider whether State undertaking will not be more costly than private enterprise, on which score alone we can rule out this idea. However, if for any reason Government warehousing be not feasible, we should have a special Warehousing Act for permitting private licensed warehousing with provisions for government supervision of such warehouses, certification of grading inspectors, negotiability of warehouse warrants, and such matters.

I may, incidentally, mention that the institution of warehouses is desirable in itself and acceptable on its own merits and need not be mixed up with bills or considered as essential for the progress of bill business, as one is likely to get the impression on reading the notes. In fact, it will be extremely cumbrous to have warehouse warrants as security for bills because the dates of sale of the warrants may widely differ from the maturities of the bills. If the owner of goods has to draw a usance bill when needing credit and to support such bill by a relative warehouse warrant, the first difficulty will arise at the time of sale. He will be required to transfer the warrant to the purchaser, who may not be easily located or may be at some distance, because the bill of which it forms a part may not be with the party who originally financed but may have passed through a series of discounts. Secondly, assuming that it does not involve much difficulty in tracing the warrant, it will only be parted with by the holder of the bill, if he is paid the amount in respect thereof, which means the borrower has to pay before due date and thus lose interest. Financing of warehouse warrants can only be in the form of loans or cash credits. Whatever causes may create bills, they must solely rest on the respectability of the parties responsible thereon for their negotiability or circulation.

9. Taking the draft "Bill for the encouragement of the establishment of independent warehouses"* as the basis for consideration, I offer the following suggestions :—

(*i*) Although the Act should be an all-India enactment and rules made thereunder should be uniform in their application for the whole of India, the power to issue licence should be vested in the Governor in Council and not in the Governor-General in Council, which means unnecessary centralisation.

(*ii*) Some security should be required from each warehouseman depending upon the storage capacity of his warehouse. Security may be tendered either in the form of cash, fixed deposit receipts of a recognised bank, government paper, bonds of land mortgage banks, or in any other shape as may be prescribed.

(*iii*) The Act should provide not merely for the warehousing of agricultural products, but of other goods and merchandise also.

(*iv*) I have already pointed out the danger of permitting warehouse-keepers to trade in commodities or to advance against them. And the opportunity for fraud would further increase if he is also licensed to sample or grade or classify products. It may, however, be contended that inasmuch as the present *arhatia* combines in himself all the functions of storer, dealer and financier, it would inconvenience the people if their requirements are not satisfied at one and the same place, and they would therefore prefer to deal with him rather than have recourse to the new agency. This apprehension will prove unfounded. The financial and credit resources of the *arhatia* are none too great, nor are his charges small. The warehouse warrant is far better security than the present pledging of godowns and would enable *arhatias* to get much greater facilities at banks if they themselves resorted to licensed warehouses. Moreover, warehousemen can be permitted to be agents of recognised banks on whose behalf they may make advances.

*Mr. Madan's Bill—See Annexure I to the questionnaire.

But they should have no interest other than of being mere agents. Also in such cases warehouse warrants should not be issued, but held on behalf of the banks which advance. Issuing of warrants showing pledge should not be permitted.

(*v*) An exception to the above may be made in the case of mills, cotton ginning factories and industrial concerns which may be doing manufacturing operations on their own account or on behalf of their clients. The instruments of ownership should, in this case, be called delivery orders, as is the market practice. No such delivery order should, however, be entitled to the special protection provided by the proposed Act or command the same amount of confidence in its negotiability unless the mill issuing it obtains a licence to that effect, observes conditions laid down in the licence, and submits its working in this connection to State supervision.

(*vi*) The licensed warehouse-keeper should be permitted to do clearing and forwarding business.

(*vii*) In case goods warehoused are liable to excise or customs, the warrants in respect thereof should be so marked and should further bear the inscription "Not negotiable" in a conspicuous place.

(*viii*) The warehouse-keeper should make adequate insurance arrangements in respect of goods stored with him. Goods represented by a warrant should be considered as covered by insurance. Should, however, any party desire not to cover his goods by such insurance, his warrants should be so marked in a conspicuous manner.

(*ix*) It would be necessary to make some allowance for shrinkage in weight due to natural causes. Statutory provision may be made to this effect or discretion be vested in the certified graders to determine in each case the loss which would result in cleaning and by evaporation.

(*x*) The warehouse owner should be given a statutory lien on goods in respect of his charges for custody, insurance, clearing and forwarding, freight and duty paid, and sundry repairs to packing, wherever such repairs should indisputably be considered necessary. The amount of such charges should, however, be noted on the warrants, so far as they are known and ascertainable at the time of issue. The scale of such charges, so far as they relate to the services provided by the warehouse-keeper, should be fixed in the licence and also printed on the warrants. In the case of others, he should be bound to disclose whenever a holder of a warrant requests him to that effect. This protection should be extended to the delivery orders, which should further contain a note of the milling and manufacturing dues, if any.

(*xi*) The warehouse-keeper should be bound to note in his books transfers of warehouse warrants, or any lien in respect thereof, whenever a holder may so desire. If necessary, a small fee for such noting may be allowed.

(*xii*) Each warehouse-keeper should submit periodical returns to Government or as may be demanded of him for statistical or other purposes.

10. Other provisions of the draft Bill to which the above suggestions do not relate are wholesome and should be acceptable if the warehousing scheme is to satisfactorily function. The scheme will eliminate individual inconvenience and botheration associated with storage, lead to purification in quality, remove generality of abuses connected with present-day dealings in *mandis*, facilitate, cheapen, and quicken marketing operations and increase the acceptability of the underlying goods as security for advances which will make the grant of credit easier, simpler and less rigorous from the point of margin and remove the complaints about difficulties now experienced in getting bank accommodation, which, as has been shown, are more due to defective market organisations rather than to the unwillingness of banks to lend.

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Memorandum on income-tax and co-operative societies.

I HAVE carefully gone through the paper received from the Government of India in this connection and Mr. Kharegat's note thereon.

The issues to be decided are :—

(1) What should be called profit in the case of co-operative societies?

(2) Whether the profits should be exempt from income-tax?

(3) Whether profits distributed to members should be exempt from income-tax?

1. The profit of a co-operative society as of any other concern is the excess of income over expenditure. It is impossible to distinguish what portion of profit is due to the operations of the members and what part represents the results of the dealings with non-members. Interest on investments cannot wholly represent profit. Further, employment of funds in government securities may at times really mean loss. It will depend upon the rate of borrowing funds, the amount realised when selling, and the working cost in connection with such operations. If a co-operative society borrows, say, one lakh at 4 per cent. and invests it say, in government securities yielding 5 per cent., the profit in respect of the transactions, ignoring the incidence of cost, will be Rs. 1,000 and not Rs. 5,000 per annum. And this profit will be further increased or decreased by the difference between the purchase price and the market value on the closing day, which may be plus or minus. If, on the other hand, money is borrowed, say, at 6 per cent., and because of lack of suitable outlet in the slack season it is temporarily invested in government paper so as to get some return rather than the money lay idle, the amount of interest will be less than what will accrue to the depositor for the same period, and as such mean a distinct loss. All ambiguity, discussion and needless hair-splitting can be set at rest by recognising the commercial definition of the word "profit," *i.e.*, net result of the total working for the whole year.

2. In discussing the second issue there is no doubt that the underlying object in exempting co-operative societies from income-tax is to encourage the movement. I can find no other sound reason for such an exception. The argument that profits of these societies represent "overcharges to members" is of doubtful significance and validity. Moreover, credit societies must inevitably employ a part of their funds, at some time or other, in investments which do not come under the heading "dealings with members." On grounds of equity it is difficult to exempt co-operative societies from payment of income-tax. Further, as has been pointed out in the note supplied by the Government of India the concession, if granted, is likely to lead to evasion of the tax by wealthy individuals, who can form *benami* co-operative societies. In so far as the purport of the exemption is to develop the movement it is a different matter altogether and should be judged on its own merits. Moreover, in that case there can be no sense in excluding "profit" from a member's business but taxing interest on securities, which in some cases may actually make the position worse, *e.g.*, when there is no "profit" or when the "profit" plus interest on investments is less than the taxable minimum. I think the object can be more honestly and satisfactorily achieved by direct subsidy. And when determining the extent of bounty to any society the real object of the society, the amount of its annual profit, and the tax levied thereon may be taken into consideration. To provide funds for this purpose, income-tax collected from all societies registered under the Co-operative Act should be set apart to form a "Co-operative Societies Development Fund;" and to this any further contributions may be made as the state of government finances may allow.

3. The third issue is simple. Whether the payment of dividend or distribution of profit represents repayment of overcharge or not, it neither adds to the income of the member or reduces his expenses. In one case it is a positive benefit, in the other it is negative in character and represents saving. Exempting dividend warrants of co-operative societies from payment of tax is understandable only on the ground of giving an impetus to the whole movement. In those cases where capital of co-operative societies is obtained through shares, exemption of dividends from tax gives encouragement to larger subscriptions, because the real return to the shareholder is not the apparent amount of dividend, but the dividend plus the amount of tax which he would have otherwise paid. Exemption is thus in its nature nothing but the giving of a bounty.

If the total income of a member of a society exceeds the taxable limit he would normally pay tax on the amount of dividends also. But if such be not the case, his dividends will not be liable to tax, or if the tax is deducted at source it would be refunded to him. Therefore, it is only the well-to-do who really benefit from tax-free

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dividends. And although exemption of dividends from tax may be conceded on considerations of helping the co-operative cause, there is no reason why income from dividends should not be taken into account when determining the rate of tax.

To prevent abuse of this concession I think it would be better if the names of co-operative societies whose dividends it is considered necessary to exempt from tax are Government must decide from time to time which societies stand in need of this concession to make their working a success and notify their names. A society may be in a very flourishing condition or *benami* in character. There is no reason why the general notified from time to time rather than a general provision made in the Income-tax Act.

Interest received on fixed deposits or bonds of co-operative societies should be dealt tax-payer should be burdened to provide for this privilege to a *benami* society, for ultimately it is he who has to make good the deficiency. The purport underlying the deposits or the old age or resemble insurance, the benefit should not be associated with the location with in the same manner as dividends. Exempting them from tax really means in- of the deposits or the institution issuing the bond, but must be universal in application- - every person who makes a saving for this object should be entitled to exemption of tax on creasing their return and, to that extent, lessens the cost of credit to the societies. The purchase of bonds is not all germane to the question. If interest on investments interest received on such savings, no matter with what bank he keeps it or in what security (it may be debentures of industrial concerns, shares, etc.) he invests it. But even though several plausible arguments based on social and equitable principles can is to be exempted from taxation because the investments are to serve as provision for be advanced in favour of such an exception being made, its consideration is clearly outside our province.

Memorandum on indigenous bankers.

THE term is so wide and vague that it comprises every person dealing in money: from the lowest type, the *Kabuli Pathan*, to the most respectable form of private banker, the *sarraf*, and betwixt them various intermediate and mixed kinds, many of whom can be better described as merchant moneylenders. Obviously they cannot be all dealt with uniformly, nor can they demand equal treatment, and the Committee shall have to distinguish and lay particular emphasis upon the types of these bankers when considering the various aspects of the problem.

2. Broadly speaking, the task of the Committee in connection with the indigenous bankers is fourfold: to determine—

(*i*) whether there are any abuses in the present system of private moneylending in the province to justify enlargement of legal safeguards, and if so, the nature and extent of such protection;

(*ii*) whether the business of indigenous bankers has been adversely affected by the rise of organised banking activities, under which may be included the Imperial Bank, exchange banks, joint-stock banks and co-operative societies; and, if so, whether it is desirable, and if so, how to avoid such competition;

(*iii*) whether the indigenous banker is necessary for the carrying on and progress of economic activities, and whether his scope for work should be widened;

(*iv*) whether indigenous bankers should be linked in some organised manner to the modern banking machinery of the country so as to bring about a complete co-ordination of all the banking activities, and the best way of so doing.

3. As has been emphasised in the evidence there is no doubt that the lower types of moneylenders resort to practices which are entirely illegal. Besides charging usurious rates of interest the *Kabuli* and *Punjabi* ply their trade on the strength of the *danda* (rod). The village *bania* subjects the cultivator to exactions, commonly known as market charges, which the producer would fain keep to himself. Want of uniformity in standards of weight, particularly when the units bear a common name but denote different quantity, makes it impossible for the cultivator to determine the price at which his produce could be sold. The borrower is sometimes made to sign papers for a larger amount than is actually advanced to him. (This is not alway without the knowledege and consent of the borrower). And instances are not wanting when accounts are fraudulently manipulated to make the borrower pay more than what is due from him These are some of the objectionable features in the present system of indigenous banking. It must, however, be clearly noted that the complaint of dishonest dealings does not extend to the higher classes of bankers like *sarrafs* who are held in great esteem by society.

On the other hand, the lender experiences great difficulty in recovering his debt. Suits are prolonged for years and years. Insolvency is employed as a convenient instrument to defeat the claims of creditors. And the Hindu and Muhammadan law decidedly turn the scales in favour of the borrower as against the lender.

The physical force employed by *Kabulis* is obviously objectionable. Nor does he generally lend for productive purposes. His advances do not really promote the welfare of the borrower. But it is difficult to suggest any remedy excepting what the debtors already possess. We cannot possibly discriminate one community from another. Nor can a general ban be placed on the mode of their operations, which on their face resemble repayment by instalments and the hire-purchase system. There is the police to protect the public against terrorism and criminal use of physical force, and all that I would like to recommend is that attention of the police, magistracy and judiciary be drawn to the existing evil with directions to encourage all legitimate complaints, to be on the look-out for such cases and to mete out exemplary punishment to an offender.

4. The rate of interest is regulated by the risk involved in lending. In several cases where the interest at first sight appears exorbitant investigation shows it to be not entirely unwarranted by the circumstances. The method of getting borrowers to sign papers for an amount in excess of a loan is undoubtedly objectionable; but at the back of it there is the same element of very great risk of losing the whole principal. Laws governing usury are already in existence and should give protection in legitimate cases. If they have failed to give sufficient protection it only proves the futility of enactments which in actual practice are difficult, if not impossible, to operate.

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5. The Committee should recommend standardisation of weights and measures throughout the province. It should be a crime for anyone to use any units of weights and measures which are not certified by competent authority prescribed in that behalf. Market charges should be defined and the producer saved by law from paying unnecessary dues.

6. The question of correct and proper accounting is important; but here, again, it is difficult to suggest any further legal safeguards than what already exist. The only remedy consists in removing illiteracy of the masses who are unable to examine accounts or keep any note of their transactions. Any law designed to regulate accounting of private moneylenders will unnecessarily strain the relationship at present existing between the borrower and the lender, without giving any assistance to the former. A dishonest person will still find ways and means to manipulate his accounts and enter fictitious amounts. In fact, on account of the increased risk and botheration, he will raise the price of credit, by means fair or foul. The remedy will be worse than the malady. Hope of salvation lies in the acceleration of the co-operative movement, which alone can diminish the need for private borrowing. Until, however, such development is achieved, any tightening of the screw on the methods of the moneylenders, beyond the existing ordinary law of the land, will considerably curtail the slender source of credit available to the cultivator and thus handicap his production. All that we need to suggest is that when any crimes of this nature are detected the judiciary must impose the maximum punishment so as to serve as a deterrent for others; and, if necessary, the nature and extent of punishment may be enlarged so as to include a heavy penalty in addition to imprisonment.

7. Coming now to the complaints of moneylenders, there is no doubt that they experience tremendous difficulties in effecting recovery through courts. There is prolongation in hearing; all sorts of objections are raised by the defendant; there are appeal after appeal; execution proceedings are dilatory and troublesome; often during the execution of a decree suits are filed by the judgment-debtor's relatives saying that the judgment-debtor was not competent to mortgage or had no interest in the property which he was said to possess; and,—lastly, insolvency enables a borrower easily to defeat his creditors. All these proceedings and protractions not only mean vexation and loss but also increase the cost of litigation, which the plaintiff can but to a very small extent recover in law. The lender has to calculate the incidence of this cost when determining his rate of interest. The machinery of law was introduced with the laudible object of enabling parties to adduce all relevant material in support of their dispute; but, unfortunately, undue advantage is being taken and an entirely different meaning is being placed on these safeguards. On canons of jurisprudence it is not possible to recommend any fundamental modifications of the procedure at present prescribed for conducting suits, nor can the codified law be weakened. Equally objectionable would be the abolition of insolvency law. Efforts should, however, be directed to the simplification of the procedure without detracting from its legal value. There should be special judges to deal with commercial and monetary cases; and they should be equipped with wider discretion so as to minimize the abuses which prevail or creep in at the present moment. To safeguard against improper segregation or transfer of assets by insolvents the insolvency court should have special inspectors to investigate such matters and deterrent punishment should be awarded in the case of fraudulent practices.

8. Much good will result from the codification and reformation of Hindu and Muhammadan law in accordance with the conception of modern civil rights. No Hindu or Musalman has a right to complain of excessive cost of credit or of difficulty in getting accommodation as long as his law makes it impossible for him to give absolute certainty in regard to his title to the property offered as security or affords him ample opportunities to successfully employ dishonest means to deceive his creditors. I have personally known cases in which Muhammadan mortgagors have defrauded mortgagees by establishing priority of claims in respect of unwritten dower debts in favour of their wives. And instances are not wanting in which a mortgage executed by a Hindu father has been successfully contested by his brother or son. Reform in the law which makes this deception and fraud possible is most urgently needed. Any such change will, no doubt, be interpreted as undue interference in matters social and religious; but I am of opinion that the reform should be carried out in spite of such opposition. It has to come some day, and the sooner it comes the better.

9. The business of *Kabuli Pathans*, *Punjabis*, and the like who can be suitably grouped under the name of *Qistwalas* is of a peculiar nature and not affected in any way

by the progress of modern banking. If anything, their calling is more prosperous. The rise in the standard of living; the increased opportunities for spending on cheap articles of luxury; the decreasing margin between income and expenditure have all tended to make the unwary fall a prey to their machinations. Their activities have assumed such a proportion that they are rightly described as a menace to society.

10. The village *bania* continues to thrive. It is true that the development of co-operative activity has affected to some extent his moneylending business. But as he has two strings to his bow his trade in commodities gains in inverse proportion to the loss of his business as banker. In course of time co-operation will supply all the credit requirements of the rural population, and moneylending by the rural banker must greatly diminish and even disappear. He will continue to administer to the occasional credit wants of his neighbours much in the same way as there are private individual money dealings between any two people in the most advanced societies possessing full-developed banking systems. Being freed from the cares and worries associated with advances he should be able to devote much better attention to his commercial activity which will bring to him adequate recompense. It will, of course, not be possible for him to continue his privileged position as a purchaser of produce, which his financial operations and loans in kind make at present possible; but inasmuch as these cheap purchases are a result of his improper advantageous position and are not based on fair conceptions of credit their termination is in the best interests of society. It may also happen that with improvements in marketing organisation, and the founding of co-operative marketing societies, his trade in agricultural produce may diminish. No one should or could stop that. The *bania* must move with the times. He cannot hope to remain stationary; retrogression means natural decay, and his salvation lies only in adjusting his profession in accordance with the altered conceptions and circumstances.

11. The lot of the commission agent or *arhatia* has considerably improved with the development of banking facilities. Formerly, the extent to which he was able to advance to his customers pending sale of goods was dependent upon the accommodation which he was able to get from the bigger *sahukar* or *sarraf*. To-day, joint-stock banks and the Imperial Bank are willing to help him to a much greater extent. In Hapur alone banks advance to the extent of over fifty lakhs of rupees in the wheat season to the commission agents. The actual turnover is, of course, many times that. And all that money quickly passes on to the agriculturist. The extension of modern banking enterprise to places where it is not available at present will introduce similar advantages to the commission agents there. The convenience, ease, and security which the system of licensed warehousing will provide will induce banks to further increase the extent of credit facilities to the community. (See my remarks in my memorandum on marketing and warehousing.)

There is, however, one danger to the *arhatia*. With the enlargement of the co-operative movement, co-operative marketing societies are sure to come into being. And when that stage is reached the importance and necessity of middlemen-financiers will diminish. In those altered conditions he will have to concentrate on his business as a trader or resort to some other profession or re-organise his working or find a suitable method of alliance with the co-operative machinery.

12. The business of the *sarraf* has suffered. The modern banks do not shun direct dealings with traders who ere this relied upon the *sarraf* for accommodation. Anyone who is able to offer acceptable security can in general get credit at banks. Facilities for exchange and remittance operations which used to be a great source of profit to the *sarraf* are now offered by the banks at cheaper rates. People find it safer to entrust their savings to banks. The sources of gain to the indigenous banker have consequently been correspondingly reduced. Some have diverted their attention to trade and industry. The institution of managing agencies and *baniaship* of industrial companies are the outcome of this change. There are, however, still left many ways in which the *sarrafs* can serve as a useful link between the banks and the general public. Many people are unable to offer for accommodation the security insisted upon by banks. They can go to the banks through the *sarrafs*. The *Multanis* and *Marwaris*, for instance, have developed a bill-broking business to an appreciable extent, and they are considered in a sense indispensable to banks and people alike in the port towns. Indigenous bankers in our province can develop this side of banking enterprise also. Bills are destined to play a greater part in times to come. The acceptance business, which is greatly allied to the bill business, can be suitably undertaken by them. Private bankers thrive in the most advanced countries, and there is no reason why the Indian bankers should be less fortunate. They

must, however, be not oblivious of the changing times and methods of work, and should bring about those adjustments which are dictated by altered conditions.

13. To stop the organisation and development of banking on modern ideas simply because of the competition created for the indigenous banker, would be the most retrograde step imaginable : it would resemble the perpetuation of the bullock cart as a means of transport in disregard of quicker means such as railways and motor transport. Vested interests are always against progress; but time has invariably brought about the victory of improved methods and the public appreciation of the improved devices. If the indigenous banker wishes to continue his position in the economic life of the country he must re-organise his business, reform his method of work, and follow the modern tendencies in credit dealing, as his compeers in other countries have done. He must progress with the times or be wiped out.

13. The indigenous banker plays an important part in the economic life of the country. However greatly desirable it may be to expedite development of modern credit institutions the work will necessarily take some time. All that the Committee can do is but to sow the seeds : the growth will have to be patiently watched. And in the interval old sources of supply must continue which it will not only be most dangerous but impossible to stop. New machinery cannot be built in a day. It will have to be manned by people who know their job; and it will take time before they get suitable training and sufficient experience, unless, of course, the present private bankers merge themselves in the new organisations, which will expedite reform. But for that adjustment also we must allow some time. Even when a banking system, according to modern conceptions, has been completely evolved the need for the private banker will not entirely disappear. As explained above he will continue to be a link, and an important one at that, between a great body of general public and the modern banks. And his functions can be widened to include acceptance of bills, opening of commercial credits and guaranteeing the same, etc. His position will be something analogous to the bill-brokers and discounting houses in London, to which *Multanis* at present approximate—respectable and creditable in every way. The lower types of bankers will then have, of course, disappeared.

14. The business of a banker can be broadly divided into two parts—(*a*) to borrow money in the shape of deposits, on rediscounts of bills or in any other manner; (*b*) to lend money. The manner and extent of the former depends upon his capital, resources, respectability, credit in the market, and the way in which he uses his judgment when advancing. As he does not publish his accounts detailed information on these points is not possible; but the market does form some estimate upon which rests the supply of credit to him. If he were to publish accounts a more accurate estimate would no doubt be possible which, in all probability, will increase confidence in him and his resources excepting when his worth is grossly exaggerated. But the inherent danger of evaporating capital whenever it suits his purpose, as in all private enterprises, cannot be overcome. Whether and to what extent he would do this no one can say with certainty and it must be left to the individual judgment of those who supply him with money. The State would not be justified in taking responsibility to mould public opinion on this matter which may later inflict great losses on the creditors. By having control on his business operations we may be able to minimize the danger of loss to the public, but it will require the creation of a machinery which, in practice, may prove unwieldy and ineffective. Further, the private bankers are not willing to publish their accounts or submit to any outside control. We cannot obviously compel them to do so. And if at all any valid grounds be found which necessitate such an imposition we must in all equity impose similar restrictions on the activities of every private business man, discussion of which will take us into the realms or sociology. In individual cases Government may entrust the administration of a treasury or entrust treasury funds to a banker with suitable safeguards, but no general rule can be laid down. We cannot induce people to entrust their savings to him without getting necessary and acceptable guarantees. And it must be left to the public to select the guarantees they should ask for in each case. Similarly, a bank can extend a credit line to a banker; but the determination of the amount of credit should be left to the bank's judgment. The Reserve Bank, if it comes into being and is permitted to have dealings with private bankers, will subject his application to the same rigid test. If anything, in view of its responsibility to the country as the "reserve" currency and credit authority, it will be less liberal and more rigid. At present *sarrafs* are having large credit facilities at banks which in some cases actual investigations show are much more than their business or financial position warrants. Any curtailment which the community may have experienced of

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late can be attributed to their own deeds and methods which at times have involved banks in huge losses. A banker has credit limits at various banks, but no bank fully and accurately knows what accommodation he is getting at others or to what extent he borrows in the market. It is really surprising that these bankers have been getting large accommodation at banks so far. Under the present conditions enquiries concerning their capital and resources can be but imperfect. And if the complaint is true the remedy lies in the community. If they take the bank into confidence and disclose to it privately their assets and nature and extent of their business operations they will command greater confidence. In America, banks generally insist on an audited balance-sheet before considering a credit application. In Canada a person is not encouraged to borrow at more than one bank, Experience has proved that a borrower has nothing to lose but everything to gain from such procedure. And if indigenous bankers do not reform themselves on these points it may be safely anticipated that they will experience increasing difficulties in obtaining their credit wants.

16. The question of linking the indigenous banker as an integral part of the country's banking system is very important. In discussing it we cannot evidently take account of all the miscellaneous types of bankers or moneylending merchants or merchant-bankers, nor will it be possible to group them under a uniform organisation because of their great diversity in character and purpose. We should solely confine ourselves to those bankers who deal in nothing but credit. Mixing of credit and trading operations is most dangerous; and by making any suggestion to extend the credit activities of persons who do banking as well as deal in goods, or as it suits their convenience, merely because they come under the present definition of "indigenous banker," but to whom the appendix "banker" is really misapplied, we shall be propounding a most fallacious doctrine in banking. Their credit needs are, of course, entitled to the best consideration, but as merchants and not as bankers.

17. Now, coming to bankers real, there is no doubt that they have played an important part in the collection of surplus capital and supply of credit and exchange facilities; and, although their activities have decreased as a result of the growth of modern banking, they have not entirely disappeared. They possess knowledge, experience, personal contact, and traditions which are very valuable in any banking system. It will be a distinct loss to let them lie waste. They may not know English; but that is not of much consequence. It is the methods and principles of business which they know thoroughly that matter and not the language. And the suggestion made in certain quarters that no one should be allowed to be a bank manager unless he passes some recognised present-day examination in banking seems to be, to put the most charitable construction, the result of insufficient information or lack of appreciation of the methods and the competency of indigenous bankers.

18. We must recognise at the outset that as long as a person carries on his private business peacefully with unlimited liability, violates no laws of the land, and there are no abuses in his profession, there is no justification to subject him to any special legislation. Whatever complaints there may be against malpractices of moneylenders and usurers the class of bankers that we are now considering has been always held in high esteem and their business has been always aboveboard. Further, no demand for aid nor representation to look into the bearing of the development of modern banking on their calling has ever been made by them. They have all along desired to be left alone in peace. To impose any disabilities on them is uncalled for and will tantamount to undue interference in a lawful avocation. If, as a result of the competition of banks they find their business decreasing, they can only prevent it by recognising the superiority of the banks' services and reforming their methods to come up to their standard. And any measures that we recommend should be directed to placing before them the value of association, improved organisation and scientific and systematic working, leaving them free to accept any of them as and when it suits their convenience and purpose.

19. The various possible ways of co-ordination are :—

(*a*) The bankers should register their business as joint-stock banks, either of a private or public type, with limited liability. By reserving more than half the amount of the shares in the family the control and management of the bank can be retained in the family. But the working of the bank will be independent of the vagaries of their private fortune; whilst at the same time they will not be able to withdraw the capital from the bank for their private purposes. They will, of course, lose their individuality and

their business will take up a corporate character. There will be no question of joint-family obstacles, excepting possibly in the matter of shares; and, at the death of a director or a managing director, the appointment of a successor will be in the hands of the person controlling the majority of shares.

If a bank law is passed which requires previous permission before a bank can be incorporated it may not be possible for each family to start its own separate bank. It would obviously create unhealthy competition.

(*b*) A number of indigenous bankers can combine to form a joint-stock bank. This is a better way than that mentioned in (*a*) and will secure the co-operation of all the banking families in a locality as well as eliminate unnecessary competition. Shares in the bank can be allotted to the various families on the basis of the volume and importance of their respective businesses. Suitable members from each family should be taken on the staff. There will, however, be found a good deal of surplus man-power which the families concerned can profitably employ in other walks of life. On account of the separation of their private fortune from the banking business they will have many opportunities for so doing.

(*c*) They can organise themselves on the "Commandit" principle, in which the liability of one or more members may be unlimited. Such membership will naturally be reserved for the banking families principally concerned in the company, who will further be conceded the controlling interest and a share in the profits in view of their vast liability. In appearance and to all intents and purposes an organisation of this character will resemble joint-stock enterprise with the additional safeguard that so far as those particular members are concerned their private fortunes will be liable to make good any short fall after the whole "limited liability" capital has been exhausted. Registration on this principle is permitted by section 70 of the Indian Companies Act which, however, will have to be amplified in banking law. It should be possible for a number of families to combine in such a bank and thus remove competition. I personally favour this form of co-ordination, which retains the best features of the old and the new methods. The personal element and responsibility, in addition to the safeguard provided in the bank law, should give a tremendous push to the banking movement, and at the same time bring in the co-operation and the wholesale support of the indigenous banking community. Two of the biggest "D" banks in Germany are registered on this principle.

(*d*) They can be agents of joint-stock banks; or a sort of silent partnership may be established between them and banks on "Commandit" principles as is very common in Germany. A bank instead of opening a branch will enter into an arrangement with a banker to supply him with funds up to an agreed amount, in case of need, over and above his resources and local deposits; to divide profits in a pre-arranged manner; but in case of loss to hold him liable, or at best to pay not more than a stated proportion or amount of the loss. The advantage to the leading bank of enlisting support of local knowledge and connections and at the same time of limiting liability is obvious. Apprehensions are raised that in these cases no proper control can be exercised as in the cases of branches and the value of advantages may in actual practice be less than what is attributed. The fact, however, remains that the system has continued in Germany for over 70 years.

This arrangement will, however, depend upon banks. No one can compel them to entrust their agency to any particular banker or enter into any partnership. An obvious dictum may, however, be laid down that before any such relationship can result, it will be necessary for the indigenous bankers to satisfy the banks, about the solvency of their position and their capacity to do business, as well as permit them to examine their accounts and exercise some control on their operations. Unless indigenous bankers agree to these preliminary conditions no bank can entrust them with the use of its name and all that it connotes. It is not possible for us to discuss what the details of the arrangement should be, which will depend upon the variety of circumstances concerned and must be left to the contracting parties to determine in each individual case.

20. Any of the above methods of organisation will entitle indigenous bankers to the same privileges which are now or may hereafter be available to any bank registered in India—and, naturally, they will be required to undertake the same sort of responsibility and obligations. Also they can engage in any sort of banking activity.

In case, however, the indigenous bankers do not adopt any of the above courses which are open to them without any hindrance, let us see if there are any other possible means. On account of the aggregate magnitude of their financial operations they are, no doubt, important components of the money market; and they will continue to influence this sphere whether they reorganise or not. But the case and extent of such influence

will necessarily depend upon their strength and solidarity and the price they have to pay for their resources. And it is from these points of view that we have to explore the alternative arrangements.

21. The most important suggestion in this behalf that has been made so far, is to have a system of registering and licensing indigenous bankers. Any demand for registration to be effective must be based on some privileges which it will carry. Also it cannot be open to all and sundry. There will be certain conditions precedent to such registration which a person will have to satisfy, and also certain obligations which he will have to undertake before he can be put on the register. If it were not so, people will simply flock in to participate in the privileges, which is clearly unthinkable because of their limited availability. And the terms and conditions will obviously relate to definition, nature, and extent of business, capital invested therein, and scrutiny of accounts. We cannot possibly exclude the last, because that will make the correct determination of the first factors impossible as well as lead to deception, fraud, and undue advantage being taken of the licence. Will the banking community agree that their applications should be subjected to this kind of examination? The answer is in the negative. And if a member were to agree, will he not rather wish to have recourse to one of the four methods mentioned in paragraph 19, which offer him much better opportunities of expansion and profit, and the same time do not impose greater restraints? The concessions which registration can allow will be in the nature of preferential treatment in rates of exchange and discount at the central bank, be it the Imperial or the Reserve, or in regard to the deposit of government funds and limits of credit. In none of these matters can he claim priority over joint-stock banks, and his application will have to be subjected to the same, if not stricter, test than in the case of banks, because of the ease with which money in his case can be fraudulently withdrawn. Moreover, the margin in exchange transactions is every day diminishing and the credit limit is a matter purely of discretion, for which it is impossible to lay down fixed rules. On analysis, therefore, the privileges may be construed by the community to be at best of uncertain value, which it will not be worth their while to exchange for the present freedom of business, under which also the deserving do not find it difficult to get the best of treatment, both in rates and limits. Thus registration will simply create a superfluous machinery of which little or no advantage will be taken in actual practice.

22. The next suggestion is that the Reserve Bank should be a[illegible]ed to accommodate indigenous bankers. There is nothing objectionable in this. [illegible]ent-day exa[illegible]odation will have to be in the form of discount of bills. The Imperial Ban[illegible] result of its at the present moment. The determination of the extent of credit to any[illegible]etency [illegible]al will rest with the Reserve Bank authorities. If the bank thinks that for the proper appraisement of the credit position it must look into the accounts of an applicant no one can say it should not. We have, however, to consider whether the price and extent of credit should be the same as to the banks. The bank will be the depository of surplus funds of banks, a certain percentage of whose deposits will, by law, be required to be lodged with it. No interest will be paid on these deposits. It will be clearly a piece of injustice and inequity if the same privileges in rates and limits are extended to private bankers, unless of course they undertake the similar obligation of maintaining minimum amounts of interest-free deposits, which the Reserve Bank may fix in each individual case. If this is not agreed to a difference of a half per cent. at least must exist between the rates of interest charged to banks and indigenous bankers. In any case the matter is purely for settlement between the individual members and the Reserve Bank upon which it is impossible to legislate except in a permissive manner.

23. The last course is that banks should afford increasing credit facilities to *sarrafs*. As explained above, this is operative at present; and any extension in such facilities must purely be a matter for arrangement between the parties concerned. No statutory rules can be laid down. It may, however, be repeated that if banks combine to lay down a procedure that no application for credit will be considered unless the applicant discloses, in a written statement, full particulars concerning his financial position (for which there are precedents in other countries and which must be introduced for the safety of banks) the bankers will have to abide by such a condition or else their resources will diminish. We may stress the scientific nature and importance of this change, which will further be to the better advantage of the banking community, and entitle them to greater consideration at the hands of the bank when fixing credit limits.

MR. B. T. THAKUR.

Nothing begets confidence more than confidence itself and confidence is the essence of bank credit.

24. I have discussed, in detail, all the possible means of connection and co-ordination. The conclusion is that, although there are several ways of bringing this about, the voluntary character of each is obvious and has to be emphasised in the Committee's recommendation. Legal enactment is only possible in the case of credit at the Reserve Bank; but then it can be only permissive in its nature, and no law can be made that A, B, or C should have so much credit.

Memorandum on the savings and investment habit.

The amount of private savings depends upon the margin between earnings and expenditure. In the case of the masses there is no such margin; on the contrary, they are heavily in debt. Illiteracy and wasteful social customs are a great handicap on the savings habit. Efforts to promote primary education and reform social customs must assist in the solution of this problem also.

Currency and Gold Certificates.

Apart from these social defects, there are very important reasons why the savings and investment habit is so undeveloped and slow in its growth. First and foremost is our defective currency system. Although one can always tender gold and receive rupees in lieu thereof, the equal and opposite obligation of giving gold against rupees has never been recognised by the currency laws of the country. This has put a premium upon gold as compared to money, in which alone can savings be expressed. This has been further accentuated by wide fluctuations in the price of the yellow metal and a sort of social *quasi*-religious sanctity associated with the use and accumulation of gold. People are never certain that the price of gold will remain stable. A fall in gold prices is regarded as a precious opportunity, not likely to recur, to hoard gold as a store of value. When prices begin to rise there is a natural desire to buy as much as possible at the lower level. In the days when silver prices were high the demand on the white metal for the purposes of investment and social distinction was much higher and the hoarding of silver rupees was also greater. But with the falling prices a decrease in its consumption in these respects is noticeable. Silver is no longer regarded as a store of value. And we can safely anticipate that a portion at least of the amount which under the former circumstances would have been invested in silver, will now be utilised in making gold purchases. This will put further pressure on gold hoardings and to that extent decrease its availability for monetary purposes.

Gold certificates are the only device which can possibly wean people from the wasteful habit of gold hoarding. Possession of gold gives no return to its holder. If he can be told that if he handed his gold to the banks or Government, for a number of years, it would be returned to him in increased quantity, he is sure to accept the arrangement, which would further free him from the care and worry of its safety. If gold prices are stable, to which the Government must direct its first attention, it is immaterial whether people hand in gold or money, because they will be convertible at a fixed ratio, and the gold certificates can be issued against deposit of money also. The holder of the certificate will be entitled to demand at maturity gold or cash, as he chooses with the original amount increased in a pre-arranged manner. The rate of increase can be graded so that the longer the lodgement continues, the higher will be the yield. To make the promise of increase realistic the certificates may be expressed in money as well as in weight, e.g., if the rate of increase be 2, 3, 4 and 5 per cent. in the first, second, third and fourth years, respectively, a certificate representing the deposit of 100 tolas of gold or its equivalent amount in cash at the prescribed rate of conversion, can be marked as payable in 102, 105, 109 and 114 tolas of gold, respectively, or an equivalent amount in cash, the option being reserved to the holder to choose the medium of repayment.

The market price of gold varies between the gold points and, as such, it will not be possible to fix a uniform rate for conversion when receiving and repaying gold deposits. People will take advantage of the difference between the conversion and market rates whenever possible. To prevent this, under normal circumstances, cash tendered in lieu of gold will have to be accepted at the higher rate and the withdrawal will have to be computed at the lower. Although these maximum and minimum limits should be noted on each certificate the authorities should be at liberty to offer a better rate, which will lie within these limits; and the holder could not complain, because that will be to his advantage. In general, such adjustment would be necessary, so that the actual rate of conversion would approximate to the market rate. It may be that due to changes in the conversion rate there may be in the end some loss on adjustment. Such loss would, however, be small, and its possibility can be suitably covered when framing the rates of interest or increase.

All the gold that is received will have to be conserved for currency purposes. Additional currency issued on the strength of gold deposits can be used remuneratively, which will bring a greater return than that allowed on the certificates. If deposits are made in

cash it will be necessary for the Government to purchase gold, so as to be prepared to meet withdrawals in kind, if so demanded. But currency can be issued against such gold purchased; and consequently, the capacity of the deposits to be employed remuneratively will not be interfered with. The actual working of the system of gold certificates will, however, demonstrate that there will be both cash and gold deposits and that there will always be a workable proportion between the two parts, and that repayment would not be always demanded in kind. When few withdrawals have proved the capacity of the Government to meet its obligations there will generally be renewals of certificates excepting in genuine cases where repayment is required by the financial position of the holder; but such cases could be easily met by the fresh deposits.

To make the certificates fully attractive they should be made negotiable, *i.e.*, transferable by endorsement.

Government should be able to issue certificates through selected post offices. Some arrangement about a preliminary test pending fuller assay at the mint will have to be established—something like the present test on the touchstone adopted by the *sarraf*. Guaranteeing and testing *sarrafs* can be employed. A nominal charge for gold not having the recognised stamp of fineness may be prescribed to defray assay expenses, or its incidence may be taken into account when calculating the rate of interest.

It has been suggested by implication that banks could issue gold certificates. They will, however, be unable to render any services in this behalf unless they get the counter-assurance from the currency authorities about the conversion of gold into money and *vice versâ*. Until this is possible, banks may be utilised as an agency by the Government to handle this kind of business. A small commission may be allowed to them.

From the theoretical aspect, when currency is stabilised on the basis of gold, *i.e.*, when money and gold are convertible into each other, the rate of increase on gold certificates will have to be in conformity with the market rates of interest. Any divergence between the two will lead to investments in the channels giving the better yield. But from the practical viewpoint, it will be possible to offer a much lower return in the first years of their inception, though gradually such rate will have to be approximated to the general rate of interest. By then, however, the habit of gold investment and gold hoarding will have considerably diminished.

Confidence in Banks.

In spite of the growth of banking on modern lines it will not be untrue to say that banks do not enjoy absolute confidence of the public. And, unless we are able to devise measures which will assure depositors that their savings will not be recklessly dissipated by bank authorities, the mobilisation of the country's savings must necessarily be a very slow affair. At present there are auditors who, under law, must examine bank accounts; but bank failures have shown how unavailing is their task. A bank may keep its books in order, but the condition of its advances may be rotten. The proportion existing between the different kinds of assets may be too dangerous or its loans may be locked up. The best of audit at the present moment never worries about these points, nor does it judge the work of a bank from the standard of the best canons of sound banking. To scrutinise bank accounts correctly and carefully, auditors must know the principles of banking and possess practical experience of actual working inside the bank and contact with the market conditions, and all that happens in the *bazar*, which unfortunately they do not. And they are in the pay of the banks, which means that the continuance of their office depends upon the sweet will of their directors, and as such the instinct of self-interest is likely to influence them to accede to the wishes of the directorate, at least up to the point to which they can safely go without violating the law. It should be far from me to condemn the profession of audit wholesale; but instances are not wanting in which the auditors have both knowingly and unknowingly assisted bank directors to manipulate accounts and present false balance-sheets to the shareholders.

Under the present circumstances depositors have no voice in the management of banks. Their stake is many times greater than that of the shareholders. It is true that there is no precedent in the history of banking for giving representation to the depositors on the bank directorate; but in view of the fact that Indian bank directors are openly accused of being representatives of borrowers, it will accelerate the progress of credit institutions if they have a say in the management of affairs.

Confidence is the essence of banking and must be fostered in every possible way. We must have a bank law on the model of what other countries have instituted in the

interests of depositors. I am not sure whether it is within the Provincial Committee's province to deal in detail with this problem of "Bank Law," but a few brief suggestions will not be out of place. The law should provide for—(1) Minimum capital in relation to the territory or area which a bank is to serve; (2) capital to be paid up, at least up to 50 per cent. before the bank can commence business; (3) compulsory building up of bank reserves by setting apart a prescribed percentage of net profits every year; (4) maintenance of a minimum cash percentage in relation to the nature of deposits; (5) composition of advances so as not to endanger the liquidity or solvency of business; (6) maximum limit on individual advances; (7) publication of monthly statement of accounts; (8) statutory representation to depositors on the bank's directorate, particularly to those who give time deposits; (9) lodgement of compulsory security with the Government or the Reserve Bank in proportion to the paid-up capital; (10) provision for examination of bank accounts by special government examiners in addition to the present system of audit.

Examination by Government will give the maximum of assurance to the depositing public. When the mere fact of the Imperial Bank being government bankers has vested it with prestige and inspired confidence in its working, the actual scrutiny in the affairs of every bank by Government is sure to increase public confidence. The rapidity with which deposits of co-operative banks are increasing can be accounted for only by their being audited by government inspectors and clearly indicates what effect such examination will have on the progress of general banking. I should, however, make it clear that such examination should be conducted by persons who are practical bankers and should not be of the usual red-tape type. It should not give undue attention to or place undue emphasis on points which are of no consequence, but should be directed to essentials.

Means to facilitate Savings.

The scope of the Post Office as a deposit institution could be usefully enlarged. Not only should the limits imposed upon the annual deposits and maximum totals permitted in savings banks accounts be sufficiently increased, but depositors should be permitted to open cheque accounts. No interest should be paid on these accounts. The German post offices have developed a very large business in current accounts, and thus appreciably assisted in the task of credit construction. There is no reason why Indian post offices should not render similar services. Banks are, however, likely to oppose this; but one fails to understand what sound arguments they can adduce in support of their contention. With the introduction of government inspection of banks they will command the same amount of confidence and prestige as the post office savings banks and the latter will really attract those people as customers who would ordinarily not bank at all. Even assuming that a portion of deposits is diverted from banks to post offices, it would to that extent relieve the Govenment's pressure for money on the market and leave the net sum for bank consumption undisturbed. Government borrowings are only objectionable if they are for unproductive purposes; but if that be not the case the economic activities will not be affected in any way. Moreover, the quantum of money in the market remains the same whether it remains with ordinary banks or with the Government, for, in the latter case, it would be available to the market through the Reserve Bank or the Imperial Bank. Should it, however, appear that large sums are deposited in the post offices, more than what the Government actually need, the excess could be passed on to banks as short loans on the security of government paper or debentures of land mortgage banks. Further, we can lay down maximum limits on current accounts and levy charges if the balance and turnover exceed the maximum limits. A minimum balance, say, Rs. 100, should be maintained by each current depositor, so as to ensure some benefit of free money to the Government, to compensate them for the cost of up-keep of accounts. A charge, say 3 per cent. per annum, on the deficiency in the minimum balance should be fixed to meet expenses in respect of accounts which are unremunerative.

Post offices should also issue a "Home Savings Safe" on small deposit, as is the case in England and with some banks in this country. This assists in the formation of the habit of thrift in the young age. It would be a great inducement to postal savings if the account could be given protection against attachment by courts in satisfaction of decrees. Post office rules in Scotland allow such a protection. There is nothing objectionable in principle. It merely amounts to regarding them as "trust accounts." To prevent undue advantage being taken of this facility a maximum limit of a few thousands may be fixed up to which attachment should not be permitted; and amounts over and above the limit should not be entitled to the "trustee" protection. Also it should be

possible to open accounts in joint names, payable to either or survivor, both in the savings and current branches. I have also suggested in my memorandum on internal remittances that the post offices should issue Travellers' Letters of Credit.

The postal cash certificate is an attractive and popular investment and should not be terminated or restricted. In fact, if possible, the agency of banks should be employed on a commission basis, to popularise their sale. The rate of interest is sufficiently high and should not be further increased. If anything, it should be lowered so as to be in conformity with the deposit rates of banks. This might detract from its attraction, which could be counterbalanced by increasing its popularity. It should be made negotiable with the limitation that no single individual possesses at any one time more than the maximum amount laid down in the rules. Such limitation may be waived in favour of banks when the certificates are transferred to them by way of security for loans. Transfers from one holder to another may be registered with the nearest post office, without any charge.

Municipalities can open savings banks departments with advantage. Their hours of business may be so arranged as to suit the convenience of those classes whose hours of work clash with those of post offices. Also they may be established in those areas of a town or city which are not in the vicinity of a post office. We might have "movable" municipal savings offices, which will work in different localities, on different days of the week. It will be necessary to lay down rules governing such accounts and the employment of such funds. Some people apprehend that the municipal councillors are not competent to be entrusted with such functions. I personally see no special difficulty; but, having regard to such misgivings, suggest that an experiment with all possible safeguards may be made at Cawnpore and the future policy in this behalf should be based on the experience thus gained.

It should be possible for depositors to write and sign in vernacular when operating on their accounts. In our province Hindi and Urdu should be the recognised vernaculars for this purpose. This should extend to the post office accounts also. Banks may keep accounts in any language they find convenient and not necessarily in English. If banks which keep their books in English can issue pass books in the vernacular to those clients who do not know English that will surely add to the attractiveness of dealings with banks.

Cheques by which withdrawals can be made from current accounts are exempt from stamp duty. But payment of savings and fixed deposits are usually receipted with an anna stamp—though ways have been found to circumvent the necessity of withdrawal in the form of a receipt. It is desirable to abolish the stamp in the case of receipts for receiving money from banks in respect of deposit accounts.

If the fixed deposit receipts of banks are made negotiable it will add to their popularity and utility. Banks give more interest on time deposits; and people will increasingly put their money in such deposits provided they are able to sell deposit receipts in the market, if they happen to need money before maturity. There is nothing objectionable in this because so far as the banks are concerned, they will continue to hold the money for the full period originally entered in the deposit receipt. It is immaterial for them whether A is the depositor or B. As a corollary it follows that deposit receipts will begin to be required in various denominations to facilitate sale. It might be said that such a convenience would tend to fraud, because stolen deposit receipts might be passed on in the market with forged endorsements. But the risk to the depositor would not be greater than what it is to the holder of government promissory notes. Every purchaser will have to be sure about the identity of the person from whom he is buying and his competency to sell. Moreover, this facility will be only permissive in its character; if any depositor wishes to restrict negotiability the banks will have merely to add the word "only" after the name of the payee and mark similar instructions in their books. In Italy deposit receipts are transferable by endorsements.

Investment Habit.

The habit of investing in stock exchange securities is appreciably developed in the industrial centres. But still the field is very undeveloped. The Indian Companies Act requires to be remodelled in the light of experience gained of its working, which unfortunately is not wholly encouraging for the promotion of the investment habit. The Act is not tight enough, and directors can deliberately do acts of commission and omission with impunity. Reform on the lines of the amended English Act is overdue and should be attempted at the earliest possible moment.

Mr. B. T. Thakur.

A provincial stock exchange will facilitate dealings in shares and securities, particularly relating to the companies incorporated in the province. As it is, there is no regular market where these shares can be bought or sold. Establishment of this institution will, however, be only possible when there is sufficient business available. Until then banks will have to cater for such services. They could strengthen their departments with success—in fact, as in Europe, the agency of banks could be utilised to popularise the security habit. The banks will further carefully scrutinise the affairs of companies before advising their customers on any particular investments. At present banks are charging commission for purchasing and selling shares over and above the brokerage claimed by brokers, to whom the banks pass on orders for execution. The practice of charging clients a single commission and sharing it between banks and brokers, as is prevalent in London, should be introduced in the mutual interests of all concerned.

Memorandum regarding the methods of finance of foreign and home trades.

A Letter of Credit is an undertaking given by a banker to the seller of goods holding himself liable to pay the amount of bills drawn in respect of shipments and under terms referred to in the letter, if the drawee, i.e., the purchaser of goods, did not pay the bill on maturity. The letters are issued at the request of the purchaser and as such the responsibility for finance from the moment of despatch falls upon him. This practice generally prevails in the case of Indian exports. In the case of imports, such letters of credit are rarely issued and the foreign seller has to arrange himself for the necessary credit. In both the cases, bills employed are generally usance bills, i.e., the purchaser is given time for their payment—one to six months (generally three months)—after their arrival. He has, of course, to accept the bills, i.e., sign across the bills and say that he will pay them at maturity. It is a matter of arrangement whether the bills of lading, invoice, insurance policy, etc., accompanying the bills should be handed to him on acceptance or kept by the holding bank until the payment of the bills. All respectable firms are allowed the facility of getting documents on acceptance (usually known as D./A.). They clear the goods, store them and sell them whenever convenient, and on the due dates meet the bills. When documents are deliverable on payment (known as 'D./P.) banks clear goods and store them and make deliveries on getting payment of the bills. If the purchaser wants delivery before the due date, he must also retire the bill in advance; but to compensate him for loss of interest due to earlier payment he is allowed some rebate. It happens sometimes that the bank delive documents on its own responsibility to the drawee under a trust receipt, whereby he ndertakes to hold the goods on trust pending sale and to pay in the proceeds of the sale to the bank.

Coming to the finance of inland trade, the system of letters of credit is practically non-existing. Nor are usance bills a normal feature of financing the purchases. When goods are railed from one place to another the seller generally draws a demand *hundi* on the buyer and negotiates the bill through his banker or bank. Whether he succeeds in his attempt to get credit on this bill depends entirely upon his financial position and respectability. He usually does not get any assistance from the purchaser. There are some instances in which purchasers open credits in favour of *arhatias* for large purchases, but they are not a normal feature.

Memorandum on credit facilities for small-scale urban industries.

The town artisan is exploited by his financier much in the same way as his brother farmer in respect of his work in the field. And the remedy for his uplift lies in the same direction, *viz.*, co-operative credit. If the artisans of the same profession or locality combine and offer collective responsibility for accommodation they will have a much better chance of success than if each went about individually. In fact, it should be easier for the artisans to organise themselves than for the peasonts, because in this case their assets are more tangible and the time occupied in production is much less.

The credit requirement of an individual artisan is not much. He wants short-term loans to be able to buy raw material, turn them into finished goods and then repay his debt from the sale of such goods. If he paid for the raw materials in cash, he would buy them cheaper. An easy and cheap means of finance will increase his holding power and not leave him entirely to the mercy of the purchaser. And if the rate of interest is not usurious, its incidence on the cost of production will not be much; and the reduced cost should create a greater demand. Further, the artisans' position can be materially improved if they resort to co-operative buying and selling.

In these days of mechanization artisans should be able to take advantage of improvements in their tools or employ small machines to increase their outturn. The electrification of the province should provide them with cheap motive power which should obviously assist them in increasing their production. It may be that the cost of such plant and machinery may, in some cases, be beyond the individual means of a single artisan; but if that be the case, a number of them can combine to make a common purchase, using the machine and tools by turns, and so the problem should not be difficult of solution. The system of hire-purchase is gaining ground every day, and this should further make it easier for them to provide themselves with improved means of production.

The financial needs of artisans can be easily satisfied by industrial credit unions started on the Schulze-Delitzsch principle. Under this system the liability of each member is limited to the value of his shares. The value of each share is generally fixed at a comparatively higher figure, but payment is accepted in small instalments at intervals. The idea at the back of this arrangement is to impose a compulsory savings habit as a test of membership. We can fix the value of such shares at Rs. 50 or Rs. 100, the payment to be made at the rate of a few rupees, not more than five, per month. Ordinary citizens should be encouraged to be members and help the movement by their association. There should be no difficulty in gaining their support because the liability is limited to a paltry sum. A contribution of a few hundreds in the promotion of a benevolent cause is nothing to them but their patronage and guidance should prove of much greater value.

The industrial credit unions should be co-ordinated under central industrial credit societies, constituted on the limited liability principle. Their shares should be open for subscription to the unions and the public. The central societies should supply funds to the unions over and above what they are able to arrange themselves. By law, they should have supervision over the working of the unions. And the central societies should be linked to the general banking system by being affiliated to the provincial industrial bank, if there be any, or to some commercial bank by a working arrangement.

The joint personal security of two or more artisans should be enough for the purpose of advances to artisans. If any further be needed, an Act could be passed legalising priority of lien over the artisan's goods in favour of credit unions, and through such unions in favour of the higher organisation, as is suggested in the case of agricultural credit unions. The unions can be made to handle marketing operations in addition to the providing of credit. The arrangement would be the same as suggested in the case of marketing functions of the agricultural credit unions: the pressure of marketing finance can be passed on to the commercial banks.

It should be considered whether the responsibility for the organisation and supervision of the co-operative industrial credit system cannot be better entrusted to the Director of Industries. It is just possible that because the industrial and agricultural sections of co-operative credit are administered by the same department, the latter has been given greater preponderance and no adequate efforts have been directed to the development of the former. Separation of the two branches should enable each to receive its due attention.

MR. B. T. THAKUR.

[The Provincial Committee should be able to deal with the descriptive part of this problem thoroughly. It is purely a provincial affair. We have the facility of the published reports dealing with the moment. The Oakden Committee dealt with the question in detail and its report should naturally assist us in our task. We have to examine the defects pointed out by them and see how far they still continue, and why it has not been possible to overcome them completely. The efficacy of the remedies suggested by them may be studied in the light of the experience and results of the last few years. Mr. Kharegat's note is a valuable contribution. And our co-member, Mr. Upadhya, should be able considerably to help us.]

There is no doubt that spread of education and reformation of social customs and habits will greatly accelerate the movement. Increased interest in the movement on the part of the well-to-do non-officials and the active propaganda and co-operation of the local officials should lead to an earlier accomplishment of the objective. But we must not forget the fundamental and basic fact that no one could be given any loan unless he has means, either present or future, to repay it. If his productive power is not sufficient to maintain himself and his family, obviously he has no margin to liquidate his financial obligations. There must be some excess of income over expenditure with which to repay debt. If the economic value of the peasant is too low to enable him to obtain the barest necessities of life, his economic disease does not wholly lie in want of credit facilities. Disabilities due to fragmentation of land, marketing defects, seasonal unemployment, etc., must be first attended to before his credit requirements can be satisfied or do any good.

Under the present circumstances, when the demands on the slender resources of the farmer are so many, there can be no wonder if he is not able to pay punctually instalments in respect of advances taken from the co-operative credit union. Obviously, no credit institution can hope to succeed if its advances are not regularly repaid or are allowed to become excessively overdue. Some means will have to be found to lower the appalling extent of the present day arrears. His only assets consist of the crops and other farm wealth. Control on this property, its disposal and proceeds, appears to be the only way in which he can be compelled to be punctual. He will perhaps find this irksome and objectionable. But this cannot be helped. There is no other way. And, further, it would save him from the tyranny of the village *bania* in respect of his past debts. Under the present state of their development the co-operative banks cannot possibly sufficiently assist the farmers in repaying their past debts to the village moneylenders—eventually they might succeed, but in the first stages it will require them to conserve all their resources to meet their running credit wants. In the interval peasants must be protected by law from the harassment of their creditors. At the same time, it is unthinkable that their creditors should be deprived of their money. A sort of partial moratorium will be necessary, i.e., repayment should be by instalments. Settlement of old debts at a reasonable figure should not be impossible, if the good offices of the local people, officials and co-operative departments are employed. The farm wealth should be considered as under the lien of the co-operative societies, who should further look to the marketing of the produce. I have suggested in my memorandum on marketing and warehousing how this can be easily brought about. From the advance during the pendency of sale or the sale proceeds a portion must be paid by the society to the farmer's creditors. The *bania* has waited so long that he can and should very well wait longer. The rate of interest should be lowered to a reasonable figure. And we should be careful to see that the sources which now enable the farmer to meet his financial obligations do not get lessened nor does his expenditure increase over the present level.

Unless there is control over the crops and farm wealth of the peasant there cannot be any certainty that the loans from the co-operative credit societies will not be dissipated or the surplus income from the sale of produce will regularly return to the societies to repay loans after the real object of credit has been served, which is essential for the proper functioning of the whole system. The personal liability of two or more farmers together with the unlimited responsibility of the unions would have been a quite sufficient security had our people been educated, appreciative of the benefits of the movement and economically not so backward. But our case is different and we have therefore to alter the basic conception and strengthen the security by giving a general mortgage by law to the societies over the farm wealth. The English Agricultural Act allows such a mortgage. The law there, for fraudulent disposal of crops once they have been

pledged, is very rigorous. And we shall have to introduce a similar safeguard to save societies from losses due to fraud. In fact, if the marketing functions are also taken up by the credit society, the danger of fraudulent disposal will be greatly reduced.

It may be argued that because the co-operative movement is not fully developed to meet the credit requirements of the whole cultivating community such an enactment will stop other sources of supply of credit. If there is really this danger we may enforce or introduce the law gradually, starting with a lien over a certain small percentage, say 15 or 20 per cent., of the crop and farm wealth, and then slowly increasing it as the capacity of the co-operative credit organisation increases.

Another suggestion that I have to make is with regard to the central agricultural bank. The province must have an apex bank to co-ordinate the activities of all the members of the system and give strength to the whole movement. It should supervise the working of each member, give advice wherever necessary and examine their accounts. It will link the system with the banking organisation and the money market. It will be the easiest conductor for passing on the marketing-finance pressure to the commercial banks. Although some of the district and central banks may be able to establish contact in their individual capacity with the Imperial or commercial banks, they can never be sure of continuity of support; nor will they get any special treatment or advantages of guidance and supervision.

Examples of other countries, their experience and logic of facts all point to the advisability of having a special bank. The bank should be started on the joint-stock-*cum*-co-operative principles. The capital should be open to the general public, banks and the member banks. The dividend should be limited to 6 or 7 per cent. cumulative preference. Special efforts should be made to enlist the support and co-operation of the commercial banks. They will bring in the requisite administrative and banking ability and guidance which will enable the bank to work on strict credit principles and prevent it from adopting non-business principles. Their association will facilitate contacts and arrangements with other banks and the market. If they are fully conversant with the inside condition, it will be easy for them to give their own financial support in times of emergency. The bank should be able to deal with the central bank of the country where it should have large credit facilities on the security of its general assets. Further, its bills should be admissible for discount at the reserve bank and an exception as regards the period of bills should be made, which should be six or nine months, instead of the usual three months in the case of trade bills, as is provided in the Federal Reserve Act of the United States of America. Of course, to preserve equilibrium in the maturity of the assets of the reserve bank only a limited percentage of bills in its portfolio could have longer maturity than three months; but even then the provision should be of material assistance. The bank should also join the country's clearing system. The bank should be incorporated under a special provincial charter. Full particulars concerning its constitution should be laid down, and provision should be made for periodical inspection of the bank's affairs.

Agricultural credit in every country gets some sort of subsidy. There is greater need for bounty and concessions in this country because the general level of interest is very high. The interest which the members in most of the cases have to pay is in the neighbourhood of 15 per cent. This is really exorbitant and I would even call it usurious. The fault, however, does not lie with the societies because they have themselves to pay a high price. It would be unthinkable in other countries. Agriculture, where the margin of saving is very little, can never bear such a heavy charge. In France, in order to cheapen agricultural finance, the bank of issue (The Bank of France) was compelled to advance 40 million gold francs (roughly £2 million), without interest to Credit Agricole which is the apex authority in that country for looking to the credit wants of the co-operative credit movement. The loan is more or less permanent in its character. The Credit Agricole lent this vast sum at a nominal cost to the district agricultural banks and through them the assistance reached the primary society. Further, the Bank of France pays to the same body about £120,000 annually as a gift to assist in the task of credit distribution. Some such concessions and subsidy should be arranged for the provincial agricultural bank to be passed on in turn to the lower organisations.

Memorandum on the financing of industries allied to agriculture.

Credit for industries which the cultivator can carry on, on the farm or near it, in his spare time, should be provided by the same agency which supplies his financial wants for the purpose of agricultural production, viz., the co-operative credit union. The union knows him intimately and is able to assess his worth and power to repay. He is, at best able to offer very slender security and accommodation will really depend upon his personal solvency. For the purpose of proper appraisement as well as a check on his borrowings, it is advisable to link him to one agency, instead of to several. This will establish a growing personal contact between the borrower and lender and bring about speedier transition from the present system of village moneylending to that of co-operative credit. The cultivator, being mostly ignorant, is chary of dealing with institutions having official semblance, and this reluctance increases when he has to deal with several offices. He is used to taking one person into his confidence and relying solely upon him; and it will be in the best interests of all if this singular relationship is retained when devising a machinery to administer to his credit needs.

I have suggested in my memorandum on co-operative credit societies, when dealing with co-operative credit for financing agriculture, that the credit societies should have by law a first lien or charge on the farm wealth and live-stock. Such lien may be extended to cover industries allied to agriculture so that in case of necessity such property should be available to the credit union.

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Memorandum on co-ordination and consolidation of indigenous banks.

INDIGENOUS BANKING.

One of the chief requisites of the expansion of banking organisation in India is the establishment of a broad money market. The indigenous banker, the *shroff*, forms a most valuable nucleus for this. We ought to utilise existing banking habits and practices as far as practicable and adopt the indigenous machinery to a modern central banking system, for which there are immense possibilities.

2. With gradual specialisation of functions, the *shroff* will no longer combine banking and trading operations. Sooner or later the former must be brought within the ambit of the general banking machinery of the country. As a banker, the *shroff's* resources at present are limited because he runs bills the trustworthiness of which is not fully known to the joint-stock banks, which finances such bill operations. Nor does he have ordinarily any deposit account, which may place at his disposal the requisite funds. It is the accumulation of deposits in *shroff's* houses, on the one hand, which will place them in a better position to finance agricultural marketing at lower rates of interest so that their profits will very largely depend on their turnover. On the other hand, the relations between the drawer and the acceptor of *hundis* should be such as to satisfy the joint-stock banks of the legitimacy of the document as a true commercial bill. When the *shroff's* business becomes pretty safe in the eyes of the joint-stock banks, and his securities acceptable to it, he will constitute one of the most important and indispensable links between the joint-stock banks and the native trading community.

3. The defects of the present state of things seem to be—

(*a*) The joint-stock banks advance money on the personal security and standing of the *shroffs*. There is no means of appraising their worth, as they publish no balance-sheets, nor are their accounts audited. The danger becomes apparent when we realise that the sanction of a particular limit by the Imperial Bank, for instance, to a *shroff* automatically implies that he secures similar limits from other banks on the strength of his credit in the former.

(*b*) Only first class paper is accepted (e.g., first class three months' or ninety-one days' bills).

(*c*) The *shroffs* sometimes obtain funds from the joint-stock banks at low rates of interest, and utilise these at much higher rates for advances to other *shroffs* for making purchases on account of other merchant bankers or again for *hundi* operations.

The present system of utilising the services of the *shroffs* is antiquated and must be superseded by a more scientific system in which the banks, while securing a guarantee, may be sure of the legitimacy of the paper as a true commercial bill even though there may be no specific reference in the body of the paper to the transaction on which it is based. As a matter of fact a large portion of the business which the *shroffs* perform is not really speculative and needs merely to be cast into a form which would justify more favourable terms and render the business acceptable to the joint-stock banks.

In comparison with the joint-stock banks, the *shroffs* indeed possess better knowledge of other merchants and bankers of the market and hence they would accept both demand and usance bills presented by the latter. These would be acceptable to the banks only if endorsed by the *shroffs* who are on banks' approved lists of *shroffs*.

(*d*) The credit organisation is at present un-co-ordinated and unorganised. There is adequate mobility of credit through the bill of exchange. The banks have at present no means of controlling the sharp fluctuations in the demand for money from season to season nor does it mobilise fully the available liquid resources of the market. The *shroffs* at present perform this function with their limited resources and experience and hence at a cost which is higher than what it would be in a more effectively organised money market.

4. At present the joint-stock banks have no means to connect the *hundi* with a particular lot of goods or produce. Sale contracts, invoices, documents of title, etc., must be tendered as far as practicable in support of a bill or advance. As a matter of fact

local *hundis* are more often than not real trade bills though these are unsupported by any sale contract or document. "Inland bills" are, however, both clean and documentary. Even when the *hundis* are unsupported, the endorsement of a respectable firm of *shroffs* must be considered by a joint-stock bank as a secure guarantee for payment on due date. As a clearer understanding develops that certain classes of credit operations are welcomed by the joint-stock banker, the native trading and banking community will not be slow in complying with the requirements of the big joint-stock banks. Even if no documents be tendered, the *hundis* may be freely taken by the banks when the latter are satisfied from their general knowledge of the drawer's and acceptor's business that the bills represent genuine commercial transactions. If the *shroff* is certain that the banks are always ready to lend on, or discount, true commercial papers, there is no doubt that, as his profit like that of the bill-broker in London depends on turnover, he would seek to acquire such true papers wherever available. This will contribute to additional liquidity to the resources of the *shroff* and will encourage the habit of deposit, while at the same time link the village *bania* and the merchant banker of the distant *mandi* with the central banking system. So far as his other functions are concerned, *viz.* advancing loans on other indigenous quaint instruments of credit (*sarkhat* or *ruqqa*), he, however, may remain as indigenous as before. It is his finance of inland trade by means of *hundi* operations which will have to come under the ambit of the modern banking machinery. The *shroff's* functions would be to discount the *hundis*—a function which the joint-stock bank cannot perform on account of its inadequate knowledge of the native banker or lender—and have them rediscounted with the joint-stock banks at the time of stringency of money.

5. The small *mahajan* or village buyer will form the last links in the chain of banking. Intermediate are the merchant bankers either acting as local representatives or commission agents of the *shroffs* (*arhatiyas*) or dealing independently with shipper-buyers on their own account. It would be through these that the influence of the Imperial Bank or joint-stock banks would reach the *bazaar*.

This does not, of course, necessarily imply that *bazaar* rates for business not fit to be undertaken by the joint-stock banks will not remain high; but this is a state of things which obtains in every other country. London also has high *bazaar* rates for business that is not eligible for the money market or the banks—moneylender's rates (Henry Strakosch). On the other hand, the *bazaar* rate sometimes may be lower than the market rate, especially during slack seasons which may synchronise with the floating of government loans.

When the *shroff* or *mahajan* becomes an integral part of the money market, the Imperial Bank or the bigger joint-stock banks will control trade fluctuations through their discount rate. When trade is slack these banks will by offering an advantageous interest rate attract the surplus capital that accumulates in slack seasons in the hands of the indigenous bankers. This will stabilise the money rate throughout the year and throughout the country. In busy seasons the re-discounting of *hundis* will, on the other hand, contribute to relax tightness in the countryside, and bridge the present gulf between the European and Indian money markets.

Thus the native *shroff* is transformed into a modern bill-broker. Such transformation cannot but be gradual, as the mobilisation of credit through the bill of exchange in the indigenous market would depend largely upon banking education and habits and the growth of confidence in the stability of the credit organisation.

6. At present the joint-stock banks do not directly finance agriculture. The co-operative banks which have not made much progress in this province play also a minor part in the supply of agricultural capital. It is the indigenous bankers, especially the village *bania* and the merchant banker in the *mandi*, who are in direct touch with the peasants and provide most of the capital required from one agricultural season to another. The village *bania* usually trades with his own capital but when he borrows from his *arhatia*, if he has any, he gets the capital free of interest but on the implied condition that the village grain which he secures must be sold to the latter. The *shroff*, on the other hand, provides with capital the *arhatia* or merchant banker advancing money against goods left with him, or accepting demand drafts (*darshani* or *pahunchhe-dam hundis*) drawn by the latter. Or, again, the *arhatia* makes an arrangement with the *shroff* living in distant trade centres for the discounting of *muddati hundis* (usance bills). The *shroff*, further, either re-discounts the latter class of *hundis* with the joint-stock banks or amongst themselves, the alternative depending upon the stringency of his working capital. Thus by co-ordination the entire provision of credit both for agricultural operations and marketing may come within the province of the joint-stock banks, the indigenous bankers of all grades representing the limbs of a common, integrated system.

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7. The adoption of the principle of credit insurance such as is already in operation in England, France, and Italy will eliminate the credit risks especially as such risks arise out of the individual credit of the *shroffs*. Such a measure will increase the joint-stock bank's willingness to lend money and their efficiency. The principle of credit insurance will also facilitate and cheapen agricultural credit which is subjected in India so much to the precariousness of the seasons.

8. To effect a successful co-ordination between the joint-stock banks and the different links in the chain of indigenous banking, the credit of the peasant must be utilised, credit should be easy and at the same time protected and controlled. Under the existing circumstances, this object can only be realised through a co-operative bank or any other co-operative association which is yet to be organised and which, by eliciting mutual trust and business habits amongst the peasantry, can alone make credit cheap and secure at the same time.

9. A network of co-operative banks affiliated at the apex to the provincial co-operative bank, and a large number of industrial banks which operate on the basis of a detailed knowledge of stock, machinery and conditions of production that the branches of the Imperial Bank or other joint-stock banks dealing largely with commercial transactions cannot possess—these will facilitate agricultural and industrial credit operations, and their money rates will be controlled by the Imperial Bank through its interest and discount rates.

Long-period or seasonal agricultural or industrial advances will be made only by agricultural and industrial banks organised with such objects in view.

RELATION BETWEEN AGRICULTURAL BANKING AND THE CENTRAL BANKING SYSTEM.

10. The provincial co-operative bank at the apex of the district central banks will subserve re-discount and re-deposit functions in its relations to its constituent banks.

Primary societies and central banks shall be required to deposit the major portion of their funds with the provincial co-operative bank.

The provincial bank may advance loans directly to co-operative dairies, associations of producers, etc.

It will advance loans to land mortgage banks or co-operative industrial banks.

It should not interfere with the commercial transactions of ordinary banks. On the other hand, other banks should endeavour to transfer to it all long-term or capital requirement loans for agricultural purposes. This would seem to be the dictate of banking prudence, and should this type of adjustment be arrived at, there would be a desirable, although informal, division of field between the banks and the agricultural lending institution whereby the latter would assume responsibility for all their long-term or capital advances, while the banks would more and more confine themselves to a more strictly short field.

The present loan offices or small joint-stock banks in mofussil towns may be relieved of those agricultural loans which they have been carrying in a non-liquid form and will devote themselves more and more to short-term credit.

The provincial co-operative bank may issue bonds, which may be guaranteed by the Imperial Bank, which will purchase a portion of the bond issue. The Government should also guarantee a reasonable rate of interest.

The provincial co-operative bank should take charge of the administration of famine relief funds, *taqavi* loans, etc. Such beneficent work will bring the co-operative movement into more intimate touch with the masses, while strengthening the bonds between the central institutions and primary societies.

The district central banks should establish working relationships with the local branches of the Imperial Bank, and thus ensure the prompt and economical transmission of funds to the Imperial Bank, and also provide for the payment of cheques and the transaction of other local banking business.

Where branches of the Imperial Bank do not exist, the district central bank may advance money against cash credits, and also against goods, securities and valuables and may also discount bills.

11. *Organisation.*—An all-India institution with provincial and district mortgage banks, the latter being connected with primary mortgage banks in selected areas. The district mortgage banks will issue long-period loans on the guarantee of the primary mortgage banks.

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12. *Finance.*—A large sum (say 4 or 5 crores) to be advanced by Government free of interest for ten years.

(*b*) A recurring annual contribution for ten years which must be sufficient for meeting annual expenditure.

(*c*) The Imperial Bank will subscribe to the capital of the bank and it will get a maximum interest of 6 per cent. on its shares of subscribed capital.

(*d*) The Government would guarantee that debentures up to a certain specified amount will be under-written.

(*e*) The Government would subscribe to one-fourth of the debenture issue, if necessary.

13. The organisation of land mortgage banks will be greatly facilitated if we introduce the system of land registration, i.e., by land certificates transferable by endorsement such as that prevailing in England and Wales. This will give a simple, registered, State-guaranteed title as a substitute for the cumbrous chain of title as evidenced by the usually formidable bundle of deeds (Sheldon).

INDUSTRIAL BANKS.

14. There must be a clear separation between agricultural and industrial banking. The reason is that bonds which are issued to the public with underlying protection composed partly of agricultural security and partly of industrial security are not as a rule favourably regarded. The bonds must have a uniform type of underlying protection in order to have a good market.

Artisans and cottage handicraftsmen should be encouraged to form co-operative societies, which may be financed by co-operative industrial banks dealing exclusively with industrial credit. Such banks may also run sales dépôts for the effective marketing of the artisans' wares.

A network of such district co-operative industrial banks be affiliated to the central institution, *viz.* the provincial industrial co-operative bank.

The provincial industrial co-operative bank should also, under certain restrictions, make direct loans to industrial undertakings in the provincial capitals. Governmental support to industrial credit should be administered through this provincial bank; and not directly, as it has been suggested in Bengal. In Ireland such method of direct governmental support has proved "unsatisfactory and unduly dilatory."

The Government, in the first place, should guarantee bonds to be issued by the provincial industrial bank up to a prescribed amount.

The bank should issue loans only to co-operative artisans' societies or to such businesses which, in the opinion of the bank, cannot obtain the necessary capital without recourse to its assistance.

Each single loan should be granted only after the most careful scrutiny of the prospects of the capital undertaking.

In Japan loans are made without security redeemable at a fixed term of not more than five years to a party of at least ten persons combined with joint liability. For guilds or associations of guilds the period is fifty years. Each of these industrial banks has as a general rule for its exclusive business district a prefecture; the Hypothec Bank has taken over the business and financial responsibility of all these industrial and agricultural banks established throughout the country. The banks are authorised, when at least one-fourth of the nominal capital has been paid up, to issue agricultural and industrial debentures to an amount not exceeding ten times the paid up capital.

In Germany the credit banks undertake the responsibility for industrial issues. They encourage new undertakings, allow acceptances and acceptance credit to be freely used and even control the industrial concerns.

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In Switzerland there have been created most frequently in co-operation with one or more of the large banks a large number of special institutions called "financial trusts", "participation companies," "omniums" or holding companies which provide financial facilities for the development of industries. Such trusts hold the bonds of industrial undertakings, and in their turn place with the public their own shares.

Sometimes they confine themselves to negotiating an exchange of shares for purposes of control, but more often they also contribute the necessary capital for the creation of new undertakings of which they hold the shares.

Memorandum on the small industries of Lucknow.

1. *Drift from homes to karkhanas.*—Between the cottage artisan who works independently on his own account and the small workshop where a number of artisans work under an employer an almost limitless number of types may be found in the hybrid and populous world of Lucknow handicraftsmen. In some small industries the craftsman has completely lost his independence. Though he may be the owner of his small equipment, consisting of a needle and a pair of scissors, neither the materials nor the goods belong to him and he has lost all touch with the market. Such is the case of *zardozi*, *kamdani* and *chikan* work where the craftsman produces goods at the bidding of his employer, works on materials that the latter supplies, and leaves the risks of production entirely to him.

Cost of materials.—Such depression of the craftsman has, of course, been facilitated on account of the cost of materials such as velvet, satin, and gold wires in the case of *zardozi*, and silk, muslin and gold or silver wires in the case of *kamdani*. Besides, where the family is not large there is the risk of the costly and delicate cloths being spoilt due to long handling. The workshop method here becomes efficient not because there is a more elaborate division of labour than is possible in the home, but because there are greater economy in the purchase of the raw materials, greater efficiency in their handling, and a large output in response to seasonal demand. It is these advantages which explain the widespread tendency for the industries to drift from homes to small workshops.

Prolonged processes.—Further, we have an industry like calico-printing in which the cost of the material may not be high, but the time involved in the various technical processes is so long that a small artisan can hardly afford the capital necessary for investment in the trade. The workshop thus has superseded home-work in various industries and trades due to causes peculiar to each. Yet in each industry and trade, in spite of the possibilities of a large investment of capital, or increase in output of work representing a standard level of craftsmanship, there is both loss of artistic initiative of the worker and of his economic freedom.

2. *Relations between karkhanadars and the workers.*—In the first place, the *karkhanadar* in *zardozi* and *kamdani*, who has risen to the position of the employer from that of an ordinary artisan, may be regarded as contractor who gets his supplies of cloth and wires from the *gotawalas* to whom he delivers his products and who enjoys most of the profits. To take an instance collected from a *kamdani* shop in *bagh mecca*, a work for which the *gotawala* pays to the *karkhanadar* 12 annas per *tola* he may sell at Rs. 2 or even Rs. 2-8-0 per *tola*. On the other hand, the *karkhanadar* himself would scarcely pay the artisan more than 10 annas per *tola*.

Secondly, no artistic merit can be encouraged by a system of wage payment according to which the weight of the gold or silver wires worked governs the scale of wages. It is true that *salma* work, which involves greater skill often, also implies greater weight in the wires worked, and hence there is an automatic adjustment of skill to wages. But on the whole the level of craftsmanship cannot but be brought down when the *gotawala* obtains his products from the contractor and pays for the same on a standard of weight only; while the latter in his turn remunerates his employees on the same basis irrespective of any grade or excellence. All this has, however, contributed to a large volume of production of an average quality hardly leaving any room for individual art and workmanship.

But the danger in the direction of economic bondage on the part of the workers is far greater. The artisan in this case is not only reduced to the position of a hired labourer, but having taken advances for his subsistence from his employer practically loses his freedom of work and employment. Both in *zardozi* and *kamdani* work the *karkhanadar* gives advances to his workmen, who cannot seek employment under another until the debt is repaid. On the other hand, all employers indirectly contribute to reduce seasonal unemployment by restricting employment only to their own working hands. It is only in cases of emergency that a new employer, when engaging a fresh hand, would pay up the latter's debt to his former employer and repays himself by deductions from wages. Nor is the artisan ill-treated by his employer as may be presumed. The employer keeps the artisans going so to speak and does not charge any interest on loans advanced. Ordinarily, however, when the artisan borrows from the local moneylender say Rs. 10 he would get only Rs. 9-10-0 at the outset, and must repay Re. 1 each month till the end of the year.

3. *A continuous chain of types.*—Though the above represents the normal economic relations between the artisans, the contractors and the wholesale dealers a variety of types

is discernible. Thus one may sometimes come across a number of artisans dealing directly with the consumer and working on materials supplied by him on piece-rate wages. But even here we do not meet with the typical handicraftsman—the owner of his own materials, tools and appliances—but rather with the wage-earner. Or the *karkhanadar* may become no longer the contractor or sub-employer, but may deal directly with the general public. They may have shops of their own in Chowk or Aminabad where their goods are sold without the intervention of any retail or wholesale dealers. Or, again, in some arts and handicrafts the *karkhanadar* has not risen from the artisan class, but is a mere capitalist who has invested his savings in the business. Further, we may have an industry in which there is no *karkhanadar* either as master-artisan or as contractor or capitalist, but it is the dealer or middleman who supplies raw materials to several branches in which the industry divides itself, finances, and co-ordinates the manufacture from stage to stage, and finally disposes of the wares. We thus may observe a continuous chain of types. Speaking about the handicraftsman in France, Arthur Fontaine came to the same conclusion :—"Like vegetable and animal species the various economic categories are connected with each other by intermediate links which cannot be classified with any certitude and which help to make of the series of types what is practically a continuous chain."

4. *Internal organisation of chikan industry.*—In *chikan* work the same variety of economic categories and relations formerly used to exist. But there have been important changes in the organisation within recent years. The *karkhanas* have dwindled in numbers, while the work has degenerated into the production of cheap goods facilitated further by the introduction of a stitching machine a few years back. The vast bulk of production is, however, controlled by the middleman, the agent of wholesale and retail dealers, who directly approaches the large number of women workers both in Lucknow City and in neighbouring villages. Compared with the quantity of goods handled by such middlemen the quantity produced in the *karkhanas* is, indeed, insignificant. The economic status of the worker suffers in this process. In the first place, employment in a *karkhana*, even though on a wage-payment basis, offers some room for cohesion and solidarity which would be completely absent among a body of scattered women workers with whom the middlemen deal individually. A similar lapse of craftsmen into an inferior position due to the decline of *karkhana* production is evident also in *zardozi*, both in Lucknow and Benares, as well as in the silk industry and *lais* in the latter city. In the former case the decline in the number of *karkhanas* has accompanied a decline of the industries themselves. In the latter case, as in *chikan* work, the supersession of the *karkhana* is evident of a firmer hold of the middleman and wholesale dealer over the industries which are either expanding or which have an extensive market. Secondly, the *purdah* system would hardly permit an easy adjustment of wages to the standard of craftsmanship. Thirdly, on account of the long chain of division of labour in the embroidery process, as the result of which, for instance, the same piece would change often four or five hands, each worker is a mere link and his or her production does not end in itself. There can be no desire for art or craftsmanship if the worker has to be satisfied with only one kind of stitch leaving the piece to accumulate its decoration by passing in turn through the hands of other groups of workers. Even now the best kind of embroidery work is done by a single artisan, who has his or her own plan or pattern and embroiders the entire range of stitches. There cannot be any doubt that with the degradation of public taste and the popularity of cheap goods, a system of mechanical production has come into vogue which has both cheapened and increased the supply and left the individual worker with no initiative or joy such as he would feel when his own handiwork comes to completion under his own skill and treatment. Where plans and patterns are printed on the pieces, where the pieces themselves are cut into shapes by other hands and transferred from group to group of workers in the long chain of intermediate production, there may be an increase in the total outturn, but art and craftsmanship must be at a low ebb. Besides, the workers are not only reduced by this process into mere wheels in a machine of semi-standardised mass-production which passes much beyond them, they are also at a loss to understand the exact quota of their contribution in the process, and hence their specific share in the total income. The middlemen fully exploit the situation afforded by the different grades of workmanship involved in the production of the same article and the ignorance of the workers regarding the total amount of work in the completed stage. Finally, the evil of sweating is further encouraged by the fact that a large number of workers in *chikan* take to the industry as a bye-occupation in hours of labour and naturally bring down the wages of the whole-time workers.

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Sweating.—Such is the state of things in the *chikan* industry which employs not less than 50,000 women and 5,000 men in Lucknow. It is one of the most notable instances of disorganised and sweated industry in the country. The workers here are all scattered about the city, there being scarcely any cohesion. They are all alike hopelessly subservient to the middlemen who secure employment for them and dictate the standard of production and the scale of wages more or less irrespective of the workers' skill or dexterity. Such is the extent of sweating that even for the best pieces of work undertaken for firms in Calcutta and Bombay the average wages would not usually exceed Rs. 10 or Rs. 15 per month. The disorganisation of the home-workers is reflected also by the disparity in methods of remunerating the workers. Thus there are merchants who employ workers on a monthly salary. Others pay on an average calculation of lots of articles; and then, again, there is the custom of paying according to the number of threads inserted. Other workers would embroider pieces at home in the daytime and hawk about in the evening in the streets of Aminabad or Chowk selling their goods at prices which may or may not be remunerative. Further, there is competition between men and women workers. It is the poverty of women workers who work in their spare hours in their homes where there is no other remunerative employment which brings down the wages to as low a figure as one can imagine. Spare-time work may be satisfied with any remuneration, but when the average scale of wages as well as the standard of excellence are lowered as much as possible the women over-strain themselves by working till late hours in the evening, and yet the wages earned would hardly be more than two annas a day. Lastly, there is the competition between city and village women workers. With less of skill and bargaining power the village women underbid their city sisters, and thus follows a still more relentless competition, a process in which fingers are benumbed, eyes blinded, and lungs get diseased. In no art or craft is there witnessed such fineness and delicacy of workmanship, and yet such spendthrift waste of human material.

5. *Drawbacks of seasonal industries.*—All crafts, such as *zardozi*, *kamdani*, *chikan* and calico labour under the special disadvantage that they show more or less an exaggerated alternation of over-work and unemployment due to the fact that they satisfy occasional or seasonal needs. It is only during the winter season that there is demand, for instance, of silk and cotton *fards* for *lihafs;* while summer makes a large bid for *chikan topis*, *dupattas*, and other wearing apparel. Gala occasions and *sahalag* times only can create a brisk demand for *zardozi* and *kamdani* work. For the rest of the year the demand is slack or almost *nil*, and the workers do not get employment in the *karkhanas* and remain idle at home. It is this which is the most fertile cause of the prevalence of *baqidari* (arrears) in these seasonal trades. Further, the irregularity of employment itself weakens the habit of saving. Thus sweating, poverty, and improvidence all exist and create a vicious circle from which there is no escape.

Even where the industry is not seasonal, and the products are in demand throughout the year as in the case of brass or copper wares, the cost of the chief raw materials has favoured the dealers who even by withholding orders try to sweat the workers in spite of some solidarity on the part of these workers hardly to be met with among other handicraftsmen. There is a ceaseless attempt on the part of both workers and dealers in this instance to obtain advantage over one another. This is clearly apparent in seasonal or local fluctuations of wages and prices in an industry which normally ought to be free from these in view of the steady and long-period demand of its products. On the whole, the *kothis* get the better of the artisans, especially when they do not confine themselves to dealing in local products but import wares from other centres of metal work—an advantage which helps them to tighten their grip over the local artisans still further.

Much may be done in the direction of preventing sweating by arousing public opinion amongst the consumers so that they may not buy the products of sweated labour or by means of legislation which would prescribe minimum wages or certain conditions of upkeep of the premises in which the workers are employed. But the consumers of such products themselves are now hardly representing the intelligensia which have been thoroughly Europeanised in taste and fashion. On the other hand, the enforcement of higher standards of working conditions and wages may lead to the complete extinction of the arts and crafts and their subsidiaries hampered as these already have been by disorganisation and sub-contracting and, above all, by the pressure of competition with the products of Belgium, France and Switzerland. Unless and until there is a re-education of public taste there is hardly any chance of focussing opinion towards the amelioration of the condition of workers. Left to the mercy of uninspired wholesale

dealers and profit-seeking *mahajans* they can hardly withstand for long the competition with the progressive business methods and machine efficiency of the Western arts and crafts.

6. *The handicraftsman's economic status.*—Whether the craftsman works at home or in the *karkhana* he works for the account either of the wholesale dealer or the master-workman, and it is this, and this only, which explains his unhappy lot. In all the types of organisation we have studied, the dependence of the workers both for the supply of raw materials and for the marketing of their products is clearly evident, and this dependence usually involves the economic prosperity of the dealer and *entrepreneur* and sweating of the producers who work for them. Even in non-seasonal occupations like brass or copper work where there is no alternation between the dead seasons (the seasons when workers die) and the rush seasons the home-worker's position remains as unfortunate as in the case of seasonal trades simply because it is other hands that control the beginning and the end of production. But for the supply of his raw materials and for the sale of his finished product he depends upon others. He may be the master of his own time, but his labour is at the behest of either the *entrepreneur* or the wholesale dealer. His economic position is further weakened by the fact that the metal wares before they are finished must have to pass through several batches of specialised and isolated workers who depend for employment upon the dealer who finances and co-ordinates production. The same is true of the brass industry in Moradabad and Benares. We have already seen that the scattered, unorganised production is best represented by *chikan* work in Lucknow. The manufacture of gold and silver threads both in Lucknow and Benares shows a similar separation of its branches, with the workers in each isolated from one another and easily exploited by the capitalists and middlemen. On the other hand, in spite of the special disadvantages which inhere in intermediate production, brass workers in some branches have now transformed themselves from wage-earners into more or less independent artisans, though it is doubtful whether they can long escape from the widespread net of the dealers and middlemen.

In the majority of our small arts and handicrafts the control of the middlemen and wholesale dealers is too evident. From the technical point of view the handicraftsman remains a handicraftsman. He works in his cottage alone or with his family or with a few assistants and apprentices. But from the economic and social point of view the handicraftsman's status undergoes complete transformation. The extension of the market introduces the wholesale dealer, who slips in between the producer and the consumer, or the master artisan or *entrepreneur* of the account of whom the handicraftsmen work in the *karkhana* or in their own homes. Thus is seen throughout the country a relentless process in which the handicraftsman is fast becoming a mere unit of labour, a "factoryhand," working for the account of a wholesale dealer or *entrepreneur* who centralises the trade in their products, and furnishes them, oftener than not, with designs and materials sometimes even with the tools or implements which they use. In Lucknow such degradation of independent home-workers into the proletariat has been facilitated by the opening out of national and even overseas markets for some of their products, the high cost of material and seasonal fluctuations in the clothing industries and, in the case of *chikan* work, the helplessness of scattered and *purdanashin* women workers, who cannot step out of doors either to seek work or to sell goods.

7. *Co-operative societies and industrial banks.*—The want of a central buying and trading organisation has been the chief defect of home production everywhere. Isolated and unrelated cottage industries lend themselves easily to exploitation by middlemen. Throughout the Continent the co-operative system as well as central trading organisations are now playing the most important part in the revival and prosperity of small arts and crafts. In Germany the association of small producers buy raw materials in common and sell their products in common. The commodities produced belong to the individual artisans. As long as we do not expect the requisite capital and trading capacity from the co-operative societies themselves the necessity of setting up special machinery for the sale of products of the cottage industries is obvious. A noteworthy feature of rural industries in Switzerland, for instance, is that they have organised themselves on the commercial side into a trading corporation known as Kaufarbunda, with branches at Berne, Fribourg, Lausanne, etc. Nor are the banks inattentive to the special needs and conditions of the home-workers. The banks lend money to the artisans on invoices, labour bills, or any prospective claim sufficiently recognised. Swiss banks advance money on cocoons, secured by the undertaking that the spun silk shall not leave the spinner's house till the debt has been repaid. The numer-us

small co-operative banks in Germany generously assist the small artisans, taking careful account of all their circumstances.

The establishment of a large number of small industrial banks, as well as co-operative societies, can alone check the exploitation of the small artisans by middlemen and large dealers. *Zardozi, kamdani, gota* or *chikan* workers should be encouraged to buy their silk, velvet, cotton or wires through the co-operative societies or through a secondary body to which the society may be affiliated. Advances in cash and capital for sustenance during the slack seasons and for the purchase of necessary materials for their trade may be freely given and the artisans should be discouraged from selling goods independently and encouraged to sell them to the societies which are offering them the valuable material service. Similar societies of weavers, metal-workers, leather-workers, wood-workers, dyers, etc., have been organised and are co-operating with good or illfortune in the various provinces of India, success or failure depending entirely upon the elasticity of such societies and the convenience they afford to the members.

For the *chikan* workers a co-operative society, after the model of that in Brussels or Palermo, will be a God-send. The Co-operative Society of Women's Work (Le Labour Feminin) in Brussels consists of poor middle-class women, producing objects of art and fancy by home-work and selling through a shop which is financed by philanthropists. The capital is 50,000 francs. A dividend is paid on shares of workers. The Women's Co-operative Society (Co-operative Industries Femininli) of Palermo consists of nearly 300 War widows who make lace, linen-clothing and ornamental chairs. Along with a dividend paid on shares a bonus on goods supplied and sold may be given.

8. In those industries where the *karkhana* system has come into greater vogue and we have the master-craftsman securing work and employing a large number of artisans in his shop the Co-operative Productive Society as in Germany or Italy will represent a higher level of organisation and industrial development. Thus co-operative societies among *zardozi, kamdani, gota*, calico workers, copper and brass workers, etc., with a common workshop, and undertaking contracts and distributing the work amongst their members will represent a more effective integration. As we have quite a variety of types of economic relationships in small arts and crafts which show a more or less continuous chain, the co-operative advance will have to exhibit a similar adaptation to the various economic categories and relationships, rescuing everywhere the small artisan from the intermediary or the large dealer and gradually leading industry to a greater mechanical and business efficiency, and yet on a more equitable basis of distribution of wealth and opportunities than what large-scale, capitalistic production may permit. Popular banking is the only method by which the world-wide process of the degradation of workers into automatons in great or small products alike may be effectively combated.

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Memorandum on indigenous banking.

In the following replies to the questionnaire (II—Indigenous Banking) an attempt is made to give in simple words, so far as possible, a brief bird's-eye view of the system of indigenous banking as it exists in the United Provinces. In order to economise space, and also with a view to avoiding repetition, care has been taken not to give too many details: details will be found in my book "Indigenous Banking in India" (Macmillans, 1929). But I have taken advantage of this opportunity to discuss the question of the consolidation of indigenous banking in the light of my further investigation and reflection which have led me to revise some of my former views. This applies only to the scheme of the re-organisation of indigenous bankers as detailed in chapter VIII of my book.

The replies are a result of the enquiries made during my visits to the main provincial centres of indigenous banking—Agra, Allahabad, Benares, Cawnpore, Meerut, Moradabad, Muzaffarnagar and Saharanpur. The replies are framed so as to give the general conditions of the province as a whole, and do not refer to any particular area, unless the same is specifically mentioned.

The difficulties in eliciting information from indigenous bankers are too well known to need mention. The bankers, as a rule, are not prepared to disclose what they regard as their trade secrets, and somehow they are suspicious of an official enquiry even when, as at present, the intention is to help them. Efforts were made at every place of visit to show how baseless such fears were; and when they realised that some good might come out of the present enquiry, they offered some information, but not on the questions bearing on their capital, resources or income. In this connection I must acknowledge my great indebtedness to the Agents of the Imperial Bank of India who, one and all, gave me full and willing assistance in my task.

A.—Organisation of indigenous banking.

Question 1.—(*a*) It is very difficult to classify indigenous bankers as they do all kinds of business, moneylending, dealing in *hundis*, receiving deposits, agency work, etc. They may, however, be broadly classified in two ways: (1) according to their clients, (2) according to their business.

Taking the first basis first, indigenous bankers may be divided into two classes:—

(*a*) *Urban bankers*, or those who do business mainly with the towns folk,

(*b*) *Rural bankers*, or those who do business mainly with the villagers.

On the second basis, i.e., according to their business, indigenous bankers may again be divided into two classes:—

(*a*) *Moneylenders*, or those who lend in cash or kind, but do not receive deposits or deal in *hundis*. ("Moneylenders" must not, however, be confused, as they sometimes are, with mere investors. If a person makes any savings which he deposits in a bank or lends for use not as a regular business, but merely to add to his principal income from other sources, he is not a moneylender but a mere investor. On the other hand, if a person lends his funds in order to earn interest as a regular business, he is a moneylender. There is thus a distinction between an "investor" and a "moneylender" which must be kept in view, although it may well be that the former may and does at times merge into the latter.)

(*b*) Bankers, or those who lend as well as receive deposits and usually deal in *hundis*.

Of these two, the first class, i.e., the moneylenders, is the most common and is met with in all villages and towns. The second class of bankers is comparatively rare, being almost non-existent in the villages and small towns and existing mostly in important trade and commercial centres like Cawnpore or Benares. (The distinction as set out above between "moneylenders" and "bankers" is maintained throughout in this note.)

To further classify the above two classes is not easy, but, according to their principal work, "moneylenders" may be sub-divided as follows :—

(i) *Pakka moneylenders*, or those who advance on the security of registered documents, *e.g.*, mortgage deeds.

(ii) *Kachcha moneylenders*, or those who advance on the security of other than registered papers, *e.g.*, pronotes.

(iii) *Pawnbrokers* (includes female moneylenders), or those who lend against ornaments or valuables.

(iv) *Qistias* (mostly in Moradabad), or those who lend on the instalment system (including petty *qistias* giving day-to-day loans called *rozai*).

(v) *Military* moneylenders, or moneylenders for military regiments (in Agra, Etah, etc.).

(vi) *Pathans*, *Kabulis*, *Aghas* or *Moghuls*, *Harias* or *Tharakkars*, or itinirant moneylenders.

Similarly, "bankers" may also be sub-divided into—

(i) Bankers working on old lines.

(ii) Bankers working on modern lines.

(*b*) There is no organised system for conducting transactions in indigenous benking. On various kinds of security money is lent, each transaction forming an independent and individual case by itself.

A.—Moneylenders—

(i) *Pakka moneylenders* advance big sums on the security of registered documents to middle and well-to-do classes. These transactions take place mostly in towns, where the lending and borrowing parties are sometimes brought together by *dallals* who charge brokerage from both sides. But, more often than not, the business is done directly without the intervention of *dallals*.

(ii) *Kachcha moneylenders* make small advances in cash or kind on personal security. The borrowers are mostly small people, labourers, agriculturists or artisans who have no funds of their own and carry on their different callings with borrowed money or grain. The business of grain advances is prevalent more in villages than in towns, and even in the former it is on the decline and is being replaced by cash loans on the instalment system.

(iii) *Pawnbrokers* lend money on the security of gold or silver ornaments, or household articles, clothing, etc., keeping a certain margin as a safeguard against losses due to bad debts. Very often the pawnbrokers are women. In the Meerut division their number is fairly large, while of the 300 pawnbrokers in Muzaffarnagar more than half are women.

In this connection it may be noted that sometimes the pawnbrokers lend among themselves. Thus small pawnbrokers augment their own resources by getting advances from the big pawnbrokers against the security of articles already pledged to them which they re-pledge.

(iv) *Qistias* lend small sums in villages either through their agents or by personal tours from village to village, on the instalment system, the principal and interest being repaid in easy instalments.

Petty qistias lend to small people like vegetable-sellers, hawkers, etc., one or two rupees each in the morning and collect the money after the day's sale in the evening.

(v) *Military bankers* have their offices in a room within the regimental compound, receive deposits from military people and act as their bankers. Some of them do not

deal with the general public but are exclusively military bankers, while others have dealings with all classes.

(vi) The *Pathans* or *Aghas* usually provide cloth to the cultivators and other poor labourers at very high rates (varying from 50 to 75 per cent. higher than the market rates), the price of the cloth to be paid at some future date. This practice is prevalent both in rural and urban areas. Village cloth merchants also engage in this kind of business. The commodity is taken direct to the house of the consumer.

Like the *Kabulis*, there is a special class of moneylenders called *harias* or *tharakkars* in Benares who ordinarily lend petty sums in cash, say Rs. 4, and charge very high rates of interest, for example, one and-a-half times in six months. Very often the interest for one month is deducted before the loan is advanced. If a client fails to pay up on the due date, the moneylender sits at the door of the debtor's house and is fed at his expense until the debt is paid. This is called *ginao sanao* (which literally means "count out or feed"). Heavy charges of expenditure in searching out the client are added to his debt, in case he moves from one place to another to escape payment. The effort of this class of moneylenders especially is not so much a realise the capital as to get whatever is possible out of the customer. The agriculturists seldom borrow from such moneylenders. Their clients are mostly the poor labourers.

B.—Bankers—

(i) Bankers, who continue to follow the old methods, receive deposits, discount *hundis*, deal in export and import goods, and advance money on the security of commodities.

(ii) Bankers who work on modern lines transact all kinds of business which the joint-stock banks do, *e.g.*, issue pass books and cheque books, cash cheques, collect and discount bills, etc., etc.

In this connection the following table relating to the places visited may be of interest :—

Name of place.	Number of bankers working on old lines	Number of bankers working on modern lines.
Agra	10	1
Allahabad	5	..
Benares	50	..
Cawnpore	100*	..
Meerut	30	2
Moradabad	20	..
Muzaffarnagar	7	..
Saharanpur	15	1

(*The figure seems to be exaggerated.)

(*c*) As a rule all moneylenders and bankers combine other business with their own. They deal in cloth, grain, precious metals, gold and silver jewellery and do business as general merchants, brass merchants, paper merchants, mill owners, commission agents, brokers and landlords. The bankers *qua* bankers are few in number.

With the *qistias*, just as with the pawnbrokers, moneylending is the principal business; except in the case of females, when it is usually a subsidiary business. The *sarrafs*, who deal in gold and silver, lend or borrow money as a subsidiary business while with the traders, too, the sale and purchase of *hundis* is secondary.

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Question 2.—From the sowing of seed to the sale of the products in town markets the credit for providing most of the agricultural finance must go to indigenous moneylenders and bankers. It is to the village *bania* or *mahajan* that the Indian agriculturist looks for all his financial needs, and it is he who invariably meets them. The only other agency providing agricultural credit are the co-operative societies, but their share is still extremely small. The *qistias* in Moradabad are said to provide 80 per cent. of the money borrowed by the cultivators in that area. The percentage may not be precise; but that the *qistias* have in the region of their operations well nigh a monopoly of the agricultural finance is true.

In Hapur, Ghaziabad, Deoband, Shamli and also in Meerut and Muzaffarnagar moneylenders have specialised in the business of agricultural storage called *khatti*. A *khatti* or grain pit of 700 or 800 maunds capacity costs about Rs. 20 or 25 at Meerut and Rs. 30 at Hapur, and there are about 3,000 or 4,000 such *khattis* in Hapur, one of the chief grain marts of the province. Muzaffarnagar has about 1,500 *khattis* (capacity 200 maunds each), of which 900 are usually filled up. Meerut has 100, while there is none at Saharanpur owing to the nature of the soil, as water is so near the surface there. Usually, a firm advances 66 per cent. of the value of the commodity stored and interest is charged at a uniform rate of 7 per cent. all the year round on the amount of credit given. Sometimes *khattis* are hired, not owned, and their hiring charges are Rs. 25 or 50 per annum, according as the *khatti* is small or big. The commodities stored are sold, even if there is a difference of two annas per maund between the local and mofussil market prices. The *khattis* are said to provide a perfect place for storage of grain, as only the upper layer is affected and the wastage is no more than one or two maunds per *khatti*.

Apart from agricultural storage, it is the indigenous moneylenders and bankers who enable the produce of the villages to be brought to the market and sold there for home consumption or export. In this connection it may be mentioned that *darshani hundis* provide a convenient method of internal remittance of funds. Such *hundis* are very common on the Meerut side.

The finance of small industries again is mostly in the hands of moneylenders and bankers. Usually they make advances to the workers and, especially in the case of expensive articles, they also provide the raw material and tools, and the workers are bound to sell the goods to them at rates which are frequently lower than they ought to be. (To cite a few examples—this can be seen in the Benares silk, Agra shoe, and Moradabad brass industries, etc.). On the other hand, there are some industries in the province which hardly receive any help from private moneylenders or bankers. Such are the carpet and the glass and bangles industries of Agra and Firozabad, respectively.

Question 3.—At present absolutely no reliable data are available on which even an approximately accurate estimate of the resources of indigenous bankers and moneylenders can be based. As they simply refuse to answer questions regarding their capital, expenses or income, the next best source of information about moneylenders and bankers are the income-tax officers who come to know them intimately and get familiar with their account books. But the income-tax department makes no distinction between a "banker" and a "moneylender" or again, between a "moneylender" and an "investor" (see above); nor do they keep separate figures for an assessee's income accruing from banking business and that arising from other sources. Again, some moneylenders are not assessed to income-tax and lie outside the purview of the income-tax department. In spite of these drawbacks the income-tax department alone, if anyone, is in a position to give some idea of the resources and income of moneylenders and bankers, but it is difficult to state the errors to which such estimates would be subject.

In the course of my tour efforts were made to obtain some estimates and check them from a talk with various local bankers and income-tax officers. The estimates are given below for what they are worth.

The capital of all bankers and moneylenders invested in banking business in Agra is said to be 30 to 50 lakhs. According to another estimate it is 1 crore of rupees.

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In Allahabad city 20 lakhs are said to be employed in the *hundi* business; while the same amount is invested in *sawai hundis*, 40 lakhs in mortgages and 10 lakhs in *muddati hundis* in Benares.

The capital of all bankers and moneylenders of Muzaffarnagar is put at 10 to 15 lakhs and of Saharanpur at 50 lakhs. In the latter city 15 to 20 lakhs are considered to be invested in loans against commodities and over 15 lakhs in loans on the security of property.

According to an educated Agra banker the average net return of a banker on his capital, after making allowances for all kinds of expenses and bad debts, comes to something between 12 and 15 per cent. per annum. A Moradabad moneylender gave 10 per cent. as the average net return of a *qistia*, while another gentleman—not a banker—thought it was 20 per cent. Perhaps 15 per cent. is nearer the truth. The average net income on the capital invested in banking is said to be only 9 per cent. according to some people in Muzaffarnagar and Saharanpur.

Question 4.—There are no financial houses at present anywhere in the provinces dealing solely in the provision of credit facilities by purchase and sale of *hundis*. Bankers at Moradabad and Agra know that such houses existed in former days, but they are said to have failed owing to the lack of proper organisation, non-payment of *hundis* and loss of business. About 10 or 12 years ago, there were two houses in Agra which dealt mostly in *hundis*, but after their failure no firm has ventured to engage itself exclusively in this kind of business. The real cause of the failure of such houses is stated to be the extension of properly organised joint-stock banks and the consequent competition in business.

Question 5.—Both bankers and moneylenders keep accounts on the single-entry system of accountancy and account books, called *bahis*, are written in the *mundis* or *sarafi* character, as it is called. Examples are not given as they can be seen in the book entitled "Indian Income-tax" by Duleep Singh, which contains a complete answer to this question.

B.—Raising of funds by indigenous bankers.

Question 1.—The two principal kinds of *hundis* used are *darshani*, i.e., sight or demand bills, and *muddati* or *mitidar*, i.e., bills of date or usance bills. The *hundis* current in Benares are called *Benarsi hundis* and they are drawn on Benares for 61 days' usance.

The other credit instruments used are the security bonds of landed property, promissory notes, deposit receipts and *sarkhats*.

As regards the extent to which each credit instrument is used, it may be pointed out that the *hundi* business has suffered a considerable set-back owing to the cheap remittance facilities provided by the Imperial Bank of India and the joint-stock banks. At the same time, as demand *hundis* accompanied by railway receipts are readily discounted by these banks, private bankers gladly draw them or take them from customers. But they are somewhat averse to raising funds by means of re-discounting usance bills with the banks, not because the latter are unwilling to rediscount, but because they consider it risky, as a long period, say 61 days in the case of two months' bills, must elapse before they know that a particular bill is duly honoured. Usance bills are thus used by indigenous bankers as a means of investing their own money and not so much as a convenient method of raising funds.

The *hundi* business has a season of three months in respect of the *rabi* crops (January, February and March) and two months in the *kharif* (October and November), and the extent of the bills drawn depends upon the extent of the crops. For instance, the *muddati hundis* are more common in Allahabad during the *rabi* crop, which is the bigger of the two crops of the district.

Question 2.—For meeting the demands upon them bankers and moneylenders usually depend upon their own cash resources. When these are exhausted they get accommodation among themselves by means of book entries. To some extent and, as a last resort, they seek the assistance of joint-stock banks and the Imperial Bank of India.

Such assistance, which bears a very small proportion to the total working capital of indigenous bankers, is obtained in one of the following three ways, *viz.*, (i) against gilt-edged securities, (ii) by discount of *muddati hundis* (usance bills), and (iii) by hypothecation of goods. The third method is regarded by some bankers as derogatory to their self-respect.

As for the defects in the present system and suggestions for remedies, it may be pointed out at the outset that there is hardly any system at all. It is only personal credit which counts. The indigenous bankers have no liaison with the joint-stock banks; there is no flow of funds from one to the other. In other words, the bankers' resources are not freely supplemented by accommodation from the joint-stock banks, and the consequence is that the rates of interest are not as moderate and the scope of utility as wide as they might otherwise be. This lack of contact between the indigenous bankers on the one hand and joint-stock banks on the other is often due to ignorance as well as to a feeling of suspicion and distrust on both sides. The indigenous bankers see no particular gain in going to the banks, for they get no preferential treatment as "bankers." The joint-stock banks have nothing by which to distinguish an honest "banker" from one who is not, for at present everybody can call himself a "banker," and having been swindled in one or two cases, the banks are naturally extra cautious.

What is needed, therefore, is to remove the existing distrust, restore confidence and adopt some means of linking up indigenous bankers with joint-stock banks.

Question 3.—The deposits received by indigenous bankers are usually from the members of their own fraternity and are for short periods—say 3 or 6 months—subject to withdrawal on demand. As a rule the bankers are averse to this kind of business and consider it either risky or affecting their personal credit to receive other people's money as deposit. Even enlightened bankers would not receive fixed deposits to any large extent, the maximum limit of a particular firm for an individual being Rs. 5,000. The usual rate of interest on deposits is 5½ or 6 per cent. per annum. In the dull season the rate falls to 3 per cent., while it may be 9 per cent. in some cases in the busy season.

C.—Advances by indigenous bankers.

Question 1.—Advances are made by moneylenders and bankers on promissory notes, *sarkhats*, *tamassuk qistbandi*, hypothecation of crops (called *dadni*) or goods deposited in the godowns, or on the security of goods in transit. In the case of large amounts loans are made on the mortgage of property. Benares has an interesting system known as *sawai hundi*, according to which a loan of Rs. 100 is repayable in twenty-five monthly instalments of Rs. 5 each. Before making any advances the moneylenders satisfy themselves as to the standing of a borrower through their agents. At least two agents work for a group of borrowers in a particular area and loans are given only when their testimony is joint and they are both present. An agent gets from his master a monthly pay of Rs. 12 to Rs. 15 besides a commission (8 annas per cent. shared by two agents) from the borrowers.

The usual rates of interest on the various kinds of advances are given below :—

	Per cent. per annum.
Mitidar hundis	7½
Loans on mortgages of landed property	7½ to 12 (mostly 9 per cent.).
Loans on bonds	9
Loans on pronotes	12 to 18.
Pawning (ornaments)	18¾ to 37½
Qist loans (instalment system)	44
Petty *kist* loans (day-to-day)	570 (1¼ pice per rupee per day).
Loans by *Aghas*, *Khans*, *Harias*, etc.	75 to 300.

Question 2.—The agriculturists usually deal with the village moneylenders, and the rates they pay vary from 12 to 18 per cent. in the case of cash loans and are usually 25 per cent. in the case of grain loans. In the calculation of interest the Indian months are taken into account, and it may be noted that some of these months are

less than of 30 days. Among the incidental charges paid by the agriculturists are stamp fees, *nazrana* 1 to 5 per cent., writing charges to the scribe for the writing of documents (8 annas per Rs. 100), charity (2 annas per Rs. 100 or as the case may be, in the name of *Gangaji*).

If moneylenders are linked to bankers and the latter to joint-stock banks functioning under a central bank, the rates of interest would go down and the benefit of the reduction would accrue to the borrowing agriculturists.

Question 3.—Moneylenders and banks assert that their clients can verify their accounts at all times. They are not limited to any particular office hours or special formalities. They have only to go to the creditors to know how their accounts stand. On the other hand, no regular statement of accounts is issued by moneylenders or bankers periodically or even once a year. In many cases even receipts are not given for the amounts paid by the borrowers to their creditors; the latter merely make entries in their books. Usually such entries are correct, but there is room for fraud if the *munim* (clerk) is dishonest. When receipts for payments are given to the borrowers, the latter are ordinarily required to pay for the stamp.

D.—*Exchange and money market.*

Question 1.—There is no organised money market worth the name in any of the districts visited except at Cawnpore.

Question 2.—The *dalal's* function is to bring buyers and sellers of *hundis* together and his remuneration is the *dalali* or brokerage he gets. The usual *dalali* in Meerut is 2 pice per Rs. 100 paid by the drawer or seller of the *darshani hundis* and 1 anna per Rs. 100 paid equally by the buyer and seller in the case of *muddati hundis*. In Cawnpore the *dalals* receive at the rate of 2 annas 6 pies per Rs. 1,000 from the seller.

Question 3.—The rates of *hundis* for internal remittance vary according to the town on and the season in which they are drawn. For instance, a bill on Delhi can be had at par in Muzaffarnagar or Saharanpur, because four days elapse before the bill is paid in Delhi ad the buyer forgoes the interest for four days. The more important factor determining whether a bill can be had at a discount or premium is, of course, the supply and demand of the bills.

The *muddati hundis*, usually of 61 days (*eksath miti*), also 121 or 181 days, sell at a discount of 10 or 12 annas per cent. per month or of 7½ or 9 per cent. per annum during the busy season, November to June, and of 6 or 7 annas or of 4½ or 5¼ per cent. per annum in the slack season, July to October.

Questions 4 & 5.—Agra is the only place among those visited where there is a local *sarrafa panchayat* and also a *vyopar samiti*. The former is a moneylenders' and bankers' association and the latter a traders' association for the better organisation of trade in the town.

E.—*Defects of indigenous banking.*

Question 1.—On the whole the relations of bankers and moneylenders with their clients are cordial. In most cases such relations have been maintained on both sides for several generations, and in an Indian village the *mahajan* or moneylender is indeed an indispensable part of the economic life. The only class of moneylenders really detested is the *Pathans*, *Aghas* or *Kabulis*.

The indigenous bankers working on modern lines are even more popular than joint-stock banks or the Imperial Bank of India, because of their willingness to help their clients at any hour of the day or night and the personal interest in all dealings. As a striking proof of such popularity it may be pointed out that in a period of six years a firm at Agra has not had to file a single law suit against their customers.

Questions 2 & 3.—The main difficulty of bankers and moneylenders is with regard to the repayment of loans. They complain of cases in which the borrowers borrow funds without the intention of repaying them and take shelter behind the Insolvency Act. In Benares there is a very strong feeling among moneylenders and bankers against the use, or what is really the abuse, of the Insolvency Act; and this feeling is shared in all the other districts visited. Sometimes the institution of insolvency proceedings, it

is alleged, is encouraged by the official receivers for personal gain and it is, therefore, suggested that the appointment of new official receivers every year may improve matters to some extent. A more specific remedy would, however, be to establish a local bankers' association and to make it responsible for the scrutiny and investigation of all cases with a view to declaring which of them are fit to be allowed to proceed as insolvency cases in court. Legal recovery of debts is admitted on all hands to be an expensive affair. Not only are the court expenses said to be high, but the process of the actual execution of the decree is very lengthy and costly.

In Allahabad moneylenders and bankers do not like the Bundelkhand Land Alienation Act. They hesitate to lend to people protected by this Act, because it is not so easy to realise their dues from such borrowers.

Question 5.—Sometimes indigenous bankers are unable to meet all acceptable demands for lack of sufficient working capital. Some of them then have recourse to the joint-stock banks and the Imperial Bank, but there is no effective liaison between the two. My suggestions as to the best way in which the present state of affairs can be remedied are given below under the heading "G.—Consolidation of indigenous banks" which is admittedly the most difficult and yet the most important problem.

F.—Co-ordination.

Among the indigenous moneylenders and bankers of the same or different classes there is no visible co-ordination. In Agra alone there is a *sarrafa panchayat* with a *panch* who is the proprietor of the oldest banking house. But moneylenders do inter-lend among themselves on special rates of interest called *sahukari vyaj*, and so far as indigenous bankers are concerned, cases can be cited in which one banking house has helped to save another from certain ruin. This feeling of mutual help is usually confined to the members of the same caste and is most strong among the *marwari* bankers. A *marwari* house would try its best to pay up all members of the fraternity before declaring itself insolvent.

The point of contact between the Imperial and joint-stock banks and indigenous bankers is provided by the *hundis* which the latter bring to the former. But this practice is neither general nor regular.

G.—Consolidation of indigenous banks.

The consolidation of indigenous banks is admittedly one of the most thorny problems of Indian banking and at first sight baffles all attempts at solution. My own analysis of the question, as I see it, and the possible remedies to improve matters, are given at full length in chapter VIII of my book on indigenous banking. Briefly put, these conclusions are that most of the credit operations in India are not in the hands of joint-stock banks or "organised banking" but in the hands of indigenous moneylenders and bankers or "disorganized banking" with little or no connection with "organized banking," that it is neither possible nor desirable to end indigenous moneylending and banking and that the best thing to do would be to organize the "disorganized banking" by bringing about a combination of bankers and their formation into joint-stock banks, and to link these new credit institutions along with those already in existence to a central banking agency, thus giving a unity and solidarity to the whole banking system in India which it so much lacks and needs. But discussions with enlightened bankers and bank representatives, whose names I am not at liberty to disclose, during my recent tours in the province, have made me feel doubtful about the feasibility of my scheme of voluntary combinations of indigenous bankers and their formation into joint-stock banks. I realise that indigenous bankers, circumstanced as they are, have jealousies almost of a personal character among themselves, and it seems practically impossible to make them override their jealousies and agree to work together. Even where there are no jealousies or feelings of rivalry, or where these can be overcome, there is that social institution—the joint Hindu family system—besides age-long traditions of banking houses and questions of personal status in the society, which go to militate against the scheme which I have advocated. Bearing these considerations in mind, I am inclined to think that any proposals involving the combination of indigenous bankers, however sound they may otherwise be, would, under the present conditions of India, prove still-born.

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Admitting, therefore, that the combination of indigenous bankers is impracticable in the immediate or near future, the problem remains as how best to link indigenous bankers to organised banking" through a central banking agency.

The best line of advance which suggests itself is to devise some plan by which indigenous bankers can be so reformed and organised as to reach the nearest practical approach to "organised banking," for the nearer the two credit agencies—indigenous bankers and joint-stock banks—can come together, the better the liaison that can be effected. From my study of indigenous banking I am fully convinced that there is no dearth of indigenous bankers who conduct business on sound lines, whose traditions of honesty would bear comparison with any bank in the world, and who should be welcome and profitable agents to any central banking agency which may be formed in India. What is required is to devise some system which may pick out and put such bankers in one clear-cut class, distinguish them from all other kinds of bankers and moneylenders, and give them a new interest and life in their work. The suggestion of licensing bankers with certain obligations and privileges, in this connection, promises a hopeful solution and is worthy of serious attention and examination. But in order to ensure success, the matter must be considered from two points of view, *viz.*, that of the indigenous banker and that of the central banking agency. That is to say, the scheme, if it is to be successful, should, on the one hand, make it worth the while of indigenous bankers to seek licences, and on the other hand, make it quite safe for the central bank to assist the bankers.

Taking the bankers' point of view first, the licences* should involve the following obligations on the part of licensed bankers, *viz.*, that—

(1) they shall do only banking and not speculate or combine trading business with banking proper. (This should not preclude bankers from dealing in gold or silver),

(2) their accounts shall be periodically audited by approved auditors, and,

(3) their rates of interst shall not exceed more than a prescribed per cent. over the bank rate.

As against the above restrictions the licensed bankers should enjoy distinct privileges on the following lines :—

(1) their *hundis* (within such limits as considerations of their own credit and of prudent finance may determine) shall be discounted by the central bank on exactly the same terms as the bills of the joint-stock banks,

(2) special remittance and other facilities, so far as consistent with public interest, in the same way and on the same terms as applicable to all joint-stock banks, and

(3) legal recognition and rights in the matter of recovery of debts, etc.

Apart from these specific advantages, the gain to the licensed bankers in their prestige and influence will be by no means small. If only they use their opportunities well the possibilities are immense and in time they should become most powerful links in the system of Indian banking, much to the advantage of the country as well as their own.

*For most of these suggestions I am indebted to Sir Purshotamdas Thakurdas.

A brief note on the Moradabad brass industry.

THE brasswares of Moradabad are famous not only in the United Provinces but throughout the country. Such indeed is the importance of the brass industry in Moradabad that about one-third of the entire population of that town owe their income in whole or in the main to the production and sale of brass articles.

2. *Organisation.*—The workers usually work in *karkhanas* under *karkhanadars*. Both are mainly Muhammadans. The number of workers in a *karkhana* varies from about 10 to 50. Some *karkhanas* are owned by particular individuals, but in many cases there are partnerships. The organisation is on small scale, weak and unco-ordinated. The relations of the workers to the *karkhanadars* are mostly cordial, but the former are sometimes tied to the latter on account of a peculiar system of credit called *baqi*. In relatively big *karkhanas*, the workers obtain loans from the *karkhanadars*, particularly on social occasions in the family like marriages, etc. The more skilled a worker, the larger the amount of *baqi* or loan he owes. The workers are not allowed to leave their *karkhanas* so long as their *baqi* is outstanding; and this is usually the case. The workers have only to thank themselves for their inability to pay. The money which they borrow is unwisely spent, for they regard it as a sort of unearned income. Very often transfers of workers from one *karkhana* to another take place, but in most cases the *baqi* is paid to the old employers on behalf of the workers by the new employers, and all that happens is a change of masters-*cum*-creditors. Generally, small sums are deducted from the worker's weekly wages to liquidate the *baqi;* but as new occasions of unproductive expenditure constantly arise, the *baqi* is rarely repaid and practically the money given as *baqi* is, as often as not, so much lost and the last hope of recovery goes with the worker. The children have nothing to do with the *baqi* of their deceased father, and they are quite free to work in the old *karkhanas* or to go to new ones.

3. *Wages and apprenticeship.*—The wages of the workers are twelve annas per day for unskilled work and Re. 1-8 for skilled. But thanks to the illiteracy and spendthrift habits and the *baqi* system, the workers live from hand to mouth and suffer privation in periods of trade depression.

The apprenticeship is confined to the families of the workers themselves. A new candidate gets his training in the *karkhana* of his father or guardian.

4. *Method of finance.*—The *karkhanadars* usually possess only small capital, and prefer to make things to order, taking the metal from the brassware dealers and charging a settled rate for the wares made. Sometimes they make things on their own and sell to the shopkeepers, but most of the finance is provided by the brassware dealers in various ways, *e.g.*, cash credit, advances of raw material, etc. These dealers are mostly Hindu *mahajans* and are quite well-to-do. The *karkhanadars* cannot carry on without outside finance and get no advances for their business from the Allahabad or the Imperial Bank, but the business at present involves risks which no joint-stock bank could undertake without adequate insurance. The workers are mostly in a bad way—illiterate, addicted to gambling, betting on partridge (*titar*) and quail (*bater*) fights etc. The small *karkhanadars*, who very often rise from among the go-ahead workers, are themselves not above such vices.

5. *Marketing.*—The wares are sold to the local dealers who may be divided into two classes, (*a*) small and (*b*) big. The small dealers sell only locally and do not trouble with mofussil sales and advertising. The big dealers, however, have a few agents in important towns like Lucknow and Cawnpore and sell locally also, as well as supply mofussil orders. They also advertise to some extent in the papers and receive direct orders from mofussil consumers. But the greatest handicap, both in the way of advertisement

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and large mofussil sales, is the absence of standard goods. If goods of standard quality and pattern are produced, and there is systematic advertisement, Moradabad wares would easily command a very wide market, not only in the country, but also abroad in the West. The best line of advance would be to have a common organisation in the shape of an information or advertisement bureau which should study the demands of consumers, give new ideas to dealers, advertise the goods and encourage their sales. The expenses of such an organisation should be borne by the industry itself, and dealers can be induced to come together, if they are to reap the advantages which would certainly prove well worth the expense.

Report of an economic enquiry in village CHIRAIGAON, district Benares.

[By Mr. Devi Sahai Srivastava, M.A., LL.B., Inspector of Co-operative Societies, United Provinces (on special duty).]

Introduction.

Chiraigaon is a village situated across the rive Barna in Benares tahsil, about seven miles by *pakka* road from the city of Benares, though the short cut by *kachcha* lane is only five miles. The nearest railway station is Sarnath on the B. & N.-W. Railway. The village is connected by a *kachcha* feeder of about half a mile with the nearest *pakka* road which leads from Benares to Ghazipur. The nearest markets are Rajghat and Bisheshwarganj, only three miles by *kachcha* lanes, where people flock daily with their produce. The soil of the village is sandy loam, but the efforts of the cultivators have made it fertile.

Area under cultivation.—The total area of the village is only 182 acres of which the cultivated area is only 147 acres. There are groves in the village to the extent of 15 acres. The remaining 20 acres are *abadi*, tank and waste, etc. As the cultivated area is insufficient for the residents of the village, they also have holdings in other neighbouring villages. The areas so cultivated are as follows :—

	Acres.
Shankerpur	33
Gaurakalan	47
Baryasanpur	40
Siwon	4
Total ..	124

Four or five acres in the village Rustampur are also cultivated from Chiraigaon.

Kinds of tenancy.—The total area under cultivation of the people of Chiraigaon in all the villages is about 270 acres. There are about 100 families which possess holdings in some form or other, the rest being traders and labourers. The average holding, therefore, per family comes to 2·7 acres, or 4 bighas, which is inadequate to maintain them at a right standard of comfort. The following kinds of land tenures are found in the villages :—

Kinds of tenancy.	*Number of holdings.*	*Area. Acres.*
Fixed rate tenancy	19	15
Occupancy tenancy	83	110
New occupancy (column 7)	9	10
Life tenants	4	3
Proprietors (Misc. column 7)	2	2
Shikmi *sir*	10	7
Total		147

Population and castes.—The population of the village is 953 as calculated in 1929. There are 140 families. There are two types of villages in Benares, one having several adjoining *purwas* (hamlets) attached to it, and the other having a single site. This village belongs to the former type.

The majority of the people residing in this village belong to the Koiri class who are great producers of fruit and vegetable crops. Other castes may cultivate and also

carry on their separate professions and trades. The following figures show the number of families of different castes in the village :—

Castes.	*Families.*
Koiri	56
Ahir	4
Kumhar	8
Bhar	19
Chamar	30
Khatik	7
Teli	2
Nai	2
Dhobi	1
Lohar	3
Muhammadan	4
Gond	2
Sonar	1
Musahar	1
Total ..	140

Subsidiary industries.—There are the following subsidiary industries in the village :—

(1) Silk *sari* weaving (twenty families working about 40 looms).

(2) Gardening.

(3) Milk supply.

(4) Trade in vegetables and fruits.

(5) Shop-keeping.

(6) Pottery.

(7) Oil pressing.

(8) Money lending.

The *sari* trade is declining, but there are possibilities of revival if markets were available.

Crops.—The chief garden and vegetable crops of the village are—

(1) Lemon.

(2) *Falsa* (*Grewia asitica*).

(3) *Papita* (papaw, *carica papaya*).

(4) *Aonla* (emblic, *phyllanthus emblica*).

(5) Mango.

(6) Guava.

(7) Rose.

(8) Potato.

(9) *Arvi* (yam, *colocasia antiquarum*).

(10) *Bhindi* (lady's finger, *hibisens esculentus*).

(11) *Brinjal* or egg plant.

(12) Other vegetables.

Besides this the chief staple crops of the village are wheat, barley, peas, gram, *arhar*, *bajra*, *sawan*, etc. These crops are not generally grown for the market, but for

the cultivator's own use. The following figures show the crop production of this village :—

Kharif.

	Acres.
Pulses	1
Sawan	3
Chari (fodder)	7
Arhar and *juar*	22
Hemp	3
Total ..	36

Rabi and Zaid.

	Acres.
Gram and wheat	2
Wheat	9
Barley wheat	12
Barley	10
Fruits and vegetables	57
Potatoes	12
Carrots	1
Peas	7
Total ..	110

From the total above it appears that only 9 acres of wheat are sown in Chiraigaon and about the same proportion in other villages mentioned above, which is quite insufficient to maintain the village population. The acreage under barley and other food crops is also insufficient. The major portion of the cultivated area is under vegetables and fruits which fetch a very high price.

Some of the cultivators, who do not produce as much grain as they require for their needs in a year, purchase at the harvest time what they want from their brother cultivators in the village itself or in the neighbourhood.

To answer now the particular questions included in the questionnaire :—

PART I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

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

Question 2(*a*), (*b*), (*c*) *Expenses during cultivation.*—(*i*) *Seed and manure.*—The cultivator's credit requirements may be described as follows. First, money is needed to purchase seed and manure in the months of October and November; as the people have now learnt the advantages of artificial manure, they spare no pains to get it. The manure used in their potato fields and their orchards of lemons and oranges is *neem*-cake. They also require money to pay the labourers who have ploughed their fields and done other work connected with the preparation of the soil. Money for these purchases is supplied by the credit society and the local moneylenders, except in a few cases where people borrow on the *ugahi* system from outsiders. In this system the loan is a multiple of Rs. 10 and the sum repaid is a multiple of Rs. 12 in twelve equal monthly instalments. By another system money is advanced at seed time, and 1¼ or 1½ times the amount a advanced is realised at harvest. The local moneylenders generally charge interest at the rate of 2 per cent. per month, but in special cases the rate goes up to Rs. 3-2-0 per cent. per month. There are one or two persons in the village who store potato and other seed for supply on credit, charging interest at 2 per cent. per month on the price of the seed. The credit society also advances money for the purchase of seed at 15 per cent. per annum. In the case of the seed of wheat, etc., *sawai* (25 per cent.), is the general rate.

(ii) *After cultivation and irrigation.*—Besides seed and manure there are very few operations for which money is required. Generally the cultivators do their own work like weeding, etc., but occasionally they have to hire labour for later cultivation and irrigation. They generally possess their own irrigation appliances, but occasionally hire them at Re. 1-8-0 to Rs. 2 per day. Labour is also hired at harvest time in April and May for about a week; but in the case of vegetable crops the purchaser himself collects and sells the vegetables, and the grower has nothing to do with it. All this expenditure is usually met from borrowed money except occasionally when the cultivator has

capital of his own. Generally the period of loans taken for expenses during cultivation is six months or a year, and the maximum rate is 2 per cent. per month. This sort of loan is advanced on the borrower's personal security and that of his crops. But when the money is borrowed for capital improvements or for special needs like marriage, *i.e.*, for long terms, land is the only security which is accepted. In this village it is the practice to mortgage the field with possession to the lender on the condition, that the borrower will not pay any interest, that he will be entitled to repay the debt when he likes, and will recover possession when he does so. This is also the practice in the case of occupancy holdings, although the law forbids such mortgages. The mortgagee either cultivates the mortgaged lands himself or lets them out to other cultivators, but sometimes to the mortgagor himself as sub-tenant on *shikmi* rent. A tenant who parts with his land, has very little chance of getting it back since he has no longer any source of income wherefrom to pay the debt. When the mortgagee finds that the letting value of the land is low he charges the mortgagor with the difference between the interest on the loan advanced at the current rate and the rent realised from the land.

(iii) *Capital improvement.*—In this village no money is borrowed for capital improvements except for constructing irrigation wells. Fencing has been done in two or three cases but the cultivators have done it from their own earnings. The major portion of the village debt is for marriage and the payment of old debts; only Rs. 1,004 were borrowed for construction of wells. The cultivators have now been made to realize by constant propaganda the necessity of permanent improvements in land, but they do not get sufficient long-term credit to undertake such. They have recently made a demand of Rs. 1,400 for the construction of wells from the credit society.

(iv) *For social and other needs.*—Besides borrowing for agricultural purposes the people of this village also borrow at times for social needs, *e.g.*, marriage or funeral ceremonies, and sometimes for the payment of rent and revenue. For such purposes people require long-term credit which is not generally obtainable in the village. They seek it from the *mahajans* in the city. There they mortgage their land, if possible; otherwise they get the money on a bond bearing interest at 2 per cent. per month. There is always a condition that the interest of the bond will be paid annually, or in default the amount of the interest will be added to the principal, which means compound interest on the capital they borrow. The period of these loans generally extends to three years when the pronotes are renewed if payment is not made. Sometimes the interest is added to the principal, not yearly but on the renewal of the bond. The rate of interest described above is for cash advances; no advances in kind are made in this village. The prevailing rate is high, but cannot be described as exorbitant.

(*d*). The only charges that the borrower has to incur besides interest are as follows :—

(1) Stamp duty on bond.
(2) Writing charges (minimum 8 annas).
(3) Registration charges if the deed is to be registered.

On repayment, there is no other incidental charge; though, of course, the borrower has to pay all litigation charges if the lender has to file a suit against him for the recovery of his money.

Question 3.—Generally land is the only security accepted for cash loans; standing crops and implements are very rarely offered as security. Ornaments are pawned sometimes, but rarely : in this village only one case has come to light. Besides, ornaments are not much in use in this village except in castes like Ahirs, etc. Houses are sometimes offered as security, and accepted. In one case a house was mortgaged for Rs. 500.

Question 4.—As the loans are mostly advanced in cash either on bonds or mortgages, the method of enforcing payment of debts is by suits in courts or arbitration in *panchayats*. In the co-operative society the payments are also enforced by arbitration, of which the defaulters have to bear all the costs.

Question 5.—The cultivators do not take full advantage of the facilities provided by the Agriculturists' Loans Act and the Land Improvement Act. During the last six years *taqavi* has been taken only once, to the extent of Rs. 200 : and that too has been paid off.

The reasons for not borrowing *taqavi* are as follows :—

(1) The cultivators find it difficult to get a recommendation from the patwari and *qanungo* to support their applications for *taqavi*. The process is also often troublesome.

(2) The cultivators do not generally get all the money that they require, but only what the patwari and qanungo recommend. Distribution, too, is often a matter of favouritism.

(3) As the application has to pass through many officers, the payment of the money is often delayed till long after the applicant's requirements have been satisfied in some other way. That is, they prefer to borrow from a moneylender, who does not keep them waiting.

(4) Sometimes, the people who really require help, do not get *taqavi*, whilst people of good position (*haisiyat*) who do not need help, get *taqavi* which they utilise in their business or advance to their more unfortunate brother cultivators.

(5) The strictness with which *taqavi* is recovered, makes the cultivator unwilling to take it.

All the above defects can easily be remedied by advancing *taqavi* loans through the co-operative societies in areas within the co-operative fold, and where co-operative societies do not exist, through some special organisation for *taqavi*, so that the distribution of the money may reach the recipient without the interference of too many officials.

Question 7.—Defects in the system.—The agricultural credit system has various defects as follows :—

(1) The rate of interest is ruinous, whilst the law suits by which repayment is enforced are expensive.

(2) Cultivators are often compelled to wander from *mahajan* to *mahajan* in search of credit. This difficulty of getting a loan makes them reluctant to spend money on improving their holdings.

(3) By a usufructuary mortgage of their land they are deprived of the only source from which they can repay the debt; by any other mortgage they are likely to lose it sooner or later. Even if the land remains in their possession as *shikmi*, they find it difficult to pay off the principal amount because they do not invest so much labour and capital in it as before, and their production is reduced.

(4) The system of compound interest at an interval of one to three years increases the burden which they have to carry; and in course of time it becomes too heavy for them.

(5) Borrowing on the *uqahi* system produces certain abuses. The creditor sends his man to the village to collect the instalments at intervals, and cultivators have to feed him every time he comes. Sometimes they are so much harassed by his entertainment that they prefer to borrow from somebody else, whatever the rate of interest may be, and to pay him for good.

(6) There are also two defects in the co-operative system. Firstly, the method of calculating the *haisiyat* (financial position) of members is defective, and generally leads to under-valuation. For example, a man owning one bigha fixed-rate tenancy can borrow Rs. 400 to Rs. 500 from a *mahajan*, and if he wants to sell he can get up to Rs. 1,000. But in the society he cannot get more than twenty-five times the annual rent, a matter of Rs. 100 or so, at most. Secondly, a society cannot grant long-term credit, and the people are obliged to take on short terms loans which they expect to repay only in ten or fifteen years.

Suggestions for improvement.—I suggest the following remedies :—

(1) Land mortgage banks should be opened to give credit facilities to cultivators on the security of their holdings—of course, after making the necessary statutory changes in the tenancy law.

(2) Long-term credit should be supplied to villagers by the land mortgage banks, to enable them to make permanent improvements or to pay off their old debts. This can also be done through land mortgage banks. The Government can also help by making *taqavi* advances at a rate of 3 to 4 per cent. direct to the credit society, for a period of at least twenty years.

(3) It should be made illegal for *mahajans* and other moneylenders to advance loans to the members of co-operative societies.

(4) The *haisiyat* rules should be revised.

VILLAGE CHIRAIGAON : MR. DEVI SAHAI SRIVASTAVA.

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

Question 1.—As pointed out above, the principal market crops of this village are vegetables and fruit, namely, lemons, guavas, mangoes, *falsas*, roses, potatoes, brinjals, *bhindi*, *arvi* and other similar vegetables. The produce is generally purchased by village traders, mostly Khatiks or Bhars. Some of these traders carry it on their own pack animals to the central market at Rajghat and Bisheshwarganj. A pack buffalo can carry four maunds. The cost of hiring a buffalo is 2 annas 6 pies per maund, while the wage of a porter, who can carry one maund, is 6 or 7 annas a day.

The general practice is that the traders buy the vegetable crop whilst standing, usually a week or a fortnight before the crop is ready for the market. The purchasers take the vegetables as ready daily to the nearest market at Rajghat, two and a half miles away, where it is sold to wholesale dealers. In the village the price is settled by bargain between the grower and purchaser, and one-fourth to one-fifth of the price is paid piecemeal as sales are effected in the market. The trader has to bear all the transit charges including octroi, etc.

The fruit gardens are also sold wholesale for a period of a year or two. The purchasers take all the fruit during that period, while the owner is responsible for digging and watering. The number of times the grove is to be dug, irrigated and manured is settled beforehand. The purchaser either takes the yield to the market and sells it to the wholesale dealer or exports it himself to outside markets. For example, lemons and guavas are generally exported to Patna, *falsas* to Lahore, mangoes to Lucknow and other places.

Beoparis or traders come from Ghazipur and Jaunpur to purchase the roses. These flowers are then sold to the manufacturers of rose-water and other perfumes in Jaunpur and Ghazipur. The general rate at which these flowers are sold ranges from Rs. 1-12-0 to Rs. 2 per thousand. The development of this trade is possible if the manufacture of rose-water and other perfumes is undertaken in the village itself.

The prices obtainable for fruit or vegetable crops are considerable. A *falsa* field is often sold at Rs. 70 to Rs. 85 per bigha. A lemon grove [illegible] rent per annum was sold for Rs. 675 for a year. The owner's expenditure on digging and [illegible] Rs. 330, or Rs. 365 with the rent, so that the profit was Rs. 310, *i.e.*, [illegible] extends 2 bigha; but the cultivator had to wait five years before the trees bore fruit. The [illegible] times the best lemon grove in the village and no irrigation was needed. The price obtainable for a rose field varies from Rs. 150 to Rs. 250 per bigha : in one case Rs. 400 was paid for a rose field of 1½ bighas, against expenditure of Rs. 150 for manure, Rs. 60 for plants, Rs. 10 cultivation, Rs. 30 for irrigation and Rs. 30 for rent, a total of Rs. 280. The profit was Rs. 120 on 1½ bighas, *i.e.*, Rs. 80 per bigha.

In potato fields the average yield per bigha ranges from 150 to 200 maunds of potatoes per bigha. In one case 200 maunds of potatoes were obtained from a field of 1½ bighas; the owner's expenditure was as follows :—

	Rs.
Cultivation and preparation of soil	15
Sowing	8
Seed	84
Manure (*neem* cakes)	51
After cultivation	30
Irrigation	14
Digging of potatoes	10
Rent	15
Labourers' wages, three months	24
Total ..	251

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The total price obtained was Rs. 375 giving a net profit of Rs. 124, *i.e.*, Rs. 82 per bigha, but the profit would have been larger if the grower had been able to wait for a rise of prices. But that he could not do as money was wanted, and not otherwise forthcoming. Some people in the village who purchase potatoes at harvest and store them for seed, obtain very high prices, so long as storing does not spoil the stock. On the average the following are the profits from different kinds of crops :—

Crops.	*Profits.*
Falsa	Rs. 50 to Rs. 60 per bigha.
Rose	„ 80 „ 100 „
Potato	„ 60 „ 80 „
Lemon	„ 125 „ 150 „
Brinjal	„ 50 „ 60 „

For crops like wheat, etc., the net profit comes to Rs. 12 per bigha, sometimes less. But the staples, namely, wheat, gram, barley, peas, etc., are not sold as a rule, as the produce is inadequate for the village's needs; indeed, the people of the village generally purchase for their requirements from the neighbouring villages.

(*b*) There is no difference in the marketing of the produce for domestic consumption and that for the market, except that the former is sold in the village itself while the latter is taken to the city. No incidental charges like weighing, etc., are paid in the village on articles sold for local consumption.

Question 2(*a*).—From what has been said, it is clear that little money is needed for marketing the village produce, and what money is required is supplied by the credit society and the *mahajans*. Grain merchants and exporting firms play no part in village finance. The terms are moderate; the rate of interest charged by *mahajans* is generally 2 per cent. per month. The rate charged by the co-operative society is 15 per cent. per annum.

(*b*) The co-operative society often assists the village trader, who markets the village produce, by loans. There is no field for co-operative sale of the vegetables, as they are perishable and fetch a better price when taken to the market in small quantities. Fruits, however, are exported to more distant markets and there is scope for co-operative marketing whereby the profits of the middlemen may be eliminated.

Question 3.—The Khatik trader in this village pays all market charges, as follows :—

(1) Cost of carriage from the village to the market, two and a half miles away, at 2 annas 6 pies per maund for pack buffaloes or 6 annas per maund for porter's wages.
(2) Toll, 6 pies per man and 1 anna 9 pies per buffalo.
(3) Octroi, 1 anna 6 pies to 2 annas 6 pies per maund for fruits and vegetables.
(4) Market tax, 1 anna per maund.
(5) Ten chhataks per maund of vegetables or fruits are taken as *ghelua* (etc.)
(6) *Arhat*, 9 pies per maund, to *arhatia*.

On an average the marekting expenses come to 8 annas per maund, but these charges vary with different crops. The charge paid as *arhat* remains the same. No other incidental charges have to be paid.

Question 4.—Generally the grain is stored in villages in one of two ways : (1) in huge earthenware pots called *kothilas* : (2) in mud houses under the covering of *bhusa*. It is also sometimes kept on the second storey of the cultivator's *kachcha* house. The second method is more wasteful than the first. The waste is generally due to damp or to rats. A safer method of storing would be to keep the grain in gunny bags, on a raised platform 2½ feet high in the centre of a room. It would be profitable to build a common store-room for the whole village, where the grain would be stored in separate bags labelled with the owner's name. This would pave the way for the gradation of the seed.

In the markets grain is generally stored in gunny bags which are kept in a room, but not on a raised platform. Of course the wastage from rats is not so great. The building of a raised platform will not be expensive and would keep the grain free from insects too.

Question 5.—The *beopari* or the cultivator sells the produce in the city market through the *arhatia*, who charges his *arhat* (commission). Sometimes the actual purchaser (who is generally the retail dealer) cannot pay the whole price due, and the *arhatia* then

pays the seller the balance. He charges interest at 1 per cent. from the purchaser if the payment is not made within a fortnight.

If the *arhatia*, who always keeps a stock of 500 or 1,000 bags of grain, requires money, he generally issues a *hundi* for a period of two or three months at an interest of annas 8 or Re. 1 per cent. per month. As his credit is known in the market he can cash the *hundi* and get the money. A *hundi* is a bill on sight. The *arhatia* never offers his stock as security, which is considered humiliating, but borrows on his personal security. His stock of course, serves to maintain his credit.

Question 7.—The traders in this village sometimes combine to purchase and market vegetables or fruit, sharing expenses and profits. This is most common in the case of lemon and guava groves. Two or three persons occasionally, but rarely, combine to purchase a standing crop of *arvi* or potatoes. Combined production is not possible in the cultivation of garden crops, which require intensive labour.

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

Question 1.—The indebtedness of the village was ascertained by a door-to-door inquiry. It is necessary to allow for the reticence and conservatism of the villager; it can, however, be asserted that the information embodied in this note is reasonably correct.

Almost all the loans have been advanced against the general assets of the cultivator, except in a few cases where land has been mortgaged with possession. Ornaments are not common in this village, and only one case of pawning has come to light. It is also possible that the people feel shy of disclosing their loans on the security of ornaments as these are very small amounts. Houses were mortgaged in one or two cases. The amount of loans against registered mortgages is Rs. 3,200. No loans are granted on the security of agricultural implements as their value is small. Crops are not generally mortgaged, as they are sold a week before they are ready for the market: though occasionally the trader may advance a small amount on the security of the crop of which he is the prospective purchaser. The amount of indebtedness secured on unregistered mortgages could not be discovered. The proportion of the debt secured on registered mortgage is 13·2 per cent.

Out of 140 families in this village, 112 are in debt. Of the remaining 28, some had members earning their living in Calcutta or Bombay. But it can be assumed that these 28 families or 20 per cent. of the total are out of debt. This figure corresponds closely to that arrived at by Mr. Darling from his inquiry in the Punjab. The total amount of indebtedness of 112 families comes to Rs. 24,159.

Question 2.—The chief creditors are—

(1) The village co-operative credit society.

(2) *Hundiwalas* (those who advance money on the *ugahi* system).

(3) The village *mahajans* and rich cultivators.

(4) City *mahajans* and moneylenders of neighbouring villages.

(5) Government, but only occasionally: during six years only Rs. 200 were borrowed.

The indebtedness of the village to different kinds of creditors is as follows:—

	Rs.	Per cent.
(1) The village co-operative credit society ...	2,483	10·2
(2) *Hundiwalas* (*ugahi*)	900	3·6
(3) City *mahajans* and moneylenders of neighbouring villages	10,547	13·7
(4) Local persons and rich cultivators ...	10,229	42·5
Total ...	24,159	100

Of the outside creditors six are big moneylenders, while the rest, 32 in number, are small men who lend occasionally. The total number of outside creditors is not less than 38.

In the village itself there are six persons belonging to the Koiri and the Khatik castes who do moneylending business as their subsidiary profession, although some of them borrow themselves when necessary. Besides these six there are fourteen persons who borrow or lend according to circumstances. The six local moneylenders have lent a total amount of Rs. 7,662. The other fourteen have lent a total amount of Rs. 2,567 or 10·6 per cent. All the persons who carry on moneylending in this village are agriculturists.

The following table shows the objects for which money was borrowed :—

Purpose of loan.	Amount of loan.	Percentage.
	Rs.	
Payment of old debts	7,099	29
Marriage, etc.	4,179	17
Family expenses	3,107	13
Trade	2,609	11
Bullocks	1,884	8
Seed	1,180	5
Cultivation and manure	1,119	5
Wells	1,004	4
Milch cattle	720	3·5
House-building	576	2
Funeral ceremonies	340	1
Rent and revenue	212	1
Litigation	100	·5
Total ...	24,159	100

An examination of the figures given above shows that the credit society meets only 10·2 per cent. of the demand for money, the remaining being satisfied by local and outside moneylenders. The scope for government and co-operative help is very wide, and the need imperative.

The figures given in the table show that the percentage of indebtedness is highest for three objects, namely, payment of old debts, marriage and family expenses. It is some sign of progress that people borrow most for repaying old debts. Though no figures are available, inquiries show that indebtedness is at present much less than it was ten years ago.

Question 3(*d*) *of Part A.*—It has been ascertained from the village patwari that many of the fields which were formerly mortgaged have been redeemed, and that the number of mortgages of agricultural land is decreasing. A noticeable feature is that litigation is the cause of a trivial amount of debt, only 0·5 per cent.

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The following table shows the indebtedness of each caste residing in the village :—

Castes.	Total number of families.	Number of families in debt.	Amount of debt.	Average debt per family.	Percentage of indebtedness.
			Rs.		
Koiri	56	50	15,308	320	63
Bhar	19	10	2,632	263	11
Chamar	30	29	1,839	66	8
Kumhar	8	4	1,105	276	5
Ahir	4	4	1,065	266	4
Khatik	7	3	790	263	3
Teli	2	2	383	191	2
Dhobi	1	1	220	220	1
Muhammadan	4	2	213	156	1
Nai	2	1	200	200	1
Lohar	3	2	170	85	·5
Sonar	1	1	130	130	·5
Gond	2	2	84	42	..
Musaha	1	1	20	20	..
Total ..	140	112	24,159	..	100

[*Question* 3. (*b*) *of Part A.*]—Koiris are the most highly indebted caste in the village. They form the most busy and productive agricultural class, and also trade in silk *saris* as their subsidiary profession, in which a lot of money is needed. Most of the fixed-rate and occupancy tenancies in the village belong to them, and they own most of the fruit gardens. As good cultivators and good traders of some position, they require more money than other castes for agriculture and trade. On the other hand, indebtedness per family is lowest among Musahars, Gonds and Chamars : these are the labouring classes who possess very little land.

Question 3.—Only in a few cses has the land passed from the hands of a cultivator to that of a non-resident creditor. But this is rare. Generally, the people are redeeming their mortgages. The total mortgaged area is only 8·85 acres. There has been a case where the mortgagor could not redeem his mortgagd land which passed to the creditor this year, but the area was only two bighas. If the transferee of the land does not reside in the village, he generally lets out the field to a sub-tenant who does not pay so much attention to it as the owner would have done, and the particular field suffers.

The total rent which the cultivators pay for their fields in Chiraigaon, Shankerpur, Gaura, Baryasanpur and Siwon is Rs. 2,322-2-0; the total indebtedness is Rs. 24,159. The debt is 10·4 times the rent. Mr. Darling calculated that in the Punjab the indebtedness of the cultivator was twelve times the land revenue. Here it is a little less.

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III.—Investment habit and attraction of capital.

A.—Encouragement of saving and investment habit.

Question 2.—There is a co-operative credit society in the villgae which provides full facilities for saving. Also there is a post office at a distance about two miles from the village. At present the habit of the villagers is that they invest savings first in the purchase of ornaments for their women-folk (except among Koiris). The habit of investing in silver and gold is prevalent amongst Bhars and Khatiks and to a certain extent amongst the Ahirs. Secondly, they invest it in their own business as happened with two shop-keepers. Thirdly, if a cultivator has any money, he lends it out on the *ugahi* system and thereby earns interest. People also take land on mortgage if they save sufficient money. At present the co-operative society has no savings bank which might possibly attract this money if interest were paid on the deposit. There are some people who even now hoard their savings.

Report of an economic enquiry in village DHANGARIA, district Benares.

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Introduction.

The village of Dangharia is situated in the Benares tahsil and district, about 18 miles from the city of Benares, on the Grand Trunk Road towards Allahabad. A *kachcha* feeder of about 2 furlongs connects the village with the nearest *pakka* road. The nearest railway station is Nigatpur on the Benares-Allahabad, B. & N.-W. Railway, but it is in accessible in the rains on account of a big tank lying between the station and the village. Generally the village traffic goes through Raja Talab Station, about 8 miles away from the village.

The nearest market for the greater part of the produce of the village is Bisheshwarganj in the city of Benares. For hemp there are other markets too, *e.g.*, Raja Talab and Tamachabad, the latter being the nearest (about three miles). Usually the produce of the village is taken to the market in carts (*ekka*) drawn by a single bullock. There are all kinds of soils in the village, but on the whole the village is a fertile one.

Area under cultivation.—The total area of the village is 133·89 acres, of which the cultivated area is only 105·72 acres. The remaining 28·17 acres is *abadi*, waste and tank, etc. As the cultivated area is insufficient for the residents of the village, they own and cultivate land in neighbouring villages, as follows :—

		Acres.
1.	Moghlabir	46·43
2.	Shivarampur	97·35
3.	Khochwan	2·09
4.	Koara	60·86
5.	Rupapur	9·60
	Total ..	216·33

The total area cultivated by the people of Dangharia is 322·8 acres. There are 64 families residing in the village, of whom seven are landless labourers, so that the average cultivated area per family comes to 5·7 acres or 7½ bighas which can be regarded as an economic holding.

Kinds of tenancy.—The village lies in pargana Kaswar Raja and is exempted from the Agra Tenancy Act; the only practical difference, however, is that the occupancy right is transferable and can be mortgaged or sold by auction. The chief kinds of tenants in this village are :—

		Acres.
1.	Fixed rate tenants	94·15
2.	Occupancy rate t nants	5·82
3.	Non-occupancy over 12 years	3·37
4.	Non-occupancy	2·94
5.	Life tenants	0·57
6.	Heirs of life tenants	0·5

There are no miscellaneous petty proprietors; the village belongs to *zamindars*, none of whom lives in the village. The most important, who owns a twelve annas share, lives in a neighbouring village.

Population and castes.—The population, as counted during the inquiry in September, 1929, is 467. The total number of families residing in the village is 64, mostly Kurmis.

As pointed out in my report on village Chiraigaon there are two types of villages in Benares—one composed of several adjoining hamlets and the other having a single site, This village belongs to the latter type and is in all respects normal

The Kurmis, who form the majority of the population, are not only the principal tenants, but almost the only cultivators. Other castes carry on their various professions and trades. The following table shows the number of families of each caste residing in the village :—

Castes.	Families.
Kurmi	57
Kewat	3
Gond	2
Brahman	1
Khatik	1
Dhunia (weaver)	1
Pasi	1
Kumhar (potters)	1
Lohar	1
Rajput	1
Bania	1
Total ..	64

The Khatik and Pasi families keep pigs.

Subsidiary industries.—There are few industries in the village except agriculture. Some of the richer cultivators trade in sugar, hemp and staple crops, including oil seeds. A few families lend money as a subsidiary business; there is no professional moneylender in the village. The only other subsidiary industry is sugar-making; about 400 maunds of sugar is the annual outturn.

Crops.—The chief money-producing crops of the village are wheat, oil-seeds, hemp, rice and sugarcane; the other crops are barley, peas, gram, *arhar*, *bajra*, maize, linseed and potatoes. These are not generally grown for the market, but for the cultivator's own use. The following figures show the distribution of the crops :—

Kharif.

Crops.	Acres.
Sugarcane	21·95
Hemp	18·36
Rice (Kuari)	18·43
Rice (Aghani)	9·99
Juar mixed	10·74
Maize	4·40
Sawan	3·00
Others	2·09

Rabi and zaid.

Wheat	5·79
Gram	11·19
Peas	12·40
Potatoes	3·24
Wheat and barley	9·91
Barley	2·64
Barley and peas	2·78
Others	·82

The area under food crops, together with the land in other villages which is held by the tenants of Dangharia, produces sufficient gram for the village's consumption, and very little is ever purchased.

To answer now the questions included in the questionnaire :—

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

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

Question 1.—The number of persons residing in other villages that have money-lending business here, big or small, is 16. Within the village itself 33 persons have advanced loans to their brother cultivators in some form or other; but of these only five or six are moneylenders in any real sense. This includes speculative tenants who have themselves borrowed money to invest in land mortgages.

There is no credit society, and no *taqavi* loans have ever been taken. Thus we find that the only class that lends in this village are the local and outside *mahajans*. Sometimes *hundiwalas* (*tharakkars* as they are called in this part of the district) advance money, to be realised at harvest time, to the poorer villagers, but the amount involved is not more than Rs. 200. Steps have been taken to organise a credit society.

(*b*) Debt has been contracted in this village for the following purposes :—

(1) Payment of old debts.

(2) Marriage and funeral ceremonies.

(3) Payment of rent and interest on loans.

(4) Purchase of bullocks.

(5) Purchase of milch cattle (generally she-buffaloes).

(6) Repairing and building of houses.

(7) Trade in corn and sugar.

(8) Family expenses.

(9) Litigation.

(10) Investment in land mortgage.

(*c*) Out of the total loans borrowed for the above purposes 61 per cent. goes for the payment of old debts, about 11 per cent. for social expenditure, about 5·3 per cent. for investment. The remaining 23 per cent. is distributed over other heads in the following order of importance :—

(i) Rent and interest.
(ii) Litigation.
(iii) Repairing and building of houses.
(iv) Purchase of bullocks.
(v) Trade.
(vi) Family expenses.
(vii) Buffaloes.
(viii) Wells.

These are skilful cultivators, and they do not borrow extensively for their agricultural needs.

Most of the debt has been financed by resident cultivators. About Rs. 7,000 is due to three or four big men; Rs. 4,000 is due to some 30 others in small sums.

(*d*) There is no borrowing in kind except for seed. The total debt of Rs. 18,082 is in cash.

The loans raised for agricultural purposes are often repaid within a year, but those for the purchase of cattle, for repayment of old debts, or for investment in land are never repaid even within the statutory period of limitation of 3 years. As time goes on bonds are renewed; one creditor is paid off with the money borrowed from another; interest accumulates; and so indebtedness goes on increasing. About 66 per cent. of the debt is secured on mortgages, and is consequently for very long periods. The cultivator is at liberty to redeem the mortgage; but he cannot get back his land unless he pays off the loan, and he cannot pay off the loan unless he recovers

the land—a vicious circle. The result is that generally the loan is not paid off even in 60 years.

Question 2.—As already pointed out, no loans in kind are now made except for seed, and even that is rare. The rate of interest when such a loan occurs is *sawai*, *i.e.*, the borrower of seed at sowing time pays at harvest 1¼ times the amount borrowed.

No interest is paid on loans that are secured on usufructuary mortgages. The mortgagee either retains possession of the land and cultivates it himself, in which case the profit which he derives from it takes the place of the interest, or he sublets it to the mortgagor himself or to another tenant, in which case the rent which he receives takes the place of the interest. In this latter event the profit is equivalent roughly to interest at 5 per cent. per annum; for a bigha of fixed rate or occupancy would let for Rs. 15 at most, whilst the amount that would be lent on the security of the usufructuary mortgage of that bigha would be Rs. 300. Most mortgaged land in this village is retained by the mortgagors, who are for the most part themselves cultivators. The mortgagor's chance of redeeming his land is small, unless it is sublet to him, when he secures its profits with which to repay his loan.

For cash loans advanced on pronotes the rate of interest varies from 18 to 24 per cent. per annum. Petty loans (the total of which does not exceed Rs. 200 in the whole village) are made at 37½ per cent. per annum.

In the case of usufructuary mortgages no question of calculation of interest arises. In the case of other advances the interest is calculated either at the time of the renewal of the bond, or annually. When the interest is not paid as stipulated, it is added to the principal and thus becomes compound. There are debtors whose fathers borrowed a small sum, Rs. 100 or Rs. 200, and are now saddled with a debt of Rs. 8000 or more. The rates of interest are, of course, high, although they can scarcely be called exorbitant, since 2 per cent. per month is the general rate in the city markets. Nevertheless, it will be impossible to free the cultivator of his weight of debt, unless he can be provided with cheaper credit.

The only charges that the borrower has to incur besides the payment of interest are as follows :—

(1) Stamp charges for bond.

(2) Writing charges to the scribe (8 annas minimum).

(3) Sometimes one anna as commission to the stamp vendor.

(4) Registration charges when the deed has to be registered.

At repayment the only extra charge is the cost of litigation if the lender has to file a suit for the recovery of his money.

Question 3.—Usually land is the only security which is offered for cash loans; and in this village, as pointed out above, both fixed rate and occupancy land is transferable. Standing crops are seldom offered as security; agricultural implements or other agricultural assets possess too little value to be offered as such. The loans on bonds are generally advanced on personal security. Sometimes ornaments are pawned, but they are not common amongst the agricultural castes; in fact no case of pawning came to light. Houses are not offered as security, because, being thatched and *kachcha*, they have no transferable value.

The village belongs to three *zamindars*, one of whom owns a three-fourth share; they are not indebted.

The village patwari states that the amount of debt secured on land mortgage is increasing. The reason has already been pointed out; people want more land, and being unable to obtain it in any other way they save or borrow money to take a mortgage whenever a chance offers. But the man who mortgages his holding with possession, thereby gives away the only means of repayment and so cannot redeem it. His income is reduced, he has to borrow again to supplement it, and then has to part with more of his land. Thus his indebtedness goes on increasing. Out of the total indebtedness of the village about 66 per cent. is debt secured on mortgage.

Question 4.—The loans are mostly advanced in cash either on bonds or mortgages, so the method of enforcing payment of debts is by lawsuits or arbitration in *panchayats*. The decree-holder either gets the crop of the agriculturists attached and

realises his money by its sale, or he gets the land attached and sold at auction under the court's orders. But generally, when a borrower is unable to pay, the villagers themselves force him to execute a sale deed of a bigha or two, enough to pay the whole debt. In this village very few cases of transfer through court sale have occurred.

Question 5.—The people of this village think that *taqavi* can be obtained only in famine, and not for agricultural improvements, and are ignorant of the facilities provided by the Agriculturists Loans Act and the Land Improvement Act. No *taqavi* has ever been distributed in the village for any purpose whatsoever. They are also afraid of *taqavi*, doubtless because of tales heard from others.

Question 6.—The cultivators do not combine to produce any particular crop. Indeed, joint cultivation is ceasing even in ancestral holdings because so many co-sharers, though they do not do their fair share of the work, demand their full share of the profits. Moreover, the ideas of individualism are gaining ground; no man's cultivation is ever intensive except in his own field. In present circumstances though joint cultivation is possible, the prospects of its success are very remote. Of course, the cultivators co-operate at particular stages of cultivation, for instance, a dozen cultivators will combine to sow together each individual's sugarcane field in turn. Co-operation is more likely in respect of joint purchase and use of improved machinery than of joint production.

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

Question 1(*a*).—The principal crops of this village which are grown for the market are sugarcane, hemp, wheat, gram, rice, (early and late), and oil-seeds. The cultivators rarely market their produce, but sell it to village traders, big cultivators, or to any *bania* who happens to come to purchase the village's produce at harvest time. Most of the traders and big cultivators own bullock carts with a capacity of about 16 maunds, in which they transport their purchases or their own materials, as the case may be, to or from the market at Bisheshwarganj. Sugarcane is not sold as cane but as *gur* or sugar manufactured by the cultivators themselves in their old-fashioned methods. Although the cost of preparing sugar is great, its quality is good, and almost all the sugar produced is sold. Wheat, gram, maize, etc., are usually disposed of to small traders.

Hemp is marketed in another way. The exporting firms, of which Shivapur (Benares) is the centre, have their warehouses and agencies at or near the principal hemp producing villages. Sometimes the agents purchase the hemp in the villages, sometimes the cultivators take their produce to the nearest warehouse or to that warehouse which, after allowing for cost of transport, gives them the best price. There are agencies (*arhat*) near Dangharia, at Raja Talab, Tamachabad, and Bhachara: but some go as far as Shivapur, 22 miles away, or Kapsethi, the two chief centres of the hemp trade.

The sale of hemp (*sann*) begins after Dasehra in October; one of the rich cultivators of this village purchases nearly half the produce and the rest is purchased by traders or *banias* of Mirzamurad, Rupapur, Kapsethi andD Naipura, all neighbouring villages. There is also a grain *arhat* at Raja Talab which sends agents to purchase in the neighbouring villages. But the people of this village sell their goods only in the Bisheshwarganj market.

The village trader always deals with a particular *arhat* in the central market, whose business is to arrange the sale of his client's produce. The broker negotiates with the wholesale dealers and strikes a bargain at the best price that he can get. The village trader for whom the broker is acting is then asked if he is willing to sell his produce at the price settled. If he gives his consent the bargain is complete and the sale is effected. The produce is then weighed by the weighman and taken to the godown of the wholesale dealer. The dealer pays for the commodities purchased in cash, if possible; otherwise the broker pays the village trader, and charges interest at one per cent. per month to the wholesale dealer.

In the village all the commodities are sold by a seer of Rs. 81 weight, and in Bisheshwarganj central market the weight used is a seer of Rs. 87-5-0 weight. Generally all goods sold in the village are paid for promptly in cash, but sometimes, when the purchaser is himself a villager, only a part of the price is paid down and the rest is paid after the purchaser has sold the goods in the market. If the village trader requires money, the *arhatia* will advance as much as three-quarters of the expected

price, even if the sale is not effected. Accounts are finally cleared when the produce is sold.

As a general rule, sugar and hemp are sold as soon as they are ready for market, because people want money to pay the rent and also for their own expenses. But the sale of wheat, oil-seeds and paddy is often delayed until prices are steady, but only for a few days. At harvest time sugar, oil-seeds and wheat are generally sold at a profit of Rs. 2 per maund, and hemp at a profit of Rs. 1-8-0.

(*b*) The price of commodities sold to cultivators of the village itself by fellow-villagers for domestic consumption differs somewhat from the price of the same commodity if sold for the market. For example, if sugar is sold to a villager for domestic consumption, the price will be Rs. 9 to Rs. 10 per maund; but if the same man purchases it to sell in the market, the price will be Rs. 10 to Rs. 12 per maund. Generally the margin is ½ to 1 seer per rupee in the case of grain, and ¼ to ½ seer in the case of sugar.

Question 2.—According to the system of marketing described above, ready money is only needed for cartage, payment of octroi duties and other such petty expenses, and not, therefore, in large quantities. Whatever money is required is supplied by the local moneylender or the *arhatia* in the market. The general rate of interest is 2 per cent. per month, but for petty loans no interest is charged.

Question 3.—The following charges have to be paid by the trader who actually takes the produce to the market :—

For hemp :—	Rs. a. p.
1. Cartage	0 4 0 per maund.
2. Octroi	0 1 0 per cart.
3. *Dharamkhata* and *arhat*	0 2 0 per maund.

There is also a charge for wastage (*karda*) of 2½ seers per maund, and a payment to the weighman of ¼ seer per maund.

For wheat, oil-seeds, etc. :—	Rs. a. p.
1. Cartage	0 4 0 per maund.
2. Octroi	1 1 6 ditto.
3. *Arhat*	0 12 6 per Rs. 100 (price received)
4. *Dharamkhata*	0 1 0 ditto.
5. Brokerage	0 6 0 ditto.
6. Coolie charges	0 0 3 per bag (2¼ maunds).
7. Weighing charges to *kaya* (weighman) ..	1 4 0 per 100 bags or ⅛ seer per bag.
8. For *gumashta* (*naib*, *munim*, etc.)	$\frac{1}{16}$ seer per bag.
9. Servants (employed by *arhatia* for his clients)	ditto.

For sugar :—	
1. Cartage	0 4 0 per maund.
2. Octroi	0 8 0 ditto.
3. *Arhat*	0 2 0 ditto.
4. *Dharamkhata*	0 1 0 per Rs. 100 (price received.)
5. Brokerage	¼ seer per bag.
6. *Gumashta*	$\frac{1}{16}$ ditto.
7. Weighman	⅛ ditto.
8. Servants	$\frac{1}{16}$ ditto.

As a total the marketing expenses work out at 12 annas per maund for hemp, 6¾ annas per maund for wheat, oil-seeds, etc., and 14¾ annas per maund for sugar. No other incidental charges have to be paid.

Question 4.—Grain is usually stored in villages in one of three ways :—in huge earthenware cylinders called *kothilas;* or in mud houses under a covering of chaff (*bhusa*); or on the second storey of the cultivator's house. The first method has been abandoned, as only a small quantity can thus be stored. The walls and the floor of the room in which the grain is stored are first given a thick covering of about one foot of the chaff, whilst the grain is also thickly covered with chaff and given a lining of *bhusa*. In this way only the *bhusa* is spoilt by the dampness of the walls. But the grain sometimes loses germinating power from the damp, whilst there is some waste due to rats.

In the markets grain is generally stored in gunny bags which are kept in locked rooms. There is little wastage.

Question 5.—As described above the *beopari* or the cultivator himself sells the produce in the city market to a grain dealer through the *arhatia* (broker) who charges his *arhat* (commission). If the purchaser does not pay down the total price and the vendor requires money, the *arhatia* pays him and charges interest from the purchaser at one per cent. per month.

If the *arhatia* himself requires money he generally gets it by issuing a *hundi* (bill on sight) for a period of two or three months. No security is needed; his *hundi* can be cashed anywhere as his credit is known throughout the market. If traders in other places, who deal with the *arhatia*, want money, they despatch the produce to the *arhatia* by rail, and on the basis of the railway receipt draw a *hundi* on the *arhatia* and send it to their bank. The bank discounts the *hundi* and sends it to the *arhatia* together with the railway receipt. The *arhatia* then pays the money, gets the railway receipt and takes delivery of the goods.

Question 7.—Beyond sharing a cart to transport the produce, there has been no attempt at co-operative marketing. It is possible to develop it, however, by organising a co-operative sale society.

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

Question 1.—A door-to-door enquiry was conducted in this village to get the figures of indebtedness; and though it is difficult to overcome the reticence of the villager on such a matter, the information given below can be taken as accurate.

The majority of the loans have been advanced on the security of land usually by means of a usufructuary mortgage. The amount of loans against mortgaged land is Rs. 12,073. Other forms of security are uncommon, except personal security.

There are no unregistered mortgages. The proportion of the registered mortgage debts to the total is 66 per cent.

Out of the 64 families resident in this village, 43 are in debt. Of the remaining 21, seven are landless labourers who receive wages and are not in debt because they possess no credit. The other 14 families are in sufficiently good circumstances to be free from debt. The percentage of the debt-free is nearly 33 : excluding those who possess no credit, the figure is 21. This is a relatively high figure : but the people are good cultivators, and also frugal in their expenditure on marriages or funeral ceremonies. Very few ornaments are used. The total debts of 43 families is Rs. 18,082 or Rs. 420 per family on an average.

Question 2.—The principal creditors of the agriculturists in this village are—

(1) Village *mahajans* and rich cultivators.

(2) Moneylenders of neighbouring villages.

(3) *Tharakkars* (those who lend on the *ugahi* system).

Neither the Government, the bank nor the co-operative society play any part in the village finance.

VILLAGE DHANGARIA : MR. DEVI SAHAI SRIVASTAVA.

The total indebtedness of the village to different kinds of creditors is as follows :—

		Rs.
1.	*Tharakkars*	200
2.	Moneylenders of the neighbouring villages ...	6,679
3.	Village *mahajans* and rich cultivators	11,203
	Total ...	18,082

All the local moneylenders are also agriculturists. Three are semi-professional moneylenders : the rest, some 30 persons, lend only occasionally, and some are themselves in debt. The sum due to the first three is Rs. 2,806; the sum due to the rest is Rs. 8,397.

The following table shows the chief objects of borrowing in this village :—

	Purpose of loans.	Amount of loans.	Percentage.
		Rs.	
1.	Payment of old debts	11,072	61·2
2.	Marriage and funeral ceremonies	2,060	11·4
3.	For acquiring land in mortgage, etc.	968	5·3
4.	Rent and interest	857	4·8
5.	Litigation	651	3·6
6.	Repairing and building of houses	775	4·3
7.	Purchase of bullocks	588	3·2
8.	Trade in grain, etc.	574	3·2
9.	Family expenses	234	1·3
10.	Purchase of milch cattle	203	1·1
11.	Repair of wells	100	·6
	Total ..	18,082	100

The percentage of indebtedness is highest for three objects, namely, payment of old debts, marriage and funeral expenses, and the acquiring of land for agricultural purposes. Indebtedness in general is increasing. Bonds once executed run on year after year without payment; loans taken by the grandfathers of present residents are still in existence; and there is little hope of redeeming land that has once changed hands.

The least amounts in this list relate to the purchase of milch cattle and the repair of well. The reason in the second case is that the cultivators combine to do the necessary repairs themselves, and have not to borrow. The village is showing signs of improvement in all directions since the inauguration of a rural reconstruction society. A credit society also is shortly going to be organised here.

VILLAGE DHANGARIA : MR. DEVI SAHAI SRIVASTAVA.

Indebtedness by castes is as follows :—

Castes.	Number of families in debt.	Amount.	Average per family.	Percentage of total indebtedness.
		Rs.	Rs.	
1. Kurmis	35	10,306	294	57·0
2. Kewats	2	242	121	1·3
3. Gonds	2	165	82	·09
4. Brahman	1	4,375	4,375	24·2
5. Rajput	1	2,400	2,500	13·3
6. Dhunia	1	250	250	1·4
7. Bania	1	344	344	1·9
Total ..	43	18,082	..	100

The two high caste families, one Brahman and one Rajput, account for well over one-third of the debt between them : the cause is their social position and all that it entails in the way of wasteful or unnecessary expenditure.

But indebtedness among such castes as the Kurmis is a very different matter. Most of their debt is contracted for their agricultural needs, and is, therefore, productive. Such people are too thrifty to waste much money on social functions. Debt is lowest amongst Kewats and Gonds, who hold little land.

The total rent paid by the cultivators in this and other villages is Rs. 2,993-6-0; and the indebtedness is just six times the total rent. This compares favourably with Mr. Darling's Punjab figure, which is twelve times.

Report of an economic enquiry in village KASHIPUR, district Benares.

[By Mr. Devi Sahai Srivastava, M.A., LL.B., Inspector of Co-operative Societies, United Provinces (on special duty.)]

Introduction.

The village of Kashipur is situated in the tahsil and district of Benares, about 12 miles from the city and 4 miles south of the Grand Trunk Road towards Allahabad, which is the nearest *pakka* road. A *kachcha* road called the Pachkosi road passes near the village. The nearest railway station is Hardatpur on the Benares—Allahabad B. & N.-W. Railway, about 4 miles away.

The nearest market is Khujwa in the city of Benares about 7 miles away, where most of the village produce is sold; though some is taken to Bisheshwarganj about 12 miles distant, and hemp is sold at Bhullanpur, Raja Talab and Mohan Sarai, because agencies (*arhat*) dealing in hemp are to be found in these villages, which are 7, 4 and 3 miles distant. As there is no road by which bullock carts can reach the village, the produce is generally carried on camels or buffaloes.

There are all kinds of soils in the village, the medium loam being the predominant.

Area under cultivation.—The total area of the village is 173·2 acres, which comes very nearly to the district average of 200 acres. But the cultivated area of the village is only 144·14 acres in 1336 *Fasli*, the rest being *abadi*, waste, tank, etc. As the cultivated area of the village is insufficient for the needs of the residents, they cultivate land in the other neighbouring villages as follows :—

		Acres.
1.	Caura	10·6
2.	Naidura	53·2
3.	Chak Mataldei	3·6
4.	Bhadrasi	4·3
5.	Deora	12·2
	Total ..	83·9

Thus the total area cultivated by Kashipur villagers is 228 acres. The number of resident families is 66, of whom 61 possess land in some form or other, so that the average acreage of the cultivated area per family comes to 4·5 acres or 6¾ bighas, which is sufficient to maintain an average family of six if the harvests are normal.

Kinds of tenancy.—The majority of the tenants in this village are fixed-rate tenants. The village is a *pattidari* one and there are four *pattis*, two with a 2 annas share each and two with a 6 annas share each. Two of the co-sharers live in the village. The village is governed by the Agra Tenancy Act of 1926, so that occupancy tenancy can only be encumbered with the written permission of the *zamindar*. The chief kinds of tenants in the village are :—

		Acres.
1.	Fixed rate tenants	82·9
2.	Occupancy	23·6
3.	Non-occupancy (over 12 years)	13·4
4.	Life tenants	3·8
5.	*Sir*	13·9
6.	Non-occupancy	4·8
7.	*Muafi khud muktari*	2·1
8.	Ex-proprietary	0·9
9.	Cultivators' groves	5·3

Population and castes.—Population by caste and sex were obtained as accurately as possible during the present inquiry. As remarked above the total number of families residing in this village are 66; the population of the village as ascertained during the present inquiry is 386, amongst whom Kurmis predominate.

The following table shows the number of families of each caste residing in the village :—

Caste.	*Families.*
Kurmi	32
Bhuinhar	5
Kumhar	3
Barhai	5
Gadariya	6
Kayastha	4
Lohar	2
Chamar	5
Bhar	1
Kasarwani (Vaish)	1
Kalwar	1
Gond	1
Total ..	66

There is no washerman or Teli in the village, and the people have to depend upon those residing in the neighbouring villages.

Subsidiary industries.—There are no subsidiary industries in the village. Some of the richer cultivators or petty *zamindars* lend money, for there is no professional moneylender in the village; other cultivators carry on a trade in *gur*, hemp and staple crops. But this is not a true subsidiary industry.

Crops.—The most profitable crops of the village are wheat, barley, gram, hemp, and sugarcane; other crops are peas, *arhar*, *bajra*, maize, rice, linseed and potatoes. Sugarcane is largely grown, but for the last 2 or 3 years the whole of the crop in the village has been destroyed by *phangi* and white-ants. There is also a shortage of wells for irrigation. There are only five such wells, which irrigate 74 acres, or 111 bighas, i.e., 22 bighas per well, a very high figure. A well in this village cannot irrigate more than a bigha a day on account of the low water level. Usually eight or nine *purwats* are required to irrigate a bigha. To ensure good production from a field there must be an arrangement for fortnightly irrigation at least; so that a well in this village cannot supply water to more than 15 bighas. This want of irrigation facilities is lowering the productive capacity of the land, and, if it goes on too long, may lead to the stoppage of sugarcane cultivation. Rice early and late (34 acres), sugarcane and hemp (17 acres each), *sawan* (16 acres) and *juar* mixed with *arhar* are the principal *kharif* crops. Of the *rabi* crops grown (42 acres), barley (19½ acres), pea (15 acres) and wheat (12 acres) cover the largest areas. The *rabi* cropping is poor, undoubtedly the result of insufficient irrigation. There are some garden crops, about 5 acres at the two harvests.

No *zaid* crops are sown in this village.

The grain produced in this village is generally sufficient for the maintenance of the population, but there are some individuals who have to borrow for subsistence. This is usually in kind, and repaid on the *sawai* system, but some borrow money and purchase what they need from their brother cultivators.

To answer now the questions included in the questionnaire :—

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

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

Question 1 (*a*).—There is no professional moneylender nor co-operative society in this village. Credit is supplied by local *zamindars* and rich cultivators, and by some money-

lenders of neighbouring villages. *Taqavi* is advanced on a liberal scale only in times of distress. Some *taqavi* was distributed last year which has been realised this year. Nineteen villagers have advanced loans to their brother cultivators, some of whom are in debt themselves. Some moneylenders from Gorakhpur (generally called *tharakkars*) also have dealings in this village. They generally advance money in the months of November and December and realise the same in June. They visit the village once a year. At the time of advancing loans they generally deduct one pice per rupee as *batta khata*, besides other charges. But their lendings are small, only 1 per cent. of the total.

(*b*) The following are generally the purposes for which loans have been taken in this village :—

(1) Payment of old debts.

(2) Marriage and funeral ceremonies.

(3) Payment of rent and interest on loans.

(4) Purchase of bullocks, sheep and camel.

(5) Repairing and building of houses.

(6) Family expenses.

(7) Litigation.

(8) Seed.

(9) Purchase of landed property.

(*c*) Of the total amount borrowed in this village 52·1 per cent. goes to the payment of old debts. But indebtedness is not decreased thereby. For the old debt is replaced by the new, the interest begins to accumulate again, and there is no means of stopping it. Some of the debt is 31 years old. For marriage expenses the borrowing amounts to 18·4 per cent. of the whole. The remaining 29·5 per cent. is distributed as follows :—

		Per cent.
1.	Purchase of bullocks	8·6
2.	Family expenses	7·9
3.	Repairs and building of houses	3·8
4.	Purchase of land	2·1
5.	Purchase of sheep, etc.	2·5
6.	Funeral ceremonies	1·0
7.	Litigation	0·6
8.	Fines	0·3
9.	Seed	0·1
10.	Trade	0·3
11.	Payment of rent	2·3

Most of the money borrowed has been advanced by moneylenders of neighbouring villages. Nineteen villagers practise moneylending in some form or other. The total principal of the debt amounts to Rs. 17,934-4-0 and the interest amounts to Rs. 4,183-8-0; out of the larger figure 30 per cent. has been advanced by the local moneylenders and rich cultivators, one per cent. by *tharakkars* (moneylenders from Gorakhpur side) and the remaining 69 per cent. by outside *mahajans* from the neighbouring village and city.

(*d*) In this village people sometimes borrow in kind for seed or food, when their own stock of grain is exhausted. Besides the cash indebtedness of Rs. 17,934-4-0 about 39½ maunds grain have been borrowed for food and 101¼ maunds for seed. These loans in kind are generally advanced for short periods to be realised at the next harvest; if they remain unpaid *sawai* is charged. The loans in cash are not for short periods. In this village the period of loans ranges from 6

months to 31 years, the major portion of the loan being for one and three years. The following table throws some light upon the indebtedness of the people :—

Period of loans.	Amount. Rs. a. p.	Percentage.
For 6 months	244 0 0	1·36
„ 1 year	3,789 0 0	21·29
„ 2 years	1,685 0 0	9·39
„ 3 „	5,121 12 0	28·57
„ 4 „	504 0 0	2·81
„ 5 „	3,268 0 0	18·23
„ 6 „	50 0 0	·26
„ 7 „	669 0 0	3·63
„ 8 „	1,100 0 0	6·13
„ 9 „	100 0 0	0·55
„ 10 „	442 8 0	2·44
„ 15 „	26 0 0	0·14
„ 16 „	15 0 0	0·08
„ 20 „	20 0 0	0·11
„ 31 „	900 0 0	5·01
Total ..	17,934 4 0	100·0

Though there are some who are paying off the interest regularly and merely renew the pronotes for the principal from time to time, there are many others who are not paying even the interest; and in this village the practice of borrowing from one *mahajan* to pay off another is ruining the cultivators. Out of the total debt Rs. 10,358 is secured on land mortgage, of which Rs. 7,129 is on usufructuary mortgage. Usufructuary mortgages carry no interest.

Question 2.—The cultivators borrow in kind on a general rate of *sawai*. Whether they borrow for maintenance or for seed they have to pay 1¼ times the amount borrowed at the next harvest For cash advances the rate of interest varies with the nature of the security offered and the honesty of the borrower. Loans in cash advanced on personal security carry interest varying from 18 to 24 per cent. per annum; for petty loans from *tharakkars* and local rich cultivators the rate is 37½ per cent. per annum, which is also the rate when ornaments are pawned amongst high castes, with a deduction of one anna per rupee for *batta khata*.

In the case of usufructuary mortgages no question of calculation of interest arises as no interest is charged; the mortgagee holds the land as long as his money is not paid off, and the mortgagor can pay him off and redeem the mortgage when he likes. In the case of other loans the interest is either calculated and paid up annually or at the time of the renewal of the bond, when the whole interest remaining unpaid is added to the principal. In one case a debt of Rs. 1,500 represented a loan of Rs. 700 borrowed 8 years ago.

The rates of interest are high enough, but they cannot be called exorbitant, for 2 per cent. per month is the general market rate of interest in cities.

Question 3.—Only those persons are indebted who have got something to offer as security. The only people free from debt are those who have enough money of their own or are too poor to be given credit. There are half a dozen of the latter in the village. There are four landlords in this village two of whom are resident in the village. They are Bhuinhars, and are indebted to the extent of Rs. 11,326 or 63 per cent. of the total figure of Rs. 17,934. The rest is tenants' debt. The chief cause for the

indebtedness of these *zamindars* is extravagant expenditure on religious ceremonies and their refusal to work themselves.

Questions 5, 6 *and* 7.—This village has provided fresh reasons for the unpopularity of *taqavi* loans. Firstly, it appears that no loan for permanent improvements is advanced to tenants, even fixed-rate tenants. Yet in the Revenue Manual it is provided that such loans can be granted to the cultivators on a joint responsibility of at least three persons. Under the present circumstances the cultivators are not benefited by the existence of these laws for the advancement of loans. They require to be amended. My suggestion for this will be to amend it in the light of cultivators' benefit. No other system for advancing loans can be more sound and useful than that of advancing through co-operative societies. Secondly, the period of repayment fixed for improvement loans is not sufficiently long. In one case a petty landlord took Rs. 500 *taqavi* for the construction of a well. He was not asked the number of instalments in which he wished to repay, but was simply told that he must do so in 3 years by six monthly instalments. This has caused him considerable inconvenience. The loan for a well ought to have been for not less than 10 years. Such *taqavi* should be advanced through co-operative societies.

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

Question 1.—As described above the principal market crops of this village are sugarcane, hemp, wheat, gram, barley and rice. The cultivators themselves rarely market their produce but sell it to village traders, big cultivators or to any *bania*, who visits the village in search of purchases at harvest time. The *banias* of Rampur, Ramsipur and Kashipur all deal in this village. They generally get the best of any bargain with the villagers who are ignorant of the current market prices. The *bania's* weighing charge is ¼ seer per maund. The traders who purchase the produce take it to the markets in the city of Benares or to Khujwa and Godaulia which are distant respectively some 10 and 11 miles. *Gur* is generally taken to the Bisheshwarganj market about 12 miles away. The purchasers only pay a part of the price at the time of the purchase, and the rest is paid when the sales are effected in the market. Some traders have been known to delay payment of their dues for as much as a year.

The system of marketing hemp and other produce is the same as described in the report on village Dangharia. The nearest *arhats* for hemp for this village are Raja Talab 4 miles, Bhullanpur 7 miles and Mohan Sarai 3 miles away. Most of the hemp is sold at Raja Talab and Mohan Sarai. Some of it is taken to Sheopur and Khujwa also if there is sufficient difference in the price to pay for the cartage.

In the village and in the Khujwa market the weight used is a seer of 85 rupees. Occasionally, on the advice of the broker, sales are delayed in the markets.

If the village dealer requires money the broker often advances up to three-fourths of the expected price, and the account is cleared when the produce is sold a day or two later. No interest is charged for such advances, as they are meant only for the convenience of the broker's clientèle.

There is no difference in the method of marketing, whether the produce is of the kind primarily meant for domestic consumption or for sale; the former indeed is rarely sold at all. In the village there is no difference in the rate at which the two kinds of commodity are sold.

Question 2.—In the process of marketing money is only required for cartage, octroi duty and petty expenses, and is supplied by the ordinary moneylenders. Grain merchants and exporting firms play no part in the village finance, though the broker, as stated above, sometimes advances money before the sale is effected. These petty sums are advanced without interest. Money might have been required for marketing if the cultivators could have arranged to sell their produce themselves and could have waited for favourable prices.

There is no co-operative society in the village to lend money cheap or help the villager to hold up his stock for a favourable price.

VILLAGE KASHIPUR : MR. DEVI SAHAI SRIVASTAVA.

Question 3.—The following marketing charges have to be paid by the vendor in the market at Khujwa for *gur*, wheat, gram, etc.:—

		Rs. a. p.
1.	Carriage by camel	0 2 6 per maund.
2.	Octroi	0 2 0 „
3.	*Baya* (weighmen)	2½ seers per camel load (6 maunds).
4.	Jhari (market charges)	3 seers per camel.
5.	Sadhus	10 chhataks per camel.
6.	Ram Lila	10 d tto.
7.	*Karda*, etc.	4 chhataks per maund.
8.	Servants	3 chhataks per camel load.

For hemp the charges are those given in the Dangharia survey report.

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

Question 1.—Information was obtained regarding the total indebtedness of the village by a door-to-door inquiry. Considering the reticence of the villagers, the figures can be taken as being sufficiently accurate.

Most loans have been advanced on the security of land mortgages, which are very often with possession. Loans on the security of ornaments are rare, and relate to petty sums. Houses are thatched mud huts, and which possess no transferable value. Standing crops are not mortgaged in this village. The amount of loan against the security of land has been calculated to be Rs. 10,358, of which Rs. 7,129 is on usufructuary mortgages; the proportion of the mortgage debt to the total debt is 57·7 per cent. Other loans are usually advanced on the borrower's personal security.

Out of the 66 families residing in this village 55 are in debt. Of the remaining 11, five are those of landless labourers, two are well-to-do, and the rest, though themselves away from home, were stated to be free from debt or nearly so. Thus, ignoring the five labourer families, six out of 61 families or 10 per cent. are free from debt. The total debt amounts to Rs. 17,931 principal and Rs. 4,183 interest, an average of Rs. 402 per family. But the five Bhuinhar families owe Rs. 11,326, and if these are excluded the rest only owe Rs. 216 per family.

Question 2.—The principal creditors of the agriculturists in this village are—

(1) Village *mahajans* and rich cultivators.

(2) Moneylenders of neighbouring villages and the city.

(3) *Tharakkars.*

Neither the Government nor the co-operative society play any part in the finance of this village, save that one *zamindar* borrowed Rs. 400 *taqavi* for the construction of a well which has been paid off except one instalment.

The total indebtedness of the village to different kinds of creditors is as follows :—

		Rs.	Per cent.
1.	*Tharakkars*	194	1
2.	Moneylenders of neighbouring villages and the city	12,313	69
3.	Village creditors and rich cultivators ..	5,427	30
	Total ..	17,934	100

There are 19 persons in the village who practice some sort of moneylending. Of these, two or three only are regular moneylenders, the others advance money only occasionally when they have some spare cash; whilst some of them are themselves in debt. All the moneylenders of the village are agriculturists.

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The following table will give an insight into the chief objects of borrowings in this village :—

Purpose of loans.	Amount. Rs.	Percentage.
1. Payment of old debts	9,345	52 ·1
2. Marriage ceremonies	3,304	18·4
3. Purchase of bullocks	1,547	8·6
4. Family expenses	1,417	7·9
5. Repair and building of houses	685	3·8
6. Payment of rent	408	2·3
7. Purchase of property	369	2·1
8. Purchase of sheep, camels, etc.	446	2·5
9. *Shradh* and other ceremonies	180	1·0
10. Litigation	100	0·6
11. Payment of fines	50	0·3
12. Trade	50	·03
13. Seed	33	0·1
Total ..	17,934	100·0

The figures given in this table show that the highest percentage of indebtedness relates to payment of old debts. But, as pointed out earlier, the payment of old debts does not necessarily mean a decrease of debt : it more often means merely a change of creditor. No previous figures for the indebtedness of this village are available, but inquiry shows that debts contracted by the forefathers of the present debtors have not yet been paid off and are still growing as the result of accumulating interest.

The indebtedness of each caste is as shown in the table below :—

Castes.	Number of families in debt.	Amount.	Average per family.	Precent of total indebted-ness.
		Rs.	Rs.	
1. Bhuinhar	4	11,326	2,831	63·0
2. Shepherd (Gadaria)	6	966	138	5·3
3. Kalwar	1	464	464	2·6
4. Kurmi	28	3,816	136	21·2
5. Chamar	4	414	103	2·4
6. Kayastha	3	300	100	1·7
7. Bania	1	190	190	1·0
8. Nai	3	274	91	1·7
9. Gond	1	13	13	0·1
10. Bhar	1	50	50	0·3
11. Lohar	2	89	49	0·5
12. Kumhar	1	32	32	0·2
Total ..	55	₹17,934	..	100

Most of the villagers are Kurmis who are skilful and hard-working agriculturists. The table also shows that the most highly indebted persons are the Bhuinhars. They do not work themselves but hire labour, and they spend much on marriages and other social ceremonies, on ornaments, and on litigation. In fact, they are in the same position as most petty landlords of good social standing.

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After the Bhuinhars debt is highest amongst Kalwars (464), Banias (190) and Gadarias (138); all are non-agricultural castes, as is also the Kayasthas (100). The rest are agriculturists; amongst them the Kurmis stand first, but most of their borrowing is productive Those classes are most highly indebted who own land. There are five families who have no credit because they have no land. The greater the credit (*haisiyat*) of a man the greater his indebtedness.

Question 3.—It is only in exceptional cases that land passes from the hands of a cultivator to that of a non-cultivator. So far no such case has occurred. Generally if the transferee of a usufructuary mortgage does not reside in the village, he sublets the land to somebody who does. Cultivation is not improved thereby, for a sub-tenant has not the same incentives as an occupancy tenant, and production is reduced.

The total rent paid by the residents of this village (Kashipur) for their cultivation in this and other villages is Rs. 1,583. The landlords' debt is Rs. 11,326; the tenants' debt is therefore Rs. 10,791, or not quite seven times the rent.

Report of an economic enquiry in village NARAINPUR TIWARI, district Basti.

[By Mr. Satya Prakash, M.A., LLB., Inspector of Co-operative Societies, United Provinces (on special duty).]

Introduction.

Narainpur Tiwari is a village of average size on the Fyzabad road at a distance of about 15 miles from the Basti grain market. The village site is about 2 furlongs from the *pakka* road with which it is connected by a *kachcha* feeder The nearest railway station of Tinish is some 8 miles from the village. The other markets which attract the agricultural produce of this tract are Fyzabad and Nawabganj (Gonda), which are at a distance of 30 and 25 miles respectively.

It is a *pattidari* (imperfect) village belonging to resident Tewari Brahman *zamindars*, who along with some tenants of the same caste form a large majority (about 60 per cent.) of the village population. There are some 60 families in all, and the total population is 298. The area of the village is 271 acres, of which 61 acres are uncultivated. Of the remaining area 75 per cent. is *sir* and *khudkasht* land, 3 acres is ex-proprietary land, some 17 per cent. is held in occupancy, and only 6 per cent. is the non-occupancy and statutory area A number of the village co-sharers possess small proprietary rights and *sir* in the neighbouring village of Madautia; others in Bhaironpur. The soil is light loam and is on an average good; there are both *jarhan* and *dofasli* lands. The chief crops grown are *jarhan*, *dhan*, wheat, surgarcane, peas, maize and *arhar*. A good deal of poppy was grown till recently, but it has now been stopped for the last few years.

The average area of a Basti village is 235 acres; its average population is 153. Brahmans form 11 per cent of the entire population, possess 35 per cent. of the district and have under their plough some one-fifth of the total cultivated area. Nearly two-thirds of the district is held in *pattidari* tenure. Narainpur Tiwari, therefore, may be regarded as a representative Basti village..

There is no co-operative credit society in this village. Last year, at the instance of a local enthusiast, a "better farming" society was started, but so far it has had no effect on the indebtedness of the people. The demonstration of improved seed (rice, wheat and sugarcane), the introduction of the cultivation of groundnuts, the construction of two new masonry wells for irrigation, the arrest in the waste of manure, the prevention of grazing of standing crops, the night school, the village *panchayat* mark the beginnings of a new era, but they will bear fruit only in course of time.

There are 37 Brahman families, of whom 31 are landlords and 6 are occupancy tenants. The Ahirs, with ten families, and the Chamars with eight come next. There are one Dhobi, one Kahar, one carpenter, two barbers and two Kewat families.

Of the 31 proprietary families four are well-to-do and have never borrowed. Three of them lend money to less fortunate *pattidars*. There are seven others whose condition is satisfactory, who borrow only to pay off the ancestral debt or acquire new property. There are 17 others cultivating from 2 to 5 acres of land, most of whom frequently borrow, but seldom repay. The case of one is hopeless and nothing can save him from losing his land. The two others can be ignored for the purpose of the present inquiry. In one case there are two brothers, both invalids, who have transferred their lands without consideration, and now beg from door to door. The second case is that of a widow who with her daughter manages to cultivate 4 acres of land; she does not borrow. The average *sir* and *khudkasht* holding of the members of the first class is about 16 acres, while that of the second class is 8 acres, and for the third it comes to 2·8 acres.

Of the tenants six are Brahmans and do not on an average cultivate more than an acre and a half. None is involved in debt: on the contrary three of them have lent money—Rs. 246 in all—to three *zamindars*. The reason is that these six families are patronised on ceremonial and other occasions, and often receive gifts or invitations to dine.

To deal now with the questions included in the questionnaire :—

I.—Agricultural Credit and Credit Facilities.

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

Question 1:—(*a*) In this area of the district the agriculturist, for the most part, borrows from his more prosperous and well-to-do neighbours, Kurmi tenant, Brahman *zamindar* or Thakur *pattidar*, whilst the professional moneylender or the *mahajan* plays very insignificant part in agricultural finance. No co-operative credit society exists. The Government rarely make any advances in normal years. I was told at the registration office at Harraiya that of the total sum that passes from lender to borrower in this tahsil, the Kurmi contributes on a rough estimate about half. His one main occupation is agriculture, and his unique industry, his strict economy and his efficient farming always enable him to put money by at the end of the year. Because of the small size of his holding he is always anxious to take a mortgage on a bigha or two and thus make a profitable investment to increase his income.

In the villages belonging to Thakur and Brahman *pattidars* which are so numerous in this tahsil the proprietary holdings are very small. The standard of the farming practised on their *sir* and *khudkasht* land challenges the dictum of Sir Arthur Young. It is well-nigh impossible for most of these high caste farmers (under the circumstances in which they are placed and under the traditions and customs to which they are slaves) to save anything out of their agricultural income. Most of them are unable to make ends meet, and the number of those hastening to bankruptcy is not small. The few among them who have amassed some money and are practising moneylending as an occupation subsidiary to their agricultural pursuits, got it from sources other than agriculture. Of the three Brahman *pattidars* who lend money in this village one received a fair sum to start the business from his sister. In another case the grandfather of the present moneylender was an officer in the army, who, after gallant service during the mutiny, served as an inspector of police in Bengal. It was with his earnings, they say, that the business was started. The third and oldest has been fortunate in possessing a small family and a large holding, and till recently has also made money out of live-stock, whilst at present one member of the family is a school teacher who brings in about Rs. 250 annually.

The Thakur moneylenders of Pharena, a *pattidari* village in the neighbourhood, from whom some of the people of this village have borrowed, do not take land as security. They lend to earn interest. With them too, I am told, it is a subsidiary income. Hence, it is the agriculturist, be he tenant or a small *zamindar*, from whom the agriculturists in this village, and for that matter in this area, usually borrow.

(*b*) An agriculturist seldom borrows for a single purpose, and, in the absence of any account it is very difficult to ascertain the exact proportion in which the debt is distributed among various purposes. Moreover, for the older debts, most of which are an accumulation of interest plus small doses of principal taken from time to time, it is well-nigh impossible to sift out the interest from the principal and to find out the various purposes for which the debt was incurred. An example will best illustrate the difficulty. I borrow a hundred rupees partly to pay off the petty sums that I owe to others, partly to pay the land revenue and partly to buy a pair of bullocks. A few months later I exhaust the supply of my food-grains and borrow another twenty-five rupees. The winter comes and I apply to the mahajan for another thirty rupees, who this time insists on the transfer of another bigha of my land. The whole account is settled up to date, say, at Rs. 175, and a deed for, say, Rs. 200, is drawn up, a mortgage is registered, the last loan is paid up, and mutation effected. Borrowings do not stop; further debt of Rs. 110 is incurred during the next two or three years from several creditors. In order to pay these persons I approach the old mortgagee and ask for a further loan on the same security. If he is unwilling another *mahajan* is found, who redeems the old mortgage and advances this extra money, and a fresh mortgage-deed is executed for Rs. 350. Thus the burden continues to get heavier, the debtor weaves round himself a net from which there is no escape, and soon after a sale-deed is executed for a part of the property. If unfortunately he dies and leaves a minor son, or an improvident heir, a complete loss of proprietary right may be the ultimate result. In this particular village I have before me the case of three families whose indebtedness I tried to trace from 1868 onwards. Two of them

have already disposed of their entire property and have gone away to Nepal, while the third is already loaded to such an extent that redemption is impossible. Most of the property has already been transferred, and the little left is encumbered to the extent of its sale value. There are eleven cases in which a part of the property has already been transferred by sale to liquidate old debts.

The total outstanding debts of the village amount to Rs. 10,278, of which Rs. 9,762 stands against the landowners and only Rs. 366 against the tenants, while a sum of Rs. 150 was borrowed from the Rural Improvement Fund (co-operative) for the construction of a well. The following are the purposes so far as they can be ascertained :—

	Rs.
(*a*) Old debts inherited from ancestors	2,770
(*b*) Debts incurred to purchase or mortgage new property ..	2,730
(*c*) Marriages and ceremonies	1,600
(*d*) Purchase of plough and other cattle	568
(*e*) Litigation	480
(*f*) Subsistence	824
(*g*) For construction of house	350
(*h*) Payment of interest	200
(*i*) Expenses of cultivation	25
(*j*) Seed	50
(*k*) Payment of rent	70
(*l*) Waste and charity	450
(*m*) Trade	11
(*n*) Construction of wells	150
Total ..	10,278

(*c*) The proportion in which the debt is distributed among the above purposes works out as follows :—

	Per cent.
(1) Old debts	27·3
(2) Debts incurred to purchase new property	26·5
(3) Marriage and other ceremonies	15·5
(4) Purchase of plough and other cattle	5·5
(5) Litigation	4·6
(6) Subsistence	8·0
(7) Construction of house	3·4
(8) Payment of interest	1·9
(9) Expenses of cultivation and seed	0·7
(10) Rent	0·7
(11) Waste and charity	4·4
(12) Trade	0·1
(13) Construction of wells	1 4
Total ..	100 0

There are only two moneylending agencies in this particular village—the *zamindar* moneylender and the tenant moneylender. The division of the debt is as under—

	Per cent.
(1) *Zamindar* money lender	6·8
(2) Tenant money lender	2·9
(3) Professional money lender (*bania* of village Captainganj, about three furlongs off)	1·5
(4) Co-operative department	1·5

(*d*) The custom of grain advances is dying out. The *zamindar* seldom borrows in kind, and the tenant does so only when he is short of food-grains or seed. Most agriculturists have seed of their own, and it is only in times of scarcity when the house supply falls short, that they approach the *mahajan*. Others, however, habitually borrow both the *rabi* and the *kharif* seed. These loans are regularly paid, for a declared defaulter might find it difficult to obtain seed elsewhere. The proportion of the debt in grain is insignificant, only ·5 per cent.

Except for the loans in kind for seed, which are essentially short-period loans no other loans are usually granted for any specific period. In most cases the borrower can repay at leisure. This fact is responsible for the traditional unpunctuality of the Indian borrower, who as a member of a co-operative credit society so often resents the demand for punctual repayment.

Question 2.—(*a*) The rates of interest differ with the security offered for the loan, the credit of the borrower, and the intensity of his need. The most common rate at which a *zamindar* borrows on a mortgage of his property is 18¾ per cent., although in the registered deed the stipulation is for 25 per cent; while a tenant seldom obtains a loan at less than 25 per cent. Here in this village the rate of interest differs with the lenders. The Thakur *zamindars* of Pharena, who are lending at 18¾ per cent., do not demand any security from the borrower, whom they intimately know. Other moneylenders will not part with their money at less than 25 per cent., while one in the village lends at only 12½ per cent. When a usufructuary mortgage is executed the question of the rate of interest does not arise, as the lender in lieu of the interest cultivates the land himself. Such loans are preferred both by the borrower and the lender. The borrower is uncertain about the time that he may take to pay up the debt and he knows the risk of allowing the interest to accumulate. He accordingly prefers a usufructuary mortgage; it suits his means and temperament.

Sawai is the usual rate at which most of the loans in kind for seed are advanced, but some village *mahajans* charge *deorha*, 50 per cent., rate from the poorer of his clientèle, who are unable to obtain it at the prevalent rate.

The only other loan in kind that I came across in the village was an advance of food-grain to the ploughman—*harwaha*—during the months of January and February. Such loans are charged at *sawai* rate, and if commuted in terms of money bear an interest of 25 per cent. No doubt the extent of such loans is small.

(*b*) In most of these cases the interest is compound, with yearly rests. It is not by time but by season that the interest is reckoned. For example, all the loans for subsistence advanced during the months of January and February are incurred only for about three months, but the interest has to be paid for six months.

(*c*) The rates of interest are very high, both in the case of secured as well as unsecured debts; most *zamindari* debts are never repaid and end in the transfer of the land. The few that manage to repay have some other source of income—a son or a brother serving as a school teacher, or employed in Rangoon or Calcutta. Moreover, the custom that these loans have to be repaid at a particular time of the year (by the end of *Baisakh*) in a lump sum makes repayment difficult. Part payments are not acceptable to the lender; and as it is difficult for the cultivator to save bit by bit till he has put together the whole amount, the debt is rarely repaid unless there is some other source of income.

(*d*) The borrower puts his thumb-impression on an eight-anna stamp purchased from a licence-holder for nine annas. He has also to pay the scribe, whose usual fee is Re. 1; and if the deed is registered, he must pay the legal and extra-legal registration fees. These incidental charges arise only at the time of borrowing; on repayment there exist none.

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Question 3.—(*a*) Land is the most common form of security, and it is readily accepted. Eighty per cent. of the total debt has been secured on land. It may appear a high figure, but I am confident that in the case of all the *pattidari* villages the proportion would not fall below 75 per cent. I did not find any instance of a loan secured on standing crops unless a loan of seed is by implication secured in this manner. House are seldom, if at all, pledged in rural areas.

It is difficult to discover cases of the pledge of ornaments, for the transaction is carried out with the utmost secrecy. Women are very reluctant to part with their jewellery, which they must display on ceremonial occasions or risk sneers of their neighbours and relatives. It is in the last extremity, when nothing else has been left to pledge and the need is too pressing to be postponed, that a man thinks of parting with his wife's jewellery. In this village I could find no example of pawning and was assured that there was none.

Agricultural implements are too cheap to be pledged. The total cost of the set of the implements of a cultivator comes to about Rs. 12-4. Only a rupee or so would be lent on any such implement, and only he who has abused his credit is driven to such an extremity.

A common form of security in these parts is labour. It is the custom with the poorer people, especially Chamars, to borrow Rs. 25 or so and in return lend for one year the services of a male member of the family. The security is readily accepted, as the demand for ploughmen is very great among the high caste Hindus. This is perhaps the only form of security that the landless agricultural labourer has to offer. Frequently the debtor runs away to another village and settles there. Then it is very difficult for the *mahajan* to enforce payment and he loses his money.

(*b*) There is no doubt that the amount of indebtedness varies with the title to land; the better the title the greater the indebtedness. The few tenants who reside in this village have (the majority of them) a second string to their bow. The Brahmans receive gifts and frequent invitations to dinner on birth, death and other ceremonial occasions which are so frequent among the Hindus, and which the female folk must observe. The Ahirs keep she-buffaloes, and the sale of *ghee* and churned curd-milk adds to the family income about Rs. 60 per annum per she-buffalo.

(*c*) While the average debt per indebted landlord is Rs. 111, it is Rs. 83 against the occupancy tenants and Rs. 21 against the agricultural labourer and other tenants. The corresponding figures for Rs. 3,085 of the members of the co-operative credit societies in this district are Rs. 415, Rs. 83 and Rs. 54.

(*d*) The debt secured on land mortgages is appreciably increasing, though because of the custom of mortgaging the fields without executing registered deeds, it is very difficult to estimate the amount of mortgage debt as it stood from time to time. And the custom is as much in vogue now as before. The figures of the registered mortgage debt, which have been collected for the last 60 years, prove the tendency From 1869 till 1892 there was only one mortgage, for Rs. 320. This is the only mortgage debt in the *khewat* of the settlement of 1892. In 1900 this debt stood at Rs. 1,180 which doubled itself during the next five years, and in 1905 was Rs. 2,430. It rose to Rs. 4,401 in 1910. During the next ten years several of the properties mortgaged were sold at an estimated value of about Rs. 3,835. In spite of this sale the mortgage debt stood at Rs. 2,626 in 1920. To-day this debt accounts for Rs. 6,055, though during the course of the last twenty years property has changed hands at a sale value of about Rs. 6,850. Rupees 2,235 have been advanced on the mortgage of land, but the deeds have not been registered, although th possession of the fields has been given. If this also is accepted as debt secured on land mortgage, then the proportion of the unsecured debt is only 20 per cent. and that of the land mortgage debt is 80 per cent.

Question 4.—(*a*) As most loans are advanced in order to secure land for cultivation it is seldom that the lender demands payment. With regard to the unsecured debts, the *mahajan* (if he is satisfied that the financial condition of his client is satisfactory) requests the debtor to renew the deed for three years about the time when limitation begins to run. If he entertains any doubt about the safety of the loan he demands his money and if it is not forthcoming, he institutes a civil suit and obtains a decree, which in about three cases out of four is satisfied without further recourse to courts, In the remaining case, where execution proceedings have to be launched, the property is rarely put to auction : the judgment-debtors manage, somehow, to pay.

The tenants usually pay the interest annually, and a lawsuit is seldom necessary unless either the borrower or the lender turns dishonest.

(b) As the system of loans in kind is dying out, no case of difference between rates of borrowing or repayment and the prevailing rates came to light. It was formerly the custom, when making an advance to a ploughman for subsistence, to deduct half a seer per rupee while advancing and charge half a seer at the time of repayment. But the ploughman is now so much in demand that this *katoti* (deduction) is no longer made.

Question 5(a).—Taqavi loans afford little relief to the agriculturists. Loans under Act XIX of 1883 (Land Improvement Loans Act) have been few and far between: indeed agriculturists know little about this Act. It is common belief that the Government distributes *taqavi* only in years of scarcity and famine, and most would be staggered to learn that a loan for the construction of wells, embankments and channels can be obtained at 6¼ per cent from the Government in normal years. The revenue staff, which is responsible for the collection of government money, gives no currency to the information on the subject as it would add to its work.

Loans under Act XII of 1884 are more common as they are often advanced in times of distress; but because of the insufficiency of the funds, few people are allowed money enough for their needs A sum of ten or fifteen rupees affords little relief when a bullock has to be purchased, or seed has to be bought, or provisions have to be obtained. The very poor, who need relief most, seldom get it; those who are well off get the most, for their case is well represented by the lower staff before the subdivisional officer. The true extent of damage is often suppressed and it rests with the *patwari* to report whether a particular village shall get *taqavi* or not. These insufficient allotments merely lead to waste and tempt the borrower to misapply the money received.

The harassments to which the borrower of *taqavi* is so often put at the time of collection often prevent him from making any further application. I understand that the borrower is never told when the loan will fall due, nor reminded from the tahsil about the date. Suddenly a red turban appears on the scene, collects the cattle of the defaulters to drive them to the pound and thereby makes some money. The *patwari*, too, at the time when the loan is made is not satisfied with less than one rupee. At the time of payment the demands of the tahsil staff—the *siaha navis* (the accountant) and the treasurer—have to be met. All these extra payments, which few can manage to escape, make the *taqavi* loan a costly affair, and the effective rate of interest on these small sums (often to fifteen rupees on an average works out in most cases at 25 per cent. or so. There is also waste of time both at the time of payment and repayment and the borrower's work at home suffers.

Then after the visit of the tahsil chaprasi the *taqavi* must be paid at any cost. The capacity of the borrowers to pay at that particular time is seldom considered and postponement is out of the question. The cattle must be sold or money borrowed from elsewhere at a higher rate to meet the demand.

The insufficient allotment, the high effective rate of interest, the rigidity in collection coupled with the indignities at the hands of petty officials, all these account for the unpopularity of the *taqavi* system. No doubt matters have improved during recent years; still the evils exist, and the memories of the past will take time to die out even if all defects are removed forthwith.

(c) No *taqavi* worth the name is advanced in ordinary years. I know that in this particular village no *taqavi* has been taken for the last several years. It was taken once some fifteen or twenty years ago. *Taqavi* under Act XIX of 1883 has, during the last eight years, been granted to the extent of only Rs. 16,196 for the whole district, out of which Rs. 14,500 were advanced to two persons for the construction of tube-wells. Thus the rest of the district, with a population of about two millions, of which 92·1 per cent. is agricultural, received during the last eight years Rs. 1,696 for land and agricultural improvements. The figures speak for themselves, and bear ample testimony to the indifference on the part of the revenue staff in this respect.

(e) As soon as it is decided that *taqavi* is to be distributed, the naib-tahsildar of a tahsil should tour in the affected area and receive applications from those cultivators who need a loan. A local inquiry into the needs and financial condition of the applicant should be made on the spot, from a few of the influential persons of the village. It is not necessary that he should visit each village: tenants may be collected to meet him at fixed places. This will give an estimate of the *taqavi* need for a tahsil

The distribution of the money should take place at least a fortnight before the recipients actually need it.

With a corrupt staff it is very difficult to save the ignorant masses from the exactions of the officials when the cultivators come to deposit their *taqavi*. Nothing except strict supervision can put a stop to such malpractices.

Question 6.—I did not come across any instance where the cultivators have combined together to produce particular crops, in the sense that the agricultural operations are done in common and the produce is shared. Cultivation is strictly individual though there is close co-operation in sowing, irrigation and pressing, especially of the sugarcane crop. In drainage construction and maintenance of irrigation channels the whole village often combines. Beyond this I have not heard of any co-operative production in the district.

Question 7.—The present system of agricultural credit is full of defects. In the first place, the borrower is not sure that he will get a loan from the *mahajan* at the time he needs it. In the western districts of the province the *asami* (client) is wedded to one *mahajan* who usually stands by him in thick and thin and advances him money at all times. The terms are fixed once for all and the amount is settled once a year in the month of *Jeth* (June). The same is not the custom in Basti. For every loan a *mahajan* has to be found and the terms of the loan have to be settled each time. The *mahajan* takes every possible advantage of his client's necessity; indeed, the custom of *begar*, demanded from the tenant borrower which was very common till recently, has not yet died out.

The borrower has to put his thumb-impression on a paper bearing an eight-anna stamp irrespective of the amount of money he borrows. Not ten per cent. of these documents are written at the time of lending. They remain blank till at the end of three years the *mahajan* calculates interest on, say Rs. 99-15-0 at the rate of 25 per cent. half-yearly compound interest, gets the document written and attested by two sham witnesses, and in the civil court institutes a suit for some Rs. 250. No difficulty is experienced in obtaining the decree for the full amount, although the debtor may have received only Rs. 10 or 20. A recent case came to notice where a tenant who had borrowed only Rs. 12 from his *zamindar* some two years ago was being sued in court for Rs. 257.

The occupancy tenant has no security to offer but his fields, though under the law he does not possess the right to transfer. He can sublet and that for five years only. He cannot receive more than two years' rent in advance. In practice the occupancy lands are freely mortgaged by the tenants at Rs. 150 to Rs. 200 an acre. The *mahajan* gets an eight-anna stamp paper signed by the borrower and takes possession of his fields in lieu of the interest. As the paper is blank it rests entirely with the *mahajan* to enter any amount he likes, any terms he chooses. As no mention is made of the mortgage he charges interest as well as enjoys the use of the fields.

If the field has not been mortgaged the borrower usually pays the interest every harvest. But he gets no receipt. No *mahajan* allows the interest in such cases to fall in arrears; but when the time comes everything is cooked to the benefit of the strong party, and the poor is hit too hard to recover.

Then, again, in all cases of mortgage, both registered and unregistered, whether executed by a landlord or a tenant, part-payment of the money is seldom accepted; and, as the borrower is rarely able to collect the full amount, he remains always in debt.

Ignorance and the absence of suitable institutions, where the agriculturists may make their small deposits, are mainly responsible for this state of affairs, whilst the courts make little use of the provisions of the Usurious Loans Act. The spread of education and the establishment of co-operative societies and land mortgage banks will alone save the situation.

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

Question 1.—(*a*) The general practice in this district is for the cartmen of grain dealers and agriculturists to move about in rural areas soon after the harvest is ready for disposal, when the cultivators are in pressing need for money to pay off their rents.

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Most well-to-do cultivators in this district keep a cart, which during the off seasons plies for hire, or they carry on business on their own account with a small capital of Rs. 100 or so. These *ladhiwan* (cartmen) carry about 75 per cent. of the total produce brought to the market; the village *banias* and other professional traders do not get more than 25 per cent. The Kurmi is the most enterprising class in this respect, and the next comes the Musalman. Traders from neighbouring districts also purchase produce in the villages. Cartmen from Cawnpore, Rae Bareli, and Bara Banki have been visiting this particular village for the last six years. They buy jaggery (*gur*) only and sell it in the market at Fyzabad. Their activities are confined mainly to the roadside villages.

The *beopari*, with or without his conveyance, goes to the village, visits the prospective seller, examines the commodities, and strikes the bargain directly with him. The produce is then weighed. In this locality the custom is for the seller to weigh his produce with his own scale and measures. The buyer usually keeps standard weights, and with their help he ascertains the correctness of the village weights. Seldom does the cultivator deliver below 40½ seers for a maund. The account is then settled and payment made on the spot. If the trader has no ready money and is a local man with a good reputation he is sometimes allowed to take away the produce and pay for it after he has sold it.

The cultivator rarely brings his produce, except *gur*, to the market himself, but sells it at his own door. During the brisk season the *bania* plays a very small part in the movement of the grain from the village to the market. At that time he is busy in storing. It is during the rains that he moves the grain to the market.

(*b*) The principal crops brought to the market at Basti are linseed, mustard, wheat, peas, *gur* and *arhar*. The cultivator has to sell off most of his surplus produce soon after the harvest, and most of it is then brought to the market by the *beoparis* to be purchased by the wholesale grain dealers, either for storage, or for immediate disposal if there is demand from outside.

Linseed is, perhaps, the only crop here which is sent abroad, and the whole of it is brought to the market soon after the harvest, for the cultivator has no use for it. About half the total produce is purchased by the agents of Ralli Brothers to be sent to their godowns at Calcutta for export, and the other half is stored by the grain dealers, who watch the trend of its rate, but do not detain it for more than two to three months. Ralli Brothers purchase outright smaller consignments of a cart-load or so, but the bigger consignment purchased from the local wholesale grain dealers must be passed in the Calcutta godown. The firm pays for the pure material only and makes deductions for all adulterations, dust, grains of wheat, etc. The effect of this measure has been salutary, and has put an end to wilful adulteration. As most of the mustard brought to the market is used for oil by the country mills a good deal of adulteration is practised. The most common things used for adulteration are—

(1) The seed of a water plant called *kumud* which closely resembles black mustard. The lower castes collect it and barter it for salt and *gur* at a rate of 20 to 30 seers a rupee to the local grain dealer who freely mixes it with mustard.

(2) The seed of *bhandbhand*, found everywhere in abundance. It is also black and about the size of mustard. Many people in the village extract oil from it for their lamps. This also is bought very cheap and used for adulteration.

The grain dealer alone is in a position to use these adulterants, for in his round from door to door he is able to accumulate a large quantity of this stuff.

Question 2.—(*a*) There are only two persons involved in the marketing of crops in the district. One is the *beopari*, who buys from the cultivators and brings the goods to the market. The other is the wholesale grain dealer at Basti, who either purchases grain for himself or on behalf of *arhatias* from outside. A trader of the former class does not require more than Rs. 100 as capital, which he turns over each time. Most of them provide it from their own resources; others borrow it from their neighbours and repay it after the season is over. No grain merchant or exporting firm here in Basti advances money to this class of trader.

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The wholesale dealers at Basti use their own money. It is unfortunate that there is no bank here to help them.

(*b*) Some members of co-operative societies who possess bullock carts and trade in grain, receive advances to make purchases, and turn over the money frequently. This year the price of wheat at the time of harvest was very low. The members of half a dozen societies, having deposited about 800 maunds of wheat as security, received from their societies advances which enabled them to wait for better prices. The whole consignment was placed with a merchant at Basti. I am told that this merchant one day received a wire that the price of wheat was rising. He at once wrote to the honorary manager of the bank, Basti, that the wheat of the societies was deteriorating and it would be better to sell it. It was sold the very day, and thus the members received very little benefit from this measure.

A co-operative society should help its members in the marketing of their produce. No doubt it involves a bold forward policy, but co-operation must be taken out of its old rut and cover the whole field of rural activities. There is urgent necessity of recruiting a marketing expert to the Co-operative department, to organise and develop co-operative marketing and enable the man behind the plough to receive a fair remuneration for his labour.

Question 3.—(*a*) When the cultivator sells his crop to the local *bania*, there are no charges to be paid to anybody. He himself weighs the commodities, and receives payment on the spot.

(*b*) and (*c*) The cultivator sells no other commodity directly to the *arhatias* at Basti except *gur*: and not more than 20 per cent. of them sell that. The rest is carried by the *ladhiwan* (cartmen). The charges paid on a cart-load of about sixteen maunds of grain depend upon the contract between the parties; there are three scales as follows :—

A.—(1) *Zamindari* (owner of market's fee)	3 seers 2 chhataks.
(2) *Dalali* (broker's fee)	1¼ ,,
(3) *Palladari* (porterage)	1¼ ,,
(4) Shop menials and servants	2½ ,,
(5) Buyer's dues	One pice per rupee.
(6) *Dhalta* (margin for waste)	¼ seer per maund.
Total ..	12 seers 2 chhataks *plus* one pice per rupee, which at Rs. 5 a maund comes to about Rs. 3-7-0 per load of Rs. 100.
B.—(1) *Zamindari*	3 seers 2 chhataks.
(2) *Kharcha* (buyer's share)	7½ ,,
(3) *Ranqi* (sample)	1¼ ,,
(4) *Dalali*	1¼ ,,
(5) *Palladari*	1¼ ,,
(6) Shop menials and servants	2½ ,,
(7) *Chhoot* (allowances).	Rs. a. p.
(*a*) *Zamindari* which is retained by the *arhatia* ..	0 2 3
(*b*) *Gaushala*	0 0 6
(*c*) *Pathshala*	0 0 3
(*d*) *Ramlila*	0 1 0
Total Chhoot	0 4 0
(8) *Dhalta*	4 chhataks per maund.
Total ..	20 seers 10 chhataks *plus* annas 4, which means about Rs. 3-3-0 per loan of Rs. 100.

C.—(1) *Zamindari* .. .. 3 seers 2 chhataks.
(2) *Dandidar* .. .. 3 pies per bag.
(3) *Palladar* .. .. 6 „ „
(4) Menials and shop servants .. .. ¼ seer.
(5) *Dalali* .. .. 1¼ seers.
(6) *Chhoot* .. .. 2 annas.
(7) *Dhalta* .. .. 4 chhataks per maund.

Total .. 8 seers 14 chhataks *plus* annas 8. This comes to Rs. 1-13 per load of Rs. 100.

It is during the rainy season, when there is no rush of import, that *arhatias* forego their high charges and accept the produce on the last scale. In this case the grain is brought in bags or is bagged in the market. The grain dealers usually adopt the lowest scale.

For *gur* there is a different scale of charges. The following is the list of dues charged on a cart-load of about 16 maunds :—

[3 *bhelis* (balls), weight one seer.]

Zamindari (bhelies) .. .. 3 seers.
Kharcha (buyer's share) .. .. .. 19 seers for 16 maunds or less; for every additional maund 1 seer per maund up to 20 maunds. Above 20 maunds the charge is 2 annas per cart-load.
Dandidar (3 *bhelis*) .. .. 1 seer.
Palladari (2 *bhelis*) .. .. ⅔ seers.
(*a*) Kahar and Chamar .. .. ..
(*b*) Constable and chaukidar .. .. .. 2 *bhelis each* (2 seers).
(*c*) *Dalal* .. ..
Miscellaneous (8 *bhelis*) .. .. .. 2⅔ seers.
Kharcha dukan (41½ *bhelis*) .. .. .. 14 „
Dhalta .. .. 1½ seer per load of 2½ maunds.
Chhoot .. .. 4 annas.

Total .. About 1 maund (120 *bhelis*) of *gur plus* 4 annas cash on a load of 16 maunds which works out at Rs. 6-8-0 on a load of Rs. 100.

The above expenses, which in all cases are high, and exorbitant in the case of *gur*, are considered just, and no *ladhiwan* would complain if the *arhatia* strictly confined himself to them. But this he seldom does. Weights are seldom used. The grain is measured in handfuls, to the detriment of the cartman who is helpless in the matter and protests in vain. Charity is dispensed at his expense, and every beggar goes satisfied from the shop. There is a general complaint in the rural areas that the incidental charges in the Basti market amount to regular looting, especially in respect of *gur*. It is in the interest of the *arhatia* to perpetuate these practices. In the past the exactions were so high that a considerable portion of the *gur* trade was diverted to Fyzabad, which still receives a certain amount of *gur* from this district. Matters have now improved at Basti to some extent, and the market has again revived, but conditions are still serious.

Question 4.—*Grain storage.*—The cultivators build cylinders of clay (*dehri*) of different sizes with a capacity varying from two to twenty maunds. The cylinder is placed on a clay stool about a foot high, and is filled with grain. It is then covered with a clay lid which is plastered with mud to make it air-tight. In spite of every precaution a portion of it is often damaged by weevils. The bigger people who have a large quantity to store, do it in what they call *bakhars*. A room in the house is selected, a thick layer of the stalks of linseed, mustard, *arhar*, and *munja* is placed round the walls, and the floor is covered with chaff to a height of about a foot. On this is

spread the grain to be stored, which is again covered with chaff. Every precaution within his means and knowledge is taken by the cultivator to protect it from the air, but he cannot avoid the attacks of the weevils.

For the majority of the cultivators who have small quantities to store, no improvement within their means can be suggested except co-operative storage. They will soon realise the benefit of storing in large central godowns, and will not object to pay for the service rendered. In the godown the grain will be safe from thieves and fire, and congestion in the villager's hut will be reduced. The loss from deterioration will also be minimised, and it will pave the ground for standardised production and co-operative marketing.

(*b*) Grain in the Basti market is stored into *kothas* only. As the water level is high the use of *khattis* is out of the question. As the walls and the floor of the *kothas* are *kachcha*, a portion of the grain is damaged by damp, white-ants and weevils. The extent of the damage is great, but is not felt by the *arhatia*, because it is usually covered by the *dhalta* (margin of 4 chhataks per maund charged at the time of purchase). Some of them are now being built with *pakka* floors.

Question 5.—The system of obtaining credit on the security of grain stored in *kothas* does not prevail here. Whenever some *bhandsali* (grain storer) is in need of money he sends a consignment to Calcutta or Cawnpore, and draws up a *hundi* on the firm there and sells it in the local market. The Calcutta firms charge 7 per cent. interest and those at Cawnpore 9 per cent.

Question 7.—I do not know of any instance where the cultivators have combined together to market any crop. Individual cultivators with their small consignments are seldom able to strike a profitable bargain. In most cases they are ignorant of the fluctuations of the market, and are always at the mercy of the traders, who with their superior knowledge make huge profits at their expense. The following instance shows how the cultivator, because of his ignorance of market rates, suffers loss and the middleman gains. In April the price of poppy seed went up to Rs. 16 a maund. The cultivators, ignorant of this rise of price, sold it at about Rs. 10-12-0 a maund to the local *bania*, who also in ignorance of the exact rate, sold it to the traders at Basti at Rs. 13-4-0 a maund. Such cases establish the desirability of an organisation of the cultivators for the purpose of marketing their crops. An attempt is being made by the Co-operative department to organise the co-operative sale of sugarcane at Ghughali in Gorakhpur, and the result of the experiment will be watched with keen interest. If the cultivators are left to themselves the chances of combination are remote. They are ignorant, illiterate, and distrustful. But if an enthusiast who has earned their confidence gives them a lead they will be ready to follow him. A few reverses might kill such an experiment and there must be some sort of insurance against loss for the first three years. After that time its utility will be well established. An experiment in co-operative marketing is worth giving a fair trial, and stands a reasonable chance of success in spite of the vehement opposition it will arouse on the part of huge band of vested interests.

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

Question 3.—(*a*) I do not think that, as a result of the enforced payment of debt, land is passing from the possession of efficient farmers into the hand of those who are inefficient—at least in these parts of the province, where the agriculturist himself is the principal creditor. It is not the efficient but the inefficient farmer who loses his land. More than 80 per cent. of the district is in the possession of high-caste Hindus who hold it a sin to touch the wooden handle of the plough, and leave the cultivation of their *sir* and *khudkasht* lands in the hands of the *harwaha* (ploughman). The lands of these agriculturists may be passing into the hands of their brother *pattidars* or into those of rich tenants; but the non-cultivating classes are not getting any hold in this tahsil.

(*b*) If *sir* land is transferred the former cultivator acquires exproprietary rights and the efficiency of the cultivation is not disturbed; while in the case of land held by a tenant, the change of one *zamindar* for another does not affect efficiency and remains the same. If, however, a tenant acquires proprietary rights in land, in his case efficiency is actually increased. The "magic of property", as usual, turns sand into gold. In short,

a change in the possession of land means as a rule an increase in the efficiency of cultivation.

Question 4.—The total indebtedness of the landowning classes in this village is Rs. 9,740. Out of 31 of them 23 are in debt. Thus the average debt per indebted landholder is Rs. 423, while the debt per landholder comes to Rs. 314. These figures compare with Mr. Darling's average of Rs. 463 per indebted proprietor, which number 83 per cent. in the Punjab and 71 per cent. in this village.

Question 5.—A number of causes are responsible for the indebtedness of the landowning classes in this district—

(*a*) the costly marriages and the show displayed in the celebration of death ceremonies have ruined many a landholder in the district;

(*b*) litigation in partition suits, in civil suits, and in criminal cases leads to reckless waste of money and debt. One case leads to another, the family feuds last for generations and the burden of debt grows ever heavier;

(*c*) indebtedness is also sometimes due to extravagance, intemperance, and vice, or to bad management.

This village, however, does not conform to the usual standards and the remarks made above do not apply. As a general rule, I should estimate that of proprietary debt litigation is responsible for about 25 per cent. of the total debt; marriage and death expenses for 30 per cent.; inefficient farming due to social customs and extravagance for 15 per cent. each; and mismanagement for 5 per cent. All other causes put together account for the balance of 10 per cent.

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

Question 1.—(*a*) In the provision of agricultural credit in respect of crop production the most prominent part is played by the richer agriculturist. In this district he supplies about 90 per cent. of the credit, whilst about 5 per cent. is supplied by *mahajans*. There are 182 credit societies in this district which have a membership of about 5,000 persons, about 1 per cent. of the total number of agriculturists. The agriculturists receive no assistance from banks of any kind; whilst the help afforded by Government is small, even in times of famine. The government seed store for the district does not distribute more than 500 maunds of seed annually, which hardly suffices for 0·1 per cent. of the land; and most of it is monopolized by the bigger landlords.

In this district there is no company trading in fertilisers or agricultural implements, etc., and the cultivators receive no help from those that exist elsewhere. Apart from some half a dozen private farms, where the use of improved implements has recently been introduced and where the use of fertilisers is still in a stage of demonstration, the agriculture of the district is unaffected by modern science, and obtains its requirements locally.

(*b*) There is no doubt that in the rural areas there is enough capital to finance the agriculture of the district; but because of the high rate of interest the flow of capital is uneven. The tenant, with no security to offer, does not get enough money to purchase a strong pair of bullocks or to construct a well, while an improvident landholder gets ample money, without much difficulty, for his extravagance.

What is most needed at the present hour is organisation of rural credit on co-operative lines which will make credit available to all and will help in reducing the rate of interest.

Question 2.—The agencies directly engaged in the marketing of agricultural produce in this district are the village *banias*, the cartmen and the grain dealers (*arhatias*). In most cases the *bania*, as well as the cartmen and the grain dealer, carry on their trade with their own money. When in need the *bania* and the cartman borrow from the agriculturist moneylender, while the wholesale grain dealer obtains money from bigger firms in Calcutta and Cawnpore on the security of his consignments of grain. Other credit agencies play practically no part in marketing.

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III.—Investment habit and attraction of capital.

A.—*Encouragement of saving and investment habit.*

Question 2.—There is no institution in the village to encourage the habit o saving and investment. Most of the post offices in the mufassil have no saving bank account, and the few that have it, are not patronised by the people for lack o information and convenience. Only the village school teachers and other petty officials keep accounts in these post offices.

In this village I estimate the total amount of money invested in ornaments a about Rs. 9,500, just a little less than the total debt of the village, and the annual ex penditure on the purchase and repairs of the jewellery at Rs. 600. Considering the poverty of the people I take it to be a high figure. Such purchases are not, however always made out of surplus income: they are often made from borrowed money.

Report of an economic enquiry in village PALIWARPUR, district Basti.

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INTRODUCTION.

PALIWARPUR is a Rajput *pattidari* village with resident landlords. It lies 2 miles from the *pakka* road and is not easy of access during the rains. It is about 15 miles from Basti, the principal market of the district. There are some 89 families in the village with a total population of 467. The following classification shows the strength of the different castes in the village :—

	Caste.	Number of families.	Total population.
1.	Rajput	21	142
2.	Bania	10	37
3.	Brahman	1	7
4.	Ahir	9	41
5.	Murao	8	49
6.	Chamar	17	88
7.	Kahar	6	27
8.	Muhammadan	3	18
9.	Lohar	1	2
10.	Barhai	2	11
11.	Nai	1	4
12.	Dhobi	1	4
13.	Bari	2	11
14.	Kumhar	2	16
15.	Sonar	1	4
16.	Bhangi	1	6
	Total	89	467

The *zamindars* of this village have proprietary rights in nine other villages of this district, while one family has got some land in Jaunpur also. They own much more land than most *pattidars* in the district, but their financial condition has for some time past been getting worse. *Ganja* smoking is going to be the ruin of two families, which once enjoyed the distinction of owning an elephant. Once there were four elephants in the village, while now there is none. The condition of most tenants is bad. Many of them are living from hand to mouth. The demands of the *zamindars* for rent are exorbitant; they ignore the recorded rents, even in the case of occupancy tenants, collecting Rs. 8 to Rs. 10 per acre instead of the true figure. The nearer the *zamindar* is to the tenant the greater his exactions. The tenant of an absentee landlord gets some relief. In the neighbouring village of Rajajot, whose *zamindars* live elsewhere, the disparity between the recorded rent and the rent actually paid is less than in the village under report. No amount of official pressure will persuade the tenant to disclose the rent he really pays; by nature he is so loyal that he will always speak of the recorded rent. Thus the practice continues and the concealed rents seldom come to light. The relations between landlord and tenant in this village are cordial and there has been no litigation between the two.

Most of the soil of the village is light medium loam. There is also an extensive tract of *jarhan* (late rice) in the north and east. The soil is on the whole typical for the district. The area of the village is 172 acres, of which 136 acres are cultivated. This area together with some 100 acres of the area of some five neighbouring villages, is worked by the sixty ploughs of the village, of which the tenants and *zamindars* each contribute exactly half and half.

An estimate was made of the breed of the plough cattle in the village, and it was found that of the 120 bullocks only 40 were of the local breed, 36 were of Gonda and Bara Banki and are known as *pachhwan* (western) and 44 were *dakhnaha* (from Fyzabad and Sultanpur). The imported stock is much stronger and capable of more sustained and continuous hard labour.

While the last settlement record shows the number of wells in the village to be 19, in the present record there are 11 wells, of which only 12 are used. Of the 12 wells working only two are reliable; the rest are liable to be choked by sand coming from below, when the well dries up for the season. There is also a tank in the village which supplies water for irrigation to about 30 acres.

The village is extremely dirty and insanitary; there are numerous manure heaps within the *abadi*. Being at a distance from *pakka* road it falls to attract the attention of the officials. During the last eighteen years there have been many deaths from plague, and the population has fallen from 627 to 467, though a part of the decrease is due to emigration.

The chief crops grown in the village are wheat, peas, barley, late rice and maize. Poppy and sugarcane are also cultivated, while the area under *sawan*, *kodon*, gram, barley, etc., is very small. The following are the crop statistics for the year 1928-29 :—

Rabi.	*Bighas.*	*Biswas.*	*Kharif.*	*Bighas.*	*Biswas.*
Wheat	73	16	Early rice ..	62	17
Peas	47	2	Late rice	7	1
Wheat-barley ..	9	10	Maize	51	17
Gram	2	2	*Kodon*	6	1
Spices	1	17	*Sawan*	4	1
Potato	1	11	Sugarcane ..	12	4
Poppy	9	4	Fodder	6	10
Miscellaneous	7	0	Vegetables ..	0	17
			Miscellaneous ..	0	12
Total ..	152	2	Total ..	152	0

As already mentioned, the inhabitants of the village have extensive cultivation in a number of the neighbouring villages. The following figures are approximate :—

Name of village.	*Area in bighas.*
1. Khoba	62
2. Rakha	7
3. Bilwajor	10
4. Behra	67
5. Bisbharia	4
Total ..	150

The following are the answers to the questionnaire :—

I.—Agricultural Credit and Credit Facilities.

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

Question 1.—(*a*) There are two kinds of moneylenders in this village, the *zamindar* and the *bania*; the latter has for many years been steadily losing ground. The railway has killed road and river trade, and only those dealers who have migrated to the markets along the railway line are now well-off. Two of the *bania* families in this village which

once used to lend money are now themselves in straitened circumstances. Another *bania* of a neighbouring village who formerly had transactions with the local landlords, is now dead and has left only widows to inherit. Thus at present there are very few *banias* doing big business in this village, and most of the money due to them is of old standing. Four of the *zamindar* moneylenders belong to this village, while half a dozen more reside in other villages in the neighbourhood. The tenant moneylender plays a very insignificant part here.

(*b*) It has not been possible exactly to allocate debt to various objects, for no single loan has as a rule been incurred for a single purpose. For instance, a man borrows two hundred rupees, part for the payment of revenue, part for subsistence and the rest for the purchase of a bullock. A few years later a marriage occurs and he borrows some Rs. 500 more. A mortgage-deed is thus registered for Rs. 1,000, the old account is settled and the balance paid up. A few years later the actual borrower dies. His descendants have forgotten the history of the loan and attribute the whole of it to the marriage. Some old loans have accumulated a huge interest about them, which, shorn of the history behind them, looks as if it were the principal sum actually borrowed. There is a mortgage-deed for Rs. 3,750 in existence, which represents a loan, taken about a generation ago, of Rs. 1,300. The rest is all interest. The whole sum of Rs. 3,750 has to be placed under the head for which only Rs. 1,300 was actually borrowed.

There is only one case of borrowing for the repayment of earlier debts, that of a *zamindar*, who to satisfy a decree had to borrow a huge sum. A borrower has rarely any hope of repaying a large sum once borrowed, whilst there are some *zamindars* who after registering a mortgage-deed have no thought of redeeming it.

Borrowing for payment of accumulated interest is also rare. The landlord is too careless to think of paying interest and often temporarily transfers his land instead: the tenant in most cases succeeds in paying the interest at due date. If he fails payment is postponed for the next harvest, but borrowing is seldom resorted to. With the *zamindar* principal and interest go together and share a common fate.

The condition of the *zamindars* in this village as regards their landed property is much better than in most other *pattidari* villages. Still of the 20 families here, 12 must borrow if a marriage is to be celebrated or a death ceremony performed. It costs the average Rajput in this village about Rs. 600 to marry his daughter: a death ceremony requires about Rs. 250. In most cases the marriage of a son costs nothing; the dowry covers the expenses and may leave some surplus over. Even among Chamars such expenditure is relatively high: the marriage of a son costs about Rs. 60, a daughter's marriage some Rs. 75, whilst a death costs from Rs. 15 to Rs. 30. But though all tenants have to borrow for these purposes, they often succeed in making repayment, which is rare among *zamindars*. Of the total debt of Rs. 17,696 against the *zamindar* class about Rs. 9,800 is said to have been borrowed for social expenditure; but the figure is very high, and may be exaggerated by misclassification in the manner already described. Among tenants the debt on this score amounts to Rs. 22 out of a total debt of Rs. 1,477.

The *zamindars* of this village generally succeed in paying their revenue, though the instalment for November is usually combined with that of January. The November instalment is seldom paid in time. Formerly the revenue was realised in four instalments, which was reduced to three in the last settlement. As the visit to the tahsil is costly and troublesome, the people would welcome the abolition of the November instalment, for there is no money crop that month from which the demand may be met. As the rent falls due at the same time the tenant must often borrow to pay it. It is from February to May that there is money in the pockets of the agriculturists. *Gur*, potatoes, poppy, oil-seed, wheat—all money crops—come one after another to meet the demands of the *zamindar* and the *mahajan* and to defray other expenses. It is the time when he celebrates marriages or goes on pilgrimage. "Chaita Chamar" is the rustic saying; even the Chamar lives well in *Chait* (April). The total borrowing on account of revenue payment is Rs. 285 and of rent payment Rs. 158, both representing a very small proportion of the total indebtedness.

There is no *bisaria* (seed *mahajan*) in this village, and most agriculturists keep their own seed. The majority of them will not touch the seed grain even when there is nothing to eat, and the only alternative to starvation is to beg, borrow or

steal. Among *zamindars* when there is shortage of seed the deficiency is made by borrowing from a neighbour, who in most cases does not charge any interest. But if a tenant wants seed the rate is *deorha* (one and a half times); unless he can get it on *sawai* in other villages. The debt due to seed was very small at the time of the inquiry, as the repayment for *kharif* seed had already been made and the borrowing for *rabi* seed had just begun. It does not, however, exceed Rs. 100 or so and is punctually repaid.

There is no borrowing for or purchase of manure in this village. The agriculturist confines himself to his own supply of farm-yeard manure.

Borrowing to meet the expenses of cultivation is unusual. Wages are paid in kind and there is usually coarse grain in the house at the time when outside labour is engaged, either for weeding early rice, transplanting late rice or for irrigating the wheat or sugarcane. If the supply of grain has been exhausted, borrowing is resorted to, not only to meet the expenses of cultivation, but for subsistence as well. It has not been possible to separate the two items.

There has been little litigation in this village, nor have any of the *zamindars* been dragged into indebtedness on that account. The *banias* had to borrow Rs. 300 to fight a succession case.

There is little borrowing for the purchase of cattle in this village; only Rs. 560 on that account, and all against *zamindars*. Many tenants possess a calf to replace a worn-out bullock. They usually buy a young pair, work it for a year or two, and then sell it at a profit of a few rupees. They seldom borrow to purchase a pair.

It is usual to borrow for the construction of wells. The fields are scattered and nobody will sink a well for only a part of his holding. Attempts to combine for this purpose seldom succeed, for everybody wants to enjoy the fruit and few are willing to pay for it. Though a large area is shown as irrigated from wells, few fields receive sufficient water. The watering is often delayed because they use the well by turns, while the crop of everybody requires irrigation simultaneously. Sometimes the well serves a field lying hundreds of yards away, and more than half the water is wasted in transit. Moreover, from a queer local belief that it is unlucky to construct a well to the south of any *abadi* (inhabited site) the southern *har* (tract) of the cultivated area suffers from inadequate irrigation. In Paliwarpur, when the old well lying south of the village went out of use, nobody was willing to construct a new one. The Chamars, whose hamlet in this part of the country is always south of the main village, were hit hard, for their supply of drinking water was gone. At last one benefactor took courage to construct a well, but it was in the name of his *harwaha*, a Chamar, that the dedicating ceremony of the well was performed.

Subsistence is very prominent in the figures of indebtedness. The *zamindars* have borrowed Rs. 3,667 on this account; the tenants have borrowed Rs. 533. There are various persons addicted to intoxicants: expenditure on this account is included in these figures.

The following table shows the extent of indebtedness due to different causes amongst landlords and tenants respectively :—

		Zamindars.	Tenants.
		Rs.	Rs.
1.	Repayment of earlier debts	1,900	60
2.	Marriage and other social functions	9,802	228
3.	Payment of rent and revenue	285	158
4.	Litigation	..	298
5.	Purchase of cattle	560	..
6.	Subsistence	3,949	533
7.	Education	300	..
8.	Purchase of elephant	900	..
9.	Trade	..	200
	Total ..	17,696	1,477
	GRAND TOTAL ..	19,173	

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An inquiry was also made into the indebtedness of the Rajput *zamindars* of another *pattidari* village. The landlords were not quite so well off, for while the average land revenue per family here is about Rs. 100, it is Rs. 48 there. But in other respects the two bodies were very similar.

The figures are as follows :—

		Rs.
1.	Repayment of earlier debts	3,975
2.	Marriage and other social functions	3,065
3.	Payment of revenue	1,126
4.	Litigation	540
5.	Purchase of cattle	1,195
6.	Subsistence	1,827
7.	Seed	35
8.	Purchase of land	5,720
9.	*Farzi* (fictitious)..	1,100
	Total ..	18,583

The last two items are unusual. The land had to be re-purchased at any cost because it once belonged to these people. The fictitious loan has been recorded in order to deprive a reversioner of his rights. If the last two items are ignored we get the following figures :—

		Paliwarpur. Per cent.	Bunehri. Per cent.
1.	Repayment of earlier debts	10	33
2.	Marriage and other functions	55	26
3.	Payment of revenue	2	10
4.	Litigation	..	5
5.	Purchase of cattle	3	10
6.	Subsistence	23	16
7.	Purchase of elephant	5	..
8.	Education	2	..
	Total ..	100	100

The following is the proportion in which the debt has been divided between the lending agencies :—

		Rs.	Per cent.
1.	*Zamindar* moneylenders	14,276	74·5
2.	*Bania* moneylenders	4,717	24·5
3.	Amount borrowed from tenants	130	1·0
4.	Amount obtained from relations, etc. ..	50	

(c) It has not been possible to ascertain the extent of borrowings in grain. Such loans have been incurred only for subsistence, and it is safe to assume that about half the subsistence debt was in grain. The practice of borrowing in kind is slowly dying out. On a rough estimate about 10 per cent. of the debt may have been incurred in grain, and the rest (90 per cent.) in cash.

Almost the whole of the *zamindars'* debt has been incurred for a long period; with them time and punctuality are not matters of importance. Most of the tenants' debt, however, is for a short period. A loan seldom remains unpaid for more than a year unless the harvest has failed or some other calamity has happened. Otherwise, as soon as the crop is ready for disposal, he tries to meet all the liabilities incurred during the year. Even if the quantity of food left is too small to last him till the next harvest, yet for once he satisfies the *mahajan*, not caring if the next moment he may have again to borrow. About 95 per cent. of the debt is long period and the rest is short period.

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Tenant debt, however, is usually heavier in the winter than at the time of inquiry (August and September), for it is during the cold season that tenants have to borrow for the payment of *kharif* rent and for subsistence.

Question 2.—*Sawai* or 25 per cent. is the most usual rate of interest on all cash advances; but a *pattidar* while realising his dues from a brother *pattidar* usually charges only 12½ per cent., although the bond stipulates for 25 per cent. compound interest. Tenants receive no concession, and have to pay 25 per cent. Petty traders and Chamars have sometimes to pay no less a rate than one anna per rupee per month, which works out at 75 per cent.; but borrowings on such interest are small, exacted only from those who have little credit to command. Loans secured on usufructuary mortgages, either of proprietary or occupancy land, bear no interest.

With regard to seed the rate of interest is very high in this locality. In the majority of cases the interest charged is *deorha*, or one and a half times. In some cases we may find a *bania* advancing seed at one and three-eighths, midway between *deorha* and *sawai*. There are few who charge at the *sawai* rate.

With most of the *zamindar* moneylenders there are no special methods for the calculation of interest. Ordinarily simple interest is charged, though in the bond they usually put in "annual," *i.e.*, compound interest, which, however, is charged only when legal expenses have to be paid.

It was formerly the *mahajan's* custom to deduct 5 per cent. of the money advanced as his *nazrana*, locally termed *pahuawa*. This is no longer heard of in this tract, though the practice still continues in the northern part of the district, where as much as 10 and 15 per cent. *nazrana* is sometimes charged. Sometimes a creditor enters in the bond a much higher sum than has actually been advanced, the borrower may receive only a hundred rupees though he has executed a deed for two hundred or more.

It is the custom to allow the debtor, at the time of repayment, a rebate of part of the accrued interest which is called *chhoot* (concession), the extent of which depends on the *mahajan's* generosity. The figure used to be 5 per cent., but few moneylenders now give as much.

Question 3.—Of the total debt, 60 per cent. is secured on land, most of it by usufructuary mortgage; only 10 per cent. is unregistered. Of the rest 25 per cent. is secured by pronote or on other property, ornaments, standing crops or houses, and 15 per cent. has no deed of any kind to back it. The debt secured on registered mortgages amounts to Rs. 10,450, and on unregistered mortgages to Rs. 2,163. One of the *zamindars* in the village has obtained a loan on account of his reputation as an aggressive tyrant, lest he set fire to barn or house or cut down the unripe harvest. The *mahajan* will be glad to get back his principal.

This village, like others, shows that the indebtedness of the *zamindars* is much greater than that of the occupancy tenant, who in his turn is more heavily involved than the landless labourer While the average debt per indebted *zamindar* comes to Rs. 1,474, it is Rs. 15 per occupancy tenant and Rs. 28 per landless labourer. Tenants' debt is comparatively small because their status is very low, as it is bound to be in a *pattidari* village where most of the cultivated area is *sir* and *khudkasht* and only a small portion is left for the tenants. In a neighbouring village almost entirely held by tenants the average debt per tenant amounts to Rs. 119.

The debt secured on land mortgage is certainly increasing. It has already been mentioned that some 60 per cent. of debt has been secured on land mortgage, whilst 40 per cent. is unsecured.

Question 4.—In cases of advances in grain there is often a difference of four to eight chhataks in the rupee, both at the time of borrowing and repayment. The borrower, anxious to get the grain, does not object to the deduction, especially as it is a long-standing custom.

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Question 5.—Honest and self-respecting cultivators take little or no advantage of the *taqavi* loans. Even in times of famine and distress they leave it severely alone so long as they can obtain money locally, though they have to pay a much higher rate of interest. In the past they have had a very bitter experience of these loans; and once a prejudice has taken root it cannot be quickly or easily overcome. It is some 20 years since the *taqavi* was last taken, and still the people are opposed to it. The huge gathering that eagerly surrounds the camp of the sub-divisional officer when he is distributing *taqavi* consists mainly of bankrupts, of persons already heavily involved or unable to obtain a loan locally. The number of such people is not small, especially at a time of crop failure, and the size of the gathering might suggest that *taqavi* loans are very popular with the people. But that view would be wrong.

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APPENDIX.

A NOTE ON CERTAIN ASPECTS OF AGRICULTURE IN VILLAGE PALIWARPUR.

Is the cultivator making any profit from agriculture? Nature is so fickle and its ways so uncertain that the agriculturist's fortune is constantly hanging in the balance. Timely rainfall means a good harvest; untimely rainfall, however abundant, may bring complete failure. Even a few hours strong wind at the time when the plant is flowering may considerably reduce the outturn. This happened this year in the case of the yearly rice crop and production suffered in most of the tracts.

2. It is difficult to calculate the net income derived from the different crops. There are many varying factors which affect production: the fertility of the soil, the supply of manure, the number of ploughings, the amount of irrigation and the time of sowing. One rice field yielded twice the produce obtained from another field of the same fertility because it was sown a fortnight earlier. Because of the limited number of irrigation wells, many fields do not get water at the right time. In a Rajput *pattidari* village the *zamindars* take the first turn at the wells, though in respect of ploughing and the preparation of the seed bed their fields are much inferior to those of their tenants. Again, the yield per acre differs with different soils; and as the total produce is collected on the same threshing floor, it is not possible to find out exactly the produce per acre for the different soils. Many cultivators, furthermore, regard it as inauspicious to weigh the outturn and can give only very rough estimates of production. Finally, farm accounts are rarely kept in rural areas. The following facts and figures, therefore, can only be regarded as applying to normal circumstances:—

3. In the case of sugarcane, the field usually receives eight to ten ploughings before it is sown; if the field was fallow during the previous *rabi*, it receives a few more: but if it is sown after peas, the field is watered and given four ploughings or so in February, and both processes are repeated about the end of March. Sowing is done with three ploughs, the first makes the furrow, the second broadens it and the third covers the cuttings with earth after they are dropped in the furrow behind the second plough. Subsequently, the plank (*henga*) is drawn across the field. Some people manure the field after sowing; others do it about a fortnight before sowing. Usually they use about 150 maunds of farm-yard manure to an acre. The first watering is about twenty days after sowing, the first digging two days later. During the summer the field is given from four to five waterings in all, each followed by digging. The field is dug once more about the beginning of the rains. The cultivator seldom has to buy the seed. He invariably leaves a portion of his crop unharvested in the field for this purpose. Some 15,000 cuttings are required for an acre which, if purchased, would cost about Rs. 6. Labour is seldom hired. The cultivators usually co-operate in sowing, irrigating and crushing. The wages differ from village to village: two annas are paid in this village (Paliwarpur), three annas in Narainpur, and four annas in Sripalpur, near Basti. Again, whilst a *zamindar* will pay only five pice, a tenant pays two annas, and the *bania* has to pay even more. For purposes of calculation, two annas a day has been taken as the usual wage. Pressing in this village (Paliwarpur) usually begins in *Magh* (February), the mill is set up in December. There is terrible waste at every stage of this operation. About a dozen people cut the canes at a break-neck pace; not a minute is to be lost, for the labourer is allowed to take the *agola* (upper portion of the cane used as fodder), from as much cane as he cuts. In some instances a portion of the cane is left in the field. The same labourers clean the canes and take them to the *kolhar*, where the pressing mill is set up. They are all given five canes each. Some half a dozen cultivators share one *kolhar;* they prepare the *gur* in turns and help each other with their

teams in crushing the cane. There are six men working at the *kolhar* all the 24 hours: one feeds the furnace, another feeds the mill, the third drives the bullocks, the fourth empties the *handi* (tub of juice) and prepares the *gur*, the fifth supplies the cane to the feeder at the mill and removes the *khoi* (dried cane), the sixth dries the *khoi* which is used as fuel, and supplies it to the man at the furnace. They are all paid in kind in proportion to the total outturn.

There is a considerable loss of juice in crushing the cane for most of the local mills are very old and badly fitting, as well as heavy to work. One two-roller mill in the village yields five *gagaris* (jugs) of juice from two loads of cane, another mill yields only four. But the cultivator will not buy new stock. No one of the five pressing mills in the village was bought new: they are all second-hand: the oldest was bought about 15 years back and the latest some five years back. They are all two-roller mills except one which has a third roller. The last is the best in the village. One of these mills can crush one acre of cane in about 12 days. The process is very slow. The work stops on cloudy and wet days because then the fuel is wet.

The net profit on an acre of sugarcane can be calculated thus—

	Rs.	a.	p.
Expenditure—			
Eight ploughings at Re. 1-2 per time	9	0	0
15 cart-loads of manure at 8 annas a cart	7	8	0
15,000 cutting at 2,500 per rupee	6	0	0
Sowing—three ploughs and three extra labourers	2	1	0
Six diggings—a dozen labourers each time	9	0	0
Pressing	10	0	0
Six waterings	13	12	0
Preparation of *gur*	4	8	0
Rent	10	0	0
Total cost ..	71	13	0
Net profit ..	46	11	0
Income—			
Gur 25 maunds at Rs. 4-8 a maund	112	8	0
Hemp sown along the margin of the field—about 30 seers at Rs. 8 a maund	6	0	0
Total income ..	118	8	0
Net profit ..	46	11	0

Similar calculations for other crops are as follows:—

Crop.	Expenditure.	Income.	Profit.
	Rs. a. p.	Rs. a. p.	Rs. a. p.
Wheat	62 12 0	80 0 0	17 4 0
Peas	26 2 0	48 0 0	21 14 0
Maize	18 8 0	35 0 0	16 8 0
Poppy	98 0 0	138 0 0	40 0 0
Early rice	25 15 0	61 5 0	35 6 0
Late rice	36 2 0	76 2 0	40 0 0

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The above figures are correct only of good soil, normal years and efficient cultivation. In less favourable circumstances the yield will be decidedly smaller.

4. Not less than 26 tenants possess holdings of less than half an acre. Of these twelve are Chamars. The men are all *harwahas* or agricultural labourers, and receive from Re. 1-8-0 to Rs. 2 a month with a daily meal of *bhuja* (parched grain). The women do such jobs as corn-grinding and rice-husking at home, and are also hired for casual work on the farm such as weeding, transplanting rice, manuring, plying the water-basket and the like, thus adding to the family's income. The boys work as the village's cowherds and receive a small wage. The master allows his *harwaha* the use of his plough, but in return takes all the stalks and chaff. Four Chamars are in service and contribute to the income of the family. Their young pigs are in great demand for sacrificial purposes and the sale of bristles also brings in a small sum annually. The Chamar women also work as midwives and usually get a rupee for each confinement, possibly two, if it is the first son, as well as her meals for three or four days. Another Chamar collects bones and sells them to the traders at Basti. He usually pays eight annas to one rupee a maund, and sells at about Rs. 2 a maund.

Tenants of other castes, whose holding is less than half an acre, also have subsidiary occupations. Three Ahirs keep milch cattle, and derive an income from the sale of milk, *ghee* and curds. The two Baris are domestic servants and supply the Rajputs with *patri* (plates made of leaves) for which they are paid. Five Kahars draw water for the Rajputs and cleanse their utensils in return for two meals a day. One earns something as a dancer at marriages among the poorer folk. Three families each have a member earning wages in Calcutta and Rangoon. The carpenters and the Dhobi receive payment as village artisans. One of the carpenters has a son in Calcutta. Of the three Muhammadan families, one has two members in service in Rangoon, the other has recently taken to a very profitable job as a *Sain Sokha* (witch doctor) and the third supplements his income by begging. The two Banias have fallen back upon trade.

There are 25 tenants who cultivate from half an acre to two acres of land. The average per family in this case comes to only one acre. But most of the cultivated area is the *sir* and *khudkasht* land of the *zamindars*. The average size of the proprietary holding is 4½ acres, which includes the area cultivated by them in neighbouring villages. From this particular village, seventeen persons in all have emigrated. Three persons are in Bombay, seven in Calcutta, two in Rangoon, two in Allahabad, one in Basti and one in Indore: the other five are school teachers under the district board.

Report of an economic enquiry in village SRIPALPUR, district Basti.

[By Mr. Satya Prakash, M.A., LL.B., Inspector of Co-operative Societies, United Provinces, (on special duty).]

Introduction.

Sripalpur is a very large village on the river Kuano and includes Walterganj, the next railway station west of Basti. The Walterganj Bazar, close to the station, was founded about twenty years ago, but for some time it has been decaying and at present does not possess more than about a dozen petty grain dealers and tailors. Most of the people make their purchases in Basti, about 4 miles to the east of the village and connected by a *pakka* road. There are 27 *abadis* (hamlets) dotted about all over the village area of about 2 square miles, with a population of about 2,000.

It has not been possible to make a door-to-door inquiry in all the hamlets; and as the conditions are much the same throughout, only one *abadi* and its three hamlets were taken up. Barhya is the name given to it in the locality. It embraces the northern portion of the present village and for all practical purposes has its separate area and identity. It has a population of 415 persons in 80 families.

The village Sripalpur was jungle at the time when the district was ceded by the Nawab Wazier of Oudh in 1801. Out of the total area of 903 acres only 44 acres were cultivated at the settlement of 1830. As the Rajput *zamindars* could not pay the land revenue, the Government in 1837 granted this jungle along with other large tracts of land lying uncultivated along the Kuano to Mr. Claude Hamilton and Mr. Andrew Sym, who in 1846 sold it to Mr. William Cooke. The estate remained within the possession of his heirs till 1924, when it was sold. This village, Sripalpur, was bought for Rs. 1,36,000 by a moneylender of Basti who is now the sole proprietor.

Till 1917 there was not a single occupancy tenant in Sripalpur. The entire cultivated area of 826 acres was held in non-occupancy. In that year at the settlement 72 per cent. of the area became occupancy land, but the area has been decreasing slowly and stands at present at 64 per cent. The rest is all statutory and non-occupancy area. There is no *sir*. The *zamindar* is ever on the lookout to reduce the area under occupancy; it pays him, for whilst an occupancy tenant pays Rs. 8 an acre, a new-comer offers as much as Rs. 20.

As regards the soil, the settlement officer writes :—

"The land is generally level. The soil is distinctly light loam with numerous hamlets to turn most of the land into *goind*." There are numerous irrigation wells in the village, all constructed by the tenants with materials supplied by the European manager. Some of these wells are now dilapidated and badly need repairs; but the present *zamindar* is indifferent and affords no help. There are frequent disputes among the tenants over the use of the well. As all the fields need irrigation at the same time, the crops of the man whose turn comes last are appreciably damaged by delay in watering.

The rainy season lasts for 4 months, from the middle of June till the middle of October. It begins with "Rohini" and ends with "Hathia." The first asterism is the most opportune for the sowing of rice, and the rainfall during the second determines the *rabi* sowing. For the last 3 years the crops have been below the normal because of the bad distribution of rainfall during the month of September. Both last year and this year an early cessation of rainfall has told heavily upon the financial resources of the tenants.

Of the 80 families resident in this village, about one-third are Kurmis, who are cultivators of a high order. They form a prosperous community which is now taking a very important part in the agricultural finance of the district. During the busy agricultural season the Kurmi may be seen driving his team afield at an hour of the morning when even the Jat, so eloquently spoken of by Mr. Darling in his "Punjab Peasant," is still in bed. His wife is no less industrious. From dawn, or earlier, till late at night she is at work, attending, with machinelike precision, to her domestic duties, or helping her husband in the fields. There is no form of agricultural labour except ploughing, "which she does not practice and ordinarily adorn." She is not costly to marry nor expensive to maintain. The bride price may be as low as Rs. 32. She will not demand more than two *saries* and two shirts (*jhulwa*, a short shirt without

sleeves) for the year's clothing, costing in all about Rs. 4-8. Men require every year two *dhotis*, one *anga* (a long sleeved waistcoat) and two *angochas* (a scarf of two yards length), all worth about Rs. 5. They are married at a very early age, usually from two to five years. If the boy is not married till his sixth year, there must be something wrong with the boy or the family. "In respect of both sexes, the Kurmis are the most married and the earliest married of all the castes" (Census Report). The marriage expenses are always kept at a minimum. The father takes his daughter to the home of the bridegroom, performs the formal ceremony of marriage known among them as *pao-pujan* (touching the feet), and comes back with his daughter and the ornaments given her by the father of the bridegroom. Nine or eleven years after this ceremony, and not earlier, the girl joins her husband. With his industry on the farm and economy in social and domestic expenses the Kurmi can put something by at the end of the year, if nature has not been hostile and the *zamindar*, the *patwari*, and the *karinda* have not dragged him into litigation. Of the five well-to-do families in the village, four are Kurmis. Out of 15 families who are moderately comfortable, twelve are Kurmis. Some 18 families of the village are relatively, but not very poor: of these, ten ar Kurmis.

The Muraos and the Bhars, with 12 and 15 families, respectively, contribute another third of the total population. The hereditary occupation of the Koiri or Murao is *koerar* or vegetable gardening, and the families here are no exception to it. Each has his own small vegetable plot near his house which brings in a good return. Whilst the men work in the fields, the women pick a supply of vegetables and barter them for food and other grain in the villages of the neighbourhood. On market days it is the turn of the men who take the vegetables to Basti and sell them for cash. While agriculture is the main occupation, vegetable gardening is practised by all as a subsidiary industry, and on the average yields an annual income of Rs. 50. The Bhars are poor; they have very little land, less than an acre per family on the average, and most are agricultural labourers. Only two Bhar families are fairly well off, two others can make ends meet, while the rest, eleven families, are all in very poor circumstances. The Bhars of this village having for generations lived under the supervision of an European manager are peaceful and law-abiding; but as the caste is registered as criminal, they are often harassed by the police when a theft or dacoity has taken place in the neighbourhood, and to save themselves costs them money which has to be borrowed for the purpose.

The Chamars in this district outnumber every other community; but here there are only nine families of 47 persons. One family is comfortably off, one fairly so: the rest are poor and are living from hand to mouth. The first three are not solely dependent upon agriculture. One trades in potatoes and cloth; and the other two have between them three members employed in the sugar mills at Basti, who are getting Rs. 14 a month each. Out of the five children of this village attending the primary school at Bharoli, four are Chamars. The parents of these children a year ago attended some conference of depressed classes and promised there to educate their children.

The six Muhammadan families are poor Dhunias, and they supplement their small agricultural income by tailoring. Of the twelve remaining families, three are Kahars, two Telis, two Barhais, whilst there is one family each of Nais, Dhobis, Lohars, Rajputs and Kayasthas. The Rajput and the Lohar are quite well off; the Kayastha is very heavily involved. He has sold his landed property in Bihar for Rs. 2,300, partly to pay off the debts incurred by his father, and partly to celebrate the marriage ceremonies of his younger brother and sister. With a holding of about 15 acres, the largest in the village, he has seldom been able to pay his rent (which always remains in arrears) without borrowing. A victim to his own mismanagement and laziness on the one hand, and to the rapacity of his landlord on the other, his is the heaviest load of indebtedness (above Rs. 1,000).

There is great congestion in many of the houses. The ancestral house, which was built for one family, has now to give shelter to four or five. The *zamindar*, who owns the village site, will not allow any alterations, let alone any additions, except on payment of a large fee; in the case of one Chamar the amount demanded was Rs. 100.

Most of the villagers belong to the co-operative credit society, which they have joined one by one during the last four years. The attitude of the people of this district towards co-operation is a matter of some interest. "The Basti landlord, in addition to exacting a high rent and many cesses, claims extensive feudal privileges . . . In

many estates an occupancy right means nothing at all, and *zamindars* can and do eject occupancy tenants by a word"—(Settlement Report, 1915—1919). The tenants definitely look on co-operation as a means of defence against the landlord's tyranny. Feeling the strength of their new association, and relying upon the help and advice of the society's officers, they have begun to resent the unjust encroachments of the *zamindars* upon their rights. The landlord is not willing to tolerate this attitude, and is resentfully opposed to co-operation. There are still many villages in the district where the membership of the co-operative society is considered a social stigma, but it is regarded as a desirable privilege wherever the landlord has been oppressive and unjust. And it is in this light that the tenants of this village regard co-operation.

While early rice (*dhan*) and *kodon* are the most prominent *kharif* crops, wheat and peas the chief *rabi* crops, potato is the most important money crop, followed by sugarcane; recently, because of the strenuous labour which it demands during the hottest months of the year, and the sudden decrease in profits due to low prices, sugarcane has been falling into disfavour with most agriculturists in this village, who prefer potatoes as yielding more profit with much less labour. In normal years an acre yields about 125 maunds of potato, which at Rs. 2 per maund brings in Rs. 250, of which about Rs. 175 is net profit. For each cultivator the area under this crop is limited by the supply of his manure and water and the situation of his field. Potatoes can be only grown in *goind* lands near an *abadi*, which can be easily manured, watered and watched. Few tenants sow more than a bigha (one-third of an acre) with potato; most sow less than that. With sugarcane, the net profit per acre normally comes to about Rs. 60. Other crops grown in smaller quantities are mixtures of wheat and barley and gram and maize.

Most of the *kharif* crop is retained for food, while the rent is paid from the sale of oil-seeds (linseed and mustard broadcasted in wheat and gram fields), potatoes, *gur* and wheat.

I deal now with the questions included in the questionnaire :—

I.—Agricultural credit and credit facilities.

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

Question 1.—(*a*) Government has rendered little or no financial assistance in this village. For the first time in its existence two of its tenants got *taqavi* for *rabi* seed in October last. It has been duly repaid.

The co-operative credit society has played a very prominent part. It attends to most of the needs of one-third of the villagers, while 15 others have recently joined and there are many others ready to seek election. The members of the society have sometimes to borrow elsewhere when there is a sudden demand for money, for it takes time to carry out the necessary procedure.

Well-to-do tenants frequently advance money to their less fortunate brethren in the village, and also to some of the petty *zamindars* of the neighbourhood on whose lands they hold mortgages. They have lent about Rs. 1,000 to villagers, and about Rs. 3,000 to people residing in other villages. Two Kurmis are regular moneylenders; about half a dozen more of them lend occasionally when landed security is forthcoming for their cultivation. Three of them also advance seed at the *sawai* rate.

The *zamindar* of the village, who is a large moneylender in the district, does not make any advances here, though he has obtained decrees, and got pronotes executed by two tenants, for arrears of rent. The outstanding on this score, amounts to about one-fourth of the total debt of the village.

The *banias* of the Walterganj Bazar occasionally feed and clothe on credit a number of the families in the village; but their share of the debt is small. The Punjabis, who come every year, have few clients now in this village—only two or three families who were advanced cloth during the last summer. Sometimes money is borrowed from richer relations and paid at leisure, without interest; sometimes from a rich agriculturist of a neighbouring village, if the borrower can get no credit nearer home.

(*b*) *Purposes of borrowing*—(i) *Repayment of earlier debts.*—Most of the tenants pay off their debts in a year or two; it is seldom that old debts exist or money is borrowed to repay them. Any sum larger than Rs. 50 is seldom advanced without a

mortgage of the tenancy right, which may continue for years till the borrower redeems it. There are some tenants who till last year had been borrowing from their neighbours to pay off their debt to the co-operative society, and *vice versâ*. Sometimes a new member to the co-operative society borrows his first loan either to pay off his earlier debts to the moneylender or to redeem a mortgaged field. But in a tenant village borrowing to repay earlier debts is rare.

(ii) *Payment of accumulated interest.*—Most of the tenants pay off their year's debts by the end of *Baisakh* when the account is made up. Generally, the unpaid balance is trivial, unless there has been a marriage, a lawsuit, the failure of a crop, the death of a bullock, or some similar calamity entailing heavy expense, when the balance may be considerable. Instances when not even the interest has been paid must be very rare. Borrowing to pay interest is therefore almost unknown.

(iii) *Marriage and other social functions.*—Loans are frequently incurred to meet the expenses of marriage and other social functions. Although they are celebrated at a time when there is grain enough in the house, there is seldom much left to buy the new clothes, the ornaments or the brass and bronze utensils after the rent and the annual interest have been paid. Though there are not half a dozen people in the village who will not borrow when a marriage is to be performed, or a *gauna* is to be celebrated, or death expenses have to be incurred, yet a tenant seldom goes beyond his means and in most cases succeeds in repaying the debt in a year or so.

(iv) *Payment of rent.*—Very few tenants can pay the *kharif* instalment of rent; and most of them have to borrow for the purpose as the *zamindar* is hostile and may bring a suit. The whole of the *kharif* harvest is retained for food, because it is all cheap grain—*kodon*, *dhan*, maize, *karkun*, *mendwa*, *sawan*,—and if sold will have to be purchased at a much higher price in December and January. By the end of February the *gur* and the potato crop are there to bring in large sums of money to clear off the debts of the year. Then in March follows the wheat harvest, out of which the rents are paid. If somebody's crop fails and he has not money enough for the rent, he borrows from his neighbour. There have been partial but appreciable crop failures during the last three years, and the borrowings for rent have been unusually large.

A new method has been used this year to liquidate the arrears of rent of some members of the co-operative society. For the last four years their account with the *zamindar* had not been settled; whatever they paid was all taken as interest and they were getting no receipts. This year they could pay nothing to the *zamindar*, and feared that a suit for arrears of rent would follow. They already owed something to the society; and as the sum which the *zamindar* could claim through the courts was considerable, the society could not advance it to them since it was much beyond their maximum credit. Thus there was every chance of their losing their occupancy holdings. To avoid this they were advised to sublet the holding for 5 years to the co-operative society, which in its turn sublet it to several other members, who, in return for the use of land for 5 years, have not only paid all the arrears of rent, but have also undertaken to pay the rents for the period during which they will occupy the fields.

(v) *Seed.*—Although many tenants in the village keep their own seed, few have enough to meet the whole demand, and the shortage is made good with grain borrowed from a neighbour at the *sawai* rate. Those who have to borrow seed seldom confine their transactions to one *bisaria* (one who advances seed). To ensure a steady supply they keep up a connexion with several more *mahajans* and borrow seed from all of them in smaller or greater quantity during the sowing season. If the supply of one fails, there are then others to make up the quantity required.

The number of those who have to depend entirely upon others for their seed is considerable. It must be about half the total population. There are five *bisarias* in the village; but their total loans each harvest do not exceed 70 maunds. A few persons deal with some Brahmans in Bantala and a Kurmi of Sripalpur proper.

As most of the seed loan is very punctually paid soon after the crop has been harvested, the amount of indebtedness on this score at the time when the inquiry was held, *i.e.*, when *kharif* seed is being repaid and *rabi* seed has not yet been borrowed, is very small. As there is little late rice, the *kharif* seed is borrowed for three months and the *rabi* seed for about six months.

(vi) *Expenses of cultivation.*—As most of the villagers are low caste people who seldom employ outside labour, such borrowings are extremely rare. The poor man

must weed his own field, must himself raise water from the well, while his wife spreads it over the fields. If labour is needed for harvesting the fields or for digging potatoes, it is paid from the crop, and there is no necessity for borrowing. Only those who are well-to-do, or are engaged otherwise than in agriculture, employ outside labour for irrigating the fields, digging the sugarcane or weeding the rice; but then they have no need to borrow.

Fodder for cattle has sometimes to be purchased if there is any shortage, but this is rare: for the bullock is often sold or fodder is received as a gift from a relation. Living near the railway line some of the tenants have taken a lease of the grass growing within the railway fence from a railway sub-contractor who got the contract for one mile for Rs. 140, and has been charging about Rs. 8 on an average for the distance between two telegraph posts, a distance of about 55 yards.

(vii) *Agricultural implements.*—The implements of these parts are cheap, costing not more than Rs. 12 for the lot; and there is, of course, no need to borrow for replacements. The village carpenter and blacksmith who make and mend these implements receive their remuneration in kind at the time of the harvest, when the cultivator is in a position to pay.

(viii) *Litigation.*—What litigation has recently occurred in this village is due to the *zamindar*, who has dragged the tenants to the law courts on various grounds. One tenant whose case is pending in the High Court has already spent some Rs. 200 or so. Two others, who had to borrow, have repaid the loans. If two tenants fall out they rarely go to the courts for redress, but to their landlord. Some landlords make out of this habit: they fine the defendant if the case is true, and the complainant if it is false. But that, of course, does not happen in this village.

(ix) *Purchase of plough and other cattle.*—Borrowing to purchase bullocks is common, for the bullock is easily sold if it is not the ploughing season and money is wanted. Unlike his brother in the western districts who needs his pair of bullocks for all the twelve months of the year, the tenant here needs it at most for five months from *Asarh* to *Katik*, and seldom keeps a pair for so long. He constantly changes his animals, selling them to meet some pressing need, and borrowing to buy new. Many tenants also keep a she-buffalo, but few have borrowed to do so.

(x) *and* (xi) *Sinking of wells and building of tanks.*—Nobody in the village has ever built a well. There are 16 wells in the village for all of which the old *zamindar* supplied the bricks and Rs. 50 each.

(xii) *Agricultural improvements.*—The few masonry embankments and escapes built to avert the danger of soil erosion were all constructed at the expense of the estate by the former landlords.

(xiii) *Subsistence.*—A large number of the families have to borrow for subsistence when the home supply of provisions is exhausted. The size of the family and the farm are the determining factors. After the harvest there is plenty of grain in every house for food; but in the case of the poorer families it does not last till the next harvest: it becomes exhausted about the middle of June, and it then becomes necessary to borrow for subsistence. The food supply again fails during the cold weather, in December and January, when many go hungry, and borrowing again becomes necessary from the *banias* in the Walterganj Bazar.

(c) The following is the proportion in which the debt is distributed among the various purposes described above :—

	Amount. Rs.	Percentage.
Repayment of earlier debts	493	10
Marriage and other social functions	278	5·5
Payment of rent	2,176	44
Seed :	235	4·5
Litigation	110	2
Purchase of plough and other cattle	822	17
Subsistence	360	7·5
Investment in land (to mortgage fields)	185	4
Trade	150	3
Bribes to officials—*patwari*, police and *karinda*	55	2·5
To help a relation	20	
Pilgrimage	36	
Total ..	4,920	100

The figure under rent is swollen by the pronote executed and the decrees obtained on that account in respect of the landlord's chief opponents, one a Kayasth and the other a Kurmi. Both owe about Rs. 500 each.

The proportion in which the debt is divided between the various classes of lending agencies is as follows :—

	Names of lending agencies.	Amount of debt due.	Proportion.
		Rs.	Per cent.
1.	Co-operative credit society	1,731	35
2.	Richer tenants of the village and few of the neighbourhood	1,812	37
3.	*Zamindar*	1,052	21·5
4.	*Banias*—shop-keepers	254	5
5.	From relations	52	1·5
6.	Punjabis	19	
	Total ..	4,920	100

If the amount due to the *zamindar* as arrears of rent were excluded from the total indebtedness, the share of the richer tenants goes up to 47 per cent. and that of the co-operative society to 45 per cent.

(*d*) About Rs. 200 worth of grain is due to the richer tenants; of the debt to *banias*, half is grain and half cloth. The rest of the debt, 93 per cent. of the whole, is in cash.

There is seldom any definite stipulation regarding the period of the debt; but the general practice with the tenants is to repay the debt at the time of the next harvest, or, failing that, at the next harvest but one. Much repayment, however, is only nominal. A loan is repaid, but a fresh loan is contracted immediately. Often, too, a debtor will borrow new money from one *mahajan* to pay an old debt to another. Such cases are not uncommon in some of the co-operative societies in the district: members borrow from the *mahajan* to repay the society and from the society to repay the *mahajan*.

Loans for the repayment of rent have been treated as short-period, though in some cases the period fixed was one year. All the loans where fields have been transferred to serve as security have been taken as long period. The loans borrowed for seed and subsistence have also been treated as short-term loans. The division is then as follows :—

	Rs.	Per cent.
Long-term loans	2,093	54
Short „ „	1,775	46

Old debts incurred long ago, which both by the borrower and the lender are treated as irrecoverable, have been ignored.

Question 2.—*Sawai* is the most usual rate charged on cash advances in the village The rate of interest when ornaments have been pledged is six pies per rupee per month, *i.e.*, 37½ per cent., but sometimes it goes as high as 75 per cent. This is possibly due to the present low price of silver. The co-operative society charges 15 per cent. from its members.

On most seeds the rate is *sawai;* on oil-seeds, such as mustard and linseed, it is *deorha*. The quantity of oil-seeds advanced is very small. The government seed store at Basti from which some wheat was borrowed almost charges at the *sawai* rate.

One carpenter in the village borrowed Rs. 32 from a village *bania* who enjoys the fruits of his jack tree against the interest. Last year the tree yielded fruit worth about Rs. 30 and this year about Rs. 20. Taking the average for the two years this loan yields a profit of 78 per cent.

Tenants frequently borrow cash and transfer a bigha or two of their holding in lieu of interest. The system is locally known as *patandhan*. Agricultural labourers are often employed on this system. They borrow about ten or twenty rupees and repay the principal and the interest by personal service.

Question 3.—Most of the petty loans between tenants are advanced against the personal credit of the borrower without pronote or bond; the lender trusts the borrower and the transaction is oral. Those who have proved dishonest, however, must execute a pronote and also transfer a portion of their holding as security before they get a loan. No interest runs on such a loan. Some Rajput *zamindars* of a neighbouring village have borrowed money from the tenants of this place on usufructuary mortgages. No specific security is as a rule demanded from the members of the credit society; though his credit is based on his material assets. Occasionally, however, an old defaulter registers his crops in favour of the society when some doubt is entertained about his honesty.

About 20 per cent. of the debt has been secured on tenancy rights. An area of 8 acres has been pledged against Rs. 745. There is a debt of Rs. 32 secured against a jack tree, whose fruits the *mahajan* enjoys against the interest on the loan. A very small fraction of the loan, about Rs. 100, has been secured against the personal services of the borrower. The rest of the debt is all unsecured. The following is the percentage of the secured and unsecured debt :—

	Amount, Rs.	Percentage.
Secured debts	877	23
Unsecured debts	2,991	77

As debt follows credit, better class tenants have been able to obtain more money than small holders or agricultural labourers. The size of a tenant's holding and the quality and the number of his cattle determine his credit. Rupees 40 per bigha is the usual sum advanced on mortgage of a tenancy right. For purposes of credit very little distinction is made in this village between the statutory and the occupancy right. Dividing the tenants into three classes according to the size of their holdings, the average debt per indebted family in each class is as follows :—

Classes.	Average debt per indebted family. Rs.
First class	146
Second „	61
Third „	21

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

The principal crops grown in this village for the market are wheat, oil-seeds, potato, sugarcane and a little *banda* (a vegetable). The methods of marketing are different for the different commodities. Very little of the produce is taken by the cultivator himself to the market at Basti. The wheat and oil-seeds are sold to the petty traders and *banias* of the locality, who come to him soon after the crop has been harvested. The cultivator is well aware of the rates ruling in the market and cannot be deceived on that score. He himself measures the grain, and the *bania* can play no tricks with his weights. The middleman's profit is kept at a minimum. There is a difference of about a quarter of a seer in the rupee or a little more to cover the expenses of marketing and transport.

The tenant's ignorance of the conditions of the market is such that he would lose heavily if he tried to market his produce himself; and this he has learnt from experience. The village trader, however, has by the method of trial and error learnt the art and now makes a profitable use of his time and bullock cart when work is slack and he is not needed on the farm.

Potato cultivation some eight years ago was a small matter. poppy was then being grown, and the demand was also small. Some traders from Bihar who paid a chance visit to Walterganj proceeded to buy up the potato crop and export it to Bihar. A few local traders who helped the strangers in this transaction soon learnt their methods, and

have now gradually ousted them. An increasing demand from outside has extended the area under this crop in most of the villages in the neighbourhood.

As soon as the crop is ready these local traders make their bargain with the cultivators. Sometimes a rate per maund is fixed : sometimes the trader buys the crops, whilst it is still underground, on an estimate of its probable yield. The purchaser has to pay the price before he is allowed to dig up the potatoes. With a railway station close at hand the facilities for export are satisfactory.

At the time of the harvest prices are low, but they rise considerably a few months later. Potatoes, however, do not keep, and the cultivator must sell at once. A satisfactory method of storage, which would enable the cultivators to hold up the potato crop till the price has risen, would bring a considerable profit to them which now goes to the trader.

Report of an economic enquiry in village PURAI AJMERE SHAH, district Partabgarh (Oudh).

[By Mr. Puttoo Lal Bisaria, M.A., Inspector of Co-operative Societies, United Provinces (on special duty).]

Introduction.

Purai Ajmere Shah village is situated in the Partabgarh tahsil on the Partabgarh Allahabad road about nine miles from Partabgarh, only two furlongs from the road, and as far from Bishnathganj, the nearest railway station. The nearest market, of the same name, is half a mile away.

The railway line passes through the village and breaks it into two unequal portions. There are two purwas (hamlets) attached to it. viz., Rajputti and Daldewa, but in spite of these it is a small village. A small area in the north and west is broken or sloping and the rest is flat.

The soil of the village is medium loam in the west, but falls off in the east. Irrigation is done by means of masonry wells, but some improvements are now being introduced.

The total area of the village is 125 acres, of which 26 are not culturable, 11 are culturable and 87 cultivated. The area which can be brought under the plough therefore comes to 98 acres. The proportion of the cultivated to uncultivated is 3·3 to 1.

Rabi and *kharif* crops are grown in the village, but *rabi* is conspicuous. The area under *rabi* is 51 acres, that under *kharif* 32. The area of *sir* and *khudkasht* is 29 acres. In 1336 *Fasli* cultivated area amounted to 87 acres and uncultivated to 3. Of the crops the principal are in *rabi*, wheat, barley, barley mixed with other grains; and in *kharif bajra*, sugarcane and *arhar*.

It is a *pattidari* village, of Thakur shareholders. They also form the highest portion of the population. The pargana book of the tahsil shows that there are seven under-proprietors, two ex-proprietors, eleven statutory and 33 non-statutory tenants. The population of the village as recorded in the census report of 1921 was 201, which figure has increased slightly. There are 39 families in the village, of whom 28 are Thakurs; the rest are Chamars and Kahars. The Thakurs are in easy circumstances, but mostly in debt.

The village is in some ways fortunate. The Co-operative and the Agricultural departments have both chosen it as a centre of their activities. There is an adult school and already men have begun to realise the importance of education both to themselves and to their children. Not only do they send their children to the adjoining primary school but they themselves also gather in the evening at the house of the *sarpanch* to exchange thoughts and ideas, and consider various problems connected with their material and social improvement. There are many who have begun to curtail expenses, to spend less on extravagances, and to realise that salvation lies not in ease but in toil. The old custom forbidding Thakurs, the nobility of the village, from holding the plough seems to be dying out, for at a very recent visit of the Hon'ble Minister for Agriculture most *zamindars* handled the plough with enthusiasm. Orthodoxy is thus shown not to be unchangeable: the spread of education can widen a man's opinions.

There are still a few who lead a life of ease; but for the most part, the life of this village is full of activity.

There are both historical and economic considerations to explain why this village was chosen as a subject for economic enquiry. The Partabgarh district is mostly a district of *taluqdars*, whose rights are regulated by a *sanad* granted by Government. The tenures in such *talukas* differ from those in *zamindari* villages. This is a *pattidari* village, having no less than 38 resident and 5 non-resident *pattidars*—an important characteristic. Further, the population consists mainly of Thakurs, belonging to the

aristocrat class of peasant but also involved in debt, and this also makes it specially suitable for this survey. Finally, though a comparatively small village, it is also representative in other respects.

The answers to the questionnaire are as follows :—

I.—Agricultural credit and credit facilities.

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

Question 1 (*a*).—The main classes of lenders to the agriculturists in this village are :—

(i) *Government.*—This plays a very insignificant part in the finance of agricultural credit. Of Rs. 14,932 (total amount due from the village) Government debts amount to Rs. 185 in the form of *taqavi* loans.

(ii) *Co-operative society.*—The co-operative society at Purai Ajmere Shah advances loans up to Rs. 2,000. To-day the debt of the society against members amounts to Rs. 1,267. This institution also finances a very small part of rural credit.

(iii) *Moneylenders.*—This agency alone finances almost the whole of rural needs. Of Rs. 14,932 (total debt) that due to moneylenders amounts to Rs. 13,357, about 99·3 per cent. of the total debt.

(iv) The *beoparis* dealing in bullocks and the Punjabis dealing in cloth also have their dealings with the people of this village, but they are now ceasing.

Thirty-nine persons have lent money in the village but all are not professional moneylenders. There are only eight whose chief business is lending; they control a large portion of the total debt. The rest are agriculturists themselves, and generally members of the society. They are not, however, free from debt themselves. One man has to realise Rs. 296 and to pay Rs. 430, another to realise Rs. 600 and pay Rs. 778, a third to realise Rs. 255 and to pay Rs. 1,500. Only one is free from debt himself.

The village moneylenders fall into two classes :—

(*a*) *Professional moneylenders.*—Of these there are eight big men, besides a few others who do business with small sums.

(*b*) *Members of the co-operative society.*—Of these also there are eight big men.

(*b*) It is not possible to state exactly the amount borrowed for different objects, for most debts are contracted for several objects, and out of a single loan the agriculturist generally satisfies many demands. Oral inquiry from the debtors themselves, however, shows that in this village the main purposes for which loans are taken are :—marriages, funerals, repayment of debts, litigation, payment of revenue and *taqavi*, construction of wells, acquiring of lands and home needs.

(*c*) The following table shows the proportion in which the debt is distributed among various purposes :—

	Rs.	
Marriages	4,218	30·7 per cent.
Funeral	826	6·0 „
Repayment of old debts	975	7·6 „
Litigation	1,623	11·7 „
Ancestral debts	2,864	20·6 „
Revenue and *taqavi*	270	1·9 „
Wells and land	450	3·3 „
Home needs	802	6·0 „
Not ascertained	1,566	11·0 „

The last figure represents the debt of two persons, the object of which could not be ascertained.

From these figures it is clear that a large portion of the debt is incurred for marriage, litigation, funerals and repayment of old debts; and that ancestral debts are large.

The following figures show the distribution of debt between various lending agencies :—

	Rs.	
(*a*) Government	185	1·3 per cent.
(*b*) Co-operative society	1,267	8·5 „
(*c*) Moneylenders	13,357	90·2 „
(1) Professional	72·3 per cent.	
(2) Agriculturist	18·0 „	

(*d*) Almost the whole amount of debt incurred in the village was in cash. People take loans in kind on *sawai* system for seed purposes. This amount is payable in kind at the time of harvesting of crops; in the event of failure of the crop and repayment, the loan becomes repayable in cash. No loans of this kind were due at the time when inquiries were made except Rs. 16 due to the Agricultural department for purchase of seed.

The whole debt is long term except Rs. 107. The debts of the co-operative society, however, have not been taken into account.

Question 2(*a*).—The rates of interest in this village, as everywhere else, vary with the amount of capital available, the intensity of demand, the dealings of borrowers, the kind of security offered and the period for which loans are taken

There is no interest charged on borrowings secured by mortgages of land, because mortgage in this village generally is with possession. An amount of Rs. 11,977 has been lent on such security. Interest on other sorts of mortgages such as ornaments is Rs. 18¾ per hundred, i.e., one pice per rupee per month. There are only two cases in which ornaments have been pawned. The rate of interest in cases in which no tangible security is given varies from 18 per cent. to 37½ per cent. for cash advances. But the commonest rate is 24 per cent. The following table gives the amount borrowed on various rates of interest :—

Rate of interest.	Amount borrowed.
	Rs.
18 per cent.	170
18¾ „	150
24 „	741
30 „	150
37½ „	169
Total	1,380

No interest is charged on very small sums of Rs. 5 or Rs. 10 lent by members to each other. These are generally repayable after a month or so. Such a loan is called *hathpher*.

For loans in kind for seed the system prevalent is the *sawai* system, according to which for every five seers of loan the creditor charges 6¼ seers at the harvest. If the borrower fails to pay the loan in the same kind he can pay in another kind at a rate slightly higher than the market rate; but should the borrower fail to do even that, he generally writes a pronote for the amount at a fixed rate of interest. After a year *sawai* is often charged on *sawai*, so that for five seers he has to pay 6¼ seers after a year and a year after 1¼ times of 6¼, or 7$\frac{13}{16}$ seers. At the end of three years the loan thus becomes almost double. For small loans in kind, if taken from a fellow agriculturist, there is no interest charged, but if they are taken from a *bania* the rate charged varies.

The rates of interest charged by *beoparis* dealing in bullocks as also by the Punjabis dealing in cloth cannot easily be calculated. It is said that for every pair of bullocks costing Rs. 100 they fix the price at Rs. 150 repayable in four instalments, so that three instalments include the full value of a pair. We can roughly say that the interest charged is about 50 per cent.

(*b*) It is difficult to describe the various methods for calculating rates of interest, for the creditor does not wish to disclose the methods of the manipulation of his accounts. The need for calculation of interest arises chiefly in the case of debts without mortgage. The moneylender usually supplies small amounts of capital according to the temporary needs of the borrower. At the end of a year or even earlier, if he finds that the debt is growing heavy, he calculates interest on the various sums so advanced, adds up the whole amount advanced with interest thereon at 24 per cent., and asks the borrower to execute a pronote for the whole amount at a fixed rate which is generally 24 per cent. In reality compound interest has begun to run now. After a time, when this sum also becomes big, he gets land mortgaged. Formal pronotes in which no land has been mortgaged, are changed after every three years, interest added to the principal and a fresh bond executed for the total amount, either with mortgage or without. For loans in kind the system is as described above (*sawai*). Such a loan is also converted into a cash loan, should it remain unpaid, and a pronote is again executed at 24 per cent. This may happen either at the end of the year or of the half-year. In the case of cultivators of no good standing it is probable that the figure is rounded every six months.

On a debt secured by a usufructuary mortgage no interest is charged, only land is given to the creditor. But in the case of unsecured debt the rate is generally 24 per cent. The rate of interest to my mind, though high, does not appear exorbitant.

(*d*) In the case of debts in which a pronote is executed, either registered or unregistered, the usual charges are—

(i) Price of document varying with the amount to be borrowed according to court rules.

(ii) Charges to be paid to *katib* (scribe), which are usually annas eight for pronotes of Rs. 100 or less and Re. 1 for higher amounts.

The usual registration fees and legal charges of the office have also to be incurred when the debt is registered. There are no incidental charges at the time of repayment.

Question 3(*a*).—Land is the usual security in the case of long-term borrowings. Rs. 11,862 have been lent on the security of cultivators' land, and only Rs. 55 have been advanced on ornaments. This figure only shows the reluctance of the people to mortgage their jewellery, though it may be true that accurate figures have not been disclosed of the amount of jewellery that has been pawned. Rs. 60 have been borrowed on the mortgage of a garden. Standing crops in this village are seldom used as security. Agricultural implements, being of very little value, are rarely offered or accepted as security. The only other form of security is personal. Rs. 1,503 have no other security behind them nor is there any other security for Rs. 185 of Government loans. The co-operative society advances on the principle of joint and several responsibility. Here the security is collective.

(*b*) Of Rs. 14,932 due from the village Rs. 14,272 are due from *zamindars*, while only Rs. 659 are due from tenants. Among tenants, the Chamars are less indebted than statutory tenants. The village is composed mostly of petty *zamindars* and statutory tenants. Of the 39 families, 28 are Thakurs and 11 of lower castes. The Thakur families are all in debt, some heavily. The most heavily indebted are those who possess more of *zamindari* land. It can safely be alleged, therefore, that the better the title to land the greater the amount of indebtedness, i.e., the landlord is relatively more indebted than the statutory, and the statutory more than the non-statutory tenant. In this village, there are no occupancy tenants.

VILLAGE PURAI AJMERE SHAH : MR. PUTTOO LAL BISARIA.

(*c*) The following table gives the extent of indebtedness of various classes of landlords and tenants :—

Class of cultivators.	Number of houses.	Amount of debt.
		Rs.
(1) *Zamindars*	28	14,272
(2) *Non-zamindars* (statutory)	5	630
(3) Chamars	3	30
(4) Kahars	2	Nil.

No Kahar is in debt; on the other hand, one Kahar lends money. He has advanced Rs. 172 to two persons.

(*d*) The following table shows the distribution of debt by securities :—

	Rs.	Rs.
(i) Secured debt (land)	..	11,862
(ii) Ornaments and garden	115	
On simple pronotes	1,703	
Government	185	3,269
Co-operative society	1,266	

78·4 per cent. of the total debt is therefore secured on land; 21·6 per cent. is either unsecured or otherwise secured.

Question 4(*a*).—The creditor does not desire the repayment of a debt in which land has been mortgaged because he generally holds possession of it and cultivates it himself. It is only in the case of debt which is unsecured that repayment is sought, but here, too, the creditor seldom has recourse to law, and that only when the debt reaches a high figure. The creditor every three years is satisfied by getting a fresh pronote executed for the whole amount including principal and interest. This pays him better, for the amount of debt goes on increasing. The need for going to law to enforce payment rises only when the possibility of repayment is uncertain. Generally, no such need arises. When the debt becomes disproportionally large, the borrower himself willingly transfers land to the creditor. This saves the cost of litigation to both parties.

(*b*) Most people deny that there is any difference between the rate at which the cultivator borrows and the market rate, but it is difficult to believe them. On the other hand, it is also said that at the time of repaying loans in kind on the *sawai* system the grain dealer returns to the debtor four seers in each four *dharis*, i.e., in one maund of grain. Probably the *bania* charges more than the market rate and the difference in rate counterbalances the rebate given to the repayers.

Question 5(*a*).—Government provide facilities to agriculturists under the agriculturists Loans Act and the Land Improvement Loans Act; but in this village people have not taken full advantage of them, nor is the amount offered adequate. Government have only advanced about Rs. 250 in this village under these two Acts of which Rs. 185 are now due from the whole village. Cultivators are not aware that a loan can be taken from the Government for a permanent improvement on land. They generally suppose that *taqavi* is meant to serve as a temporary relief against famine and scarcity. Further, it is advanced only in very small sums, i.e., about Rs. 10 or Rs. 15 and only to the well-to-do few who are recommended by the patwari; and these facts have made *taqavi* unpopular. These small sums do not suffice to meet their ordinary demands for subsistence, still less to construct a well or other permanent improvement. Moreover, the borrowers have to pay toll for this privilege in the form of gratification to the low-paid revenue staff, which in extreme cases amounts to two annas per rupee, so that a borrower rarely gets more than Rs. 9 out of every Rs. 10. This charge more than neutralizes the effect of the low rate interest at which it is borrowed. The system of collection of *taqavi* is also serve. Sometimes the cultivator suffers some coercive process, resulting in the sale of a bullock or other valuable; sometimes he avoids such treatment only by a further dose of gratification to the *chaprasis* and muharrirs. But sooner or later he falls a prey to ill-treatment by the revenue staff. To-day every cultivator of any position feels that his *izzat* has been damaged. There

is also a lurking fear that should he borrow from the Government, the *bania* will be reluctant to advance money to him later.

The result of all this is a feeling of aversion towards *taqavi;* and though the spread of education is improving matters to some extent, it will be a long time before the rural population realise that *taqavi* serves a useful purpose or that they can get enough of it under the Agricultural Improvements Act.

The system of *taqavi* is sound, but the procedure is defective. The usual rate of interest is always below 8 per cent. and no financing institution in existence at present can or does supply credit at a lower rate than this. What is needed most to make it effective is, firstly, propaganda so that the agriculturist may learn that *taqavi* is always available, both in times of scarcity and famine and in ordinary years. Secondly, a naib tahsildar should prepare indents of demands after a local inquiry into the financial condition and circumstances of cultivators. These indents should be prepared some time before the period when money is actually needed. But in no case should it be allowed that more than enough be given to any one or two particular cultivators. Thirdly, the money should be distributed amongst all classes of cultivators in proportion to their needs. The many poor should receive more attention than the well-to-do few. Finally, strict supervision is required to prevent the existing malpractices of the lower staff. The distribution of *taqavi* should be entrusted to co-operative societies where these exist.

Question 6.—In this particular village there are no instances where a few cultivators had combined to produce any particular crop, though they frequently assist each in ploughing and sowing.

Question 7.—Every system which supplies credit to the agriculturist has its defects, of one kind or another.

The moneylender lends with the object of taking both the produce of the soil and the land itself, and the latter, contrary to Mr. Calvert's view, is here the main object; and this motive seems to account for the large amount of debt which rests on the security of land. The proportion of such debt to debt that is unsecured or otherwise secured is 78 to 22. It is some consolation that here moneylenders themselves are agriculturists, but it cannot be denied that he does not desire complete repayment. He prefers the debt to grow little by little, by small additions to principal and accrual of interest, till it becomes necessary to secure it by mortgage. Nor are his complicated accounts open to examination or scrutiny, and he can manipulate them to his profit, without interference from the illiterate peasantry who owe him money.

In the case of the poorer classes the moneylender is cautious as every lender must be. A man may be too poor to be in debt; and lenders do not forget the fact.

The co-operative society has defects of its own. There is not enough money to meet the demand. No member can exceed his maximum credit, with the result that he does not always get as much as he needs for effective cultivation, whilst the poor man suffers from this rule more than the rich, for his maximum credit is lower. Finally, since time must elapse between the date of an application and the date of its sanction, the season for sowing has often passed before the seed is received. In this village people say that this is not the rule. But they cannot deny the existence of this defect.

The main defects in the Government system of *taqavi* have been given in my answer to question no. 5.

In short, no existing credit system fulfils the requirements of rural finance. What a cultivator needs is *enough money at the proper time and at a low rate of interest*, and a reasonable assurance, firstly, that accounts shall not be manipulated to his disadvantage and secondly, that he shall not be deprived of his land—the only means of his subsistence. None of these systems gives him what he wants. But economic considerations are against the debtor and in favour of the lender. The rate of interest always varies with the nature and extent of security offered. The *zamindar* who pledges land gets his money cheaper than the occupancy tenant or the tenant-at-will: the man who pawns ornaments or furnishes any tangible security, gets his money cheaper than one who offers no such security. And villagers, having little or no security to offer, are naturally at a disadavntage. Personal security has little value, for debtors are apt to collect a few valuables in a bundle and leave the village, their wives following them behind. And more often than not they apply for insolvency, to the creditor's loss. Interest

depends on the risks run: bad security always means risks and a high rate of interest, for business is not philanthropy.

It is not easy to suggest practical remedies for all these defects. The most important seems to be—

(i) Curtailment of expenditure on unproductive objects.

(ii) There must be legislation to fix the maximum rate of interest, legislation for the licensing and regularising of moneylenders, legislation for insuring the publicity of accounts: and finally, for long-term credit, the establishment of land mortgage banks.

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

Question 1.—The central market for this village is Partabgarh, but there is at a distance of about four furlongs a small market named Bishnathganj. The main products of this village are *bajra*, and *urd*: others of less importance are *mung*, *jhundhri*, sugarcane, wheat, barley, alone and mixed with other grains, maize and peas.

The people of the village being mainly Rajputs depend upon others as much for the sale of their produce as for its production. No Rajput touches a plough; and it is below his dignity to take his produce to the market and sell it there. The usual practice in this village is that dealers in grain, called *beoparis*, go round from door to door and purchase whatever surplus is forthcoming. Thus they take to the central market, or preserve to be sold when its price is favourable. The principal purchasers in this village are grain dealers from Bishnathganj, Delupur, Durgaganj, Mandhata and Mau markets. Neither agents of exporting firms nor big grain merchants purchase produce here: some time back the agent of a Meerut firm used to buy hemp, but does so no longer. The cultivators never themselves take produce to market.

Bajra, barley, peas and other cheap grains are all retained in the village for home consumption, and only any surplus that there may be of such crops is sold.

The method of marketing is the same in all cases.

Question 2(*a*).—The small traders who market the produce of this village possess enough capital of their own and do not need to borrow.

(*b*) There is a co-operative society in the village, whose activities have already been mentioned. It has not extended its energies to the organisation of marketing, or lent money for this purpose. As the produce is sold at the house of the producer himself it usually fetches a lower price than can be obtained in the market and additional profit goes to the middleman, who stores the grain, adulterates it by mixing it with inferior grain and then sells the whole when the market is favourable. If the cultivator were himself to take the produce to the central market he runs many risks, and may be put to many inconveniences. He may not find immediate purchasers; if he goes to the *arhatia* he has to be satisfied with a low price, besides having to meet various extra expenses. The cultivator therefore prefer to be content with the low price which he receives at home. A co-operative society would not labour under the same disadvantages. It could avoid the *arhatia* and deal directly with the exporting firms, keeping the profits itself. Such experiments are being informally tried in some districts of the United Provinces, *e.g.*, Farrukhabad and Etawah, on a small scale and have been successful. There seems to be scope for such a society in this village, for there are about six societies in the neighbourhood.

Question 3(*a*).—As the trader buys the produce in the village, the seller is spared additional charges. The village weighman gets from the seller one pice per rupee on all articles which he weighs, but beyond this the seller has to pay no other fees.

For the storage of his grain the cultivator adopts the old primitive method. Most grain is stored in the market by the shopkeeper who preserves the stock for future use. But the villagers still store some quantity of grain in receptacles called *kots* or *bukhars*. *Kots* are made of earth, either round or square, with a hole low down in one

of the sides. This is stopped up, and when grain is required the stopper is removed and grain comes out through the hole. Only grain for consumption is kept in a *kot* because it can contain only a small quantity. Grain required either for seed or as stock is kept in a *bukhar*. This is a mud enclosure built up inside a house. Various kinds of grain can be kept in layers, one upon the other; *bhusa* is spread over to separate the layers. The *bukhar* is covered by a big earthen lid.

Neither system of storage is proof against damage by insects, called *demak* or *ghun*, which do great damage to the grain and make it unfit for human consumption. This is one serious difficulty in storage of this type.

The quantity stored by cultivators is too small to make it necessary to build *pakka* godowns, which involve difficult problems of sampling and grading. There seems to be no reason why the indigenous system of storage should not be improved by such means as putting some germicide in the stock to prevent the multiplication of insects. In the case of *bukhars*, on the side of the enclosures attached to the wall there should be a net work of bamboos. *Bhusa* should also be spread over the floor of the *bukhar*. Grain kept in *bukhars* is rarely spoiled.

(*b*) In the Bishnathganj market grain is stored in sacks (*boras*) which are piled on each other on a wooden platform. In this case the great trouble is rats, which eat holes in the bags.

The market *baina* who holds stock is the man who has to possess suitable storage. He can but will not afford the expense of a *pakka* godown, for he does not wish to see his grain sampled and graded. This would bring him no profit.

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

Question 1.—A door-to-door inquiry was made in Purai Ajmere Shah to ascertain details of indebtedness, the various sources from which money had been borrowed, and the nature of the security offered. The loans of the co-operative society in the village were ascertained from its records, and of Government *taqavi* from the borrowers themselves.

The total indebtedness of the village is Rs. 14,932 as detailed below :—

	Rs.
Registered mortgages	8,122
Unregistered mortgages	5,235
Cloth-dealers	22
Grain-dealers	16
Miscellaneous	85
Government	185
Co-operative Society	1,267
Total ..	14,932

Question 2.—Richer cultivators have lent to others a total amount of Rs. 2,498.

Question 3.—In spite of the fact that a very large amount of debt is secured on land mortgage, it cannot be said that land and the rights in land are passing in any marked degree from the possession of efficient farmers into the hands of those who are not farmers themselves. Generally, the moneylenders in this village are themselves either owners of land or possess rights therein; and it is to these that land is passing, i.e., to men who are themselves efficient farmers. There are only two cases in which the creditors are not farmers.

Question 4.—The total amount of indebtedness of the landowning classes is Rs. 14,272 and of tenants Rs. 660. A sum of Rs. 4,218 or 30·7 per cent. was borrowed for expenditure on marriages. The reasons for this are obvious. The major portion of the population are Thakur landowners, whose standard of living is naturally high. Further, Partabgarh is a district of Rajput *talukdars;* and these petty Rajput *zamindars* feel that they must maintain the same social status as their richer brethren, with the result that they spend freely on marriages and other social customs to keep up their prestige. Again,

Rs. 1,623 have been borrowed for use in litigation purposes; it is 11·7 per cent. of the total debt. Two brothers have spent a sum of Rs. 1,400 in this manner, of which Rs. 895 were borrowed. The present generation has received as a legacy from its predecessor's debts amounting to Rs. 2,864 or 20·6 per cent. of the total debt. The payment of land revenue, though doubtless an occasion for borrowing, cannot be regarded as a cause of indebtedness. While these special causes have compelled the agriculturist to raise loans, his social position has been such as to make it easy for him to obtain them. Of the 39 families, 28 are *zamindars* with good security to offer, and therefore welcome clients of the moneylenders.

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

Question 1.—The only credit agencies in this village are those already mentioned. Neither the Imperial Bank of India nor any other bank plays any part in financing its needs.

The capital available for ordinary agricultural expenditure is sufficient, but more is probably required to finance improvements on land. The return from such improvements is slow, and the loan must therefore be for a longer time than the ordinary capitalist will wait, and the only solution lies in the establishment of land mortgage banks.

III.—INVESTMENT HABIT AND ATTRACTION OF CAPITAL.

A.—Encouragement of saving and investment habit.

Question 2.—At present there are no facilities whatever for investment in this neighbourhood. The post office at Bishnathganj has no savings bank branch. The villagers, moreover, have little surplus to invest.

Question 3.—Nevertheless, every villager, whatever his position or status, possesses some jewellery for his wife. A part of the marriage expenditure is devoted to the purchase of ornaments for the bride, and in a prosperous year, some money is usually spent in this way. The total sum of money thus invested may be put in this village at Rs. 8,000. Any further surplus, if not lent out on interest, is usually buried, according to ancient habit, underground.

Report of an economic enquiry in village ALAPUR, district Partabgarh (Oudh).

[By Mr. Puttoo Lal Bisaria, M.A., Inspector of Co-operative Societies, United Provinces (on special duty).]

INTRODUCTION.

ALAPUR village is situated on the Partabgarh-Kalakankar road, about 44 miles from Partabgarh and two miles from Kalakankar, the residence of the Raja of the *taluqa* to which the village belongs. The main markets of the village are about three miles each from the village.

Land in the village is generally *usar*, and the more valuable crops are not grown in the village: there is little sugarcane, wheat or rice.

The population consists mainly of Murais, Ahirs, Kahars, Chamars, Pasis, and a few Muhammadans. There are also a few Brahman families in good circumstances. It has seven hamlets attached to it. There are no occupancy tenants in the village; all are statutory. The tenantry is generally well-to-do, not involved in debt, though not entirely free from debt. The pargana book of the tahsil states that about 68 per cent. of the rural population of this village is prosperous and in easy circumstances.

The population of the village is rather above the average of the tahsils. Its area is 421 acres, as against the average area of 417. It is, on the whole sufficiently representative of the tract.

Of the total area, 266 acres are cultivated and 155 uncultivated, of the latter area 102 acres are cultivable and 53 uncultivable.

The village may be regarded as moving on the road to progress. There is a co-operative society in the village, which through the Agricultural department supplies improved varieties of seed to cultivators; improved ploughs have also been introduced and some improved methods of cultivation adopted. But results are yet far from substantial. The co-operative society encourages saving by making it obligatory upon every member to make some deposit at harvest time according to his means and convenience, but this is only the beginning of a new era in the economic life of the village.

ANSWERS TO THE QUESTIONNAIRE.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

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

Question 1(*a*).—The agriculturist finances both his cultivation and domestic needs by borrowing. He has himself little surplus and capital, and from the stage of ploughing and sowing right up to the time when the harvest is being reaped and marketed, he has to depend upon others to supply him with capital. This is true of about 90 per cent. of cultivators. But the cultivator, for various reasons, does not restrict his borrowings only to one lender, nor is it possible for one lending agency to supply all his needs. He is of necessity forced to knock at many doors. The principal creditors of the agriculturist are the town *mahajan*, the village moneylender, the co-operative society, the Government, the Agha the *beopari* and the *qistia*. For his immediate needs he approaches the village moneylender as the most easily accessible. Besides, the moneylender, possessing local knowledge, can appreciate the needs of the cultivator. It is the village moneylender who controls most of his business. The co-operative societies have also begun to play a *rôle* in rural finance; their part, though small, is not negligible. In this village Government have also advanced *taqavi*; but it cannot be said that it finances rural needs, for such advances are not frequent. The *beoparis* dealing in cattle sell and purchase bullocks. They sell on the instalment system, and realise on instalment every six months. The Aghas generally advance small sums amounting to five or ten rupees, and often sell cloth on credit. They are proverbially tyrannical in making collections of their dues. They have almost ceased dealings in this village, and for the matter of that in this whole *taluqa*, for the *taluqdar* of Kalakankar has excluded them from his estate, and has taken the responsibility upon himself for repayment of existing loans or for making arrangements to get them repaid. This step towards the emancipation of agriculturists from the grip of these people is worth commendation.

By the system of *qistias* repayment can be made in easy monthly instalments. For every eight rupees they charge ten rupees to be repaid at one rupee per month. Formerly the system was Rs. 12 for every Rs. 10, but it has been changed now to the advantage of the lender. It is only the very poor who resort to the system, mostly the labouring classes of the village; the well-to-do have no dealings with these people. The total sum lent on this system is less than Rs. 100.

(*b*) As I have pointed out in my report, on Purai Ajmere Shah village, the cultivator borrows not for one particular purpose, but for many purposes. This makes it very difficult to apportion the total debt between its various objects.

In this village too, the amount borrowed on registered deeds is small whilst the nuregistered pronotes merely mention *kharch khangi* '(home needs) as the object of the debt, a wide term.

A study of the general condition of the village and its people, together with the figures of advances made by the co-operative society in the year 1927-28, makes it possible to give some sort of an estimate. In that year Rs. 2,917 were advanced to some 50 members of the society for the following purposes :—

Rent—Rs 1,600; bullocks—Rs. 388; marriage—Rs. 28; home needs—Rs. 370; trade—Rs. 369; cultivation and irrigation—Rs. 44; repayment of debts—Rs. 55; repairs of well—Rs. 70.

This shows that the chief cause of indebtedness in this village is high rents; indeed in Manikpur pargana, generally, rent is very high, with an average of Rs. 7-3-7 per *bigha*, and in some cases as high as Rs. 10. About 60 per cent. of the debt is incurred for this purpose.

Home needs or subsistence and cultivation expenses stand second, each represents 12 per cent. of the total debt. Repayment of debt accounts for only 1 per cent., so also marriage. Roughly speaking, I can say, therefore, that rent absorbs 60 per cent. (Subsistence has been put at 15 per cent. because loans of *qistias* are all for home needs; they are advanced only to labourers who have no field to cultivate.) Most of the debts is due to *mahajans* and the co-operative society. About half the villagers belong to the society. The district bank finances the rural credit in this village to an extent of Rs. 1,500, and today the loan of the district bank against the society stands at Rs. 1,215; the society finances the needs of its members to the extent of Rs. 2,500, and today it stands at Rs. 2,131. The total debt against the village is Rs. 3,905. Of this society dues are Rs. 2,131, i.e., 56 per cent. of the total debt. Forty-four per cent. are due to *mahajans* and *qistias*. The amount due to *mahajans* is Rs. 1,611 and to *qistias* Rs. 60. The Government also has to realise about Rs. 60 as *taqavi* loan.

In the above figures loans in grain have not been taken into account. Such loans are due only to *mahajans* on the *deorhi* system. When that is considered the modified statement of proportion would be roughly co-operative society 50 per cent. and *mahajans* 50 per cent.

In this village the Co-operative department is doing useful work. The society has a large membership, and what is more seems to satisfy almost all its needs. Of the total sum of Rs. 1,611 due to *mahajans*, the sum due from members of the society is only Rs. 366. This shows that members do not resort to outside lenders but finance their needs through the co-operative society.

(*d*) The loans of *qistias* run through a year; every month something is due. It cannot be therefore called long. *Mahajans'* debt are for long periods, so also some portion of the society's debts. I consider that about 60 per cent. is for long and 40 per cent. for short periods.

Quetsion 2.—(*a*) *Cash advances.*—In this village the rate of interest varies both with different lending agencies and with different kinds of loans. The *mahajans'* rate of interest is generally 24 per cent. for cash advances. The Aghas used to charge one anna per rupee as interest. The *qistias* charge ten rupees for eight rupees payable in 10 maunds; this brings the rate to 30 per cent. per annum.

VILLAGE ALAPUR : MR. PUTTOO LAL BISARIA.

The co-operative societies generally charge 15 per cent. per annum, and the Government from 6¼ to 7½ per cent. for *taqavi* loans.

Loans in kind.—The interest varies; in the case of loans of seed the rate is *deorha* instead of *sawai*. The *mahajan* charges for every 10 seers, 15 seers at harvest, and should the debtor then fail to pay *sawai* on *deorha* is charged, i.e., 18¾ seers, for 15 seers, so that in about a year's time the loan becomes almost double. The *mahajan* does not take payment in cash but only in kind. Most people in the event of a crop failure purchase grain and pay off the creditor. In the case of part payment *deorhi* runs on the remaining debt. Thus if out of 4 maunds of seed borrowed, the borrower pays back 2 maunds, at next harvest he would have to pay 3 maunds. The Agricultural department also supplies seed on *sawai*. The payment is made either in kind or in cash at a fixed rate.

For every Rs. 10 of cloth, Aghas charge Rs. 15 after six months, or 100 per cent. per annum. Of course, there is also a larger margin of profit between the selling and cost prices to the Aghas.

The *beoparis* dealing in bullocks charge Rs. 150 for every pair of bullocks worth Rs. 100, payable in four six-monthly instalments. Their rate of interest is therefore 25 per cent. Failing payment of an instalment they drive away the cattle.

For petty loans to be repaid in a month or so, no interest is charged. The rate of interest on loans of ornaments is 1 pice per rupee per month.

(*b*) The general practice in vogue of calculation of interest may be described thus. The *mahajan* usually advances small sums to the borrower. After a year or so when he finds that the small sums have grown to a large figure, he calculates interest on all of them, and gets a pronote executed for the total which begins to run at a fixed rate of interest. So also in the case of loans in kind, when he finds that the cultivator is not in a position to repay, he contents himself with execution of a pronote. But this is only in the last resource. These pronotes are also changed after every three years, interest is added to principal, and a fresh bond executed.

(*c*) I consider that the rates are high; even 24 per cent. charged by the *mahajans*, though usual, is high. Besides, the practice of the lender in keeping his accounts make the interest exorbitant. In one case a loan of 2 maunds of seed came to Rs. 100 in four years' time. At first 2 maunds of wheat were borrowed. The crops failed, and on the *deorhi system* the loan became 3 maunds. Payment was postponed till next harvest when the loan became 4½ maunds. A pronote was then executed for Rs. 50 at 24 per cent., at the end of 2 years it was changed to Rs. 75 at 24 per cent. which came to nearly Rs. 100 at the end of a third year.

Question 3.—(*a*) In this village the cultivators are mostly statutory tenants, and they cannot legally mortgage lands so that land is not the security offered and accepted for loans. There are no occupancy tenants. Loans are taken only on personal security. The practice of house mortgage for loans does not prevail here; they are generally *kachcha* and are seldom accepted as security in rural areas. Ornaments are often pawned in spite of the unwillingness of women folk to part with their jewellery. Agricultural implements are too cheap to be offered as security. The agriculturists do not possess any other tangible form of security; and as all security is personal, the amount of debt due from the whole village is also small. Where the security offered is tangible debt is high, as in Purai Ajmere Shah.

(*b*) and (*c*) The cultivators being mainly statutory are not heavily indebted, and are prosperous in that sense. The figures gathered suggest that big cultivators, *i.e.*, those who have more than 15 *bighas* of land are not at all indebted. Nor are those who have a second string to their bow, e.g., those whose relations are in service of some kind.

There are many Chamars, Pasis and Kahars who are employed in the estate; they too are not indebted: nor those who have a supplementary occupation, such as the Telis and Darzis. Only cultivators who possess less than 15 *bighas* of land and have large families to support, are in debt. So are labourers; their earnings are small and their dependents are many and they have no land.

There is a peculiar feature about credit agencies in this village. The class of lending agencies with which cultivators have their dealings varies with the class of cultivator himself. The better the cultivator the better the man who finances him. Thus poor labourers can get only *qists*. Good cultivators borrow from the co-operative society or *mahajan*. And the very good do not borrow at all.

VILLAGE ALAPUR: MR. PUTTOO LAL BISARIA.

Question 4.—(*a*) There is seldom necessity to enforce payment by legal processes, for the borrowers are good payers. Individual debts are also small. Not a single man owes more than Rs. 100, except the Kahar brothers who owes Rs. 500. The creditors do not think it worth while to go to law for such debts, or risk straining their friendly relations with the cultivators, so they are content with a change of pronote.

(*b*) The *mahajan* in this village for advances in kind requires repayment in kind. He does not take cash. Should a cultivator not happen to possess grain he purchases it and repays the loan. At the time of repayment 1¼ seers in every 10 seers is deducted. Besides this, there is no other difference between the rate at which the cultivator borrows and repays and the prevailing rate in the market.

Question 5.—In October, 1928, some *taqavi* was distributed in the village; there had been no other distribution for seven or eight years back. Only about Rs. 100 were given to five or six men, the hard-pressed or the favourities of the patwari.

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

Question 1. (*a*) The soil of the village being generally *usar* and sandy loam, the better crops are not grown in the locality. During *kharif juar-arhar*, *bajra-arhar* and *makra* are the chief crops. The area under rice is very little but as it is an important crop it may also be considered. In *rabi*, wheat, *bajra*, barley and gram form the most important ones. Other crops are also sown but the area under them is negligible.

In 1336 *fasli*, the area under *kharif*, was 137 acres; under *rabi* 174; *zaid* 6 and *dofasli* 51. The following table gives the area under each :—

Kharif.			*Rabi.*		
Makra	...	10	Wheat	...	45
Juar-arhar	...	67	Barley	...	22
Bajra-arhar	...	22	*Bajra*	...	84
Rice	...	9	Gram	...	14
Others	...	29	Others	...	9

The main markets in which the crops of this village are sold are Nawabganj, Kalakankar and Paiganj; none of them is more than three miles away with easy means of communication.

Almost all the crops are sold through the weighman of the village. The *taluqdar* of Kalakankar demands a fee of Rs. 25 from the weighman for licensing him.

The weighman takes a sample of grain (*bangi*) to the main market, settles the price, takes an advance from the purchaser, comes back to the village, and weighs their produce at that price.

Some cultivators are too cautious to be satisfied with this system. They do not allow the weighman to settle the price on their behalf and do this for themselves. The purchaser then comes to the village and takes possession of the stock through the weighman.

Sometimes, to avoid the weighman's charges, a cultivator sells his produce in the market himself, though the Raja objects to the practice, and there are a few shopkeepers of the village who purchase the produce from the cultivators, and sell it in the market. The usual system, however, is that described above, and such cases are rare.

Sometimes again, though rarely, agents of outside merchants and *beoparis* come to the village and purchase produce through the weighman. But the weighman himself never purchases produce to sell in the market. He is the *dalal*, the connecting link between the sellers and buyers.

(*b*) Whatever the crop, whether for domestic consumption or for market, the system of marketing is the same.

Question 2. (*a*) Generally the merchants of Kishandaspur, Kalakankar and Paiganj purchase the produce of this village. They are people with enough capital, and do not borrow from outside, either from banks or exporting firms. In Kalakankar and Paiganj market there are two big and several small *mahajans* who export grain, but they are not agents of any particular firms.

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No big firm has a permanent agent in any of these markets.

There is a co-operative society in this village but it has so far done nothing in the matter of sale of produce; all its activities are concentrated to credit work.

(*b*) I believe that the development of this branch of activity should prove very beneficial since the profits of the middlemen would be secured for the society. But the possibility of its establishment in this village at present seems to be remote. It would involve the disappearance of the weighman and so be contrary to the Raja's wishes as well as to ancient custom. The establishment of a sale society would mean a loss to the estate, though a positive gain to the cultivators. Such an experiment could only be launched with the Raja's assistance.

Question 3.—(*a*) In all cases whether a cultivator sells to a *bania*, a *beopari* or an *arhatia* in the bazar, he has to pay certain charges. These are different in this village for different purchasing agencies.

When the cultivator sells to a local moneylender he ordinarily is required to pay fees to the weighman, who also charges from the purchaser. His charges are :—

From cultivators—(*a*) 2½ seers of any single grain at each harvest;

(*b*) ¼ seer per rupee for all grain.

From *beoparis*—1½ pies per rupee.

The cultivator has to pay different and higher charges when he takes produce to the market, as follows :—

(1) 6 chhataks in 3 maunds, as *jhari* for the Raja.

(2) 3 pies per rupee, weighman charges for the Raja.

(3) 1 seer to 1½ seers in 4 maunds for weighman.

(4) 2 chhataks for *dharamshala*.

(5) 1 chhatak for *piau* (man who gives water to drink.)

(6) ½ chhatak for sweeper of the bazar.

Charges at a *mahajan's* house are just a bit different from the above. They are :—

(1) 1 chhatak for *bangi* (sample) per maund.

(2) 1 chhatak for *kharkawan*.

(3) 6 chhataks per maund for charitable purposes, *jhari* of the Raja, jamadar, etc.

Recently another charge of one pice per rupee for the estate has been added. Nominally it falls on the purchaser, but he shifts the incidence on to the seller.

Question 4.—The cultivator stores his grain as usual, in *kothas* and *bakhars*. The system of *khattis* does not prevail here.

The defects in this system and suggestions for improvements have been discussed in my report on village Purai Ajmere Shah.

(*b*) In the market grain is stored in *boras* (sacks) and also to a small extent in *khattis*. The latter are uncommon because the water level is high; the Ganges is only two miles from here. The only *khattis* are in Paiganj and Kishandaspur.

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

Question 1.—A door-to-door inquiry at the spot is the only method by which it is possible to arrive at a fairly accurate estimate of the indebtedness of a village. This was the method employed here.

Question 2.—(*b*) In this village all transactions are with moneylenders. The rich cultivator does not lend as a business, though he may lend small sums to friends for their immediate needs.

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(c) The following table gives the amount due to each class of creditors :—

	Rs.
Co-operative societies	2,131
Government	100
Moneylenders	1,674
Total	3,905

Of Rs. 1,674 Rs. 60 are due to *qistias*. This works out at under Rs. 40 per family, a low figure.

The causes of debt have already been described It may be added that no litigation is allowed, for the Raja of Kalakankar has forbidden any man in his estate to go to court for redress of any grievance. A complaint must go to the Raja. Litigation, therefore, is a forgotton element of rural life in this village.

III.—Investment Habit and Attraction of Capital.

There are no means in any village in general and in this village in particular, for encouraging habits of saving amongst the villagers. The most common institution for such a purpose is the post office, but branch post offices do not run a savings bank branch. And where there are such means, men do not seem to like this method of investment because in their ignorance they prefer to keep all their money always in their custody. But this village aims at developing the spirit to save in another way by making it obligatory upon every member of the co-operative society to deposit something every harvest in the society by way of investment.

Report of an economic enquiry in village DEOGALPUR, district Partabgarh (Oudh).

[By Mr. Puttoo Lal Bisaria, M.A., Inspector of Co-operative Societies, United Provinces (on special duty)].

Introduction.

Deogalpur village is situated almost on the boundary of Partabgarh and Allahabad districts. It is a village under the Dalippur estate which for its heavy indebtedness and mismanagement has now come under the Court of Wards. It is about five miles from the nearest *pakka* road and about six miles from the nearest railway station, Dandupur, on the Partabgarh-Benares railway line.

The village is difficult of approach. There is no recognised *kachcha* road from the railway station and the footpath runs amidst fields. Means of communication with markets are, therefore, bad. It is difficult for a bullock cart to pass over these tracks, and transport of goods is effected on ponies, bullocks, and camels. There is another impediment which restricts traffic. Two sides of the village are almost always surrounded by water, and during the rains the village is altogether isolated. The *abadi* stands on high ground above the surrounding low land, which is almost a sheet of water in the rains. These physical difficulties have proved disastrous to the village and have resulted in its neglect. I understand that officials connected in any way with the activities and life of the village rarely visit it.

Even nature has neglected this village, for a great part of it is *usar*, where only *dhak* trees thrive. Of the rest, a strip of land is *dumat* and *matiyar*. Generally speaking, land is too poor to encourage the growth and cultivation of high-priced products. The absence of adequate irrigation facilities adds to the miseries of the villagers. There are no canals and but few wells which can be used for irrigation, so that people generally depend upon the monsoon and the tanks. Precarious rains leave the cultivators helpless. The *rabi* crops mostly remain unirrigated. In *kharif*, rice is the most usual and largest crop, but that also often suffers damage. This year most of it was damaged by excessive rainfall.

The following figures give an idea of the crops and area under each :—

Kharif.	Acres.	*Rabi.*	Acres.
Jowar-arhar	18	Wheat	34
Bajra-arhar	17	Barley	25
Rice (early)	126	Mixed	41
Rice (late)	242	Gram	54
Sugarcane	9	Peas	17
Others	30	*Chapri*	32
		Others	7
Total ..	442	Total ..	210

Of 442 acres of *kharif*, rice covers 368. This shows how very important this crop is for this village and how its failure would tell upon the economic life of its people. The *rabi* brings hardly anything worth note and last year it was almost spoiled.

The village consists of 74 families. The census report of 1911 puts the figure at 80, but time has extinguished some, whilst a few have emigrated. The population of this village is just over 400 and consists mainly of Chamars, Pasis, Kurmis and Ahirs; there are only three Rajput and two Kayastha families; the rest belong to lower Hindu castes. The Rajputs and Kayasthas are also not in easy circumstances; the latter are in service as patwaris and school teachers, but even they are not free from debt. The other communities are poor and in constant need of borrowing.

There are no occupancy tenants. The population consists only of statutory unprivileged tenants. The whole population is not centred round one place, but is scattered over six hamlets.

As the land cannot support the people, they have taken to supplementary industries, The Chamars are wood-cutters and sawyers; the Ahirs keep cows and buffaloes and sell *matha* and *ghee* in the neighbouring markets. The Gadarias keep sheep and sell

wool. Some also work as labourers in Mau and Allahabad. This mobility of labour is one chief effect of the hard life in the village.

The Dalippur estate being mismanaged has come under the Court of Wards. To clear the indebtedness of the estate the policy has been to enhance rents and to bring more land under the plough. Both these methods have been followed in this village. Rent has been enhanced considerably, and I understand that in the current year further enhancement has been effected. There has been an increase of about 112 acres in the cultivated area. This has been done at the expense of pasture land and tanks for irrigation, and there is, therefore, some resentment among the cultivators on whom the burden of the indebtedness of the estate has thus been ultimately thrown.

The total area of the village is 887 acres of which 517 is cultivated and 370 uncultivated. The areas of the different harvests were *kharif* 442 acres, *rabi* 210 acres, *zaid* 18 acres. The twice-cropped area was 153 acres.

The village was selected for inquiry because of—

(1) its physical and other disadvantages;

(2) its low-caste population;

(3) the absence of any resident moneylender.

There is no co-operative society, nor has Government distributed *taqavi*. Nothing has been done to ameliorate the economic condition of the people of this village. The village has been neglected both by man and nature.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

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

Question 1.—(*a*) The main classes of rural moneylenders are Government, co-operative societies, the village *mahajan* and the *qistias*; other agencies which make advances in kind are the Punjabis, who deal in cloth, the *beoparis* who deal in bullocks.

In this village there exists no co-operative society, nor any *mahajan* worth the name. The Court of Wards has done nothing. Government distributed *taqavi* about eight years back, but not since then. The *qistias* do not visit this village. Its people either borrow from their relations in neighbouring villages or from *mahajans* of neighbouring markets—Allahabad, Delhupur, Mau and Ganeshganj—who finance the villagers both with cash and seed. There is also a Brahman in Missarpatti who advances seed, but his capital is small. Some well-to-do cultivators also lend to their poorer brethren.

The result of this state of affairs is that agriculture in this village is under-financed. Debt, however, is heavy, chiefly because the loans come from many quarters.

Modern improvements in agriculture have not yet found a way here, and the old primitive methods are still maintained.

(*b*) It is not easy to ascertain the purposes for which a cultivator borrows, for loans are generally raised for several purposes. But of this village it is true that the major portion of the debt is incurred for payment of rent and subsistence. The reasons for this are obvious; the *rabi* is a poor crop and the *kharif* is mostly precarious rice, so that the cultivator is forced to borrow to pay rent and to maintain himself. Rent is not allowed to fall in arrears in a Court of Wards estate. Some debt is also incurred for marriage and other social obligations, but this is quite small. Of the total debt, which is Rs. 1,562 apart from seed, more than half is due to payment of rent.

(*c*) It is impracticable to apportion debt amongst various purposes with any accuracy, for out of the proceeds of a single loan the borrower satisfies many demands. Another difficulty which thwarts inquiry is that the villager's term *kharch khanagi* (household expenditure) is a very wide term and often includes farm expenses. An attempt to apportion has been made in a statement attached.

The whole amount, except Rs. 900, is due to *mahajans*. There is no co-operative society or any other lending organisation in this village. Government have advanced no *taqavi*. Rs. 900 are due to fellow-agriculturists.

(*d*) Of Rs. 6,114 (total indebtedness existing in the village) Rs. 1,552 is the value of loans in kind, taken for seed and subsistence, and amounting to 278 maunds of grain. The remaining Rs. 4,562 have been incurred in cash.

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The whole is incurred for long periods, i.e., for more than six months. The nature of the loans does not indicate in most cases the period for which they are taken.

Question 2.—(*a*) *Cash balances.*—Loans are advanced to people of this village generally at 24 per cent., but in some cases two pice per rupee per month is charged, which comes to 37½ per cent.

(*b*) *Loans in kind.*—Both *deorhi* and *sawai* rates are prevalent. Failing payment of loan at harvest, *sawai* on *sawai* is charged, so that a loan becomes more than one and a half times the original at the end of a year. In the case of loans on the *deorhi* system *deorhi* on *deorhi* is charged, so that a loan becomes more than double the original in a year's time. The *deorhi* system is obviously more disastrous to agriculturists, but it is satisfactory to learn that few people have to borrow on *deorhi*.

Those who have advanced grain loans require repayment only in kind, for they consider it more advantageous to themselves. It is only when they feel that the sum has accumulated to an extent unbearably large for the cultivator, that they get pronotes executed for the same at a fixed rate of interest.

(*b*) The village *mahajan* who advances small sums at various times adds up, at the end of a year, all the sums so advanced and interest thereon. From this figure he subtracts what the borrower has repaid during the year and gets a pronote executed for the remaining amount. For loans in kind the method of calculation of interest is described above.

(*c*) I consider that the rate of interest charged is very high, even the ordinary rate for cash advances which is 24 per cent. Moreover, the ways in which accounts are adjusted put a premium on this figure.

Question 3.—(*a*) The village being *talukdari* and the tenantry being only statutory, they do not mortgage their land, for they have no legal right to do so, and land is neither offered nor accepted as security. The peasantry does not possess any other form of tangible security. Ornaments, of course, are often pawned. The village consists mainly of Kurmis, Ahirs, Chamars and Pasis, and none of them possesses jewellery worth more than Rs. 40. It is alleged that the best family of the village presents to its brides jewellery worth Rs. 40. Houses are also not offered as security. For most loans, therefore, the security offered is personal. In this village this is all the more true because people have borrowed from their relations to whom they offer only personal security.

(*b*) There are only statutory tenants in this village. However, one fact is worthy of mention. There are three Rajput families and two Kayastha families. The latter are more indebted than the former in spite of the fact that they work as patwaris and school teachers, because their standard of living is high, and they spend large amounts on social obligations. One of them owes Rs. 600, the highest amount in the village.

Tenants with a second occupation are relatively lightly indebted. Such are the Chamars who are sawyers and wood-cutters as well as tanners. The Kurmis and Ahirs keep cattle and sell *ghee* and *matha;* whilst they also lend to fellow-villagers. They are, therefore, very well-to-do.

(*c*) There are no landlords in this village. The following table shows the indebtedness of various communities :—

	Number.	*Amount.*	*Average per head.*
		Rs.	Rs.
Chamars	12	986	82
Kurmis	13	355	27
Pasis	10	821	82
Ahirs	29	2,093	72
Muhammadans	3	429	143
Rajputs	3	150	50
Kayasthas	2	1,100	550
Lohars..	2	180	90
Total ..	74	6,114	83

The figures show that the Kayasthas are the most highly indebted. The case of the Muhammadans is exceptional. The Kurmis and the Ahirs are the least indebted. The Kurmis are hard working and efficient farmers and do not have any conservative ideas about touching the plough like the Rajputs. One great cause of the indebtedness of the Kayasthas is their high expenditure on marriages.

(*d*) Some portion of this debt is secured on ornaments. There is no land mortgage; the people of this area have no right of transfer. But there are some cases in this village in which cultivators have given in payment for, or in consideration of, a loan some portion of their land which the creditor cultivates. The amount of debt on "mortgage" of this type is Rs. 180, on ornaments Rs. 210, loan some portion of their land which the creditor cultivates. The amount of debt on "mortgage" of this type is Rs. 180; on ornaments Rs. 210. For the rest the security is simply personal and the debt is unsecured.

Question 6.—There are no instances in this village in which cultivators have combined together to produce particular crops.

Question 7.—The various systems by which credit is supplied to the cultivating classes have been described in my report on village Purai Ajmere Shah. I also pointed out there that they do not fully meet the needs of village finance. What a cultivator wants is enough money, at the proper time and at a low rate of interest, with the assurance that he will not be deprived of his land, whether the financing agency be a *mahajan*, the Government, a co-operative society, or all combined. To exterminate the *mahajan* class would be not only an impossibility, but an absurdity too. The village moneylender, whatever his faults and however the public may censure him, is an indispensable element of rural life. Without him the peasant would be not only ill-financed, but unfinanced. But to make the best use of him, his activities must be co-ordinated with those of other financing agencies.

Some believe that not enough capital is available for rural finance. But if all the various credit agencies which aim at financing rural needs, be rallied together under one banner, the difficulty will surely be solved, and enough capital will then be available.

Centralisation of capital is, therefore, the first step towards the solution of this problem. Centralisation would ensure uniform mobility of capital and uniform rates of interest, whilst the connexion of this central organisation with the money market of the country would make capital both more easily obtainable and cheaper in rural areas than it is now.

Another great need of rural finance is that capital should be available *on the spot*. Bad communications in this country make this difficult; but without improved communications no organisation for supplying capital in the villages can be entirely successful.

For rural credit we require two sorts of capital. Firstly, short-term capital to meet ordinary expenses of cultivation and to enable the agriculturist to maintain himself and his family. Secondly, long-term capital to make permanent improvements on land and to redeem former indebtedness. A considerable amount of capital is required for both purposes.

For short-period credit my proposals are as follows :—

(1) At present some of the co-operative banks are suffering from idle surpluses and some from dearth of capital. The establishment of a provincial bank would correct this unequal distribution, and make it possible to place capital at the disposal of those banks which need it.

(2) Government, whenever they propose to distribute *taqavi*, should allot a part to the provincial bank, which in its turn should find out in which districts it is most needed, and distribute it there. The remaining part of the *taqavi* may be entrusted to the revenue staff, but strict supervision is required to see that it is given to those who really need it. For this, I think, the officer in charge should not consult the patwari, but make personal inquiries in the village to find out which cultivators need relief.

(3) Village moneylenders should be licensed under a law which should fix the maximum rate of interest and penalise higher rates. The maximum rate should in no

case be higher than the rate at which co-operative societies lend money to their members. Moneylenders' accounts must be open to official examination. No doubt cases would happen where pronotes for higher sums than those actually advanced would be executed according to the intensity of the demand of the borrower, but human nature is not easily mended.

These checks would probably induce *mahajans* to deposit their capital in co-operative societies, wherever they exist; and where they do not, to form a co-operative society of their own.

Other petty agencies, such as the Aghas and the Punjabis, should not be licensed.

For long-term credit the establishment of land mortgage banks is essential, and that alone will solve the problem.

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

Question 1.—The produce of this village is generally sold in Delhupur, Ganeshganj, Mau and Tarai *bazars*. *Beoparis* come to the village, settle prices with cultivators and purchase their stock which they carry away to the *bazar*. Very often, too, the cultivators themselves take samples to the markets, settle prices with the *bania*, and take an advance from him. The *bania* or his agent then comes to the village and purchases the produce. A cultivator never himself takes the produce to the *bazar*. A part of the produce is sold by the cultivator himself in the periodical markets, which are held in the neighbouring villages once or twice a week, where they also buy other articles, such as salt, pepper, spices, oil, etc.

There are from 60 to 70 *beoparis* who deal with this village. They belong to Bishnathganj, Mau, Chattarpalgarh, Gansiari and Dhirganj,

There is no recognised weighman in this village to effect sales and strike bargains with *beoparis*. This part of the business is done by the people themselves.

Question 2.—There are some 70 persons who market the produce of the village; no one man keeps enough capital for this purpose. They have enough capital of their own and do not borrow it.

Question 3.—(*a*) When the *beopari* comes into the village the seller pays the following charges :—

(*i*) One-fourth seer on the whole amount.

(*ii*) One-fourth seer per rupee for the weighman, unless the seller himself is weighing.

There is always some difference between the price at which the seller sells to the *beopari* and the prevalent market rate. But this difference is never greater than one-fourth seer per rupee. If grain is sold in the market at 5 seers per rupee, the *beopari* purchases it in the village at 5¼ seers. The weights of the *beopari* are also rather heavier than recognised *bazar* weights, though it is said that in this village people now sell with their own weights. Village weights are mostly made of stones and bricks called *paseris* and are not accurately measured. Should a cultivator take grain himself to any of the markets he is required to pay the following charges :—

(*i*) Four chhataks on all grain.

(*ii*) Four chhataks per maund as weighman's charges.

(*iii*) Two chhataks in all for the *dharamshala*.

(*iv*) Two chhataks in all for waterman.

(*v*) One chhatak for sweeper and other menials.

(*b*) Charges vary with different crops. In the case of poor crops the charges of the weighman are lowered. Other charges remain the same. In the case of *gur* one *bheli* (ball) per bullock load is given to the *arhatia* free.

Question 4.—In this village the usual methods of storing grain in *kothas* and *chonrs* prevail. *Chonrs* are big round earthen vessels which contain about a maund of grain. There are no *bakhars* in this village, nor are there any *khattis*, because there are not sufficiently large quantities of grain to make them necessary.

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For preserving small quantities of grain *kothas* are suitable. Sometimes weevils and other insects spoil the grain, but this happens only when grain is kept for a long time; the people of this village having nothing to preserve for a long time do not labour under this difficulty.

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

Question 2.—(*b*) In this village the more prosperous agriculturists have lent money to the poorer, to the extent of Rs. 900 or 16·7 per cent. of the total debt. These money-lenders are mostly Kurmis and advance seed.

(*c*) The whole amount, except Rs. 900, is due to the *mahajan* class. There is no co-operative society, nor have Government advanced any loans. *Beoparis* and *Aghas* have made little headway in this village.

Question 3.—(*a*) The tenants are all statutory and cannot mortgage or transfer their rights. As such land does not pass and cannot pass into the hands of others in payment of debt, though sometimes a debtor has allowed his creditor to take over his holding for a while in consideration for a loan; but such a transfer is illegal. Such cases are few.

(*b*) The present rights of statutory tenants are not enough to induce them to make permanent improvements. Under the Act they hold possession of land so long as they are alive being liable to enhancement of rent every ten years, and to ejectment failing repayment of rent. Cultivators realise that should they make the land more valuable they will have to pay higher rents. The incentive for better cultivation is, therefore, restricted.

In *taluqdari* villages occupancy rights can be, but rarely are, conferred. For effective cultivation improvement of land is necessary, and for improvement two conditions are required—fixity of tenure and fixity of rent. This village lacks both.

Question 5.- One of the chief causes of the indebtedness of this village is the high rent, which comes to Rs. 1·12 per bigha. Before the estate came under the Court of Wards the Raja also took *nazrana*. The practice was popular with the landlords because it gave them ready money, and with the tenants because the rents were not permanently raised. In this estate the sums collected were large, amounting to Rs. 36,000 between 1907-8 and 1917-18, which is equivalent to 26 per cent. of the rental demand. In this figure gratifications given to the staff of the estate have not been taken into account.

Statement showing the distribution of debt among various objects.

						Rs.
Cash debt—						
Rent ..	..	..	..	..		2,322
Subsistence	..	..	..	..		1,050
Marriage	..	..	..	..		840
Land ..	..	..	..	..		170
Bullocks ..	..	..	..	..		120
Cloth ..	..	..	..	..		60
			Total	..		4,562
Debt in kind (seed)	..	..	..	..		1,552
			GRAND TOTAL	..		6,114

An attempt was made to further sub-divide subsistence into domestic needs and farm expenses, but failed. On the other hand, the seed includes grain borrowed for home consumption.

Of Rs. 840 for marriage Rs. 500 are due from a single Kayastha. The remaining Rs. 340 is for jewellery purchased from the goldsmiths of Mau.

VILLAGE DEOGALPUR : MR. PUTTOO LAL BISARIA.

Report of an economic enquiry in village BHATIYANA, district Meerut.

[By Mr. Kunwar Bahadur, M.A., student, University of Lucknow.]

I.—General description.

The village selected for the purpose of this enquiry is Bhatiyana in tahsil Hapur in the district of Meerut. It is situated at a distance of about 8 miles to the south-east of Hapur on the road leading to Sikandrabad. Its population, as counted in 1929, is 1,785. Tomar Rajputs number 200 families and 805 persons. Low castes, mainly weavers and Chamars, form the next largest class (615), whilst the rest are Brahmans and Vaish. A small minority of 235 are Musalmans.

The village is exceedingly unhealthy and insanitary. The *zamindars* live in the centre and the *kamins* (labourers) occupy the outskirts of the village. *Pakka* houses are few in number, belonging to the village *mahajans* and the rich *zamindars*; the rest of the houses are made of mud, and the roofs are thatched with straw. The general aspect of the houses is neat and clean, but the streets are invariably dirty.

The chief crops are wheat, gram, peas, sugarcane and cotton. The autumn crops comprise *juar*, *bajra*, maize, etc. Irrigation is from wells: new wells have been constructed, but most wells are *kachcha*, for the high cost of constructing a *pakka* well precludes the possibility of much further increase. Out of the total area of the village 864 acres are cultivated, of which about 300 acres are under well irrigation. Both cultivated and irrigated areas have increased considerably in the last twenty years.

The village *mahajan* or *sahukar* carries on a thriving business, though recently there has been a great strain on his resources due to the abnormal seasons. Previous debts have seldom been paid owing to continuous failure of the monsoon, on which the autumn crops entirely depend. The peasant-proprietor has, however, been thrown more helplessly into the clutches of the moneylender.

To mend matters, the Co-operative department has established a society with the village *panchayat* as its guide. No efforts have been spared to make this movement popular, but it is still in an unsound condition, owing to the illiteracy and conservatism of the people and the grave opposition of the moneylenders. The opposition is, however, relaxing owing to the powerful support of some leading *zamindars*. Bhatiyana is also the seat of the Central Co-operative Bank to which are knitted a number of societies of this pargana.

There is no industry of any importance and hardly any other subsidiary source of earning.

The agricultural operations in this village are carried on in the ancient time-honoured method, and the cultivator is as ignorant of the modern agricultural appliances and practices as he was in the days of yore. Extreme fragmentation of holdings and lack of capital are also responsible to a very great extent for agricultural stagnation.

There has been also a serious decrease in the number of cattle and ploughs during the last five years, owing to disease and scarcity of fodder. This decrease has given a setback to the agriculture of the village and the general prosperity of the farmer, and has forced the cultivators to take loans from the co-operative society and from the Government in the form of *taqavi*. During the last few years, from 1917 to 1925, the members of the co-operative society have borrowed Rs. 3,375 for the purchase of bullocks and Rs. 1,075 for milch cattle.

Owing to the decrease in the number of milch cattle the farmer's income from the sale of *ghi* has appreciably lessened. The cattle are mostly of the local breed, and are rich in milk. A cow usually gives six to eight quarts of milk in a day, while a she-buffalo gives as much as 15 to 20 quarts. The sweepers' herds of swine also bring a considerable income to the village: the animals are sold to the army messes at Meerut, and fetch as much as Rs. 10 to Rs. 15 per head.

The value of the livestock of the village may be put at Rs. 31,000: the income derived from it has been calculated at Rs. 6,000 per annum.

The total area brought under cultivation this year amounts to 978 acres. Of these 152 acres are cultivated for the *kharif* and 526 for the *rabi*. All kinds of crops are raised, but the outturn is not satisfactory, mainly because so many of the cultivators are Rajputs whose social position will not allow them to work in the fields, and compels the employment of hired labour.

Wheat sown either singly or with gram and barley is the principal *rabi* crop. The area is, however, subject to violent fluctuations since the crop depends largely upon the moisture derived from the *kharif* rains.

At the *kharif* the principal crops are sugarcane, *juar*, *bajra*, maize and cotton.

The total area of the village according to the present settlement is 1,024 acres. The number of peasant proprietors is 355 and the area owned by them amounts to 902 acres. The average share per proprietor is 2·5 acres. About 34 acres of land are held by occupancy tenants; the average holding comes to 3·09 acres per tenant. Again, about 88 acres of land are held by non-occupancy tenants, the average being 1·3 acres. There has been excessive fragmentation; there are in this village no less than 1,338 fields, the average size of which is ·76 acres.

The different sizes of the holdings in this village are given below—

	Number.	Percentage.
Holdings below 3 acres	257	74·3
„ between 3 and 5 acres	39	6·1
„ between 5 and 8 acres	21	11·3
„ between 8 and 10 acres	12	3·4
„ between 10 and 15 acres	17	4·9
„ Total number of holdings ..	346	100

Total area of the village	1,024	
Average area of a holding	2·67	

These figures need no comment. The largest holding is about 33 acres, the smallest is 2 biswansi or ·508 of an acre. Even this holding is divided into two fields. The evil results of this fragmentation need hardly be pointed out.

The difficulties of constructing a *pakka* well, of keeping a watch over the fields, and of arranging a suitable rotation of crops have become almost unsurmountable. It is sometimes impossible for a cultivator to recollect correctly the location of his fields. The *zamindars* are not ignorant of this evil, but they cannot help it and they consider it as the main cause of their indebtedness and general poverty. The one great necessity at present, therefore, is to find some method of consolidating the holdings in the village. Unless this is done, there is absolutely no hope of ameliorating the condition of the peasantry.

II.—Agricultural credit and the nature of indebtedness.

There are two sources from which the peasants borrow in the village, namely, the co-operative credit society and the moneylender. The Government also helps them by advancing *taqavi* loans. Some of the moneylenders belong to this village, but most of them belong to Hapur and Phagouta, a village in tahsil Ghaziabad. There is also another moneylending class, usually called the *beoparis*, who advance petty sums and sell bullocks on credit at exorbitant rates of interest. Many cultivators do not borrow from a single moneylender. For instance, they mortgage their fields to one and their jewellery to another. They may also borrow from a third on the security of the standing crops. Those who fail to tender tangible security execute a promissory note to the extent of the debt required, while others rely upon the entries made in the *bahi-khata* (daily account book) of the *mahajan*. But the prudent cultivator will always deal with a single moneylender; it is the spendthrift who exhausts all possible sources of credit.

The rates of interest at which money is available differ according to the source and the nature of the security offered. On all *taqavi* loans, the Government charges 7½ per cent., realisable in fixed instalments of six months each. The *mahajans* charge 37½ per cent. per annum on all cash loans on personal security; while on the security of ornaments, they take between 24 and 37½ per cent. according as it is one of gold or silver. On usufructuary mortgages no interest is charged. It is curious to note that the *mahajans* do not lend on the security of the standing crops, because they are afraid of their Rajput

clients who are hardly to be trusted. The *beoparis* advance petty loans, and prefer to sell cattle on credit. They belong to that rapacious class of moneylenders who resort to all sorts of dishonest and fraudulent practices, *e.g.*, for a sum of Rs. 75 lent to a cultivator, they obtain a deed for, say, Rs. 150 from the debtor. This loan is repayable in three instalments within a year and a half, so that the rate at which such loans are obtained come to 71 per cent. The co-operative credit society gives loans on unlimited liability, and the rate of interest charged is about 9 per cent. per annum.

As regards the purposes of the loans, there can be no more trustworthy guide than the records of the co-operative credit society. The co-operative society was established in the village some time in the year 1916. The number of members at present is 34, belonging to different castes. The society has done material good to its members, specially in helping them to pay off their old debts as will be seen from the following table :—

Statement of loans.

Year.		Purchase of bullocks.	Manure.	Purchase of she-buffaloes.	Old debts.	House building.	Purchase of cows.	Ponies.	Trade and marketing.	Marriage or litigation.	Seed.	Land revenue.	Total.	Outside debt of *mahajans.*	
														Indebted class.	Amount of loan.
1916-17	Amount ..	1,105	130	390	440	100	45	15	395	280 Marriage.	..	..	3,000	Rajput	Rs. 8,680
	Percentage of the total debt.	36·8	4·3	13	14·6	3·3	1·5	0·5	13·1	9·3	..	..	..		
1917-18	Amount ..	535	65	115	400	50	..	..	160	150 Marriage.	115	..	1,590	Mali ..	60
	Percentage of the total debt.	33·6	4·02	7·2	25·1	3·1	..	..	10·1	9·3	7·2	..	..		
1919-20	Amount ..	800	..	100	650	200	..	..	755	..	20	..	2,475	Total	8,740
	Percentage of the total debt.	32·2	..	4·08	26·2	8·06	..	..	30·5	..	0·8	..	..		
1920-21	Amount ..	345	40	105	350	60	..	..	550	..	25	73	1,605		
	Percentage of the total debt.	21·5	2·49	10·28	21·8	3·7	..	..	34·2	..	1·5	4·6	..		
1921-22	Amount ..	60	..	..	40	..	..	..	500	..	..	100	700		
	Percentage of the total debt.	8·5	..	..	5·7	..	..	..	71 0	..	..	14·2	..		
1923-24	Amount ..	530	..	155	..	..	..	.	200	150 Litigation. 50 Marriage.	..	70	1,100		
	Percentage of the total debt.	48·7	..	14·09	..	..	..	..	18·1	22·7 4·6	..	6·3	..		
1924-25	Amount ..	..	..	150	100	..	..	..	200	..	..	..	450		
	Percentage of the total debt.	..	..	33·3	22·2	..	..	..	44·4	..	..	..	..		
	Average ..	25·9	1·54	11·7	16·5	2·59	0·2	0·01	31·6	6·55	1·35	3·5	10,920		

VILLAGE BHATIYANA : MR. KUNWAR BAHADUR.

An examination of the above figures will show that on the average 25·9 per cent. of the loans have been given for the purchase of bullocks and 16·5 per cent. to pay off old debts. It must, however, be noted that the highest percentage is for trade and marketing. Some of the weavers have taken loans for purchasing the necessary quantity of cotton and to prepare *khaddar* from it. It is evident, however, that the co-operative society has removed a good proportion of the old debts and has substantially financed the peasantry of this village for all productive purposes, *viz.*, the purchase of bullocks, seed and manure. A fairly large percentage has been advanced for the purchase of milch cattle and also for the payment of the land revenue. Of the unproductive purposes, it has advanced for marriage and litigation, and also for building houses : in the former case the percentage comes to 6·55 and in the latter only to 2·59.

It will also be noticed that the members have also incurred loans from *mahajans* over and above the loans of the society. The total amount of debts of the members comes to Rs. 19,660 of which about 55·5 per cent. has been lent by the society and only 44·5 per cent. taken from extraneous sources. This would clearly indicate that the co-operative movement has great possibilities. But, in fact, it has not been able to bring a large number of people into its fold. The number of the members is very small and has not increased at all. The village moneylender still holds his sway over the village and many of the members even now borrow from him. The following are some of the causes :—

(1) The *zamindar* is still under the impression that the society's debt is like *taqavi*, of which the payment must be made on the due date at any cost, even if his estates and everything have to be sold.

(2) A Rajput *zamindar* does not like the idea of submitting a statement of his *haisiyat*. He thinks that if he is heavily in debt and the secret is known to others through the *haisiyat* statement, he will be looked down on in society. The idea of keeping his *izzat* unscathed is always prominent in the mind of the Rajput *zamindar*, and he, therefore, does not like to become a member of the society, but borrows secretly from the moneylender who eventually causes his ruin.

(3) The facility with which a *zamindar* can mortgage his land and re-mortgage it to another, makes it easier for him to borrow large sums, and he does not prefer loans from the society.

Another interesting feature of borrowing is that the cultivators do not get loans in kind, but in cash only, since the whole of the crop of the village, except what is required for consumption, is transported for sale to the grain *mandi* at Hapur. Sometimes seed is obtained from the Government agricultural farm, Meerut, but it is a matter of regret that the practice of purchasing pure and superior seed is not followed widely. The co-operative society can open a seed store of its own and bring the supply of seed within the reach of every cultivator.

Money is often lent in small amounts for *hath udhar* or casual loans, and no interest is charged if the loans are taken for a short period; but if it exceeds the limit, then a rate of 37½ per cent. is charged from the date of lending and the sum is entered in the *bahi* or the daily account-book of the *mahajan*. About Rs. 2,000 have been lent out on this account and the rate of interest charged is one pice per rupee per month.

Another method of lending is by means of the promissory note. Loans of this kind are very frequent and the estimated total amount of debt on this head comes to about Rs. 10,000.

Large sums are also lent on the security of ornaments of gold and silver at the rate of Re. 1-8-0 per cent. per annum. The interest is realisable at the end of every month and the principal is paid at the time of the harvest. About Rs. 9,000 have been taken on loan on the security of ornaments. It may be pointed out that for an ornament worth Rs. 100, the *zamindar* can get only Rs. 60 at the most, otherwise 50 per cent. is the usual rate.

But heavy loans are obtained on the security of land. Consequently, we find that large areas of land have been transferred by mortgage and sale in execution of decrees. The *zamindar* rarely gets an opportunity to redeem the land owing to his spendthrift ways of living. The total amount of loan obtained on the mortgage of land amounts to Rs. 21,819-8-0.

VILLAGE BHATIYANA : MR. KUNWAR BAHADUR.

Most purchases of bullocks are on credit. Sometimes the cultivator returns to the *beopari* the pair of bullocks *plus* interest. Sometimes bullocks are obtained on the hire purchase system and the price paid in small instalments.

The total amount of debt of the village, apart from that due to the co-operative society, is as follows :—

	Zamindar.	Tenant.
	Rs.	Rs.
(1) Debt secured on the mortgage of land	21,820	...
(2) Debt on registered deeds	9,000	...
(3) Debt account to *bahi-khata*	2,000	1,200
(4) Debt on promissory notes	6,000	4,000
(5) Debt on the security of ornaments	9,000	3,000
Total ...	47,820	8,200
Grand Total ...	56,020	

	Rs.
To sum up the present economic situation—	
(1) Indebtedness per peasant-proprietor	135
(2) Ditto per tenant	105
(3) Ditto per family	140

It is instructive to compare the daily round of a Rajput and a Jat cultivator. Early in the morning the Jat drives his plough cattle to the field and commences work. About 8 o'clock some member of the family arrives with the *kalewa* (morning meal). He unyokes the cattle, takes his meal and smokes his *huqqa;* then he resumes work till noon. He drives the cattle home, and feeds them before he takes his own meal. He then rests a while; but between 3 and 4 p.m. he again goes to the field and returns at night between 8 and 9 p.m. The boys help their father in weeding or some other light work: while the girls help in household work, carry the *kalewa* to the fields, and look after the cattle. The wife mills the grain for food, prepares curds and butter and, if necessary, takes the cattle to the fields; in her spare time, she works at the spinning wheel (*charkha*), sews and mends clothes and washes them, cooks the meals and draws water from the well for household purposes. During the cotton-picking time, she spends a good deal of her time in the field picking cotton. In the evening, after cooking another meal, she cleans the utensils and puts everything in its proper place.

The Rajput cultivator gets up late, smokes till late and does not leave home before finishing the morning meal. He then may go to the fields, or may not; most of the work is done by Chamar labourers, and a Rajput of pure blood is degraded if he touches the plough. He sows hurriedly, and reaps a poor crop. The lady of the house needs a maid-servant to fetch water from the well and do other household work. She observes *purdah*, and so cannot go out of doors, or work in the fields. The girls stay at home and the boys waste time in the streets, while their father spends most of his time over his favourite *huqqa*. On ceremonial occasions, *e.g.*, those of birth, marriage and death, he spends lavishly, runs into debt and mortgages his land rather than shock his brotherhood by curtailing expenditure. The *biradari* must be feasted on a grand scale so that the family status may not suffer. Finally, the Rajput is as fond of litigation as he is of display. He cannot brook any lowering of his *izzat*, come what may.

III.—The organisation of the grain market.

One of the most interesting features of our enquiry in the tahsil of Hapur in district Meerut related to the marketing of grain. Hapur is a most important business centre, and possesses the biggest *mandi* in the whole of the province.

It is the chief market for wheat and sends large quantities of grain and other agricultural produce to distant parts of the country. Situated on the East Indian Railway, Hapur is also accessible on all sides by *pakka* (metalled) roads, and affords all the conveniences of cheap transport and easy communication. On the north a metalled road leads to Meerut, an important military station and thriving city; on the south the same road extends to Bulandshahr, noted for its enormous production of wheat and sugarcane; on the east, it is connected by another *pakka* road to Garhmuktesar, a sacred place of

Hindu pilgrimage; while on the west a road leads to Delhi at a distance of only 18 miles. Besides the *pakka* roads, there are also many *kachcha* feeder roads and cart tracks, which radiate from and spread a network round Hapur and bring it into closer communication with the villages in the interior of the district.

Means of communication.—The chief means of communication are the bullock cart, the camel cart and the pony. The recent appearance of the motor lorry and the public motor omnibus have facilitated the transport of agricultural produce, but in no way have they superseded the bullock cart, nor will they ever do so, unless the roads on all sides connecting the villages are metalled. The bullock cart is still the cheapest method of transporting agricultural produce for the cultivator. For considerable distances its use is however, limited. Thus a bad road over a long distance would favour the lorry rather than the cart: for instance, from Garhmuktesar and Bulandshahr sacks of grain are now being transported by means of motor lorries.

A bullock cart can carry as much as 20 to 30 maunds of grain, while a pony cannot carry more than three. The rate at which carts are available for transporting grain from one place to another is roughly one pice per mile per maund, *e.g.*, from Bhatiyana to Hapur, a distance of about eight miles, the farmer pays two annas per maund as cart freight. The ponies are a little cheaper, being available at less than a pice per mile per maund but they are used for light weights and short distances. The camel carts can carry as much as the bullock carts and *thelas* are also used to convey heavy loads. Large consignments of grain are sent to distant places by train. The camel carts are used specially when cotton is brought to the market, whilst the *thelas* are required largely when *poundas* or sugarcane are brought into the *mandi*. From Meerut to Hapur, a distance of about 18 miles, and from Garhmuktesar to Hapur, a distance of about 20 miles, the *thela* charge is as much as the camel cart, *i.e.*, about five annas a maund. Transport is, in fact, very cheap, but neither speedy nor adequate, being confined mostly to the bullock carts and the ponies on *kachcha* tracks. The most urgent need, at present therefore, is to improve the roads in order to cheapen and facilitate carriage by cart.

The post and the telegraph facilities available in this area are satisfactory; there is also an efficient telephonic service in the town. It is almost indispensable to the *beoparis* and the banks in so far as they deal in speculation and forward contracts. It is with the help of telephonic and telegraphic messages that the rates of grain are regulated and adjusted to the world's markets. The use of the telephone has become immensely popular here. Messages are sent out and received hourly from Bombay, Calcutta, Karachi and London. The conservatives, however, hold that the telephone has increased speculation and ruined the business of this place.

Storing.—Hapur as a *mandi* for grain naturally possesses many *khattis* and *kothas*. A *khatti* is an underground store house, usually about 20 feet deep, flat bottomed and rounded on all sides. When a *khatti* is to be filled, the sides are covered with mango leaves and over them is spread a thick matting to avoid contact with the earth. A *khatti* resembles a pitcher except that it is flat bottomed. It has a narrow mouth which is closed by paving it with brick and mortar and on a slab both quantity and name of the owner are engraved. The cost of digging a *khatti* is between Rs. 12 to Rs. 15 and its capacity varies from 600 maunds to 900 maunds. At present there are about 3,000 *khattis* in Hapur alone which are owned by the leading businessmen of the place. There are a number of *khattis* available on hire. Out of three thousand *khattis*, only 787 have been filled up this year. There are about 195 *khattis* which contain grain of last year, and are entered as old *khattis* in the register of the Chamber of Commerce. Thus there are 982 *khattis* full of grain; out of them only 138 have been opened this year and the grain contained in them sold. There are yet about 844 *khattis* more to be opened. In other words, about 591,000 maunds of grain are available for sale. There are different kinds of grain contained in these *khattis*: the details are as follows:—

Kind of grain.	*Khattis.*		
	New.	Old.	Total.
Wheat	587	153	740
Gram	9	2	11
Peas	37	1	38
Barley	36	Nil.	36
Arhar	5	16	21

Besides the *khattis* there are also *kothas* numbering about 40. These *kothas* are not used for storing any of the food grains but for the purpose of storing *jai*, a kind of

coarse grain used as fodder for horses and ponies. A *kotha* is often bigger than a *khatti* and can contain as much as one thousand maunds of '*jar*'.

The present system of storing would be perfectly sound and efficient except for two minor defects.—

The first is that the grain in the *khatti* sometimes gets damp through water from above due to rain, or from below due to percolation. In the local *mandi* parlance it is known as *talro moosal*. It has been decided by the Chamber of Commerce that the owner of the *khatti* who filled it with grain is responsible for any loss accruing.

The grain may be damaged also by contact with the earth, and by insects. Such grain is called *bhaggar*, and the loss may amount to as much as 10 to 20 maunds per *khatti*. This damaged grain is sold at the rate of Rs. 2 a maund or even cheaper and is often used as fodder.

There would have been, perhaps, a number of malpractices associated with this system of storing but for the intervention of the Chamber of Commerce, Hapur, which has drafted a number of regulations for the guidance of the businessmen and the conduct of the trade. The Chamber of Commerce is a recent institution, having been founded in the year 1926 with certain definite objects. The main object of the association has been to promote and protect the trade at Hapur and to simplify and facilitate the transaction of business between Hapur and other trade centres by codifying rules and regulations.

The following are some of the rules of the Chamber regulating the sale and purchase of ready *khattis* :—

(1) Wheat pits containing less than 600 maunds gram and *arhar* and peas pits containing less than 500 maunds and barley pits containing less than 100 maunds will not be sold.

(2) Before selling a *khatti* the owner must get it registered in the Chamber giving a full description of the locality, weight and the name of the bank advancing money on its security.

(3) The Chamber has fixed the commission and the weighman's charges on all grain imported from outside and received from the mofussil for sale in the *mandi*. The purchaser will give four chhattaks of gram for every maund sold in case of commodities like *gur*, sugar, *ghi* and all sorts of grain, *viz.*, 10 annas per cent. In case of cotton and cotton seeds, three chhattaks per maund will be charged.

(4) The Chamber has also standardised the weights in the *mandi*—for instance, a maund will be equivalent to 40 seers except in cotton when it will be 10½ seers.

(5) A charge of two annas and six pies is fixed per maund for the *palladars*.

(6) The Chamber imposes a penalty on the use of false weights, and tests the weights kept by the shop-keepers.

(7) The owner is responsible for dirt or mixture of any kind. In case of wheat *khattis*, 2 per cent. dirt is allowed without discount and 4 per cent. in the case of barley. Any percentage in excess of this is chargeable.

(8) In wheat *khattis*, 66 per cent. white and 34 per cent. red is the test of normal quality of grain. In case of excess or lower percentage than this, *batta* (discount) or *badha* (premium) at half a pie per maund will be payable. Pits containing 84 per cent. red and 16 per cent. white are considered as red wheat pits. In gram pits, 93 per cent. of gram, 5 per cent. of peas and 2 per cent. dirt is considered as normal. In peas' pits 93 per cent. peas, 5 per cent. *mungya* and 2 per cent. dirt will be allowed without discount. In *arhar* pits, 2 per cent. dirt and 2 per cent. other grain besides wheat will be allowable. In barley pits, 96 per cent. barley and 4 per cent. other grain will be delivered without payment of any discount.

The method of determining *khad* or the impurity of grain is by testing eight bags out of every 100 bags.

Pits older than one year will be sold at discount according to the following rates :—

Wheat	4 annas	a maund.
Barley	2	ditto.
Gram, peas and *arhar*	5	ditto.
Mixed gram	2	ditto.
Gram and peas mixed	2	ditto.

Besides other expenses on account of wages, etc., charge, for goods of value Rs. 100, commission of eight annas and, for every 25 tons of forward contract, the following charges :—

	Rs.	a.	p.
Charity	0	0	6
Brokerage	0	8	0

Half a seer taken once at the time of opening the pit is allowed as sample.

It must be clear from a perusal of some of the important rules laid down by the Chamber of Commerce that the institution has removed a number of difficulties and troubles often encountered in the course of business and transactions of the *khattis*. It must also be evident from what we have said above that Hapur possesses a well organised *mandi*, perhaps the largest in the whole of the province. In a *mandi* like this, where thousands of tons of grain are annually brought to the market, we might also naturally expect some sort of speculation and a system of forward contracts. In this *mandi* speculation or forward contracts are chiefly confined to wheat *khattis*, exceptionally to gram and peas and *arhar* and barley *khattis*. It has been provided by the Chamber of Commerce that contracts for forward delivery will not be for less than 25 tons of commodity. The seller and the purchaser will each deposit Rs. 200 for each transaction of 25 tons in the Chamber. The seller will be entitled to give delivery from *Badi* 1st to *Sudi* 10th of the month for which the contract has been entered into; while the purchaser may also give the receiving order from *Sudi* 1st to *Sudi* 12th. The period within which the goods may be delivered is fixed at three days from the receipt of the order.

The rates of grain on which speculation and forward contracts are based depend very largely upon the conditions prevailing in the big market centres at Calcutta, Bombay and Karachi and London. The rates travel by telephonic and telegraphic messages. Lakhs of rupees are annually lost in speculation; a number of rich families in Hapur have been ruined and became insolvent.

All forward contracts and speculative dealings are conducted through the brokers who number about 500 in Hapur. Their main business is to promulgate the fluctuations in the rates as received from the leading markets of Calcutta and Karachi. Every worker has to get his name registered on payment of Re. 1 to the Chamber of Commerce. He has to tender a security of Rs. 500 from a shop-keeper and two brokers must be the sureties from every firm. He is also required to keep a regular account of the sales and purchases made through him. He is entitled to his brokerage at the time of delivery at annas 8 from the seller per *khatti* and annas 8 from the buyer.

He is expected to have every information about the *khattis* which are bought and sold through them. He is given a book in quadruplicate by the Chamber in which the seller, purchaser and the broker and the Secretary of the Chamber have to put their signatures before a telegram can be sent.

There are no other incidental charges except the octroi duties, two pice a maund on barley and eight annas a maund on *ghi*. Other commodities are free.

Finance and credit.—In Hapur the various credit agencies consist of four banks, *viz.*, the Imperial Bank of India, Limited, the Allahabad Bank, Limited, Central Bank of India, Limited, and the Beopar Sahayak Bank, with a number of indigenous bankers and local moneylenders who have invested large sums in the *khatti* business.

The principle on which these banks advance money to finance the business of *khattis* is that two-thirds of the calculated value of the *khatti* is advanced by the bank as against one-third of the value advanced by the owner himself. The banks charge 9 annas 4 pies per cent. per month as the rate of interest on the money advanced on the security of the *khattis*, which must be filled before somebody, is appointed by the bank. After this, a *parcha*, stating the terms and the amount of grain in the *khatti* and amount of money advanced by the bank, is placed in the *khatti*. Over the mouth of the *khatti*, a slab of stone bearing the name of the bank is also fixed as a mark of identification. When the *khatti* is filled up, it is announced through the brokers as ready for sale. The brokers procure the purchasers. The terms of sale are that the purchaser has to advance one-fourth of the value and the owner of the *khatti* charges 15 annas per cent. per month as interest on the remaining three-fourths. The *khattis* in this way pass from one hand to another, till someone opens it on payment of the full price determined according to the market rate *plus* the interest at 15 annas per cent. per month on the out-

standing balance. The bank gets two-thirds of the value, *i.e.*, the money originally advanced *plus* the interest at 9 annas 4 pies per cent. per month for the period. Let me give an illustration: Suppose X owns a *khatti* worth Rs. 4,000. He has already obtained from the bank on security two-thirds of the value of the *khatti* at 9 annas 4 pies interest: one-third is already invested by the owners. Then suppose Y comes to purchase this *khatti* from X who sells it for Rs. 4,000+200 (the latter sum, we suppose, is the profit resulting from a higher rate); now Y has to pay X one-fourth of (4,000 + 200). before he can attain a title to the *khatti*. On the remaining three-fourths he pays 15 annas per mensem as interest. Then suppose Y sells it to Z for 4,000+ 300 (with profit as the result of a still higher rate), he appropriates the balance of the profit after paying the interest and the responsibility to pay three-fourths of the value *plus* the one-fourth of the value already paid, and interest is now shifted to Z the new purchaser, and so on till the last purchaser opens the *khatti*, say after eight months. Then the bank gets the money advanced as the principal *plus* interest at 9 annas 4 pies for the period of eight months, while the original owner X gets the remaining three-fourths of the value *plus* the interest at 15 annas. The profit, if any goes to the last purchaser. Transactions of this kind are of every day occurrence and the banks have invested lakhs of rupees in these.

Report of an economic enquiry in village BHENSA, district Meerut.

[By Mr. Kunwar Bahadur, M.A., student, University of Lucknow.]

I.—General description.

MAUZA BHENSA is situated at a distance of about 16 miles north-east of Meerut on the Bijnor Road. It is one of the principal villages in pargana Hastinapur, tahsil Mawana. The population of the village is about 3,000, and the area under cultivation amounts to 1,809 acres. The people are almost entirely agricultural—the Jats who form the majority of the population are the best cultivators. But with all his tenacity of character and enterprise, the Jat cultivator is the most highly indebted of all castes in this village. The average cultivator is industrious, sober, and rarely extravagant. The village, however, is neither rich nor fortunate.

The soils of this village—*dakar*, *dhumat*, *matiyar*, and *bhur*—vary in fertility. The chief crops are wheat in *rabi* and sugarcane in *kharif*. The members of the village may be divided into three categories, *viz.*, the cultivating proprietor, the occupancy tenant, and the tenant-at-will. The professional moneylender is no longer in power, but there has arisen a new class of moneylenders called the *behwaris*, butchers by profession, who are much more exacting in their dealings than the village moneylender. Debts have been regularly increasing; the rates of interest are, as before, exorbitant; and the peasants have been reduced to abject poverty.

II.—Agricultural borrowing.

The agriculturists of this village borrow from the *mahajans* and *sahukars* of Mawana and from the *behwaris* mentioned above. There is no co-operative society or any other agency to finance agriculture. At present the *sahukars* and the *mahajans* have suspended their dealings with the cultivators, since their previous debts have not yet been paid. Consequently, the cultivators borrow from the *behwaris*.

Debt has increased as the result of poor crops following on a serious deficiency of rainfall during the last four years. The chief purposes for borrowing are subsistence, purchase of seed, and the payment of rent and irrigation charges. The cultivators do not borrow to repay earlier debts or for marriage and other social customs. Sometimes they borrow also for the purchase of bullocks. *Taqavi* has been often granted to the cultivators, but these advances have not been adequate for their needs. Borrowing from the butchers has now become universal. The total indebtedness, registered and unregistered, of the entire village is estimated at Rs. 70,000, which is, roughly distributed as follows :—

Borrowers.	Lenders.	
	Sahukars.	*Behwaris.*
	Rs.	Rs.
Jats	37,000	9,000
Brahmins	6,300	700
Banyas	1,800	200
Syeds	2,000	200
Sheikhs	2,000	100
Mewatis	1,000	300
Rajputs	4,000	500
Miscellaneous, including the weavers, etc.	4,000	700
Total ..	58,100	11,700

The amount of registered debt is about Rs. 20,000, or 28·5 per cent. of the whole. The amount of unsecured debt (71·5 per cent.) is, therefore, very great, indeed. This is an indication, as Mr. Darling observes, that the rural finance is still in a primitive state and is good neither for the borrower nor for the lender. The borrower is apt to jump at a loan which can be had by the simple process of applying a thumb-impression to a bond, but thinks twice before he motgages his land. Similarly, the moneylender is tempted to make reckless advances by the high rate of interest commonly charged when no security is taken.

The following figures are interesting :—

	Rs.	a.
(1) Indebtedness per cultivated acre	38	9
(2) Indebtedness per family	167	0
(*N.B.*—Each family consisting of about five persons.)		
(3) Indebtedness per head of rural population	26	3
(4) Debts multiple of land revenue	12 times.	

As already stated there are two classes of moneylenders, the *mahajan* and the butcher. An illustration will best explain the nature of the transactions with the butchers. If a peasant takes a loan of Rs. 100 from a butcher for two years (they do not lend for short periods), the terms of the loan will be as follows :—

(1) To repay the principal sum of Rs. 100, plus Rs. 100 as interest, *i.e.*, the amount of Rs. 200 after two years by four instalments of Rs. 50 each to be paid six-monthly.

(2) In case of non-payment of any of the four instalments at their due time, a further rate of 24 per cent. is charged on the balance. Thus the rate of interest comes to about 68·75 per cent. approximately.

When loans are taken in kind a rate of three annas per rupee per month is charged on the valuation of the total quantity of grain lent out at the time of sowing. As the prices of grain at the time of sowing and harvesting differ by about 2 seers in the rupee, thus for every one rupee worth of gram the cultivator in fact gets only 11 annas worth, and, besides this, the above stated interest is charged. Thus the rate of interest on all loans taken in kind comes to 112·5 per cent.

The *mahajans* lend at 24 per cent. compound interest with six-monthly rests, but, as already stated, they have suspended dealings with this village. They advance loans on the security of land and cattle. The average cultivator does not possess ornaments or anything else to offer as security. Those who can offer the security of property obtain loans at a lesser rate, *e.g.*, a proprietor can obtain a loan on the security of his land at the rate of 15 per cent. Similarly, the occupancy tenant gets some concessions in the terms of repayment as compared with a tenant-at-will. Enquiry shows that the amount of indebtedness is proportionate to the potential credit power and the nature of the security offered. The figures given below corroborate this statement, and this fact becomes clearer when compared with those of the Punjab :—

	Debt per head in—	
	United Provinces.	Punjab.
	Rs.	Rs.
Cultivating proprietor	1,000	5,780
Occupancy tenant .. .	177	290
Tenant-at-will	128	130

The main interest of these figures is that they illustrate the truth that the better the title to land the greater the indebtedness. Besides dearness of credit the non-occupancy tenant has to surmount greater difficulties in approaching the moneylender than the occupancy tenant or the peasant proprietor

Besides the *sahukars* and the *behwaris* the cultivators of this village, like the cultivators of other places, get *taqavi* from the Government. Our enquiries have

gone to show that, in spite of the desire of the cultivator to take advantage of this system, he can hardly avail himself of it. When he has to pay as much as 112·5 per cent. as interest, it would be much better if he could get sufficient money from the Government at a cheaper rate; but, unfortunately, there are a number of difficulties in his way. The first complaint met throughout the village was that the cultivators have to spend a good deal before they get the *taqavi*. An illustration given by a very old cultivator would make it clear. This man was granted an advance of Rs. 100. Now, before he could get this sum he had to spend about Rs. 25 to satisfy the *patwaris* and clerks. Having received only Rs. 75 he went to the Deputy Collector and placed this sum at his table and related the whole story to him. The *patwari* and the revenue clerk were all duly fined.

This illustration, though, perhaps, an extreme case, clearly shows what difficulties the peasantry has to surmount owing to lack of facilities and a proper arrangement for distribution. There is yet another serious defect in the system, namely, that the amount is hardly even sufficient and, perhaps, rarely given at the time when it is most in demand. Unfortunately the whole system is vitiated from top to bottom, and immediate steps should be taken to remove some of the departmental evils. It would be highly desirable if itinerant inspectors are appointed to make local enquiries and satisfy themselves as to the correctness of the *patwari's* report and then distribute the *taqavi*. It would not matter much if *taqavi* is given to some people only, and the rest remain without it; but, whatever amount is given, should be sufficient to meet the agricultural necessities of that person. Besides, there must be some uniformity in the system, and the money should be advanced without any vexatious delay and at the right time of the agricultural season.

To sum up, the existing credit facilities in this village are far from being adequate and satisfactory, and the whole village is under the thumb of either the *mahajan* or the butchers *beliwari*. The high rate of interest, the insecurity of the loan, and the stringent methods of realisation which often give rise to bitter feelings, are some of the prominent defects of agricultural credit. The only panacea for this state of affairs is to establish a co-operative society, whose object will be to lend money and also to provide seed and agricultural implements to the cultivators at reasonable prices. Field inspectors should also be appointed to suggest improvements in agriculture. It was encouraging to learn that the cultivators had some ideas about a co-operative society and understood what unlimited liability means. In fact, they expressed their willingness to have a seed store run on co-operative lines.

The agricultural conditions of this village are such that without a second string to his bow the average cultivator can rarely be free from debt, thanks to the tiny size and scatteredness of the holdings. The average size of the holding of a cultivating proprietor is 4 acres, that of the occupancy and non-occupancy tenant is 5·14 and 6·28 acres, respectively. In a holding so small the margin of safety is narrow, and any misfortune, *e.g.*, the failure of the monsoon, the visitation of cattle disease or locusts, would plunge the average cultivator into debt from which he could not extricate himself for years. There have now been four bad years in succession, and they have inevitably led to distress. It would be very difficult at present to surmise what a good year is like. With the existing size of holding and its pepperpot distribution, the average cultivator can hardly make both ends meet. He is always on the margin of subsistence, often at the starvation limit, and has always a burden of debt to carry through the vicissitudes of the seasons.

The agricultural labourer and the tenant-at-will suffer most from climatic misfortune or human or cattle disease. The following data show the movement of wages and rents in the village:—

	Monthly. Rs.
Wages.—From 1908 to 1910, Rs. 2 per month *plus* two loaves of bread worth Rs. 3, total	5
From 1910 to 1919, Rs. 3 per month *plus* two loaves of bread worth Rs. 3, total	6
From 1914 onwards, Rs. 5 per month *plus* two loaves of bread worth Rs. 3, total	8

Over and above the fixed daily wages they get a share of the crop at each harvest as noted below—

	Rs.	a.	p.	
Grain, two maunds at *kharif* worth	8	0	0	
Grain, two maunds at *rabi*	8	0	0	
Winter clothing (a blanket)	4	0	0	
Total ..	20	0	0	per annum.
Total income of a labourer	116	0	0	annually.
	9	12	0	monthly.

Rents have also risen from Rs. 5-3-0 to Rs. 6-14-5 per acre in cases of tenants-at-will, while they have risen from Rs. 4-15-0 to Rs. 7-1-9 in the case of occupancy tenants.

The economic position may be summarised as follows :—

(1) The self-cultivating proprietor is more indebted than the occupancy tenant and the tenant-at-will.

(2) The registered debt is only 28·5 per cent. of the whole.

(3) Debt per cultivated acre, Rs. 38-9-0.

(4) Debt per head of rural population, Rs. 26-3-0.

(5) Rates of interest—cash 24 per cent. and 68·75 per cent.; Kind, 112·5 per cent.

(6) Rents have increased in greater proportion in the case of occupancy tenants than in the case of tenants-at-will.

(7) Agricultural wages have shewn an increase of 33⅓ per cent. since 1914.

Agriculture is, of course, the mainstay of the peasantry, and the main crop is sugarcane. With the successful harvesting of sugarcane the cultivators' main work for the year is over, but a subsidiary occupation, *viz.*, the preparation of *gur*, takes its place and thus keeps him engaged for about three months—January, February, and March. No cultivator works singlehanded: each cultivator hires a *kundi* (cauldron) and a *kolhu* (crusher) and shares the bullocks and the labour with others. The latter is known as the *dangwara* system which is a remnant of the ancient village communalism.

The usual rate of hiring a *kolhu* and the *kundi* is Rs. 60 for the three months when *gur* is prepared. The labourers are paid generally in kind at certain fixed rates noted below :—

(1) *Fireman.*—His duty is to kindle the fire and keep it burning under the big cauldron full of juice. He is paid at the rate of 1 per cent. on the sale value of the total amount of *gur* prepared during the season; also he gets 5 seers of juice and 1 seer of *gur* daily for 12 hours' work.

(2) *Cane inserters.*—These are usually boys whose duty is to insert the canes in the crusher. They are paid at the rate of Rs. 4 a month each, and also get about 1½ seers of juice daily. There are two such persons who work for six hours each.

(3) *Bullock-drivers.*—There are three batches who work for eight hours each and get, in all, 5 seers of *gur* worth about 12 annas, each getting 2*as.* 6*p.* daily.

(4) *Sugarcane-cleaners.*—They are about 16 in number, work only in the day time and get 4 annas per head as their daily wages. They finish their work in one day.

Since sugarcane is the chief crop, *gur*-making is a very important industry and keeps the cultivator busy for three months that would otherwise have been idle. Many incidental charges could be avoided if the cultivator owned his crusher and bullocks and *kundas*, or if an engine to supply power for crushing the cane were introduced. The same power could also be profitably used to pump water. I have seen such an engine working at a farm in Meerut city. The engine costs about Rs. 2,900 and the daily expenses come to Rs. 25. The owner of the engine utilises it for drawing water and irrigating his land and also earns a handsome amount by selling water to others. This

brings him enough to cover about three-fourths of the expenses. When the irrigation work is finished the engine is used for crushing the canes and helping in the preparation of the *gur*.

It was, however, pointed out that the making of *gur* by an engine might create problems relating to marketing and storing. At present the average cultivator makes *gur* in small quantities at a time, sells it as it is ready in the market at Meerut, and he need not bother about storing it. But if the whole quantity of *gur* is prepared with the help of the engine in a few days he will have to face the problem of storage, and may not find it easy to surmount it. Besides, the prices of *gur* are always fluctuating. In the month of January, for instance, the price is Rs. 4 per maund, in February it becomes Rs. 5, and in March even more. At present the cultivator gets different rates, usually one higher than the other, by selling at different periods; but when the whole of the *gur* will be prepared within a short time he will be forced to sell at the rate prevailing in the market then, and might lose heavily, unless he can store his *gur* for a while. In order to get rid of this difficulty a co-operative store might be opened and the marketing of *gur* organised on co-operative lines.

With respect to marketing the cultivator is, as usual, the victim of one or more intermediaries and has to pay their due share before he can sell his *gur*. The usual dues are—

(1) Cart fee	.. ..	4 annas a maund to Meerut.
(2) *Arhatia*	.. ..	2 pice a rupee or 0-2-0 per maund.
(3) *Dalal* ..	.. ..	1 pice a rupee or 0-1-3 per maund.
(4) *Gaushala* and other charities	..	2 pies per maund.

Besides the usual dues there is another incidental charge. If a particular cake of *gur* weighs something less than 5 seers, the same amount is deducted on all the cakes, so that it is usually about 2 seers per maund that are lost in this manner. In fact there are so many frauds played by the *beoparis* that the poor cultivator hardly gets three-fourths value of his produce. It would help this industry materially if *gur* godowns were run on co-operative lines. Fortunately, *gur* is not sold to the village *mahajan*, for the cultivator would then lose more than he does by selling in the market at Meerut.

Another industry allied to agriculture is that of spinning, which is pursued by the women of the village in their spare time. Cotton-ginning is also done by women of the poorer classes, and weaving is done especially by the weavers of the village.

Report of an economic enquiry in village KHIWAI, district Meerut.

[By Mr. Kunwar Bahadur, M.A., student, University of Lucknow.]

Introduction.

Khiwai is a typical Rajput village in the south of tahsil Sardhana, about 18 miles from the city of Meerut. The area of the village is 5,417 acres, of which only 3,119 acres are cultivated; the rest is barren alkaline land (*reh*). Of the total cultivated area 562 acres are irrigated by the canals and 341 acres by the wells; the remaining land, known as the *barani*, depends upon the monsoon. During the last three years the alkaline land has increased remarkably, from 1,059 to 1,326 acres. On the other hand, many new wells have been dug, and the area irrigated by wells and canals has also appreciably increased in the same period, from 207 to 341 acres in the former case, and from 303 to 562 acres in the latter.

The water level is fairly high, and the cost of digging a *pakka* well comes to about Rs. 300. *Kachcha* wells are also dug at nominal cost, especially when the rains fail. The *dhenkli* system of drawing water is very common, but there are also two or three *harats*. *Taqavi* has been distributed frequently for the purpose of digging *pakka* wells and also for fitting Persian wheels over them, but so far very few wells have been dug and only two Persian wheels have been fitted. Agricultural implements are simple and primitive; the absence of a co-operative society and other agricultural credit facilities precludes the possibility of introducing improvements. The prevailing ignorance of the proper method of storing manure deprives the cultivator of its essential part through surface wash during the rains.

The number of bullocks is about 700, and that of ploughs is 300; the average area per plough is 10 acres. Almost every cultivator owns a milch cow, which provides him with milk and curd. This constitutes the principal element of his diet. The cattle are of the ordinary kind, and the problem of fodder is always acute, especially in a dry year.

The population numbers 1,000, and consists principally of Chauhan Rajputs with Chamars, weavers, *mahajans*, etc. There are 1,000 families, out of which about 600 depend entirely on the land. Some of the Rajputs are Muslim converts and own large areas. One of the chief characteristics of this village is that the peasant-proprietors outnumber the tenants; but the general level of prosperity is much below the average and the peasant is constantly fighting the spread of *reh*.

Vestiges still remain of the old village communal life, and the influence of caste custom is strong among both Hindu and Muhammadan Rajputs, protecting the weak against the oppression of the strong. The punishment of outcasting (*huqqa-pani band*) is greatly feared. The *panchayat* has preserved the ancient democratic tradition in the community.

The standard of living and wages are low. Sanitation is practically unknown, and the only physician in the village is a quack *hakim*. The means of communication and transport are bad; the road leading to this village from Sardhana, a distance of about 11 miles, is dusty and uneven. Fairs are held every Friday at Sardhana, where all kinds of commodities are brought for sale from the neighbouring villages. The people travel by bullock carts and *tum-tums*, most often on foot.

The predominant Rajput is notorious for extravagance and bad husbandry. Proud of his birth and traditions, more accustomed to fight than to till, the Rajput is by common consent the worst cultivator of this district. He is stubborn and suspicious to a degree; he considers it below his dignity to touch the plough himself, and his fields are at the mercy of hirelings. To make matters worse, the Rajput's wife observes *purdah* and cannot work in the fields. His pride of birth and regard for ancient tradition makes him prodigal in his expenditure on marriages and other social functions. The traditional custom of marrying his daughter to a social superior leads to reckless borrowing, and ends in the mortgage and sale of his land. Yet though he is so scrupulous to preserve his *izzat* he is rarely punctual in the repayment of his debt. In

short, the Rajput peasantry is over-burdened with debt, underpaid for their produce, too poor to develop their land, and entirely under the heel of the village moneylenders. Unless they mend their ways the Rajputs must inevitably lose their land to more industrious and hardworking tribes such as the Jats and Chamars, and with it their social status.

The total number of landlords is at present 521, who own about 1,300 acres of land; and, as the village is held in perfect *bhayachara*, the average share per landlord comes to 2·5 acres of land. An area of 339 acres is held by 65 occupancy tenants, giving an average area per occupancy tenant of 5·2 acres; while in the case of non-occupancy or the statutory tenant it comes to 7·06 acres—the number of such tenants being 214 and the area 1,513 acres. It is not surprising to find that the tenantry is materially better off than the proprietors in this village.

The matter of wages is of special importance in a Rajput village, where most of the field work is done by the *kamins* (village artisans) and the day labourers. Labourers are employed specially at the time of weeding the fields, cutting the crops, and threshing and are paid in cash from 5 to 7 annas a day. Sometimes they receive their wages, partly in cash and partly in kind; the latter method is preferred by the *zamindars* since cash is never on hand, and it it always easier to pay in kind after harvesting.

The family *kamins* receive customary dues. Of all the *kamins*, the Lohar, the Chamar, and the Barhai (carpenter) are the most useful to the agriculturist. It is difficult, however, to specify exactly the remuneration of every one of them, since it depends upon custom and the nature of the harvest. When harvests are good the *kamins* receive a liberal share; but in times of scarcity their share is meagre.

The Lohar and the Barhai make and repair all agricultural implements and receive as much unthreshed corn as he can carry on his head. This comes to about 15 seers of sifted grain per plough. When sugarcane pressing is done he is given an occasional drink of the juice and one seer of *gur*. On all ceremonial occasions, births and marriages, he receives his due share and also presents. The amount, however, differs according to the financial standing (*haisiyat*) of the family to which he is attached.

The Chamar helps in hoeing and weeding, and, if necessary, he drives the plough. He receives as much remuneration as the Lohar or the carpenter, plus a seer of grain for every three maunds of corn for winnowing and about 5 seers for threshing. On occasions of marriages and births he receives both customary dues and presents. The dead cattle belong to him and are, in fact, a remuneration for his forced labour (*begar*). When employed as a day-labourer on cash payment he gets 6 annas per day. When sugarcane pressing is done and *gur* is prepared he brings wood from the jungle and receives one jar of juice, weighing about 5 seers, from every *kundi* (cauldron).

The Nai (barber) is another important person who serves as the chief go-between in the performance of domestic ceremonies. For every shave and hair-cut he used to get a *roti* (loaf or bread), but now he is given one pice for the children and two pice for the adult. He gets his customary dues at the harvest, 6 seers of grain. Among the Muhammadans his one important duty is to circumcise the boys, for which he gets at least Re. 1. His wife helps him on these occasions by carrying invitations and preparing food. Besides his fee, they get two full meals and presents. But on occasions of births, marriages, and deaths a Hindu barber earns much more than a Muhammadan.

Extent and nature of agricultural indebtedness.

The village moneylender is often described as a vampire who sucks the blood of the cultivators, but in fact he is not altogether the blood-thirsty creature which he is often painted. The cultivator is always in need of money, and he must invariably borrow from somebody. Sometimes he has to perform a marriage or other ceremony; often seed is required at the time of sowing; and when the monsoon fails and the crops wither, the farmer, who can hardly manage to make both ends meet during normal years, has to borrow money to feed himself and his family. The only person whom in such circumstances he can approach for help is the village moneylender. In the rural economy his services are indispensible. And the peasant always shows a great regard for the village moneylender. In fact, there is no respectability for a peasant without a banker.

VILLAGE KHIWAI : MR. KUNWAR BAHADUR.

The Rajput cultivator borrows funds for productive as well as unproductive purposes, for instance for the purchase of cattle and seed, as well as for the payment of rent or revenue, for maintenance as well as for the celebration of marriages and other social ceremonies. There are only two sources from which he can borrow, viz., the village moneylender and the Beopar Sahayak Bank, Limited. In years of famine and periods of distress *taqavi* is freely distributed by the Government to carry on the work of agriculture. But unfortunately the difficulty in obtaining an adequate amount and the harshness with which it is realised by inconvenient instalments have made the system very unpopular in spite of its great economic advantage. Formerly when the people had enough land to offer as security for a loan the Beopar Sahayak Bank, Limited, used to lend freely; but now the bank has suspended a good deal of its lending, and the only credit agency left for the peasants is that of the moneylender, better known as the *sahukar*. Some of these *sahukars* have become big *zamindars*, and now live largely upon the income of the land. While their clientèle, the Rajputs, are notorious for extravagance and lack of foresight the *mahajan sahukars* are noted for their shrewdness and ability to make money.

The rates of interest at which *taqavi* is distributed is 7½ per cent., while the rate charged by the Beopar Sahayak Bank, Limited, varies according to the nature of the security from 12 to 18 per cent. The rate of interest charged by the *mahajan* moneylender is 24 per cent. compound interest, and sometimes it goes as high as 75 per cent. The debts incurred at such high rates increase rapidly and very soon amount to a huge sum which the debtor finds it impossible to pay. His only way of escape is to dispose of his property to the moneylender. From the status of a *zamindar* he is reduced to the position of a mere tenant. Unfortunately, in the absence of any law like the Land Alienation Act, of such credit agencies as land mortgage banks or the co-operative credit societies, the peasant-proprietors of this village have been completely ruined. During the five years 1924—1928 the following transfers of land have taken place :—

(1) Usufructuary mortgages, 211 bighas, for Rs. 15,819 (consideration money).
(2) Sold for debt—
  (*a*) by landlord to landlord, 179 bighas, for Rs. 27,658;
  (*b*) by landlord to moneylender, 81 bighas, for Rs 6,545.
(3) Auctioned, as a result of decree for debt, 216 bighas, for Rs. 23,360.

Out of some 3,300 bighas of cultivated land 506 bighas have changed hands permanently, and 211 bighas temporarily as the result of debt, whilst 327 bighas have passed from landlords to non-agriculturist moneylenders. There are now 27 *mahajan* landlords, who own about 10 per cent. of the total cultivated area.

These facts suggest the necessity of a Land Alienation Act, to prevent the land of the peasant-proprietors from passing into the hands of the non-agriculturist moneylenders. An Act like this has been very useful under similar circumstances in other provinces in India and should be tried also in the United Provinces of Agra and Oudh. The evils which might accrue from the Land Alienation Act, without the provision of adequate and cheap credit facilities, are well known. But experience in the Punjab teaches us that they are not insurmountable, and co-operative societies of various types aided by this legislation would afford protection to the *zamindars* against the highhandedness of the *mahajans* and ensure agricultural progress.

Nevertheless, since the passing, and as the result of, the new Agra Tenancy Act, mortgages and sales have decreased in number, and there has also been appreciable shrinkage of credit. Under the old Act, when the peasant-proprietor, having liquidated his debt by transferring his proprietary right to his creditor, became an ex-proprietary tenant, his rent was fixed at the rate of 12 annas in a rupee on the rates of non-occupancy holdings. In other words, if the rent of a non-occupancy holding was Rs. 10 per bigha the new proprietor got Rs. 7-8-0 as rent; and this was a great allurement to all the moneylenders to purchase land. But now, in order to protect the cultivators, the Act provides that the ex-proprietary rent will be fixed at 14 annas in a rupee on the rates of *occupancy* holdings, which are always much lower than non-occupancy rents; so that, if the occupancy rent were Rs. 4, the new proprietor gets Rs. 3-8-0 per bigha instead of Rs. 7-8-0. As a result, purchase of land has become a less remunerative investment; and the monylender, whose principal object in lending money on the security of land was ultimately to buy that land, is now less willing to lend on that security, with the result that the credit of the peasant-proprietor has been reduced.

VILLAGE KHIWAI : MR. KUNWAR BAHADUR.

Money is sometimes lent in small amounts without taking a receipt from the borrower. It is entered in the *bahi* or daily account book of the moneylender with his own hand. These small debts are usually for a week or a fortnight. No interest is charged for such short-time loans. When it is repayable after a month the rate of interest charged is as high as 37·5 per cent., or two pice per rupee per month. The total amount of loan incurred on this account comes to about Rs. 31,000.

Another form of security is the promissory note, or personal security. The approximate debt incurred on such notes may be put at Rs. 7,000.

Large sums are also borrowed on the security of ornaments. It has been estimated that the total debt secured on ornaments is about Rs. 2,000. The rate of interest charged on loans secured on ornaments vary from 12 per cent. to 8 per cent. per annum.

The total amount of indebtedness in this village is as follows :—

	Zamindars.	Cultivators.
	Rs.	Rs.
Debt secured on registered mortgages of land ..	44,000	..
,, ,, on usufructuary mortgages of land	10,000	..
Debt as entered in the *bahi-khatas*	20,000	11,000
,, secured on *ruqqas* (promissory notes) ..	2,000	5,000
,, ,, on the pawning of ornaments ..	500	1,500
Hath uddhar (petty loans)	200	800
Total ..	76,700	18,300

The total number of peasant-proprietors who owe this huge sum of Rs. 76,700 is only 521. Thus the indebtedness per peasant-proprietor comes to Rs. 147, while the average indebtedness per tenant is about Rs. 66. Unsecured debt is very small, partly because the moneylender is unwilling to leave old debts unsecured, partly because the peasant-proprietor rather mortgages or sells his land to the last inch than let his *izzat* (honour) suffer. The percentage of debt secured on all mortgages of land comes to 45 per cent. of the total debt.

Besides cash loans, the cultivator often borrows grain for seed at sowing time. The rate at which he can obtain the seed depends largely upon the credit he commands in the village. The minimum rate is that of *sawai* when the farmer undertakes to return one-fourth as much again as he borrowed; in other words, if he borrows 20 seers of seed he promises to return 25 seers of seed at harvest after six months, so that the rate of interest per annum comes to 50 per cent. Often he has to pay *deorha* or half as much again as he borrowed, i.e., at the rate of 100 per cent. per annum. In some cases, when the demand is intense, he has to pay *dugna*, i.e., double of what he borrowed, and the rate of interest is 200 per cent. In ordinary dealings, however, a grain loan doubles itself in two years as has been shown in the other Meerut surveys. It is apparent that the *mahajans* are always on the look-out to take advantage of the necessity of the cultivators.

When the crops are harvested most of the produce is carried away direct from the threshing floor by the moneylender, and its cash value is credited to the debtor's account at the rate fixed between them. This rate is always much below the prevailing market rate. Then, again, the shopkeepers defraud the debtor in weighing. Sometimes they keep two sets of weights, one for purchasing and the other for selling. The weights for the former purpose are often made by the shopkeepers of stones and bricks; for the latter they keep the stamped weights. Thus a petty *zamindar* always loses: he sells grain below, and borrows it for seed and subsistence above, the market price. He, therefore, loses appreciably when the prices of commodities rise, as they have in recent years.

In the whole of the village there are only 55 *zamindars* who are free from debt. These, too, belong to the new class of *mahajan* landlords.

The salient features of the present credit situation are as follows :—

(1) Only 10½ per cent. of the proprietors are not in debt.

(2) The mortgage debt is 45 per cent. of the total debt.

(3) Ten per cent. of the total cultivated area of the village has been transferred to non-agriculturists during the last five years.

(4) The average debt per indebted proprietor is Rs. 147.

(5) The proprietor's debt amounts to Rs. 76,700, and the total village debt is Rs. 95,000.

(6) Debt is almost as widespread, but not so heavy, among the tenants as the proprietors; the average is only Rs. 66 per head.

(7) The total agricultural debt of the village averages Rs. 32·1 per cultivated acre.

Sugarcane is one of the important crops of the year in this village and of the total cultivated area about 110 acres or 116 bighas are under sugarcane. The industry allied to this crop is that of *gur*-making, which has been described elsewhere. The profits of a Rajput cultivator, however, are much smaller than those of a Jat, simply because he uses hired labour instead of working himself, and is content with inferior seed. Another industry, even more important than *gur*-making, is tobacco-growing. The profit on an acre of tobacco is estimated at Rs. 75. The consumption of tobacco in the village itself is very great, since every villager, young or old, high or low, smokes the *huqqa*. Even the women smoke. Tobacco in its raw form is sold at the rate of Rs. 6 a maund or about 6½ seers a rupee, and after being refined and cured, at the rate of 3½ seers a rupee. The reason why more tobacco is not grown in this village is that tobacco requires heavy manuring, profuse irrigation from wells, considerable agricultural skill, and careful tending. It is also very delicate and liable to be seriously injured by the slightest touch of frost and to be entirely destroyed by hail.

Another industry is melon-growing. There are two kinds of melons grown in this village; the ordinary melon (*kharbuza*) and the water-melon (*tarbuz*). They are usually grown in small patches in the coarse sand of the river-beds, where the soil is always moist. Holes of 2×2×3 yards each are excavated and filled with manure in which the seed is sown. The crop usually ripens in April and fetches a handsome price in the markets at Meerut and Sardhana. It is a highly profitable crop: the expenditure per patch, including rent, is 12⅔ annas, and the profit 11⅓ annas, or 90 per cent.

Last, though not least, is the industry of spinning and weaving, which is mostly in the hands of the weavers, who constitute a separate class in the village. The process of separating the seed from the fibre consists in passing the fibre between two wooden rollers in a little machine called *charkhi*. The seed is used as fodder for cattle and also gives rise to the supplementary industry of oil-pressing, though on a very small scale. The yield of fibre per acre varies from 100 to 120 lbs. or about a maund and a half on the average. The yield of seed is about 1¼ maunds per acre; whilst 90 yards of *khaddar* cloth can be woven from the cotton produced on an acre of land.

Note on the Beopar Sahayak Bank, Limited, Meerut.

In the survey we have frequently referred to the Beopar Sahayak Bank, Limited, Meerut, and we may here outline, in brief, the nature of the business which this bank conducts.

This institution was founded in 1902, and is of the type of indigenous bank which carries on the business of receiving deposits, dealing in *hundis* and lending money to agriculturists, merchants and tradesmen, on the security of mortgage bonds with or without possession, notes of hand, bills of exchange, and articles of jewellery.

The main business of the company, with which we are primarily concerned, is that of advancing loans to *zamindars*. In the village of Khiwai alone the company had advanced some Rs. 35,000 on land mortgages. Since the passing of the Agra Tenancy Act, 1926, however, for reasons already explained, the profits of such loans have been reduced, and consequently the company has suspended this part of the business.

The resources of this company consist of share capital, some two lakhs of rupees, consisting of 2,000 shares of the value of Rs. 100 each, and deposits, fixed and floating, which it receives from the public. This year the net profit of the bank amounted to Rs. 37,213-7-1.

The company receives fixed deposits on the following terms :—

Payable after 12 months	..	...	...	5 per cent.
Payable after 8 months	..	...	...	4½ per cent.
Payable after 6 months	..	...	...	4 per cent.
Payable after 4 months	...	...	...	3½ per cent.

No interest is paid on floating accounts.

The company charges a rate of interest on all cash loans, which varies from 12 per cent. to 18 per cent. according to the nature of security offered. On *hundis* it charges 6 per cent. per annum and on the loans advanced on the security of the *khattis* (grain pits) it charges 7 per cent. to 12 per cent.

The public opinion about this bank seems to be quite favourable, since during the last ten years the deposits in the bank have increased appreciably. The dividend declared has also increased from 9 to 10 per cent.

The company complains of two forms of legal difficulty. One is connected with the rent of ex-proprietary holdings, already discussed. The second relates to the calculation of interest on the sum decreed, which is entirely at the discretion of the court; for instance, if the bank has given a loan of Rs. 1,000 which, after a certain period, amounts to Rs. 1,500 and the total sum is decreed, then the court may either grant the decree for Rs. 1,000 plus Rs. 500 (interest), or for Rs. 1,000 (principal), and award something less than Rs. 500 as the reasonable sum for interest. The court thus puts the bank on an equal footing with the ordinary decree-holder, which is unfair, since the bank has to pay the interest to the depositors, though it loses in realising the same from its debtors. This fact ought to be brought to the notice of the legal authorities.

There is yet another difficulty connected with loans advanced to a joint Hindu family. Suppose a loan is advanced to the father of a joint family on the security of land, and that during his lifetime the father divides the property equally amongst his sons, keeping the worst land for himself. The bank is entitled to attach or sell the share of the father, but not of the sons, and consequently it gets the worst quality of land. This has been experienced times out of number; and now the bank does not lend to a joint family unless an agreement is made that the property will not be partitioned.

This bank deals with other indigenous banks, the Meerut Bank, Limited, and the Indian Banking Company, but only nominally. It deals with the Punjab National Bank, Limited, the Allahabad Bank, Limited, and the Imperial Bank, in so far as it deposits its receipts with them and also undertakes to cash the cheques of these banks These banks do not accord any preferential treatment to this bank.

There is no co-ordination. Formerly the usual practice was that no commission was charged on local cheques of any bank, but the Allahabad Bank, Limited, began to make such a charge. This created some agitation among the other banks, but there was no agency of the nature of a bankers' association which might deal with the question.

VILLAGE KHIWAI : MR. KUNWAR BAHADUR.

Report of an economic enquiry in village PASOUNDA, district Meerut.

[By Mr. Kunwar Bahadur, M.A., student, University of Lucknow.]

General description.

THE village selected for this enquiry is known as Pasounda, in tahsil Ghaziabad of the Meerut district. The tract is purely agricultural and the soil is a light sandy loam, naturally fertile, but lacking the moisture necessary for the production of rich crops. The cheaper grains—*bajra, juar* and barley—have been superseded by wheat, gram and fodder crops. Sugarcane is practically absent. The annual rainfall is scanty and uncertain and irrigation is nominal, being confined to a thin canal stream which terminates here.

The peasants, predominantly Muslim Jats, are usually hard-working, though fond of adorning their women with jewellery. They fall into three classes, viz., peasant proprietors, occupancy tenants and tenants-at-will, but here the problem of indebtedness is mainly that of the peasant proprietors, who form the majority. Good agriculture is at a discount, since the monsoons are uncertain; and there is a great tendency to fragmentation of holdings. These circumstances, together with the large number of peasant proprietors, have favoured the moneylenders, who hail from the neighbouring villages of Shahdara and Farrukhnagar. The result is chronic indebtedness, and the transfer of large areas of land to non-agriculturists. Thus in the year 1895 the total number of peasant proprietors was 202, who owned 3,000 bighas; while in the year 1928 the number has been reduced to 185, and the area owned is halved. There is also a steady increase in the number of landless agriculturists who are only employed in the village at the harvest times and at other times go in search of employment wherever conditions appear to be more favourable. The sale and mortgage value of the land has considerably decreased, having fallen from Rs. 210 to Rs. 100 per bigha and from Rs. 50 to Rs. 40 per bigha, respectively.

The village contains 2,565 persons, divided into 508 families, and possesses 1,870 acres of cultivated land, parcelled into 2,809 fragments of a varying size. The common dwelling is the *jhopra*, a round hovel with walls made of mud and thatched with straw. There is no separate cattle ward, no pits to preserve the manure, and sanitation is most unsatisfactory. Like all *bhayachara* villages the village is divided into a number of *mahals* inhabited by *thoks*, distinguished by their caste and occupation. The peasant of this village is no longer what he was a decade or two ago: the village is stirring with a new spirit. Though prepared to welcome progress, the Pasounda villager, burdened by debt, cannot advance of his own initiative.

Agricultural borrowing.

The agriculturists of this village borrow from resident moneylenders and from moneylenders of Shahdara and Farrukhnagar. There is no co-operative society. *Taqavi* advances have been frequently given. The cultivators usually borrow for purchasing seed and cattle and also for subsistence; the greater part of the debt is incurred for the first of these purposes, and is obtained from the moneylenders of Farrukhnagar and Shahdara. The one constant desire of the moneylender has always been to impose such terms for repayment of debt as could enable him to oust the peasant proprietor from his land: it has been the common experience of all cultivators that a mortgage invariably ends in a sale, and a peasant proprietor once entrapped by the *mahajan* can never extricate himself unless the years are very favourable. Thus during the last 25 years about 212 bighas of land, or 12 per cent. of the total cultivated area, has passed from the peasants to non-agriculturist moneylenders. For instance, in the year 1892, when the settlement operations began in this village, about 16¾ bighas of land were transferred by usufructuary mortgage, which finally ended in the sale by auction, after execution of a decree, to a *mahajan* for the sum of Rs. 980.

This land was worth Rs. 4,000, but as it was encumbered, it could not be sold to anybody except to the creditor, who accepted the land in full payment of principal

and interest due to him. Again in the year 1928 the total area sold was 141 bighas for Rs. 48,832, and the total area of land mortgaged was 73 bighas. The purchasers or mortgagors were again non-agriculturist *mahajans*.

There is urgent necessity for a Land Alienation Act and a land mortgage bank in this part of the district, where the moneylender is covetous not of the peasant's crops or cattle, but of his holdings.

The moneylender charges a very high rate of interest on all loans, whether in cash or in kind, so that the dictum "once in debt always in debt" holds good in the case of the cultivator of this tract. The general rate of interest is 24 per cent. compound interest on all cash loans repayable by fixed instalments. Thus in the usual course a sum of Rs. 100 doubles itself in three years. The nature of the distribution of holdings and the insecurity of the monsoons make it practically impossible for an average cultivator to repay the loan at its proper time, and ultimately he has to part with his land. An actual example will illustrate this. In 1907 a peasant proprietor obtained a loan of Rs. 500 in order to celebrate the marriage of his son and to purchase a pair of bullocks. The usual rate of 24 per cent. compound interest was settled, and it was arranged that the loan will be repaid in ten instalments of Rs. 50 each. Unfortunately, owing to a serious drought and the consequent failure of the crops, he could not pay anything for about three years. After three years he died, and the son, having inherited the property, accepted the liability to pay. In 1913, within a period of about 6 years, the principal and the interest amounted to about Rs. 1,825. In order to clear this debt he had to part with his 36 bighas of land worth about Rs. 5,000. Instances of this kind are not uncommon.

Grain loans are more risky than cash loans. The *mahajan* usually calculates that if a compound interest doubles a cash loan within three years, it doubles a grain loan within two years. Besides this the loan is always given in instalments, and in fact its utility thereby diminishes, and the needy cultivator who knows nothing about the debit and credit side is always the loser. The quality of grain is also unsatisfactory, since it is not unusual for the lender to advance bad grain and demand the best in return. The crop is hardly reaped and threshed before the agent of the *mahajan* makes his appearance and carries away from the threshing floor all the produce of the harvest. The following is a copy of an account which shows how a loan in kind doubles itself in two years :—

Credit	*Debit.*
Rs. 100 worth grain at seven seers a rupee, weighing about 17½ maunds (while the market rate is nine seers) given in fractions of five seers and ten seers. On this sum of Rs. 100 a rate of 24 per cent. compound interest is charged.	Rs. 100+36 (interest)=Rs. 136 worth grain at ten seers (harvest rate), weighing about 32 maunds (while the market rate is eight seers a rupee).

Thus we see that for a loan of 17½ maunds of grain the debtor has to pay 32 maunds of grain, which means that within a period of three *fasls*, which, roughly, cover about two years, a loan in kind doubles itself. It should also be remembered that the lender never gives more than ten seers at a time, so that he gets a number of opportunities to cheat the *zamindar* by under-weighing. It was also curious to note that some *mahajans* sell such household necessities like salt, oil, threadball, etc., on credit and induce loans in kind, so that at the end of the month the poor peasant fails to understand how much in fact has been advanced, while his creditor goes on adding the sum against his client till it comes to a huge sum.

In ordinary dealings for small loans and for short periods a rate of two pice per rupee is charged, i.e., 37½ per cent. per annum. We have already pointed out that *taqavi* is frequently advanced in this village. It is rather disappointing that in spite of the desire of the cultivator to avail of this credit agency, the facilities provided by the Government prove very inadequate. The patwari who enjoys the hereditary position of distinction in the village stands in the way of an honest and impartial inquiry about the cultivator's demands of *taqavi*. He would not recommend a particular case unless offered his fixed commission. Besides, the amount advanced by the Government in the form of *taqavi* loans is not available at the time it is most urgently required by the cultivators. The usual difficulties of approaching the revenue

officers are experienced throughout the village. It is needless to point out that if the amount given in *taqavi* is inadequate and untimely it fails to serve its purpose. It rather makes the situation of the peasant still worse, since he loses the confidence of the moneylender who holds his purse tighter against him.

Having discussed the various agencies, which provide credit to the cultivators, let us now examine the nature of the securities offered by them. Most debts have been obtained on the security of land, a few on the security of ornaments. The peasant proprietor is more seriously involved than the occupancy tenant and the tenant-at-will. The following statement of indebtedness will throw light on this point. We have divided the debt into two categories, that to the local moneylenders and that to the moneylenders, Shahdara and Farrukhnagar :—

——	Peasant proprietor.	Tenants.
Local.	Rs.	Rs.
Debt on the security of land which ended in sale of the land	2,800	..
Debt on usufructuary mortgage (registered)	5,500	1,100
Simple debt	1,200	2,500
Debt on personal security	600	800
Debt on the security of ornaments pawned	1,000	1,500
	11,100	5,900
Outside.		
Debt on the transfer of land by sale	15,500	..
Registered debt on land security	16,200	5,200
Simple debt	12,400	1,200
Debt on personal security	7,400	1,500
Debt on the security of ornaments	1,200	1,000
Total ..	52,700	8,900
GRAND TOTAL ..	78,600	

The peasant proprietors' debt amounts to Rs. 63,800 out of the total debt of Rs. 78,600. Possessing better security than a tenant in his proprietary title, he commands larger credit, of which he takes full advantage. Thus, while the average peasant proprietor owes about Rs. 345, the tenant owes only Rs. 130.

Debt has probably grown considerably during the last two unlucky years; but a burden so great as this suggests that a large proportion of the Pasounda villagers live at or even below the margin of bare subsistence, and that they have little power of resistance to calamities which force them to go to the moneylender; and once they fall in his hands there is no way of getting out of them. One cause of the peasantry's weakness is the excessive fragmentation of land, the result of the law of inheritance which requires that each son shall get an equal share of his father's land, split up into as many fragments as there are different soils in the village. In this village land has been divided into as many as 2,809 plots averaging about 0·6 of an acre.

VILLAGE PASOUNDA : MR. KUNWAR BAHADUR.

The result of such fragmentation is that land is wasted in innumerable field boundaries, labour and time are lost, the more valuable crops cannot be raised, since they cannot be properly supervised, and lastly, disputes arise, which lead to litigation and further debt. In fact, this evil custom renders it impossible for the cultivator to get the best or the most out of his land, and man is fighting a losing battle against both nature and ancient usage. The only possible remedy is a scheme of consolidation on co-operative lines of the same kind as Mr. Calvert's experiment in the Punjab where the conditions were almost similar. Besides a scheme for consolidation, small subsidiary industries allied or supplemental to agriculture ought to be introduced and encouraged to give employment to the peasant in the slack seasons. Market gardening, dairying, stock-breeding are all conspicuous by their absence in this village, and the cultivator and his family are unoccupied for about one-third of the year.

The salient points of our enquiry may be summed up as follows :—

(1) The average holding of a peasant proprietor measures only 5 bighas or 3·1 acres, which is uneconomic.

(2) The mortgage debt on the security of land amounts to 62 per cent. of the whole.

(3) Average debt per peasant proprietor is Rs. 345.

(4) Total indebtedness of the peasant proprietors come to Rs. 52,700, or 67 per cent. of the whole.

(5) Debt is as widely spread among the tenants as amongst the proprietors, but is lesser in amount, being at the average of Rs. 136.

(6) The indebtedness per cultivated acre is Rs. 41·5, and Rs. 155 per family.

(7) About 12 per cent. of the total cultivated area has been transferred by sale to the non-agriculturist during the last 25 years.

(8) The peasantry is unoccupied for nearly one-third of the year.

Report of an economic enquiry in village CHATTARA, district Muttra.

[By Mr. Brijendra Nath Bhargava, M.A., student, University of Lucknow.]

Situation and Topography.—Chattara is a small village in Sadabad tahsil, district Muttra. It is situated in the interior of the country over five miles from the tahsil headquarters. There is no *pakka* road within four miles of this village. The track connecting Chattara with Sadabad passes through a number of villages and hamlets, and may be described as a typical country *dagra*. There are *kanl* hedges on both sides of this track, and the projecting branches of the wayside *babul* trees very often obstruct the passage of the pedestrian. It is really difficult to travel on horse-back over this tract without encroaching every now and then on the wayside fields. This same track is often used as a passage for water from the canal distributary.

The entire village site is divided into two parts—one is inhabited by the high caste people, while the low caste live in the other part. The walls of the dwellings are invariably made of mud and the roofs thatched with straw. The rooms are dingy and dark, and there are no windows. All domestic and farmyard refuse is collected in the vicinity of the houses, but a large amount of dirt comes back to the dwellings with the strong wind, especially in summer.

Fodder and stalks used for making baskets, etc., are stored on the roof of the house.

The village pond is situated outside the inhabited site. It smells offensively, and is a breeding ground of mosquitoes. The adjoining fields are irrigated from this tank when the rains fail.

People.—The village is sparsely populated, its total population being only 193. The majority are Chamars with a few families of Jats, Thakurs, Brahmins, carpenters, Khatiks and Telis (oil-pressers). The following statement shows the number of families and persons of each caste in the village* :—

	Number of families.	Number of persons.
1. Chamars	20	93
2. Jats	6	21
3. Thakurs	5	29
4. Brahmins	2	11
5. Barharis (carpenters)	2	9
6. Telis (oil-pressers)	1	6
7. Khatiks	1	3
8. Kumhars (potters)	1	3
9. Others	4	18
	42	193

Area.—The total area of the village is about 455 acres of which 404 acres are cultivated, and 19 acres form the cultivable waste. Out of the rest 27 acres are uncultivable, three acres are used for house sides, one acre is under water, while the groves and gardens cover another acre of land.

Soil.—The soil of the major portion of the cultivated land is light *dumat*, occasionally mixed with *bhur* and loam. The proportion of loam increases as we proceed towards the barren waste.

Irrigation.—The canal-irrigated area is only one acre. Wells are the only important source of irrigation. There are 38 non-masonry and two masonry wells in this village which irrigate about 214 acres of cultivated land.

* The population was enumerated by the writer himself in September, 1929.

The subsoil water level is very low in this area. It has been continuously going down for the last ten years on account of the deficiency of rain. The gradual lowering of the well water level has adversely affected the irrigation system of the village. It is becoming increasingly difficult to irrigate the field from wells and consequently the well-irrigated area has gone down to 214 acres from 316 acres in the last two decades. The incline of the bullock run (*nachia*) has to be changed every year according to the variation of the water level.

Formerly the construction of wells was very easy and cheap, and it did not take long to adjust the artificial supply of water to the increased demand by a prompt construction of wells in years of deficient rainfall. But now an ordinary cultivator finds it almost impossible to construct a non-masonry well on account of the appearance of loose sand in the lower strata of the soil; while masonry wells have not been constructed here for the last twenty-five years owing to their heavy cost. Not less than Rs. 150 to Rs. 300 are required for constructing a non-masonry well, while a masonry well costs at least Rs. 1,500. Existing wells, however, are not being utilised to the full extent of their capacity, due to the increased labour and cost of drawing water.

The supply of water in the wells has also decreased considerably. Each masonry well was formerly capable of irrigating more than 50 acres of the surrounding land, but now the supply of water fails at twenty-five acres. Six pairs of bullocks could formerly draw water from each of these wells, but now four good pairs exhaust the supply. At present only two pairs of bullocks draw water to irrigate about fifteen to twenty acres of wheat and cotton from each well. That there was absolutely no dearth of irrigation facilities in this area in the near past is evident from the fact that sugarcane was abundantly cropped in this village. The testimony of some aged cultivators and the presence of stone sugarcane crushers lying here and there in the vicinity of the inhabited site prove this fact. It may very well be imagined how near to the surface the well water level must have been when sugarcane crops which want such heavy watering could be irrigated from the wells.

Crops.—The *rabi* occupies 273 acres of which 65 acres represent wheat, while wheat mixed with other grains covers another 38 acres. Barley and barley mixed with other grains covered over 58 acres, and gram occupies 88 acres. The rest, 24 acres, are sown with various other *rabi* crops.

The area under *kharif* is about 220 acres. *Juar* is cropped over an area of about 38 acres and *bajra* alone and *bajra* mixed with other grains cover 123 acres. Cotton occupies 37 acres and the rest, 22 acres, are sown with different crops.

A few cultivators grow *gajar* and potato in some highly manured plots generally situated in the vicinity of the house sites. The season for this crop commences in the middle of the rainy season and lasts for about three months. *Gajar* serves both as food for man and fodder for cattle, and is generally grown when the *kharif* is deficient. The potatoes fetch a good price to the cultivator, but the crop is raised only by a limited number of peasants because it involves hard labour and the cost of production is high.

The total cultivated area is about 104 acres; but of this about 90 acres are cropped twice a year, and the total crop area is about 493 acres. Thus the area cropped per head of the village population comes to about 2·5 acres.

Ownership of land and kinds of tenancy.—The entire village belongs to a big landlord who owns several other villages besides this. Most of the cultivators are statutory tenants, but there are also a few occupancy tenants. There is also *khudkasht* held by the landlord himself, but neither *sir* nor ex-proprietary tenancies exist. There are, however, some rent-free holdings in the possession of some Brahmin cultivators. In all there are

about 34 cultivators in this village, and the following statement shows the area of each class of holdings and the number of different classes of cultivators :—

Class.	Number of cultivators.	Area of holdings of that class.	Area of holdings of other class.	Total area of holding.	Average size of holding in acres.
Khudkasht ..	1	6.29	Nil	6.29	6.29
Occupancy ..	6	66.35	17.88	84.23	14.0
Statutory ..	24	327.77	24.12	358.87	13.1
Rent-free ..	3	4.61	Nil	4.61	1.53

The absence of *sir* land and ex-proprietary tenure are a peculiar feature of this village. There was formerly no *khudkasht* either, but of late a cultivator was ejected for non-payment of rent and the holding has been retained as *khudkasht* by the *zamindar* until some one offers a good rent for it. According to the current tenancy law the *zamindar's* power to eject the tenant or to enhance the rent have been very much restricted, and thus all such opportunities are very anxiously awaited by the landlord who tries to obtain the greatest possible advantage from an ejectment. The absentee landlord does not derive much profit by retaining the *khudkasht*. The hired labour absorbs a very large portion of the produce, and the balance hardly ever pays the landlord more than what he could get as rent for the same land. Thus the existing *khudkasht* is likely to be let out for cultivation as soon as reasonable rent is offered.

Rent and revenue.—The entire revenue paid to the Government for this village is about Rs. 1,700, and the total rent collected from this village about Rs. 3,800. Thus the average rent comes to about Rs. 9-8-0 per cultivated acre, while the average revenue per acre comes to about Rs. 4-4-0; the difference of about Rs. 5-8-0 per cultivated acre goes to the landlord.

The rents for different plots of land vary according to their productivity. The highest rent recorded was Rs. 15, while the lowest rent was Rs. 3-12-0 per acre, but such extreme cases are few. The rent generally varies between Rs. 7 and Rs. 12 per acre. Some of the occupancy tenants hold good quality land at comparatively low rates.

The moneylenders of the village.—There are practically no local moneylenders in this village to finance the cultivator. There is only one Chamar cultivator to whom a few are indebted to the extent of about Rs. 1,100 which were lent a few years ago; but due to various agricultural calamities the Chamar has not been able to realise even the interest on the sum for the last two years. He does not invest any more in this business and is not a professional moneylender. The cultivators of this village generally borrow from a few *sahukars* of neighbouring villages. The landlord also lends money, although he resides at Sadabad, more than five miles away. A few Telis (oil-pressers) of Dalika Nagla (a village at a distance of a mile and a half from Chattara) also do considerable moneylending business. There is also a Brahmin moneylender of Oghai (a village at a distance of half a mile from Chattara) from whom a number of cultivators of this village get occasional credit.

Indebtedness of the village.—Only eight cultivators are free from debt, the other 26 cultivators are all indebted to varying degrees. The total indebtedness (loans plus interest) is approximately Rs. 11,400; thus the average debt per cultivator comes to about Rs. 335-4-0.

So far we have not considered the non-cultivating families of this village. They are, however, not free from debt, but their indebtedness is very much smaller than that of the cultivating class. These families are generally engaged in various village industries.

VILLAGE CHATTARA : MR. BRIJENDRA NATH BHARGAVA.

Purposes of loans.—The purposes for which money is borrowed by the cultivators in this village are nearly the same as described in the previous surveys. Expenses of cultivation and subsistence however predominate. The former includes the purchase of seed, cattle, and agricultural implements, and also the wages of hired labour.

Very often the cultivator's inability to pay interest on his loans swells the amount of his debt to unmanageable proportions. Expenses on marriages and other social functions are not a very important cause of indebtedness in this village. Very few marriages have been celebrated here during the last two years, and so only a small proportion of the total debt has been incurred on this account. The following statement shows the amount of money borrowed for various purposes, and their percentage to the total debt :—

Items.	Amount.	Percentage of total indebtedness.
	Rs.	
1. Sinking and repairing of wells	110	.9
2. Purchase of draught cattle	1,270	11.1
3. Purchase of milch cattle	940	8.2
4. Agricultural implements	215	1.8
5. Seed	2,180	19.1
6. Payment of labour	260	2.2
7. Subsistence	2,900	25.54
8. Rent, revenue and irrigation charges	1,240	11.23
9. Marriage and social functions	1,100	9.76
10. Miscellaneous	1,185	10.4
Total ...	11,400	100

The amount against each item in the above statement includes the interest on the sum borrowed.

Let us next see how the total debt is divided amongst the various classes of cultivators. The following statement shows the debt of each class. (The cultivators have been distinguished according to the major portion of their tenancies) :—

Class.	Number of cultivators.	Number of cultivators free from debt.	Amount.	Average debt.
			Rs.	Rs. a.
Khudkasht	1	1	Nil	Nil
Occupancy	6	1	2,600	433 5
Statutory	34	5	8,250	343 12
Rent-free	3	1	550	183 5

It has been shown in our previous surveys that the indebtedness of cultivators increases with superior title to land, and the above statement also supports the same view. Thus the occupancy tenants are more highly indebted than the statutory tenants. The debts seem to be proportional to the potential credit power of the cultivators which is determined by the class of their tenancy.

Let us next examine the indebtedness of the people according to their castes. The cultivators of this village mainly come from the following four castes : Chamars Brahmins, Thakurs and Jats. The statement below shows the amount of their respective debts :—

Caste.	Number of cultivators.	Number of debt-free cultivators.	Amount of debt.	Average debt.
			Rs.	Rs. a.
1. Chamars	10	2	3,050	305 0
2. Brahmins	8	3	1,900	237 8
3. Thakurs	6	Nil	2,950	493 10
4. Jats	4	1	1,310	327 8
5. Others	6	1	2,180	368 10

The Thakurs are most heavily indebted, and next to them are the Jats; the Chamars have also heavy burdens of debt to bear while the Brahmins are the least indebted. One of the most important reasons why the Thakurs are so heavily indebted is that their women are prohibited by custom from working in the fields, so that the Thakur cultivator has to hire labour more often than others. Moreover, the Thakurs generally do not engage in menial agricultural operations as a result of which either the cost of cultivation increases or the crops suffer.

On account of the frequent failure of harvests in this area the cultivators' debt has increased in recent years. For the last two years there has not been a single successful crop in this village. The debts have therefore been rapidly accumulating on account of the cultivator's inability to pay even the interest on their loans.

The *kharif* crop of 1928 was a failure. A good monsoon, however, invited the cultivators to sow large areas with *rabi*. But the failure of winter rains and a cold wave entirely destroyed it. In spite of good prospects the *kharif* of 1929 has also failed on account of locusts and the failure of the rains. The peasant has become despondent regarding his *rabi* sowings, while capital is much dearer.

The last crop yielded nothing but straw. Moneylenders and *Bohras* have unanimously declared their inability to grant fresh credit. The cultivators are therefore in distress. They have begun to sell their cattle not because of fodder scarcity but for purchasing food. Most of them have been living on gram leaves which were dried and cooked either with a small quantity of *juar* flour or even without it. For several months some lived on *qajar* alone and even *juar* or *bajra* was hardly available. The discrimination between fodder and food breaks down in abnormal years of scarcity.

A number of persons have deserted this village to seek employment elsewhere. Some people take bundles of grass to Hathras, about 9 miles away, to earn a few pice.

The greatest need of the hour is to finance the cultivator for the next crop. The *Bohras* and other moneylenders are unwilling to do anything to relieve the cultivators. On the other hand they try to obtain part payment of old loans by sharing with the cultivators the sale price of cattle. The cultivators are anxiously waiting for the government measures for famine relief. A prompt distribution of adequate *taqavi* can only relieve the situation.

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Rates of interest.—The usual rate of interest in this village is *adhanni rupia* (two pice per rupee per month). An important advantage of this rate is that it admits of easy calculation. Short period loans are granted at this rate and as these form the major portion of the total debt, this rate of interest is charged in a very large amount of it.

Sometimes a consolidated amount of two annas per rupee is charged on agricultural loans. Such loans are granted between sowing and harvest and have to be repaid at the time of harvest with two annas per rupee as interest, irrespective of the length of the period, which varies from five months to one week.

On long-period loans the interest is generally charged at the rate of 2 per cent. per month or 24 per cent. per annum. The amount of long-period loans is very small in the village.

The following table shows the aproximate amount of loans at various rates of interest in this village.

Rate of interest.	Amount of debt.
	Rs.
(1) Below 24 per cent.	800
(2) 24 per cent.	2,600
(3) Two pice per rupee or 37 per cent.	5,750
(4) *Doanni rupia* or even higher	2,150

The practice of giving a bond for twice the amount borrowed from the moneylender is prevalent in this village also. With the exception of the *zamindar* who has greater control over his tenants all the other moneylenders press the borrower for a bond for twice the amount actually borrowed. This practice is not very objectionable so long as very high rates of interest are not charged, or the moneylender does not dishonestly press repayment according to the bond.*

There is a universal grievance of the cultivator, that they cannot obtain credit in time. The moneylenders do not grant loans easily and often refuse altogether even in cases of great necessity. There are various reasons for this. In the first place, there is always a dearth of capital in rural areas to finance the cultivator. Secondly, there is lack of tangible security for agricultural borrowing, and the moneylender has to exercise caution when granting loans. Thirdly, the cultivator's demand is sometimes very unreasonable. The moneylender has to judge of the productivity of the debt, and it is risky for him to grant credit for the mere asking. The debtor often misuses this concession to the detriment of the moneylender and his own self.

Security.—Let us next consider the nature of security offered by the cultivator and accepted by the moneylender for agricultural loans. All the cultivators of this village are mere tenants, and cannot offer land as security for their borrowings. The class of tenancy, however, counts much in determining the potential credit of the cultivator, e.g., a big occupancy tenant's title to his holding is considered to be an adequate security for no small liability. Such holdings being non-transferable, do not command any market price directly; they may, however, be sub-let for limited periods, and therefore such a right indirectly commands a price which is equivalent to the difference in rents paid by the holder and the sub-lessees. Thus the rental value of these non-transferable holdings can be set off against the liability of their possessor.

The occupancy tenant has a right to sub-let his holding for a period of five years after cultivating it himself for a year; and so the rental value of his holding for five years can be offered as a security for his borrowings. Statutory tenants can similarly offer the rental value for three years as security. In this village there was a single instance of the former kind. An occupancy tenant had given on a five years' lease a portion of his holding in lieu of an advance from one of the local cultivators. No statutory tenant was found to have sub-let his holding to the moneylender in lieu of his debts.

Standing crops and cattle are also offered as securities for agricultural borrowings. The cultivators often deposit ornaments with the moneylender as security for

*See Edalpur village survey.

agricultural loans. A lower rate of interest is charged where such tangible securities are held by the *sahukar*.

There is no registered debt in this village as none of the cultivators own any land, while the houses also belong to the *zamindars*.

The people of the village are generally of frugal habits, free from vice, and not addicted to intoxicants or gambling. Men and women alike wear simple clothes, and glass bangles and brass ornaments are the latter's only adornment. The rich often wear silver ornaments, but gold is seldom seen in the village. The days have gone by when ornaments for the cultivator's wife were an important cause of indebtedness in rural areas. There is hardly an instance in this and the adjoining villages of debt incurred for purchasing ornaments except at the time of marriage. A very small amount of the cultivator's income is spent in clothes and luxuries.

The standard of living is very low in the village. The only luxury is the *huqqa* which costs at most a pice or two per day. The average expenses of a family which consists of about five persons (including men, women and children) come to about eighteen to twenty rupees, or even less when milch cattle are reared along with farming. The cultivators consume little *ghee* or *gur* or butter, they eat bread for days together without any vegetable or *dal*, and in times of scarcity substitute *juar* and *bajra* for wheat. They rarely drink milk, though those who have milch cattle drink buttermilk.

Average income and expenditure of the cultivator.—The average expenses of cultivation and the yield per acre are the same in this village as in Edalpur; but as in Edalpur there are many occupancy pand exproprietary tenants the average rent is lower by some Rs. 2 an acre. The net profit per acre of cultivated land in this village comes to about Rs. 24; the average size of holding is about 12 acres, but the average crop area per cultivator comes to about 11·5 acres. Hence the average income of a cultivator in this village is about Rs. 348. This income should cover the cultivator's expenses, and leave a balance of about Rs. 100 per year to be spent in marriages and social functions, and to provide a margin of safety for bad times. The interest on loans, however, absorbs a large portion of this balance. There are, however, some big cultivators who had accumulated enough money in previous years to withstand the recent successive crop failures, and can adequately meet the expenses of the next season. The land is very unequally distributed among the peasants, as the following statement shows :—

	No.	Area.
		Acres.
Holdings above 25 acres	2	52·75
,, between 25 and 20 acres	5	112·52
,, ,, 20 and 15 acres	6	101·73
,, ,, 15 and 10 acres	7	86·49
,, ,, 10 and 5 acres	5	35·19
,, ,, 5 and 1 acre	6	13·36
,, ,, below 1 acre	3	1·86

There are no supplementary industries to occupy the cultivator when he has no farm work to do. Agricultural operations do not occupy the cultivator more than five months in a year; the rest of his time is passed in idleness and fruitless quarrels. The development of cottage industries would fill up the spare time of the cultivator and remedy the evil of scarcity to a certain extent by providing employment when crops fail.

Summary.—The salient points in this survey may be summarised thus—

(i) The total population of the village is 193.

(ii) The total area of the village is about 455 acres of which 404 acres are cultivated and 19 acres form the cultivable waste, while 27 acres are uncultivable.

(iii) Wells are the only source of water supply. There are 38 non-masonry and two masonry wells irrigating about 214 acres of land.

(iv) The well water level has been continuously sinking as a result of which the well-irrigated area has decreased from 316 to 214 acres within

the last two decades; also the cost of well construction has increased materially.

(v) In all there are 34 cultivators of whom 24 are statutory tenants; there are no *sir* holders or exproprietary tenants in this village.

(vi) The average rent comes to about Rs. 9-8 per cultivated acre, whereas the revenue paid to the Government is only about Rs. 4-4 per acre.

(vii) There are no local money-lenders in this village. Some *bohras* and *sahukars* of the adjoining villages carry on a moneylending business.

(viii) The total debts of the cultivator amount to Rs. 11,400.

(ix) The average debt per cultivator comes to about Rs. 335-4.

(x) About one-fifth of the cultivators are debt-free.

(xi) Occupancy tenants are most heavily indebted.

(xii) The Thakurs are most heavily indebted, and next to them the Jats. The Chamars have also heavy debts, while the Brahmans are least indebted.

(xiii) The most common rate of interest is two pice per rupee per month or 37½ per cent. per annum.

(xiv) There is no registered debt in this village.

(xv) The average size of holdings is large enough to be reckoned as an economic holding.

Report of an economic enquiry in village EDALPUR, district Muttra.

[By Mr. BRIJENDRA NATH BHARGAVA, M.A., student, University of Lucknow.]

Situation.—The village Edalpur is situated at a distance of about three miles from Sadabad in the west. A cart track leads from the Muttra-Sadabad road to the village along the right bank of the canal distributary which flows across the road.

Topography.—There are thick groves of mango and other trees all round the inhabited parts of the village which stands about two furlongs from the left bank of the canal distributary. There is an outstanding white masonry building with ornamental sandstone work on its high gate in the centre of the village. This building is the village temple called Shri Dauji Maharaj-ka-Mandir, after the name of the deity installed in the temple. Beside this there are some other masonry buildings in the village which belong to some Jat landlords who own large areas of land in this and the adjoining villages. The rest of the dwellings have mud walls and are thatched with straw. There are a number of dirty narrow lanes and bye-lanes in the village.

The houses are generally clean inside, but the inhabitants throw all their household refuse into the lanes although the Public Health department has provided a dust-bin (*ghura*) at a short distance from the village for proper manure. There is a shallow pool which is kept in a very dirty state, yet it serves as a source of water supply to the whole village for all purposes except drinking. The drinking water is brought by the women of the household from the masonry well in the temple.

Area.—The total area of the village is 810 acres out of which the inhabited site occupies 14 acres, and tanks, pools, well, etc., another 6 acres. About 20 acres of land are regarded unculturable, and 6 acres constitute the culturable waste. Groves and gardens occupy another 8 acres. The rest of the village area is cultivated with different crops.

People.—The total population of the village is 825. The majority of inhabitants are Jats, but a few families of Brahmans, Chamars, Kayasthas, Telis (oil pressers), etc., are also flourishing. The following statement shows the classification of the population according to the various castes :—

Serial number.	Name of caste.	Number of families.	Number of people.	Number of persons per family.
1	Jats	82	465	5·7
2	Brahmans	16	103	6·5
3	Chamars	9	79	8·7
4	Bhangis	5	32	6·4
5	Telis	5	31	6·2
6	Kahars	6	21	3·5
7	Banias	3	18	6·0
8	Kayasthas	2	8	4·0
9	All other castes	11	68	6·5
	Total ..	139	825	6·3

Out of this total population only some 540 persons or 104 families are engaged in farming. The rest of the people are either engaged in village industries or work as part-time labourers in the fields and do odd jobs.

Crops.—The area under *rabi* is about 645 acres, and that under the *kharif* crop about 377 acres. There is another valuable crop which is called the hot weather-crop, and the area under this is about 3 acres.

The *rabi* crop mainly consists of wheat, barley, and gram, with a few other grains. Wheat is sown over an area of 136 acres, and a mixed crop of wheat and some other grains (gram or barley), is sown over another 40 acres. Barley covers 268 acres and gram occupies 141 acres. And the rest—an area of about 60 acres—is sown with miscellaneous grains.

The chief *kharif* crops are *juar*, *bajra*, and cotton. *Urd* and *mung* are sown with *bajra* or *juar* in the same fields. *Juar* and *juar* mixed with *urd* and *mung* covers an area of 205 acres. *Bajra* and *bajra* mixed with *urd*, *mung* or *moth* occupy 61 acres. Cotton is sown over an area of 75 acres and the miscellaneous crops cover 36 acres.

The hot weather crop consists of a few vegetables and fruits like the *kachris*, *khurbuzas* (melons) and the *kumhras*, etc. A kind of grain called the *china* is also produced in this crop. This crop is sown in the month of March, i.e., after the *rabi* harvest and lasts till the early showers fall in the month of May.

The total area under cultivation is only 752 acres, but of this 271 acres are cropped twice a year, hence the total crop area is 1,023 acres.

Irrigation system.—Wells and the canal distributary are the two main sources of irrigation in this village. The total irrigated area is about 422 acres, out of which 200 acres are irrigated from canals. Since the surface of the cultivated land is very uneven the canal irrigated area is divided into two parts, one in which the water flows from the canal directly and the other in which the water from the distributary has to be lifted to irrigate the fields. The former comprises only 42 acres whereas the latter is about 158 acres.

An area of about 216 acres is irrigated from wells. There are about 74 non-masonry wells in the village which irrigate the whole of this area. There are also two masonry wells in the village one of which is in the temple and the other situated in one of the gardens, but these are not used for irrigation.

About six acres of land are irrigated from tanks. There are four small tanks in this village irrigating the *rabi* crop. Another tank in the centre of the village supplies water for cattle and household use. The water level in the wells of this village was 40 to 50 feet some ten years ago. But it has been continuously sinking till it has reached 60 to 70 feet at the present moment. The sub-soil water level in the adjoining villages is lower still, but the vicinity of the canal bed has checked the fall of the well water level.

There are two big gardens in this village by the side of the canal distributary which irrigates them during the major part of the year. There are also some mango groves here and there, but mostly by the side of the canal distributary which supplies them with water when they require it. The produce of these gardens and groves is consumed in this and the adjoining villages, there being no cheap and rapid transport facilities to extend the market.

Agriculture is the predominant occupation. Even the marketing of the agricultural produce is left to *beoparis* who come from outside.

Classes of cultivators.—The land is cultivated either by the *zamindars* themselves or by tenants. In the former case the cultivators are either *sir* landholders or *khudkasht* holders. The difference between these two is mainly of standing; the former have been recorded in the last settlement as cultivating their own land, whilst the latter began to cultivate their land after the settlement. The *khudkasht* holders will also become *sir* landholders after the next settlement.

There are four kinds of tenancies in this village: the exproprietary tenants, the occupancy tenants, the statutory tenants, and the heirs of the statutory tenants. The

following statement shows the number of each class of cultivators, and the total area of that class of holdings :—

Number.	Name of the class.	Number of tenure holders of each class.	Total area of the class of holding.
			Acres.
1	*Sir* landholders	29	101
2	*Khudkasht* holders	6	61
3	Ex-proprietaty tenants	17	44
4	Occupancy tenants	26	186
5	Statutory tenants	63	322
6	Heirs of the statutory tenants	3	14

The same cultivator very often holds several kinds of tenures. It is therefore difficult to classify the cultivators according to the class of their tenancy. In the following statement we have made, however, an attempt to classify the cultivators according to the major portion of their tenancies :—

No.	Name of class.	Number of cultivators.	Total area of the class of holding.	Average size of the holding.
			Acres.	Acres.
1	*Sir* landholders	26	101	3·9
2	*Khudkasht* holders	2	61	30·5
3	Ex-proprietary tenants ..	11	44	4·0
4	Occupancy tenants	20	186	9·3
5	Statutory tenants and their heirs	45	336	7·5

Size of holdings.—Let us next deal with the general size of the holdings in the village irrespective of the kind of tenure. The following statement gives the number of cultivators, according to the gradation of the size of their holdings :—

1.	Cultivators with more than 30 acres of land	..	1
2.	Ditto 20 to 30 acres of land ..	..	4
3.	Ditto 10 to 20 ditto ..	..	23
4.	Ditto 1 to 10 ditto ..	..	61
5.	Ditto less than 1 acre of land ..	..	15

The largest individual holding is .. .. 37·71 acres.
The smallest individual holding is .. .. 0 41 acre.
The average size of the holding in the village is .. .. .. 7·00 acres.

The total cultivated area plus the area cropped twice a year comes to about 1,023 acres. Hence the average size of area, cropped per cultivator, comes to a little less than 10 acres.

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The total number of ploughs in this village is 72. Thus the cultivated area per plough is about 10 acres.

Live-stock.—There are 154 draught cattle (male buffaloes and bullocks) in this village. The general condition of the draught cattle is distinctly more satisfactory in this village than in the surrounding areas. A large number of separate sheds for cattle have been constructed of late by the cultivators due to the persistent efforts of the Public Health department. The cattle appear also to be very much better fed than elsewhere. The majority of the bullocks possessed by the Jat cultivators are of a good breed and are very well kept. Such bullocks make a very imposing appearance when they draw the majestic conveyance called the *rath* on the soft roads of the country.

A large number of milch cattle are also kept by the Jat cultivators. There are about 210 cows and buffaloes in this village. The Jat woman is well-known in this locality for her skill in tending milch cattle; the male members of the family hardly ever do any work connected with these, but leave it to the women or bigger children. The Jat woman gets up early in the morning and milks the cattle herself, and the children drive them to the grazing ground after their breakfast, which generally consists of a small quantity of fresh milk together with bread left over from the previous night's meal. The milk is then put to boil on a slow fire, generally of smouldering cow-dung cakes, while the women clean the cattle sheds, prepare the cow-dung cakes, and churn the last day's milk. The butter is sold, while the buttermilk is consumed by the family. Some *bajra* flour is cooked with buttermilk to prepare the well-known food called *maheri*. The Jat woman then goes to the field with meals for her husband, who seldom returns home before dusk during the busy days. After returning from the field she takes her own meal and sits on the verandah cutting chaff for the cattle, till the cattle come back after grazing or ploughing. Then again she milks the cattle in the evening, cooks the evening meal, boils the milk and keeps it till the morning to assume the form of curd; and then the milk is churned again the next morning.

Ghi industry.—According to a time-honoured custom, the people of this village never sell milk or buttermilk, but only butter or clarified butter. A negligible quantity of *ghi* is consumed in the household, and the rest is sold every Monday in the *painth* (market) to the village *bania* or other purchasers who come to the weekly market to buy it. Some of the producers contract to supply a definite quantity of *ghi* to the village *bania* on every Monday for a certain period in lieu of an advance which the latter grants to the producers apparently without interest. The price of *ghi* in such transactions is fixed at Rs. 8 per maund lower than the ordinary market rate and thus the producers invariably lose by entering into such contracts.

Moneylenders.—Some of the local *banias* carry on the business of moneylending but the major portion of the village debts is in the hands of an outside *sahukar* who carries on this business in several other villages as well. There is also a small general shop in the village owned by a Brahmin who does a considerable moneylending business besides. Some *Bohras* of Kunjalpore, a village on the other side of the canal distributary at a distance of about one mile and a half, also lend money. A few of the cultivators have borrowed money from some well-known moneylenders of Sadabad town which is at a distance of some four miles. Some moneylending is also done on behalf of the local temple, especially with those cultivators who plough the land attached to the temple. Besides this long list there are various other persons who lend money, although they cannot be called professional moneylenders. Some rich cultivators lend to their neighbours and relatives, when the latter fail to obtain credit from other sources for important agricultural operations or social functions. Such people are always cautious as they have no means to press repayment and recover their invested capital.

Indebtedness according to caste and tenancy.—The cultivators of this village seem to be more prosperous than those of the area generally, yet the burden of debt is not light upon their shoulders. There are 14 families of cultivators, and of these only eleven families are free from debt. The total amount of indebtedness of 93 families of cultivators in the village is about Rs. 25,365; the average amount of indebtedness per family is about Rs. 243-14-0.

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The Jat family are more highly indebted than others, and next to them are the Chamars; the Brahmin families are the least indebted.

The following statement shows the indebtedness of cultivators by castes :—

Caste.	Number of families.	Amount of indebtedness.	Average indebtedners.
		Rs.	Rs. a. p.
Jats	71	18,800	264 12 0
Brahmins	11	2,190	199 1 0
Chamars	9	2,015	223 14 0
Others	11	2,360	214 8 0

Most of the Jat cultivators are *sir* landholders and *khudkasht* holders or ex-proprietary or occupancy tenants and they are the most heavily indebted persons in the village. Many of the Jat familes were in fact owners of the land which they now cultivate as ex-proprietary or occupancy or even as statutory tenants. The ownership of their holdings passed out of their hands due to the cumulative burden of debts which they and their forefathers incurred at different times. One of the Jat cultivators whose holding consists of 8 acres of *sir* land, 2 acres of *khudkasht*, and 7 acres of ex-proprietary tenancy is indebted to the extent of Rs. 1,700. He is the most heavily indebted person in the village. Similarly another Jat who has 4 acres of ex-proprietary and 11 acres of occupancy holding is indebted to the extent of Rs. 1,450. The purely statutory tenants are less indebted than the other classes of cultivators. The total amount of indebtedness of 36 purely statutory tenants is only Rs. 4,600, i.e., about Rs. 128 per cultivator. The following statement shows how the total indebtedness is distributed amongst the various classes of cultivators (distinguished according to the character of the major portion of their holding).

Number.	Name of class.	Number of cultivators.	Amount of debt.	Average debt.
			Rs.	Rs. a. p.
1	*Sir* and *khudkasht* holders . ..	28	9,845	365 2 0
2	Ex-proprietary tenants	11	3,950	359 0 0
3	Occupancy tenants	20	4,830	241 8 0
4	Statutory tenants	45	6,760	151 5 0

Thus it appears that the indebtedness of the people is proportional to the nature of security offered by them. The more secure the title the greater is the credit and the larger the amount of their indebtedness.

Registered and secured debts.—The registered debt on landed security amounts to Rs. 3,400* only i.e., about 13·5 per cent. of the total indebtedness of the cultivating class of this village. Most of the debts are either on personal security or on the security of the cattle possessed by the cultivators, because the majority of cultivators are not the actual owners of land, but cultivate it as tenants. Nevertheless the

* The figure is based on house to house enquiries made by the writer.

nature of their tenancy counts much in ascertaining their potential credit. Houses may be offered as security only by the *sir* landholders or the *zamindars* of the village and not by the tenants because the house site belongs to the *zamindar*. The ownership of the inhabited land in the village site passes with the ownership of the cultivated land. Besides, the house site commands a very insignificant price in the country-side and houses are never offered as security

Purposes of loans.—The purposes for which money is borrowed in this village are not very different from those which have been described in the Kupa village survey. There is, however, one special purpose which accounts for a considerable portion of the total indebtedness. Production of *ghi* in Jat cultivating families necessitates an extra investment of capital in milch cattle. This investment is very risky as the result of cattle disease, epidemics of which have often destroyed the entire live stock of the village. There is, however, sufficient margin for this risk and there seems to be no apparent reason why the borrowed capital should be allowed to remain unpaid when the production of *ghi* is so profitable in rural areas, especially in a cultivator's family where the bye-products are so profitably absorbed. The cultivators, however, do not like to repay so long as they can avoid it. They always save some money but it is always spent in some improvident and unproductive way. But there is one more reason for non-repayment. The *ghi* is sold in small quantities every week and the money can be repaid in small weekly instalments to the *Bohra*, but the latter is very much averse to the idea of accepting repayment of debt in small instalments. On the other hand, the cultivator is ordinarily incapable of restraining himself from spending the extra income.

Marriage is an important cause of indebtedness in this village. Child marriage is very prevalent here. Most of the girls are married before they reach the age of ten. Boys are also married at an early age. Some highly indebted families had to celebrate as many as four marriages in one year in spite of the failure of harvests for the last two years. Many now repent their past expenditure on marriage and other social functions as a result of which they are now so heavily involved. Besides heavy expenditure on dowries, ornaments, and ostentatious display, feasts have to be given to the entire community on the occasion of a marriage ceremony, and a defaulter would be socially ostracized if he failed to observe this custom, however unsatisfactory his finances might be. Drinking, litigation and the entertainment of guests and relations are minor causes of indebtedness. Other very common causes of indebtedness are agricultural expenses and subsistence. The agriculturist borrows and repays year by year in normal times, but arrears accumulate in years of scarcity; and when three or four crops are unsuccessful in succession, the debt reaches an unmanageable size. The following statement roughly shows the amount of indebtedness incurred for various purposes :—

		Rs.	Percentage total debt.
1.	Sinking of wells	940	3·7
2.	Purchase of draught cattle	1,800	7·1
3.	Purchase of milch cattle	2,730	10·7
4.	Purchase of agricultural implements . ..	475	1·8
5.	Manure	750	2·9
6.	Seed	5,970	23·5
7.	Labour	550	2·2
8.	Subsistence	5,200	20·5
9.	Rent, revenue or irrigation charges ..	1,400	5·5
10.	Marriages and other social functions ..	3,550	14·3
11.	Entertainment of guests	345	1·3
12.	Miscellaneous purposes	1,655	6·5
	Total ..	25,365	100

Rates of interest.—The general rate of interest on long-period loans is 24 per cent. per annum. There are, however, a few exceptional cases in which higher rates of interest have been charged, and also a number of cases when only 12 per cent. interest is paid; but such extreme cases are not many.

The rates of "*adhanni rupia*" (½ anna per rupee) and *doanni rupia*, (2 annas per rupee) which have been described in any other surveys are also prevalent in this village for short-period loans. Two pice per rupee per month represents the most common rate

of interest charged on sums borrowed for short periods. Such loans are granted only for intervals between sowing and harvesting.

Thus the rates of interest vary from 12 per cent. to 37½ per cent. The extreme rates are few, as will appear from the following statement of the interest rates prevalent in this village :—

		Rs.
1.	Amount of debt with 12 per cent. interest	1,450
2.	Amount of debt with 20 per cent. interest	4,150
3.	Amount of debt with 24 per cent. interest	11,630
4.	Amount of debt at *adhanni rupia* (or 37½ per cent.) ...	5,450
5.	Amount of debt with *doanni rupia* or other higher rates of interest	2,685

Taqavi loans form only a very small portion of the total debt and are unpopular. The cultivators experience great difficulty and incur extra expense in order to obtain these loans. They have to wait for days together at the tahsil headquarters and then are granted a loan of only a few rupees, which is by no means adequate. Some of the cultivators of this village had a bitter experience during the last *taqavi* distribution. They were granted sums of two or three rupees each as loans for subsistence and for this they had to wait at Sadabad for two days.

Practice of taking a bond for twice the amount of borrowing.—It seems to be a common practice in this area to give a bond for twice the amount borrowed from the moneylender. Several cultivators who have borrowed point out this. There are none except the local *Bohras* to finance the cultivators, and the latter's inability to obtain credit elsewhere on better terms is the main cause of their accepting such unfair terms. In cases where the sum actually borrowed is returned with interest on the due date, the moneylender takes it back without demur, otherwise a suit is filed according to the bond, and the borrower is thus obliged to pay with interest twice the sum he actually borrowed. The moneylender in such cases often returns to the borrower the surplus over and above his dues and litigation expenses. Further, the courts do not allow such high rates of interest and therefore the moneylender has recourse to this practice to safeguard his interest against dishonest persons who would not pay without a decree of the court.

Summary.—The salient points in this survey may be summarised thus :—

(i) The total area of the village is 810 acres of which 752 acres are under cultivation. The double-cropped area amounts to 271 acres. Thus the total crop-area comes to about 1,023 acres.

(ii) The total population of the village is 825.

(iii) In all there are about 104 families of cultivators of whom 45 are statutory tenants, 26 *sir* landholders, and 20 occupancy tenants. The rest of the tenants are either *khudkasht* or ex-proprietary.

(iii) Average size of the holding is seven acres of cultivated land or about ten acres of crop area.

(iv) The general condition of the draught cattle is distinctly more satisfactory in this village than in the surrounding area. The number of cattle is however small, there being only 154 draught cattle in the whole of this village.

(v) The Jat cultivators maintain a large number of milch buffaloes for the production of *ghi*, which is an important supplementary source of income and food.

(vi) The Jats of this village are more heavily indebted than others, and next to them are Chamars, while the Brahmin is the least indebted.

(vii) The *sir* land and *khudkasht* holders are most heavily indebted; then come the ex-proprietary tenants, and the occupancy tenants; the statutory tenants are the least indebted.

(viii) Debt-free cultivators form 9·5 per cent. of the total number of cultivators.

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(ix) The rates of interest vary from 12 per cent. to 37½ per cent. per annum, although the extreme rates are rare. The most common rate of interest is 24 per cent. per annum.

(x) The practice of giving a bond for twice the sum borrowed from the *mahajan* is prevalent.

(xi) The total indebtedness of the cultivators of this village is Rs. 25,365.

(xii) Indebtedness per cultivated acre comes to about Rs. 31-5-0.

(xiii) The amount of debt per family of cultivator is about 213-14.

(xiv) The average debt per head of rural population is about Rs. 30-12.

(xv) The percentage of registered debt to total indebtedness is 13·5.

Report of an economic enquiry in village KUPA, district Muttra.

[By Mr. BRIJENDRA NATH BHARGAVA, M.A., student, University of Lucknow.]

Introduction.

This tract round Sadabad, Muttra and Raya is one where agricultural deterioration has followed in the wake of a change in the conditions of water-supply, due to a fall in the water level, in all areas save those fed by the Ganges canal and its distributaries. Twenty years ago some wells in Sadabad reached water at a depth of only forty feet but now the water level is found at seventy-five feet. The strain on bullock power has enormously increased in consequence. Formerly a pair of bullocks could irrigate twelve to fifteen acres of land; now, strained to the utmost, a pair cannot irrigate more than eight acres. Formerly, two acres could be irrigated within three days, now it would require at least ten days. The depth of the water level has also increased the cost of well construction almost fivefold. More than a quarter of the wells formerly available for irrigation, have gone out of use. Those wells which remain could be saved only by costly brick-lining.

The loss of adequate well irrigation facilities has caused a decrease in the yield in a tract notorious for its fluctuations of rainfall. The yield of wheat, for instance, has declined from five or six to three or four maunds per bigha.

On the other hand, the low water level necessitates the employment of stronger cattle. Thus the resources of the cultivator are further taxed. To add to the trouble, there has been of late a fodder famine. A large number of cattle were sold, some to the butchers and some to the *beoparis*. Altogether the number of live stock has declined by 50 per cent. within the last few years. The purchase of new cattle is now an important cause of increased indebtedness. Sometimes the peasants meet the difficulty by entering into a partnership (*saji*). Each contributes one bullock to the yoke and pays the costs of cultivation, dividing the produce equally at harvest time.

In this particular tract I have found that on account of the loss of three successive harvests the resources both of the *sahukar* and the peasants have been exhausted to such an extent that no further credit is available, while old debts remain unpaid. After the loss of the *kharif* of 1928 many labourers migrated. I found a few labourers going on alternate days to the market of Hathras, about twelve miles off, to sell a bundle of grass worth four annas. Some were going to work in brick kilns, earning 6 annas per diem.

At present with the more or less complete failure of another *kharif* caused by locusts, most of the agricultural labourers and a few tenants have left, while the more well-to-do tenants are selling their cattle and fodder for their subsistence. It is a curious paradox that whereas in ordinary years the price of fodder in this area is so high that the peasant has to part with his cattle, in an unfavourable year, on the other hand, the price of fodder becomes cheap because the peasants have already sold off their cattle, and sell fodder at any price to procure their own food. For some months the peasant has eaten neither wheat nor barley but has been feeding himself on *juar*, *bajra* and *gajar*, and even on leaves of gram, which are given to live stock in ordinary years. The distinction between food and fodder is not always finely drawn in exceptional years.

On account of the peasant's loss of cattle, the moneylenders are now chary of advancing further capital for *rabi* sowings, while both the moneylender and the landlord are anxious that arrears of rent should not accumulate further. The collapse of credit is followed by the conversion of peasant proprietors first into ex-proprietary tenants and finally into statutory tenants.

General survey.

Situation.—The village of Kupa is situated at a distance of about two miles south-east of Sadabad in Muttra district. There is no *pakka* road leading to the village;

a dusty *dagra* (track) formed by the constant wear and tear of bullock-carts and human feet connects it with Sadabad.

Topography.—The inhabited village site is divided into two hamlets, respectively called Ulla Kupa and Pulla Kupa. There are hardly any masonry buildings in the village excepting the one belonging to the patwari. All dwellings are mud hovels thatched with straw, and are constructed closely together. The low thatched huts without any opening except at the entrance are extremely ill-ventilated, and everywhere unhygienic conditions prevail to the detriment of the health of the village. The scarcity of house sites does not allow the cultivators to build separate sheds for the cattle, as a result of which cattle and man live in the same dwelling, a fertile cause of various diseases.

There is a dirty shallow pool in the centre of each hamlet which is used by the village people for all other purposes except drinking. Village refuse is mostly thrown into the pool, and the dirty water is also drunk by the cattle. *Arhar* stalks used for making baskets, etc., are immersed in the water during the summer for days together, producing a bad smell which sometimes pervades the entire village.

People and occupation.—The total population of the village is 570. The majority of inhabitants are Jats, Brahmins and Chamars. The Jats are racially superior to all others. They are more or less entirely vegetarians, and yet possess a physique far superior to many meat-eating people. They are invariably strong, hardy and well-built and the women are equally healthy. The Jat woman here does as much work as an average cultivator and is thus a most valuable aid to the farmer. The Brahmins and Chamars are also good cultivating castes but they are inferior to the Jats both in skill and physique. The Brahmin woman cannot work in the fields, nor is she able to discharge even the household duties as efficiently as the Jat woman. The Chamarin, however, does ample work both inside and outside the house. She helps in tanning the raw hides, and cleaning the carcasses and also does a large amount of agricultural work. There is no bar to her engaging in field operations.

Besides the Jats, the Chamars, and the Brahmins who constitute the major portion of the village population, there are a few other people belonging to other castes. There is a big family of Muhammadan oil pressers which is amongst the most prosperous families of the village. Two members of the family act as village *tolas* (weighmen) and a third carries on some moneylending business. They have also a considerable farm, which occupies the family throughout the year.

Artisans, menials and a few other *kahars* constitute the rest of the population. These people possess little land and depend for their living upon the cultivating classes, to whom their services are indispensable. They help the major industry of the village by providing the requisite implements and repairing them when they are damaged or worn out, and supply occasional labour for various agricultural operations.

Thus the majority of villagers follow agriculture as their occupation, and the remainder supplement it. Out of 1,237 acres which is the total area of the village, 912 acres are under cultivation. An area of about 267 acres which is little less than one-fourth of the total area is uncultivable waste. Out of the rest 12 acres are under water and 11 acres are inhabited site. There is yet 28 acres of culturable waste. The total cultivable area is about 940 acres.

Soil.—The soil of the village on the whole is fertile. There are no signs of exhaustion visible anywhere in this area in spite of the absence of regular manuring. Excepting a small area near the canal distributary, the soil is almost everywhere a mixture of *bhur* and *dumat*. A few fields have been spoiled by the appearance of *reh* or *rankar* on the surface due to defective surface drainage. The tract described as uncultivable waste extends north of the village on the right side of the Jaleswar Road. This tract is overgrown with the *karil* shrub. *Banuil* (babul) is also grown here to serve as fuel. After the rainy season, there is a considerable crop of grass over this area. The greatest difficulty in the way of bringing this land into cultivation is its uneven surface. A small river called the Karwan flows through this area and deep ravines are being formed rapidly due to soil erosion. Indiscriminate grazing of cattle and sheep, and cutting of trees and grass have let loose nature's forces, which are changing the entire landscape.

Sources of water supply.—The sub-soil water level some two decades back was about 40 feet. But as the result of a series of droughts the level at present has sunk down to about 70 to 75 feet. Irrigation is being given up.

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The Government tube-well-boring department conducted some experiments in this area at considerable expense. But with so low a water level water was found too deep and there was little hope of the well continuing its supply of water for more than a few years and the Deputy Director of Agriculture warned some educated young enthusiasts who own lands in the village against starting farms on modern lines in this neighbourhood.

At present there are about 68 *kachcha* wells in this village irrigating some 385 acres of land. The percentage of well-irrigated to total cultivated area comes to about 42·2, which is considerably less than the percentage of well-irrigated to total cultivated area in some other well-irrigated districts, like Benares or Jaunpur. There are also two masonry wells in the village, but they are mainly used for other purposes than irrigation.

The canal-irrigated areas comes to about 173 acres, of which 77 acres are below and the rest above the water level in the canal. The percentage of canal-irrigated to total cultivated area comes to about 18·8: only 61 per cent. of the cultivated area is irrigated either by canal or by wells.

Crops.—There are only two crops in this area, one is called the *siari* (*kharif* or autumn crop) and the other the *aunhari* (*rabi* or the spring crop). The area under *rabi* is about 758 acres, and the *kharif* crop occupies only 442 acres. The area cultivated more than once comes to about 291 acres.

The *rabi* crop consists mainly of wheat, barley and gram; *sarson, donan, rai, mata, masur* and potatoes are the some other minor *rabi* products in this village. Potato is grown separately over a large area, and the other crops are sown along with wheat, barley and gram.

The *kharif* consists mainly of inferior kinds of grains. The chief crops are *juar, bajra, urd, mung, khurti* and *chari* (a fodder crop). Cotton is also widely grown in this season: it is the only paying crop in *kharif*.

The village Kupa is famous for its good quality wheat and cotton in the markets of Hathras and Agra. Kupa wheat always sells well in these two markets, as the local consumers always prefer it and are ready to pay a high price for it.

Classes of cultivator and the size of holdings.—Statutory tenants hold 752 acres of cultivated land equivalent to nearly 82·5 per cent. of the total cultivated area. Occupancy tenants hold only 87 acres—a little less than nine per cent. of the total cultivated area. Ex-proprietary tenants hold 11 acres, and the rent-free land comes to about six acres. The local landlords hold 58 acres as *sir* land, and there are about nine acres of *khudkasht* land. The following table shows the number of cultivators of various classes and the average size of their holdings:—

	Total.	Occupancy tenants.	Statutory tenants.	Number of landlords holding *sir*.	Exproprietary tenants.	Statutory tenants holding below one acre of land.	Statutory tenants holding from 1 to 10 acres of land.	Statutory tenants holding from 10 to 20 acres of land.	Statutory tenants holding from 20 to 30 acres of land.	Statutory tenants holding from 30 to 40 or above acres of land.
Number ..	105	7	93	2	3	10	30	46	5	2
Average holding ..	8·8	12·4	8·1	29·0	3·7	..	..	..	..	..

The majority consists of statutory tenants, and the occupancy tenants are few in number. *Sir* land is only 6·3 per cent. of the total cultivated area. All others are negligible figures. Many of the cultivators have a portion of each class of holding. For example, a cultivator may have six acres as statutory holding and three acres as

occupancy holding. Many small cultivators do not give up their claim to land held by them as occupancy or ex-proprietary tenants and sub-let their holdings year after year to neighbours, or combine with other cultivators to produce different crops.

Nineteen out of 105 farmers come from outside, the rest are resident in the village. The total number of ploughs is 60, and the cultivated area per plough is about 15 acres. The number of draught cattle is 143, bullocks and male buffaloes.

Draught and milch cattle.—In the whole village there are 168 milch cattle consisting of she-buffaloes and cows and 218 calves (male and female, cows and buffaloes). Two Gadarias (shepherds) rear 267 sheep and goats in the village.

The number of draught cattle is not small, but their condition and breed is unsatisfactory. Most of them are puny, ill-fed creatures who can only draw small and light ploughs, which can scratch the surface of the ground only a few inches deep. Few draught cattle are brought from outside; most of them are of local breed, and the village people never make an attempt to improve it.

The milch cattle suffers from scarcity of fodder; and uncontrolled breeding is leading to degeneration of the stock. The cultivator seldom pays any attention to the food values of the various kinds of fodder, and selects indiscriminately whatever fodder he can secure. During a fodder scarcity leaves of various trees are given to the cattle irrespective of their edible or nutritive quality. The milching period of the cattle is very short in this area. It lasts between three to six months, rarely longer.

Sources of credit.—Till recently the village has been more prosperous than other villages in this locality. There has been no litigation, and the people as a whole are peace-loving. Indebtedness was there, yet the cultivators were quite well off; they borrowed and repaid year by year. But of late successive droughts have upset the rural economy, and poverty and debts have enormously increased. The limit of starvation is not very far if the next harvest fails. But before that limit is reached the cultivator will utilise his credit in every possible way.

The agriculturist in this village generally borrows from *sahukars* or *bohras* who are mostly resident in the village. There is no caste restriction for this occupation; anybody who has accumulated some capital may become a moneylender, and he will find little competition. Bunniahs, Brahmans, Thakurs, and even Chamars are to be found among the village *bohras;* but the chief moneylenders are the first named. A local landlord is also carrying on a moneylending business in this village and he has the greatest advantage because of his greater control over his own tenants. More than half of the indebted cultivators are his clients, and he regards this village as the safest field for his investments. Other moneylenders of the village do not compete with him; they usually carry on this business beyond his circle. Another big moneylender in the village is a widow, who is carrying on the business of her late husband for his minor heirs. There are other small moneylenders, who are also cultivators or shop-keepers.

There is no co-operative society in this village. The people are unfamiliar with the idea of unlimited liability. The rigidity of repayment to a co-operative bank is regarded with disfavour, and an organiser of the co-operative department who came here to start a society a few years back was refused a hearing.

The only other source of capital in the village is the occasional grant of *taqavi* loans by the Government. This loan is distributed only in famine years. There is no regular moneylending on behalf of the Government to meet the requirements of the agriculturist at all times and for all purposes. A definite sum is advanced in the form of *taqavi* by the Government when the revenue officials recommend it. This kind of moneylending is too inelastic to suit the needs of the people.

Besides the *bohra* and the Government there are various other persons who make advances to the agriculturist in some form or other; calculations regarding repayment of the loan and the interest charged on it, however, are made in terms of money.

The village shop-keeper sells his commodities on credit for a fixed period. Besides charging prices above the actual market prices plus interest for the fixed period, he demands additional interest on payments delayed after the stipulated date.

Pathans and Kabulis visit the village at short and regular intervals, and, besides making cash advances, they supply blankets, woollen clothes, and other such commodities on credit at very exorbitant rates, and force repayment at the expiry of the period by foul abuse and a display of cudgels, sitting at their debtors' doors, and preventing them from going out or coming in unless and until their dues are paid.

There are various other *pheriwalas* who visit the villages every now and then and sell cotton, cloth, spices and articles of luxury to the cultivator who is easily allured to purchase on credit. These *pheriwalas* never insist on cash payment, because it would greatly minimise their sales, and also because their exorbitant prices will not be accepted by one who pays ready cash.

Tenants who are unable to pay their rents and irrigation charges often request their landlords (who may not be a moneylender) to advance them this sum and charge interest on it till it is repaid. The landlords often advance money or gram at seed time after a harvest failure, lest the cultivators leave his fields and run away. Such transactions generally terminate at the end of a successful harvest, when the tenant can pay both the principal and interest.

The cultivators also transact business among themselves—one who has a surplus over his requirements lends to his neighbour who is in need.

The agriculturist is everywhere indebted, and the reasons are not far to seek. Cultivation is an occupation which requires continuous sinking of capital, the return for which is not forthcoming in instalments to meet the expenses of further production. Again, cultivation in this region involves great risks due to climatic vissicitudes. Thirdly, the live stock which forms the major portion of the cultivators' capital is liable to unforeseen cattle disease. Innumerable cultivators have been ruined by the loss of their live stock during an epidemic.

The activities of the cultivators are restricted to the business of farming, and to the observance of social rites and ceremonies. Even the marketing of his own produce is entrusted to other agencies. The ceremonies serve as a diversion in his dull routine of farming. His luxuries are restricted to a few puffs of smoke after an interval of hard work, and the occasional expenditure of a few annas in buying sweets and merry-making in periodical *paiths*. His borrowings, therefore, are mainly for three purposes :—

(*i*) agricultural expenses;

(*ii*) his own subsistence; and

(*iii*) for ceremonials.

Expenses of cultivation.—These include (*a*) expenses for permanent improvements to land and (*b*) recurring expenses of cultivation.

Permanent improvements include sinking of wells, building of tanks, embankments and ridges, and the plantation of hedges for protection against wild animals.

The recurring expenses of cultivation are manifold. The cultivator requires draught cattle for ploughing the fields and drawing water. He also requires implements for all agricultural operations. The manuring of fields involves some expense; although the cultivator seldom purchases any manure, he has nevertheless to incur some expense in hiring *gadhawalas* to move the manure from the *ghura* to the fields and for its proper distribution on land. These expenses do not recur at every crop or season, but at long intervals, incurred for one crop or season, but often would serve for years together.

The cultivator also requires seed at the time of sowing each crop; the major part of his debt for recurring expenses is incurred under this heading. Fodder for cattle is also purchased occasionally, and he may have to borrow for the purpose.

Some agricultural debts are incurred for hiring labour at the time of sowing and ploughing, and also at the time of weeding and reaping; but only when the cultivator with the help of his family finds it difficult to finish his agricultural operations in time. Hired labour is paid in cash except at the time of the harvests.

Irrigation expenses are often borrowed by the cultivator. The *kharif* crop seldom requires any irrigation from wells or canals, but the *rabi* often requires watering when the winter rains fail or are inadequate. Three or four men are required for every pair of bullocks drawing water from the wells; thus if the family members are less than the number of persons required for irrigation the cultivator has to hire extra labourers.

As regards irrigation from canals, if the fields are lower than the level of water in the distributary a single man can irrigate a number of acres in a day; but if the fields are at a higher level, two men are required to lift the water with the help of a leather bucket, or a specially made basket, and a third is required to conduct the water to the *kiaris;* hence the cultivator may often be required to hire labourers even for canal irrigation. In this village, out of 173 acres which are in the total canal irrigated area, 77 acres are below the water level in the distributary and the rest above it.

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Land revenue, rent or irrigation charges, may also be counted as recurring expenses of the cultivator. Such charges are always collected after the harvest, and thus the cultivator seldom borrows money for these items of expenditure. He borrows money for such purposes only when the crop fails entirely, and the payment of these charges is neither excused nor postponed; or when he does not wish to part with his produce so early, but waits for a more favourable turn of the market.

(ii) *Subsistence.*—The cultivator must always borrow for his own subsistence. The agriculturist's profession is different from others in that his produce is seasonal. The crop requires continuous expenditure of capital and labour, but yields no return till the harvest; hence the agriculturist has to meet his expenses either from his surplus of the previous year or by borrowing. A few prudent and prosperous cultivators lay by money to meet the expenses of the next agricultural season, and to tide them over till the next harvest comes in; but in this village there were only twelve cultivators who were altogether debt-free; the rest were indebted in varying degrees. Thus most cultivators must spend their agricultural income in the repayment of loans of all kinds and the balance, after the payment of land revenue rent or irrigation charges, is trifling. Shortly after the harvest they are left without a penny, either for their own subsistence or for the expenses of the next season. The *bohra* then finances them again, and they never get out of this circle of indebtedness even after a number of continuous successful crops.

(iii) *Marriage.*—No Hindu can avoid either marriage or social functions; marriage especially is a religious duty; the only distinction between wisdom and imprudence lies in the amount of expenditure incurred on marriage.

The practice of payment of a dowry to the bridegroom prevails in the higher classes of Hindu society, e.g., the Brahmans, the Rajputs and the Jats. Among the lower classes, a price is put on the bride: the parents of the bride sell their daughter to the bridegroom. There is no fixed price, any amount between Rs. 25 and Rs. 500 may be paid for a Chamar girl. The beauty of the girl is no factor in determining her price, nor her skill in discharging household duties. The price is fixed in consideration of the age of the bridegroom and the status of his family. If the family is well-to-do, the price may be moderate, but if the bridegroom is old, the price will be high. The parents of the girl save little from the payments received by them for their daughter, as they have to spend lavishly in entertaining the marriage party and buying ornaments for the girl; while the parents of the bridegroom also spend large sums on the bride-prices of the girl, in feasts and in the conveyance of the marriage party.

Thus the parents of both the bridegroom and the bride are invariably out of pocket even when one of them gets something as a price for his son or daughter according to the custom of his caste. All marriages require expenditure on both sides, but the side which pays the bride or bridegroom price as the case may be, is committed to the larger expenditure. Few cultivators are able to meet these expenses from their own savings and are compelled to borrow. Sometimes the *bohra* is not willing to lend for such an unproductive purpose without charging excessive rates of interest; the cultivator then pays for the wedding himself, and increases his borrowings later for other purposes.

Besides the marriage ceremony proper there are various other ceremonies connected with marriage or subsequent to marriage which involve expenditure on the part of the parents, for which the cultivator has occasionally to borrow.

Other social functions and ceremonies.—The funeral ceremony is another item of unavoidable expenditure. The relatives of the deceased have to perform the funeral and *sradh* ceremonies of the departed at any cost. The feeding of Brahmans on this occasion is necessary, and if the person was advanced in years, the whole village may have to be fed. The cultivator usually has to borrow money for this purpose.

There are various other social functions which involve expenditure and may cause indebtedness, whilst the old people often go on pilgrimages and other religious journeys, and spend large amounts to ensure their salvation.

Summary.—The following statement shows the amount of current indebtedness (plus the interest due) incurred for various purposes in the village of Kupa :—

		Rs.	Percentage of total indebtedness.
1.	Sinking of wells	1,367	7·37
2.	Other agricultural improvements	137	·74
3.	Purchase of plough or other cattle	1,665	9·00
4.	Manure	468	2·50
5.	Agricultural implements	480	2·60
6.	Seed	3,840	20·70
7.	Expenses of cultivation, e.g., wages of labourers ..	1,257	6·80
8.	Subsistence	3,540	19·10
9.	Payment of land revenue, rent, or irrigation charges	2,600	14·18
10.	Marriage and other social functions	1,975	10·65
11.	Miscellaneous expenses	,200	6·36
	Total indebtedness ..	18,529	100·00

This indebtedness is distributed amongst various classes of the cultivators as follows :—

Serial number.	Class of cultivator.	Number.	Total debt of the class.	Debt per cultivator.
			Rs.	Rs. a. p.
1	*Sir* landholders	2	400	200 0 0
2	Occupancy tenants ..	7	3,850	550 0 0
3	Ex.proprietary tenants ..	3	1,100	366 1 0
4	Statutory tenants ..	93	13,179	141 11 0

The *sir* landholders are not very much indebted; they were up to this time free from any kind of debt, but the successive failures of harvest compelled them to borrow.

The occupancy tenants are most heavily in debt, next to them are the ex-proprietary tenants, and the least in debt are the statutory tenants. It seems as though indebtedness varies directly as the security of land rights.

The distribution of indebtedness amongst the various castes of the village is as follows :—

Serial number.	Caste.	Number of cultivators.	Total amount of debt.	Debt per cultivator.	Remarks.
			Rs.	Rs. a. p.	
1	Jats	31	5,153	166 4 0	
2	Brahmans ..	22	3,050	178 10 0	
3	Chamars ..	26	6,450	248 4 0	
4	Other castes ..	26	3,876	149 1 0	

The above table shows that the Chamars are the most heavily indebted caste in this village, though they hold the greatest area of land, and are the most prosperous cultivators of the village. But though prosperous they are most improvident. The extravagance of the Chamars is proverbial. The largest number of communal feasts are celebrated by this caste, and, in fact, the slightest event becomes an occasion for a communal *pant* (feast). Such extravagance might be excused when crops are good, but after several bad harvests it is the cause of ruin. The following example will illustrate a Chamar peasant's folly at a time when the whole village was facing starvation :—A Chamar cultivator who had a holding of 72 bighas (equivalent to 15 acres) of which 40 bighas were occupancy and the rest was on life tenancy, was indebted to the extent of Rs. 1,200. Due to the failure of three successive crops he had not been able to pay a single pice of interest, some Rs. 30 per mensem, to the *bohra*. Nevertheless, he went to him for a fresh loan of another hundred rupees to celebrate the funeral of his grandmother with a communal feast, and to feed some Brahmans, though there was not enough food in his own household. His request was refused by the *bohra*. He had incurred the major portion of his debt in celebrating two marriage ceremonies in November last though times were then bad because of the failure of the *kharif* crop of 1928.

The Brahmans and the Jats are more shrewd as regards their expenditure than the Chamars of the village.

Causes of the recent increase of indebtedness.—The cultivators of this village had always been indebted to the moneylender, but generally repaid the whole amount at the end of the harvest; even when a crop failed, the next crop was invariably good, and made up the deficiency of the previous harvest. But for the last three seasons the crops have failed one after another, and the debts of the cultivators have been increasing rapidly, without any hope of redemption in future unless a number of bumper harvests follow these unfortunate times.

A failure of three successive harvests has never occurred before. The *bohras* have not been able to recover anything for the last two years' and they cannot afford fresh credit to the cultivators without the realisation of previous loans or interest. The *bohras'* resources are not unlimited, whilst they had a bitter experience of the last *rabi* crop which they financed duly, but which completely failed. The cultivators are very near the starvation limit, and it goes without saying that they have nothing more to invest in cultivation. The sowing season for the next *rabi* crop is approaching fast, but lack of resources and credit facilities is the rule in the village, and pessimism prevails throughout regarding the success of the next crop.

Some Chamars have already deserted the village to seek their living elsewhere and to avoid the moneylenders' *taqaza* (dunning) : they will not return to the village unless they see prospects of a successful crop, and of fresh credit.

Nothing can relieve the cultivator on this occasion except a prompt distribution of adequate *taqavi* by the Government, because nobody dare risk his capital, whatever the rate of interest, under such circumstances. A few enterprising moneylenders are prepared to finance the cultivator, but only if the Government undertakes to ensure prior repayment of their debts.

The debt has not increased in amount, but the arrears of interest have accumulated. Accoridng to the present figures, indebtedness per cultivated area comes to about Rs. 20-5-0. The amount of debt per family of cultivator in the village is about Rs. 176-7-0 and the average debt per head of rural population is about Rs. 30-12-0. The total debt of the village is about six times the revenue paid to the Government for the entire village.

Terms of repayment and rate of interest.

Arbitrary rates.—A variety of rates of interest are charged in this village, due to the disorganised state of the moneylending business in the rural areas. The *bohras* can charge any rate of interest which they like, because the cultivator has no choice in the matter. There is practically no competition against them; the only limit to the expansion of their business is the size of their resources. The village can absorb any amount of credit if there are persons to offer it: it is difficult to estimate the amount of credit which would satisfy the whole village. But no outsider dare lend to a client of the local *bohra* unless he is ready to pay all his old debts. The local *bohra* has effective means of control over the cultivators, and the latter cannot evade his prior claims.

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Rates on cash advances.—The rates for cash advances are never less than 24 per cent. per annum. The highest rate of interest which the writer came across was two annas per rupee per month, which comes to about 206¼ per cent. per annum (by compound interest reckoned half-yearly). The general rate of interest for short periods is 37½ per cent. per annum. The rate is known in local parlance as *adhanni rupia*, meaning half-anna per rupee per mensem. One may regard himself fortunate if he can get a loan at this rate for the usual agricultural expenses or social requirements. Loans at this rate are granted for the purchase of cattle and improvements in land which provide ample security against non-repayment. The interest is invariably charged half-yearly, and compound interest is reckoned in the event of failure to pay the interest at the stipulated rate.

Another most popular rate of interest is called by the name of *doanni rupia*. This is charged on sums advanced for meeting recurring agricultural expenses. The cultivator may borrow money any time between the sowing period of a crop and its harvesting, and he will have to pay interest at two annas per rupee; the rate is fixed, but the period may vary from a week to about five months, the entire agricultural season.

The moneylenders generally avoid granting loans of this kind in the earlier months of the season, because they then get a very low rate of interest. But they lend money quite readily in the later months when the harvest is getting ready because then they get a higher percentage rate of interest. Advances at *doanni rupia* rate are made for the purposes of meeting the expenses of weeding and harvesting the crop, and to buy food for the cultivator till the harvest comes in. The cultivator does not mind borrowing at this rate when he expects a successful crop after a short period, and he cannot avoid it also, because by the time of ripening of the crop the cultivator spends all his savings of the previous years, and there remains nothing to fall back upon.

Qist loans.—*Qist* (instalment) advances are made in sums of ten rupees. The cultivator may only borrow sums which are multiples of ten. When the cultivator borrows twenty rupees in *qist*, he is said to have borrowed two *qists*, and so on. The borrower is resumed to pay one rupee per month for twelve months for every *qist* and thus the additional amount of two rupees represents the interest. The moneylender insists on punctual payment of these instalments and charges additional interest at the rate of one anna per rupee per month if the instalments fall in arrears.

Loans for unproductive purposes.—Loans for unproductive purposes like marriages or other social functions are granted at specially high rates of interest unless some sound security is offered. The agriculturist is always eager to obtain loans for marriage and other social functions but the moneylender is often reluctant to grant them and hence the rate of interest is invariably high, unless the security is good. The amount of debt on account of social functions appears low in this village (Rs. 1,975 only). This is because the cultivator knowing the *bohra's* dislike of such loans usually pays marriage expenditure himself and borrows more freely for other purposes.

The moneylender charges exorbitant interest on these unproductive loans, at the rate of 60 to 100 per cent per annum; yet the cultivator cannot be dissuaded from borrowing for such purposes. Lack of education and foresight is the main cause of his recklessness. The moneylender is not at fault, because he tries to persuade his client as best as he can not to borrow for such purposes and it is only under the pressure of circumstances that he is compelled to accede to the request of his clients.

Loans in kind.—Grain is borrowed by the cultivator for the purposes of sowing as well as for his own subsistence, but since there is no difference in the rate of interest or in the quality of grain for the two purposes, all borrowings at the sowing time are considered to be for seed purposes; *sawai* and *deorha* are the common rates of interest for these loans in kind. But those cultivators who have a better reputation regarding repayment get seed loans at *doanni rupia* (two annas a rupee) but it comes practically to *sawai*, because the moneylender gives grain at half a seer less than the market rate at the time of lending and receives half a seer more at the time of repayment. Compound interest (reckoned half-yearly) is invariably charged on agricultural borrowings irrespective of the rate of interest. The moneylender often miscalculates the account in his favour and the cultivator can seldom detect the fraud. When the borrower pays the principal in irregular instalments, the interest is generally charged upon the total borrowing till the last pie is repaid. An actual example will illustrate this trick. A cultivator who took on loan a hundred rupees from a *bohra* at 24 per cent. per annum paid an

instalment of Rs. 12 at the end of the first month (two rupees as interest on the total borrowing for the month plus ten rupees as part repayment of the principal); yet in the next month he was required to pay two rupees as interest on the whole principal even though the principal was reduced to ninety rupees. This continued all through and the cultivator was required to pay two rupees per month as interest until the debt was finally cleared off.

Reasons for high rates of interest.—The moneylender charges a high rate of interest, but the risks of his business to some extent justify him. Firstly, he has considerable difficulty in borrowing money from the money-market unless he has a very sound and universally accepted security to offer against his borrowings. He himself is often required to pay 12 per cent. per annum, and thus he cannot be blamed for charging a higher rate of interest to the cultivators. Secondly, he has to allow for loss in his business. This comes to about eight to ten per cent. even in very sound investments; and therefore he does not get more than eight to ten per cent. for himself, in ordinary transactions. The general rate of interest at 24 per cent. per annum is not, therefore, altogether unjustifiable.

Incidental charges.—There are few charges incidental to the grant of loans. More than fifty per cent. of loans are granted without any written documents to prove them. For the rest of the loans for which deeds, bonds or pronotes are executed, the government dues, in the form of stamps affixed on the bond, are often evaded by issuing an old bond which the borrower deposits with the moneylender every time the former obtains a fresh loan.

The moneylender may excuse the repayment of a small sum as *chhoot* if the borrower promptly and punctually repays the principal and the interest.

Security for agricultural borrowings.—The moneylender's personal influence is more effective than all material securities put together. Fifty per cent. of the loans are not secured by bonds, pronotes or deeds; the only security consists in the close watch of the moneylender and the honesty of the borrowers. The borrowers also know that the moneylender is a powerful man, and if they refuse to pay him, he can compel them to do so in other ways than by a suit in a court of law, which is the last resort. When there are no documents, the moneylender sometimes resorts to foul means, such as picking a quarrel with their clients, and starting a criminal prosecution.

Those borrowers whom the moneylender thinks beyond his control or whom he regards as dishonest are usually compelled to execute a deed or pronote. Such deeds are often executed for amounts more than the sum actually borrowed. This precaution is designed to make up for the loss and expense of litigation, and there is a mutual understanding between moneylender and borrower that if the interest and the principal are punctually paid, the moneylender will charge only the due sum, but otherwise he will enforce repayment by the help of the court for the full amount of the bond. The excess over the sum actually borrowed then covers the expenses incurred by the moneylender in excess of the costs allowed by the court. Again, the courts very often allow interest at a much lower rate than the rate decided between the parties, and the practice also safeguards the moneylender against loss on this account.

The practice of subletting.—The majority of cultivators have no land of their own to offer as security against their borrowings. Most of the cultivators are mere tenants and as such they cannot mortgage their holdings. But they have a right to sublet them and instead of offering the land, they often offer the use of their land as security. This is generally accepted by the moneylender, who, in case of non-payment of debt, compels the cultivator to sublet his holding to him. He then sublets it to another cultivator at a higher rate of rent, making thereby a profit from the difference of rents. In this village, 11 acres of occupancy holdings were sublet to a moneylender who sublet the same to another cultivator at a higher rent. The original rent on those occupancy holdings was Rs. 6½ per acre and the moneylender charged Rs. 13½ per acre, earning thereby Rs. 7 per acre on 11 acres for four years in lieu of a debt of Rs. 225 which the occupancy holder was unable to pay in cash.

The statutory tenants may also sublet their land for three years after cultivating it themselves for the same period. But their rent is not so low as to leave any appreciable margin after subletting. No *shikmi patta* (sub-lease) was found in this village in respect of the statutory holdings.

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Standing crops, cattle and ornaments are also offered and accepted as security for agricultural borrowings. In this village only Rs. 800 out of the total debt were secured by the deposit of ornaments, and some Rs. 2,100 had been borrowed on the security of the milch and the draught cattle.

Registered and secured debts.—Only Rs. 1,100 out of the total debt is registered in the registration office. Hence the total registered and the secured debt in this village is about Rs. 4,000, that is, approximately 21·5 per cent. of the total debt. The proportion of registered and secured debt to total indebtedness is, indeed, small.

Summary.—The salient points in this survey may be summarised thus :

(i) The total area of the village is 1,237 acres of which 912 acres are under cultivation and 28 acres are culturable waste. The double-cropped area amounts to 294 acres and thus the total crop area is about 1,206 acres.

(ii) The sub-soil water level has sunk from 40 to 70 feet during the last two decades as a result of a series of droughts.

(iii) The statutory tenants hold 82·5 per cent. of the total cultivated land.

(iv) The average size of the holding is 8·7 acres. The economic holding may be estimated as ten acres.

(v) The cultivators of this village were quite well off, but of late successive failures of harvests have upset the rural economy and debts have enormously increased.

(vi) The *bohras* and *sahukars* are the chief moneylenders of the village. The landlord of the village also does considerable moneylending business.

(vii) More than 70 per cent. of loans are incurred for agricultural operations and requirements, while 19·1 per cent. are for subsistence, and 10·65 per cent. for marriages and other social functions.

(viii) Indebtedness varies directly as the security of land rights.

(ix) Total indebtedness of the cultivators of the village is about Rs. 18,529.

(x) Indebtedness per cultivated acre comes to about Rs. 20·5.

(xi) The amount of debt per family of cultivators is about Rs. 176·7.

(xii) The average debt per head of rural population is about Rs. 30-12.

(xiii) The rate of interest generally varies between 24 and 37½ per cent. per annum.

(xiv) The percentage of registered and secured debt to total indebtedness is about 21·5.

Extracts from a monograph on agricultural marketing by Mr. BRIJENDRA NATH BHARGAVA, M.A., student, University of Lucknow.

I.—The cultivator and the beopari (itinerant dealer).

In the case of a small farmer it would not be worth while to take his small produce to a distant market. He cannot afford to spare the money involved in transporting and marketing. He would rather forego the middleman's profit and sell to the local dealer.

Big cultivators alone can manage to dispose of their produce on the best terms and secure the profit otherwise accruing to the *beopari*. The majority of small cultivators are always hard pressed by the necessity of money to pay the dues of the *zamindar* and the *sahukar* at the time of harvest. They cannot wait to examine the condition of the market and are always in a hurry to dispose of their produce at the earliest opportunity. Under such circumstances the local *beopari* is the only man to whom they must sell their produce immediately at their door.

The *beopari* goes to the *taula* (weighman) of the village, who is generally an honest man, or at least supposed to be so by the *zamindar* who appoints him. The *taula* knows exactly the quality and the quantity of grain possessed by each farmer and the portion thereof the farmer is willing to sell at a certain price. After consulting the weighman the *beopari* goes to the cultivators, examines the actual heaps of grains and settles the price for a certain quantity of grain with the help of the weighman, who is also present. There is no system of grading.

The cultivator may be compelled to part with his produce at comparatively unfavourable rates on account of financial stringency, but he seldom lacks information regarding the movements of the market. The prices of grain are known in all rural areas, even in the remotest villages, for news travels rapidly in India, and the prices of grain are a popular topic, so that the dealer's chance of profiting by the cultivator's ignorance is greatly reduced. Further, the cultivator is quite shrewd enough to calculate whether it would be profitable for him to sell his produce to the local dealer on his terms, or to take the risk of selling it in the market himself.

The rates in the village are, however, lower than the rates in the market. This difference, of course, varies, for it depends upon the distance of the village from the *mandi* and the relative facility of transport, etc. A difference of one seer in a rupee may be taken as an average for the cheaper kinds of grain. For pulses like *urd* and *moong* which sell at five seers a rupee it would be three-eighths of a seer, for cotton one-eighth of a seed, whilst in the case of some oil-seeds, the difference would be very small. In fact, the greater the value per unit of bulk, the greater the difference between the village and market prices. When the local dealers offer the cultivator a price, the latter calculates whether the price offered is more than he would be likely to get, if he were to go to the *mandi* himself. For instance, if the market rate of wheat at Hathras were Rs. 5-7 a maund, the cultivator would sell his wheat at Kupa, a village near Sadabad (district Muttra), at Rs. 5 a maund or even an anna or two less, because the expense of marketing at Hathras, including the cost of transport from his village comes to about 8 annas a maund. . . .

There is no provision for fluctuation in prices in the margin allowed by the cultivator. That is left to the dealer. As soon as the cultivator has sold his produce he is free of all trade risks. . . .

The margin thus allowed to the *beopari* is little more than what the cultivators would have to spend if they themselves went to the market. If the *beopari* can make a profit out of this margin it is because he has specialised in the business and effect various economies which the ordinary cultivators would fail to secure. In view of his services to the community, there is certainly no need to grudge the *beopari* the small profit which this margin allows him.

It is sometimes urged that this middleman should be eliminated to transfer his gains to the cultivator's pocket. But that is to go back on the principle of the

division of labour; the *beopari* does for the cultivator what the cultivator cannot as well do for himself. Even if the *beopari* were, as is sometimes alleged, a dishonest scoundrel who takes advantage of the rustic's ignorance to cheat him, that would not be sufficient reason for ending, but only for mending, him Certainly this marketing agency must not be removed unless some other can be put in its place. And who, after all is the *beopari*? He is rarely an alien agency: as often as not he is himself a cultivator who makes use of his bullock cart to supplement the income derived from his farm.

II.—The beopari and the arhatia (commission agent).

When the *beoparis* arrive at the market, they go to the stall of some *arhatia* (broker). His business is to sell the grain brought to him by his clients, *beopari* or cultivator, at the most favourable rates, and also to look after their personal comfort.

Arhatias generally send out their agents in the morning a mile or two on the roads leading to the market to persuade prospective clients to come to their shop, though the latter usually rely more on their own experience than on the arguments of these agents. . . . .

As other inducements, some *arhatias* withhold a certain amount of money due to the client in order that he might come to their shop again; whilst others advance money to the client and thus ensure his custom. One well-known *arhatia* stated that he had advanced some Rs. 3,500 to various cultivators and *beoparis* in order that they might market through him when they visit the Hathras market, and charged only a nominal interest, although the risk was great, and there was little chance of the money being recovered if the shop of the *arhatia* was closed or his business failed. In another Hathras case, an *arhatia's* business came to an end on his death, and out of some Rs. 5,000 which he had advanced in rural areas to secure custom, only a few hundred rupees were recovered.

III.—The arhatia, the customer and the dalal (broker).

The *beopari* takes his case at the *arhatia's* stall until a customer arrives, who is invariably accompanied by a broker. The method of bargaining is peculiar. The broker has a piece of cloth called "*angochhi*," and all terms are settled under the cover of this *angochhi* by manipulating the fingers. Suppose, for instance, that the rate of wheat is Rs. 5-2 per maund; and the customer offers a rate of Rs. 5-1; to express his offer he would catch hold of one finger of the broker under the cover of the *angochhi*, and the broker in his turn would catch hold of one finger of the *arhatia*. The *arhatia* would then take the *beopari* aside and consult him. Suppose the *beopari* were willing to sell at Rs. 5-1 6, then the *arhatia* would inform the broker by first catching hold of one of his fingers and uttering the word "anna", and then catching hold of two fingers, and uttering the word "pice", which offer would be passed on to the customer by the broker in the same way, and so on till agreement was reached.

The *arhatia's* treatment of his client is a very important matter, about which he has to be exceedingly careful. Competition between *arhatias*, at Hathras specially, is so keen that it is not easy to secure or retain the custom of a client without treating him specially well. The *arhatia* must supply comfortable accommodation, good drinking water, and sometimes tobacco or other smoking materials; and must show to his clients that he tries his best to secure for him the most favourable price.

IV.—The pakka arhatia, or purchaser's agent.

Let us next consider as to who is the purchaser of the *beopari's* goods. We have already seen that the ordinary *arhatia* (commission agent) does not often purchase the *beopari's* goods. It is the *pakka arhatia* who effects these purchases, either on his own account or on behalf of some outside firm. Generally he acts as a commission agent for despatching goods to big firms in distant grain centres, such as Bombay, Calcutta, Cawnpore, and Karachi. Sometimes the firms send their representatives to the market where they usually conduct business with the help of these *pakka arhatias*. Such an outside firm both buys and sells, which it does depends upon relative market conditions. For example, a firm of Cawnpore will buy wheat at Hathras if the rate of wheat at Cawnpore is higher than that at Hathras by more than the cost of transport and other incidental expenses of carrying wheat from Hathras to Cawnpore.

On the other hand, it may happen sometimes that, as the result of such a cause as scarcity in adjoining rural areas, the prices of grain at Hathras may rise beyond the prices at export centres. Then the outside firms will despatch their goods to Hathras for sale, through their agent, the *pakka arhatia*. This will take place only when the prices of grain rise at Hathras by more than the expenses of carrying the goods from the big centres to Hathras.

V.—Marketing charges.

Village.—The cultivators, when they dispose of their produce, to the local dealer, have to incure little expense. They have to give a seer and a quarter of grain to the agent of the buyer (generally the driver of the cart), and the same amount to another person who assists the *taula* (*weighman*) in the weighing operation, for every cartload of transaction. The average cart carries 20 maunds, and thus for every maund he gives about two chhataks of grain which cost half a pice if the grain sells at the rate of eight seers for the rupee. On the other hand, he gets half the wages of the weighman according to the custom of the village. The wages of the weighman are fixed at one pice per rupee worth of transaction. Thus for every rupee worth of transaction the seller gets half a pice from the wages of the weighman which comes to about two and a half pice per maund if the grain sell at eight seers per rupee. This leaves him a saving of two pice per maund instead of any expense.

It is, however, important to note that weights are found to differ in different villages. For example, the maund of Kupa is equivalent to 42 seers of standard weight. When the cultivator sells his produce he sells it at a slightly higher rate in order to cover the price of the two extra seers that the purchaser will get on account of the heavier weights. . . .

Beopari.—When sufficient grain has been collected for a cartload, the *beopari* takes it to the *mandi*; the *beopari* generally keeps his own cart. The cost of maintaining the cattle and the cart is the second item in the list of his expenses, the weighing charges of the village *taula* being the first. It is, of course, difficult to estimate the cost of transport per maund under such circumstances, especially as the bullocks and cart are put to other uses as well.

Before reaching the *mandi* the *beopari* has to meet a third expense, namely the octroi duty. For every loaded cart drawn by two bullocks the octroi duty at Hathras is 5 annas 9 pies; for that drawn by three it is 9 annas. At Agra the octroi duties are 14 annas for every loaded cart drawn by two bullocks and Re. 1-5 for one drawn by three. . . .

The *beopari* has also to pay for transporting the grain from the stall of the *arhatia* to the godown of the customer. Each porter (*palledar*) carries about one maund and a half at a time, and the *beopari* pays on the average 1 anna 6 pies for each head-load. The minimum wage at dull seasons is one anna per head load. The wages also depend upon the distance to be traversed by the *palledar*.

As soon as the grain is weighed and carried to the godown of the purchaser the *arhatia* becomes responsible for the payment of the price by the purchaser to the seller. Payments are generally cash, and in the event of failure by the purchaser to pay the price immediately, the *arhatia* makes payment out of his own pocket. He charges no interest unless the repayment is delayed for more than a few days.

When the grain reaches the godown of the purchaser it is reweighed, and the difference in weight, if there be any against the *beopari*, is taken into account when payment is made to him. The purchaser sometimes insists upon a deduction of half a seer of grain per maund to compensate for the dust in the grain.

The following charges have also to be met by the *beopari* :—

(i) Weighing charges, one pice per rupee.

(ii) Weighman, a seer of grain per cart.

(iii) Weighman's assistant (*charharewala*), a seer of grain per cart.

(iv) Purchaser's broker, six annas per cent. If no broker comes with the purchaser, this amount is charged by the *arhatia* for having acted as a broker. The brokerage may also be charged on the amount of transaction if the whole

cartload is not purchased by a single buyer. It is then charged at the rate of five annas per transaction of hundred rupees.

(v) *Shahgirdi*—a religious deduction—four annas per Rs. 100 of price.

(vi) *Goshala* donation, one anna per transaction of Rs. 400.

(vii) *Ramlila* subscription, one pice up to Rs. 1,000 and a pice for each additional thousand.

Besides these regular charges there are some other irregular and arbitrary charges which differ from shop to shop. For example, the *arhatia* may charge the seller one chhatack per maund for the establishment of his shop. The beggars are given some grain; the *chamarin* who cleans the place for weighing the grain is given two or three handfuls from each cart. The *pujari* of the temple in the *mandi* receives one seer per cart.

Arhatia.—The *arhatia* charges Re. 1-9 per transaction of Rs. 100 from the *beopari* as weighing charges. Out of this, however, he makes the following payments :—

(i) The charges of weighman, four annas per bargain of Rs. 100 (at Hathras).

(ii) Cart driver, three annas per cart.

(iii) Stable-keeper, three pies per bullock.

Thus the *arhatia's* profit comes to about Re. 1 per bargain of Rs. 100, including the risks due to the money lent to his clients, the interest on the money, and the expenses of maintaining the shop. . . .

Pakka arhatia.—The following list gives an idea of the expenses which the outside firm will have to incur for each consignment if they purchase goods at Hathras and get them despatched for delivery at their own place :—

(i) Railway freight, Re. 1-12 per maund for Bombay and Calcutta.

(ii) Filling and sewing the sacks nine pies per sack of 2½ maunds.

(iii) Thread for sewing the sacks, twelve annas per 100 sacks.

(iv) Price of sacks at the market rate (which is subject to fluctuations), approximately seven annas

(v) Brokerage, ten annas per transaction of Rs. 100.

(vi) Octroi on cereals, four pies per maund.

(vii) Cartage charges, two and a half pice per sack of two and a half maunds.

(viii) Tip to the railway subordinates, Rs. 2 per hundred sacks.

(ix) Expenses at the railway station, Rs.5.

A professional writer lives at the railway station who gets everything done properly for the *arhatia* and charges him five annas as wages . . .

Besides the railway freight, the outside firms have to incur the following expenses in the *mandi* of Hathras, if they wish to sell their goods there :—

(i) Brokerage, five annas per transaction of Rs. 100.

(ii) Weighing charges, one pice per sack of two and a half maunds.

(iii) *Goshala*, one anna per transaction of Rs. 100.

(iv) Cartage charges from the railway station to the godown of the *pakka arhatia*, one anna per sack of two and a half maunds.

The railway freight between Hathras and either Calcutta and Bombay comes to about Re. 1-12 per maund.

VI.—Speculation.

The most important attribute of a commodity that can be made the object of speculation is wide demand. Secondly, the commodity should be subject to great fluctuations in prices. Thirdly, it should be capable of being graded and described with sufficient accuracy so that it can be easily referred to in speculative contracts. Lastly, it should be capable of being preserved for a reasonable length of time. Grain, therefore, is a highly suitable commodity for the purpose of organised speculation.

The professional speculators in India generally represent the class of dealers in grain. Practically all the firms take part in speculation. By their long experience of the market they are well able to forecast the trend of price fluctuations.

They have no reguar association similar to western Stock Exchanges, but there are verbal rules and regulations to govern their activities, entirely conventional and unwritten, yet generally as binding as written rules.

They have no regular association similar to western Stock Exchanges, but there ing business, nor are those people whose names are contained in the *sarafa* (a list of honest people). But ordinary individuals have got to lodge adequate security as a guarantee of their good faith. Some firms when they find it impossible to pay up their losses declare bankruptcy. Nothing can be done against them in the courts of law; they need not even get their insolvency declared by the court, for speculative transactions are not legally valid. They simply lose their credit. Thus mutual good faith is the only basis of speculation, and public censure and loss of goodwill are the only checks against breach of faith.

In the absence of any system of grading in the markets, transactions are settled by the show of samples. Some qualities are so well marked that even without any regular gradation they can be approximately identified. Wheat, for example, is specified as white or brown, and gram as thin and thick. But such stipulations regarding the quality are rarely made, unless actual delivery of goods is intended by either party to the contract.

The most general type of speculation is known as the *badni ka satta*. The common objects of speculation at Hathras are wheat, gram, barley, and *bajra*. The first three of them are stored in *khattis* (pits for storing grain), and all speculative tansactions concerning them are made in terms of *khattis*. The contracts for future delivery are made eight to six months before the date of maturity, which is always fixed on *Jaith Sudi Purnmashi* (the full moon day in the month of *Jaith* by the Indian calendar). All those who enter into contract for future delivery of goods have to fulfil the contract on or before that day. The contracts are fulfilled by mere payment of profit or loss calculated on the quantity of goods contracted for. Suppose, for instance, *A* has contracted with *B* to supply him with five *khattis* of wheat at Rs. 5-4 per maund. Now, if the rate of wheat on *Jaith Sudi Purnmashi* (the date of maturity) be Rs. 5-10 per maund, *A* will have to pay *B* a difference of six annas per maund for the whole amount of wheat that he has contracted to supply him. The contents of the five *khattis* for which the contract was made will be weighed and the payment made accordingly. . . .

Although the date of delivery is fixed at *Jaith Sudi Purnmashi*, the supplier at Hathras is given the option to deliver the goods on any day in the month of *Jaith* prior to *Purnmashi* (the last day of the month). If he does not clear the account before *Purnmashi* the purchaser can compel him to do it on that day.

Actual delivery, however, rarely takes place. For the purchaser, whose main object is to make money out of these transactions, seldom deserves it. On the other hand, the seller often contracts to sell the same *khatti* to various persons, and cannot deliver to all of them, so that he also prefers to pay the difference in price to his purchaser.

The speculator who has sold for future delivery does not bear all the risks of the transaction himself. He usually buys from another dealer, for future delivery, some part of what he has contracted to deliver, perhaps the whole. That other dealer in turn shifts part of the risk to a third one, and so on. Similarly, the buyer, who has purchased some goods for future delivery, may sell a part or the whole of what he has contracted to receive. This process goes with fluctuations in prices. For example, if *A* has contracted with *B* to sell him five *khattis* at the rate of Rs. 5-4 a maund, and the market rate of wheat rises by 2 annas, *B* may sell his claim to *C* charging him a difference of 2 annas a maund on the approximate contents of the *khattis*. Then *A* becomes responsible to *C* for supplying those pits at the original rates; the seller generally remains bound by the contract till the end.

In the case of commodities such a *bajra*, that are not stored in *khattis*, the transaction is made in terms of sacks or maunds. A sack contains approximately two and a half maunds of grain. In rare instances the transaction is in terms of rupees.

For example, *A* may contract with *B* to supply wheat worth a thousand rupees at the rate of 7 seers, 6 chattacks. Cotton transactions are always made in terms of *khandi*. Each *khandi* weighs 7 maunds 21 seers and 14 chattacks. Cotton seed contracts are generally made in terms of maunds.

Badni ka satta also takes place at Agra with some slight differences of procedure. The objects of speculation are to some extent different. Wheat transactions are rare at Agra speculation relates principally to cotton, cotton seeds, gram, and *bajra*.

The date of maturity also differs; for cotton and gram the date is the end of the ordinary month, for barley and some other commodities, the date is *Jaith Sudi Purnmashi*, and for *bajra* it is *Aghan Sudi Purnmashi*. Contracts for *bajra* are made at the beginning of the *kharif* harvest, that is some four or five months before the date of maturity.

Again, whereas at Hathras the seller has an option to clear the difference on any day in the month of *Jaith*, at Agra the dates are absolutely fixed.

The Indian speculation market is not without its gambling transactions which are known as *nazrana*. This system of speculation can best be described by an example. Let us suppose that the price of wheat is Rs. 5-4 per maund and that *A* wants to "place *nazrana* on wheat" i.e., to speculate on a rise (or fall) in the price of wheat. *A* will then deposit with some firm of speculators a sum of money which varies with the nature and quantity of the commodity, and the period of the bet; for wheat the price is usually 2 pice per maund per month, so that on 32 maunds he will have to pay one rupee in cash. If on the day of clearance the rate be Rs. 5-4 or below it, then if *A* has betted on a rise he loses the rupee he has already paid; on the other hand, if the rate has gone above Rs. 5-4, he will get back the difference on the price of 32 maunds. If the rate comes to Rs. 5-4-6 he gets back the rupee which he has already paid, and neither loses nor gains; on any increase beyond Rs. 5-4-6 he will gain. Similarly, if he had betted on a fall, he would lose if the price remains stationary or rises, recover the whole or part of his bet if it falls not more than two pies a maund, and gain if the price goes below Rs. 5-3-6.

Some speculators bet simultaneously both ways when the deposit is something less than double of the deposit for a bet in one direction.

The period can be extended by paying an additional deposit, but three months is generally the limit. The rate for a bet both ways for a period of three months is five annas a maund.

The rate of *nazrana* naturally varies with the probability of a change in price. The more valuable the commodity, the greater the tendency, for its price to fluctuate, and consequently the greater the *nazrana*. For example, the rate of *nazrana* on cotton is generally eight annas per month per maund.

Nazrana is nothing short of gambling, but it does not involve the heavy risks involved in *Badni ka satta*. It is, therefore, suitable for the amateur speculator, who knows little of market conditions.

VII.—Rural storage.

Many cultivators store their produce in earthen pots placed in the ground, the mouths of which are above the floor. The pots are of varying dimensions; the biggest may hold as much as a maund or two, but ordinarily their capacity is 50 to 70 seers. They are perhaps the safest way of storing grain. They are safe from fire, and also from water, as they are generally made waterproof by a coating of oil, and the opening is sufficiently high to allow no water to enter. They are also too strong for rats to break in, whilst their mouths are tightly closed by a small lid, covered with mud or clay, so that insects cannot penetrate. They are quite safe against theft, and easy to handle. Their only drawback is the smallness of their capacity. Only a few pots can be sunk in the floor of the hut, which occupies a small area, and the total capacity of the pots does not exceed a few maunds of grain.

The *khases* are another form of rural storage, big underground store-rooms or cellars below the floor of the hut generally. They are not very deep and are kept clean by smearing them frequently with mud and dung. They are as safe as pot storage against pilfering and burglary, but more liable to damage by rats, insects and

water. The *khases* have a small opening sufficient to allow a man to pass through it. Handling is not so easy as in pot storage for the atmosphere inside the *khas*, especially when it has been closed for a long time, becomes so bad that before a human being can enter it, it must be left open for at least twenty-four hours. The capacity of *khases* ordinarily exceeds 100 maunds.

Khattis are exactly the same as *khases* in form, but larger with big round or oblong holes made in the ground with a small opening sufficient to allow a man to pass through it. They differ, however, in the way of lining. *Khases* are not lined: they are only smeared with dung and mud, whereas the *khattis* are lined with straw and stalks. All the defects of that storage are also to be found in this form of storage, but on a larger scale. . . Big *khattis* are seldom to be found in rural areas. Wherever they exist, they generally belong to moneylenders or grain dealers. Wheat, barley, gram and *arhar* are stored in *khattis* and *khases*; *juar*, *bajra*, *urd*, *mong* and *khurti*, etc., are usually kept in big barrels of mud or sunken pots.

The grain dealers in the *mandis* (markets) keep their grain in big *khattis* or in store-houses. The *khattis* are just the same as they are in rural areas, with all their drawbacks and risks. They can be had on hire in *mandis*; the rent depends upon the capacity of the *khatti* and the demand for them.

The store houses sometimes are big masonry buildings, called *kothas* in which the grain is heaped up, without sacks, or barrels. They are more secure against the dangers of water, rats, and insects than the *khases* or the *khattis*. When grain is stored in sacks, ordinary buildings with tin roofs serve as store-houses . . .

Such methods of storage are very primitive. But they are for various reasons adequate. The cultivator has seldom much grain to store, whilst he can rarely store it for any great length of time, since he must sell it as soon after the harvest as possible to repay his debts. It is only the *beopari* or moneylender who stores grain to any extent; and the profit which he earns is so great that he can afford to ignore the comparatively small loss due to an inefficient system of storage. Again, speculation and storage are inseparably mixed up in the grain-dealer's business, and the large profits of speculation make up for losses in storage. This is why no good storage system is mintained here for the preservation of the products in good condition.

Storage is indispensable to regulate supply in accordance with demand. It absorbs the excess of supply over demand, and meets the demand when the supply is deficient. It thus serves a useful purpose in helping to steady market prices. Large stores, such as *khattis*, make an adequate and tangible security for loans; and so storage serves a further useful purpose in facilitating agricultural finance. Even banks will lend money to grain dealers on the security of their stocks. And lastly, storage makes it possible to transfer possession of goods without actually moving them, thus avoiding the wastage and deterioration that would result from frequent handling.

VIII.—Periodical markets.

"Market day" is as important in the calendar of rural India as in that of rural England. It is a day when the peasant can escape for a while from the monotonous routine of his ordinary life to mingle with his fellow-men, to see and hear something of the outside world, and to obtain, if not rest, at all events such relaxation as comes from a change of occupation.

In one important respect, the periodical rural market differs entirely from the urban market. The latter is a place where consumers can obtain the commodities that they need from the traders who sell them: the former is a place where producers of different wares meet to exchange them. Producer is trader and consumer too. The peasant sells his grain, and with the money thus obtained buys oil from the *teli*; the *teli* sells his oil, and with the price of it buys from the *kumhar*: the *kumhar* having sold his pots, buys grain from the peasant, and so on. The rural market, in short, belongs to a more primitive stage of economic development than the urban market. But it suits the villager much better. He has little to sell: there is little which he needs, or can afford, to buy. By selling his own produce, he secures the profit for himself that would otherwise go to middleman, an important man to a small man.

This peculiarity also explains why the rural market is always periodical. The producer must produce six days, that he may have products to sell on the seventh.

The village market (*painth*) is held in some open place, where the dealers set up their stalls. The usual hour is the afternoon, for people have to come from distant villages; and especially in winter they cannot start so early as to reach the market in the morning. During the summer season the stall keepers protect themselves from the hot sun by means of small awnings supported on short poles. All varieties of grain, the finest as well as the coarsest, are on sale; purchasers and idlers wander about examining the grain and pulses and inquiring the rates at every stall. Very often the top layer of a heap of grain is much better than the lower layers, and brawls ensue. The weighman of the village attends the *painth* and measures most purchases. He secures good wages on market day. . . .

Other wares, besides grain, are exposed for sale. One corner of the *bania's* stall is occupied by such cheap spices as the peasants use, common salt, *haldi* (turmeric), *dhania, mirch,* (pepper). The oil presser (*teli*) sells the oil which he has pressed during the week, and the oilcake (*khol*) which is used as fodder; the *kachehi* sells his vegetables and his fruits, potatoes, jams, green stuff, mangoes and melons. The cloth merchant, whose principal business is to wander from village to village selling either on cash or on credit, sets up a stall, and his customers benefit by competitive prices and larger selection. The Chamar sells his leather goods, shoes and buckets and ropes; the blacksmith and carpenter sell all sorts of agricultural implements or cheap furniture. The Kumhar sells his pots; the cattle-owner his *ghi*. There are a few cheap luxuries: glass bangles and beads, leaden ornaments, toys and sweets, looking glasses and packets of *sendur* (vermilion). There are the usual knick-knack vendors, quacks, and disinterested medical men, who travel for the public good. Some markets specialise in particular articles—for instance, Mitai's speciality is iron sheet buckets and pots, Danji's is pottery (both villages in Muttra district). It is in these village markets that the new crops first appear at harvest time, whilst at seed time all kinds of seed can be bought there. . . .

Practically all the heavy work in rural areas is done by cattle, and as generally the cultivators do not rear enough bullocks to do all the work of their land, the facilities for cattle purchase are a matter of great importance in rural economics.

It would be extremely difficult and not worth while for any individual to keep a permanent cattle stall for the purchases would be highly insufficient to run the staff on a sound economic basis. There are cattle dealers who wander from place to place purchasing and selling cattle; but this is an unsatisfactory method of supply, for the visit of the cattle dealer is uncertain, whilst the farmer is not always possessed of sufficient capital to invest in cattle. And even if the two events coincide, the selection of animals will generally be small. . . .

The best solution of these difficulties is the cattle fair, of which many are held all over the United Provinces in different places and at various convenient times, generally after the harvest, when the pockets of the farmers are supposed to be full and they must purchase cattle for the next crop. But it is not so much the question of money as the question of fodder which decides whether the cultivator will purchase cattle or not. If he has sufficient fodder, he can usually manage to borrow the money he wants; but if fodder is scarce, he would not dare to purchase cattle even if he had the money. The recurring expenses of keeping cattle far outweighs the initial cost.

The mela of Buteshwar (in Agra district) is one of the most important cattle fairs in the western districts. It is attended by thousands of dealers and purchasers. Buteshwar being a central place in the division is suitable for such rural gatherings. Bullocks, cows, buffaloes, mules, asses, camels and horses of all sizes, varieties and breeds are offered for sale. The fair is also attended by many dealers in agricultural implements and other necessities of rural life, whilst there is a small exhibition where the use of various modern types of agricultural implement is demonstrated.

Another big mela is held at Dewa (in Bara Banki district) just after the *kharif* harvest, when the cultivators require cattle for the approaching *rabi*. Thousands of cattle from far and near are brought for the purposes of sale. To this mela also there is attached an exhibition for demonstrating the rural schemes of sanitation, the use of modern implements of agriculture and scientific methods of dairy farming and of cattle breeding.

AGRICULTURAL MARKETING: MR. BRIJENDRA NATH BHARGAVA.

IX.—Means of transport.

The Indian system of rural transport has undergone little change from mediaeval times. In spite of the progress that has been made in methods of transport in other countries, the same old, obsolete, slow, and uneconomic method of carrying goods and passengers are still in vogue.

There are no waterways in these parts of the province, and the means of communication are country-made. Very few villages lie on the roadside; most of them are connected with the nearest road by lanes (*dagras*), the result of constant use of certain tracks, whether these involve encroachment upon the fields or not. *Dagras* connect the various villages with one another, and all of them to the road. They are deep, dusty paths, defined on either side by small hedges; after a shower of rain the dust becomes mud, which is sometimes so heavy as to become impassable to man or beast.

Some villages are far even from the regular *dagras*, and it takes a long time to reach a road. Transport in such circumstances becomes so costly and laborious that it renders intensive and specialised farming unprofitable by restricting the market for the produce. No amount of effort on the part of the organisers of the co-operative movement, or of the officers of the Agricultural department can better the condition of the rural population unless the market for agricultural produce is widened to such an extent that the cultivators can buy and sell on favourable terms; but no market system can be satisfactory without adequate transport facilities. . . .

The most common type of conveyance in rural areas is the bullock cart which can move without much wear and tear even upon the worst roads. There are three kinds of bullock cart. The most ordinary kind is called *chakra*. The *chakra* is generally drawn by a pair of bullocks, though if the loads are heavy a third bullock is yoked in front of the pair. *Chakras* have two wheels, that are made in the crudest possible manner, very heavy, with stout wooden rims, sometimes protected by an iron tyre. They are also very strong, and easily mended; any ordinary damage can be immediately repaired by the drivers themselves. The strength of the cattle determines the amount of the load. A stout pair of bullocks can draw 40 maunds of load in a *chakra*, an average pair 30 to 35 maunds; three bullocks can draw 45 maunds. The speed of the *chakra* is slow even on good roads, and with an average load they cannot move at more than three and a half or at the most four miles an hour; on bad roads it is difficult for them to travel more than two and a half miles per hour. The distance of 11 miles between Hathras and Sadabad is covered by ordinary *chakras* in three and a half hours approximately.

Another type of bullock cart is called *ekka* (drawn by one). These *ekkas* are of exactly the same description as the *chakras*, but smaller, and with a different arrangement for yoking the single bullock or buffalo. The heaviest possible load is only 12 to 15 maunds a time, but it has the advantage of speed over the *chakra*. With a medium load they can go four to five miles per hour if the road is fairly good. They are used for relatively light traffic. A large number of *ekkas* run from Sadabad to Hathras with loads of raw hides, cotton, *gur*, potatoes, sweet potatoes, grains, pulses, and similar commodities. The ordinary rate from Sadabad to Hathras is about six pice per maund, but during the harvest seasons, in spite of competition, the rate goes as high as two and a half annas. It would cost about Rs. 75 to 100 to make a good *ekka*, which would last two or three years at the most. The bullock would cost him Rs. 100 to Rs. 125 and might serve for about the same period.

Another kind of bullock cart is the *chaupai* (four wheels). There are big, heavy carts with two big hind wheels and two small fore wheels. They are also called *karanchis*. They move very slowly and are drawn by two or three animals, bullocks or he-buffaloes. They can carry a load of 60 maunds. Sacks of grain, loads of *gur*, bales of cotton, iron sheets and bars, and heavy articles that cannot be easily moved in any other kind of conveyance, are transmitted in these *chaupais*.

The *ekka* and *chakra* have the advantage over a *chaupai* in respect of speed and lightness; they can pass through the *dagras* and fields without any difficulty, whilst the *chaupai* can move easily only on a metalled road . . . . .

Like *chaupais*, *unt garis* (camel carts) are also used for long distances and heavy loads. These carts are big rectangular cages supported on four wheels and having a coach box in front for the driver to sit. They are sometimes double-storied, in order that luggage may be kept lower and the passengers may sit in the upper storey. Generally only a single camel is used. These carts must be licensed, and the licensing authorities fix the load at about 18 maunds, but 25 maunds or more are often loaded. The camels can cover 40 miles a day without fatigue. Camel carts take three and a half hours to cover the distance of 11 miles between Sadabad and Hathras. They charge from five pice to two annas a maund according to the demand for carriers at various times of the year. During the harvest they carry grain and pulse from the rural areas to the *mandis* and earn good rates; but in the off season they run between the distant *mandis* of Dholpur, Agra, Hathras, Aligarh, and Cawnpore carrying such commodities as vegetables, potatoes, sweet potatoes, common salt, planks, iron sheets and bars, cotton bales, cotton seeds, raw hides, stones, carcases and other similar articles.

The cost of a camel cart may come to about Rs. 250, and it can be used for about ten years on good roads and with proper precaution against overloading. Its running repairs may come to about Rs. 10 a year. The average camel costs something like Rs. 150 and can be made to serve for eight to ten years. During the summer season the camel can live on the leaves of trees alone, but in winter it requires fodder. The owners of the carts pay five rupees a licensing fee for the year. The average net earning of a camel cart owner if he drives it himself may come to about one rupee a day after meeting all incidental expenses . . .

Besides the vehicles already described pack animals are used as means of transport in all parts of India.

The most common are asses and mules, Dhobis (washermen) and Kumhars (potters) of the village keep a large number of donkeys; they cost Rs. 40 to Rs. 80 each, and can serve for about ten years if carefully used. Mules cost not less than Rs. 100, and can serve twenty years if properly treated. Dhobis and Kumhars keep donkeys for the purposes of their own profession; these animals carry the bundle of clothes to the pool for the washerman, or clay and pots for the potter. Other people hire them when they require them. An average donkey can carry two maunds. They cover three miles an hour, a little more than the ordinary *chakras* or *chaupais*.

Camels, oxen and he-buffaloes are also used as beasts of burden—and sometimes also she-buffaloes incapable of giving milk . . . .

For the carriage of passengers there is a regular service of pony *ekkas* and tongas, but of late motor lorries have also been introduced on the metalled roads. The competition between the automobile and the horse-pulled carrier has appreciably brought down the rates of freight, and the latter are in danger of being driven out of the field.

ORAL EVIDENCE.

LUCKNOW, January 27, 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.*

Witnesses :—

(1) *Mr. Devi Sahai Srivastava, M.A., Inspector of Co-operative Societies.*
(2) *Mr. Satya Prakash, M.A., Inspector of Co-operative Societies.*
(3) *Mr. Brijendra Nath Bhargava, M.A., student, University of Lucknow.*
(4) *Mr. Kunwar Bahadur, M.A., student, University of Lucknow.*

Dr. Radhakamal Mukerjee : Mr. Satya Prakash, there are two points of view which have been placed before us with regard to indebtedness. The first is that there is want of credit in spite of security to offer; the other point of view is that credit is too cheap. Now I want to know which of these points of view will be supported by your experience in the village?—Neither of them.

What is the chief cause of indebtedness?—The chief cause of indebtedness is that holdings are too small to support families in the Basti district.

You have stated that some of the holdings of the Chamars are only one or two acres?—That is only in very few cases; most of the Chamars have one-third or one-half acre holdings.

Do you think they can never be free from debt?—They are chiefly agricultural labourers and the difficulty is that their income is too small. In fact they get only about Rs. 24 a year.

Do you think that one of the cause of indebtedness is under-sized holdings? If so what remedy would you suggest for the improvement of the situation? Do you, Mr. Srivastava, also think likewise?—(*Mr. Srivastava*) : In Benares holdings are not so small as they are in Basti. Those who possess holdings have sufficient land to maintain their families; but there are others who have got no land and they are merely agricultural labourers. They have to maintain themselves on very small income.

Is there a large number of cultivators who still continue their occupation in under-sized holdings?—(*Mr. Srivastava*) : Yes, of course there are.

In Bhatiyana there are a large number of cultivators who own under-sized holdings. But not in Muttra?—(*Mr. Bhargava*) : No.

Mr. Kunwar Bahadur : In my villages I came across a number of holdings which were uneconomic.

The Chairman : What is the size of an uneconomic holding?—(*Mr. Satya Prakash*) There are two classes, *zamindars* and tenants. In the case of tenants it is about 15 *bighas* (*kachcha*).

Mr. Srivastava : As I have said in my note with regard to Dangharia the average area of a cultivator is 5·7 acres or 7½ *bighas*. This is regarded as an economic holding and is sufficient to maintain a family.

Dr. Radhakamal Mukerjee : Do you think that an area less than this cannot be profitable agriculturally?

MESSRS. DEVI SAHAI SRIVASTAVA, SATYA PRAKASH, BRIJENDRA NATH BHARGAVA AND KUNWAR BAHADUR.

The Chairman: I think this is a very important point. In talking of agricultural debts we often include in them all sorts of things, viz., marriages, deaths, payment of land revenue and litigation, etc. These are not agricultural debts in the least. Though they happen to be owned by agriculturists they have nothing to do with agriculture. If you are going to take that line in measuring the income and size of holdings against the debts, you must exclude all those debts. They have nothing to do with the holdings; there are quite different causes for them and it will not be fair to say that all those debts should be borne by the land. You must at once cut out what is not purely agricultural debt. I am prepared to give a very wide latitude to the expression "agricultural debt" like the payment of land revenue, or famine debts; but social functions, litigation and to a very large extent ancestral debts have to go out of agricultural debt altogether. You have got to remember that when talking about holdings; otherwise all calculations about agricultural indebtedness will fall to the ground. I do not mean that other debts will not be considered by us; but so far as agricultural debts are concerned, those other things have nothing to do with them.

Rai Bahadur Babu Mohan Lal: Suppose a cultivator has no other occupation, he will naturally have to incur debts in connection with marriages, etc.?

The Chairman: I am at present only talking about agricultural debts. You cannot say that a holding is insufficient to support a tenant because he is in debt on account of so many other things.

Dr. Radhakamal Mukerjee: Suppose a holding does not pay for improvidence or social responsibilities which will be considered necessary for a cultivator according to his social status, and if the holding is to pay only agricultural expenses and debt what would be the proportion in your village of holdings which will be considered uneconomic?—(*Mr Satya Prakash*): I think about 70 per cent.

The Chairman: What will be the proportion of economic holdings in accordance with my previous remarks?—(*Mr. Satya Prakash*) Perhaps not more than 30 per cent.

Mr. Bhargava: In the Muttra district the holdings are much bigger and most of them are economic holdings. There are only a few holdings which are under-sized.

Dr. Radhakamal Mukerjee: You know in Muttra, Mr. Bhargava, the rainfall is very irregular and often insufficient.—(*Mr. Bhargava.*) I have explained that most of the agricultural debts are due to vicissitudes of season, abnormal harvests and insufficiency of produce.

The Chairman: Your land is less fertile as compared to land in Basti. That makes it absolutely plain that an economic holding in Muttra is not an economic holding in Basti. That is the difficulty. There is no such thing as an economic holding of general application. You cannot say that a holding of five acres is an economic holding.—(*Mr. Bhargava.*) By "economic holding" I mean economic holdings in the villages about which I have enquired.

You call them economic holdings on account of particular conditions there?—(*Mr. Satya Prakash*) In any case we have to take into consideration that a holding should be able to provide minimum clothing and minimum food for a tenant's family. You may reduce one acre and make it a holding of four acres for the Basti tenant.

Dr. Radhakamal Mukerjee: Suppose a tenant does not possess four acres per holding, do you think he cannot be independent unless there are some subsidiary sources of income?—(*Mr. Srivastava*) It also depends on other factors; you have to take into account the price which the produce gets in the market.

You have mentioned that the tenants frequently use the right of sub-letting for a limited period by way of security. You have, Mr. Srivastava, mentioned somewhere that this might lead to improvident use of the soil and that may reduce the produce of the soil. If this practice of sub-letting becomes widely prevalent, how far does it lead to soil waste and how far do you think that restriction on sub-letting might enhance the rate of interest?—It is quite clear that when a person cultivates his own land he puts in more labour, capital, manure, etc., in his soil. But when he sub-lets it to a person who has to pay a higher rent and also thinks that the land does not belong to him, he does not put in more capital and manure in the soil.

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He does not put so much capital in the land as the owner himself?—He knows very well that the land will be taken from him when the owner wants.

Rai Bahadur Babu Mohan Lal: My experience is otherwise. Suppose a man has got no land and he takes land as a sub-lessee and pays higher rent, he must put in more labour and energy to make the land more productive. An owner himself may not care so much for the land, but the sub-lessee's case is otherwise. For instance, take the case of sugarcane cultivation. A sub-lessee certainly puts in more labour and more manure in order to produce more crop from that land because he has to pay a higher rent and he must save something for himself. Are you prepared to contradict me?

Rai Bahadur Pandit G. S. Upadhya: I should like to make this point clear. There are two kinds of cases. There may be a fixed-rate or occupancy tenant who mortgages his land and then takes the same land again as a sub-lessee; in that case the land belongs to the tenant himself. The other case is of simple sub-letting. In that case the sub-lessee has nothing to do with the land except doing his cultivation. This is the distinction between the two cases. In your statement about Kashipur you say that the moneylender to whom the land has been sub-let for a limited period gives it to somebody else and cultivation is not improved because the sub-lessee has not the same incentive as the owner himself, and therefore in the course of time the production is reduced. That is one side of the question. Is it your experience that in a large number of cases sub-letting is leading to insufficient cultivation of the land?—(*Mr. Srivastava*) My opinion is based on two cases which I examined. I took the case of one person who was cultivating as a sub-tenant and another person who had fixed-rate tenancy of his own. I found that the person who was cultivating as a sub-tenant was losing Rs. 10 per *bigha* every year and the other person was getting a profit of Rs. 10 or Rs. 12 every year. There was the question why he did not give up that cultivation. The reason was that he had some other land besides his sub-tenancy from which he was making a profit and therefore he would not feel that he was losing something; and also whatever labour he put in, he put it in that land but did not hire it. It was his own labour and whatever he got from that soil belonged to him and he thought that he got some profit, because after all the labour would have been wasted.

The Chairman: It comes to this that taking a man as an individual unit he would make a profit on the whole, whether he was an occupancy or a fixed-rate tenant?—What I mean to say is that he would get much more from his holding if he is an occupancy or fixed-rate tenant than otherwise.

Rai Bahadur Pandit G. S. Upadhya: A sub-tenant is required to pay more on rent than an occupancy tenant.—(*Mr. Srivastava*) There is another thing; a sub-tenant will have less incentive to invest more money on manure, etc.

Dr. Radhakamal Mukerjee: What is your experience in the Muttra district, Mr. Bhargava?—(*Mr. Bhargava*) The sub-tenant to whom the land is sub-let and who actually tills the land does not invest more labour and capital on the land because the area of the land is very small, also because slight variations of rent, which form but a small proportion to the total produce of land, do not affect the cultivator materially, especially when he holds such lease only for a limited time. For example, the rent for a particular kind of land is Rs. 3 per acre and that land is sub-let for Rs. 5, then the difference of Re. 1 or Rs. 2 does not matter much. And since he does not hold land for a long time he does not put in more manure and labour. He simply wants to make as much as possible out of it.

Mr. Srivastava: A man who has got a sub-tenancy and where there are no irrigation facilities will not invest money in digging a well there.

The Chairman: The position as regards a sub-lease is this. It has two aspects. In the first place the moneylender who sub-lets the land gets some return in the shape of rent. It may be large enough to pay back his entire principal or it may be large enough to cover the interest. But he gets something. That is one point of view and it is one method of repaying debt. The other point is its effect on the land itself. You say that a sub-lessee holds the land for a very short time so he does not put in a particular amount of labour or capital into it. But it also may be the case that he may put in a great deal more of labour to get as much return out of it as he can in the short time that he holds it. You have to see what sort of character the sub-tenant has got. If he is a man who has got foresight he will work hard. If he is not he will not.

Dr. Radhakamal Mukerjee: If we stop sub letting by legislation, do you think that it would enhance the rate of interest?—(*Mr. Bhargava*) Certainly it will.

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Mr. Srivastava, what would you prefer, the restriction of sub-letting or the enhancement of the rate of interest?—I have written my report from the point of view of mortgagors, as most of the debts in my village were usufructuary mortgages and sub-letting is the only means of paying back debts.

Dr. Radhakamal Mukerjee : If he had kept the land with himself and had extracted as much as possible from the soil that would have been a better method for paying off debts.

The Chairman : Sub-letting is a bad method of doing that.

Mr. Srivastava : But land is not available in sufficient quantity in those villages and everybody wants to have as much land as possible.

Dr. Radhakamal Mukerjee : Even in small slices?—Yes. This is the only method in which he can have it, because most of the tenants are fixed-rate and occupancy tenants.

Rai Bahadur Pandit G. S. Upadhya : May I draw the attention of the committee to one thing? One of the three villages about which Mr. Srivastava has submitted his report is situated in an area where occupancy tenants can not only mortgage their land but even sell it. Now the point is whether there should be legislation to restrict sub-letting, or would it be better to allow the present state of affairs to continue, that is, to allow sub-letting? Can you, Mr. Srivastava, tell us what would be the difference?—I am not in a position . . .

The Chairman : Will you please make a note of that and let me have your considered opinion on it?

Rai Bahadur Babu Mohan Lal : Have you come across any tenant or cultivator who has got more land than he can make use of?—Of course not in Benares.

Mr. Bhargava : There are people in Basti.

Rai Bahadur Babu Mohan Lal : Have you come across any case in which a cultivator may have got sufficient land and he may have sub-let a portion. Have you compared the produce of the land sub-let and the land held my him?—*(Mr. Bhargava)* I have compared two cultivators, one who has got to till the land as a sub-tenant and the other who has got his own land. I did not compare two plots of the same man.

How can you then say that by sub-letting the efficiency of farming is spoilt?—I say that a sub-tenant cannot get as much produce from the land as a fixed-rate or occupancy tenant.

You have to take into consideration the quality of the soil. Suppose there is a piece of land "A" owned by one man and is situated at a particular place and there is another plot of land "B" held by another man with equal irrigation facilities and other advantages. Have you compared the produce of "A" with "B," "B" being cultivated by the tenant himself and "A" by a sub-tenant?—I have not. The sub-lessee invests more labour and more money in the land to get as much produce as he can. That is not my experience.

Since he has to pay more rent and as he has got no other land he will try to use the land to the best advantage he can.—*(Mr. Bhargava)* I want to make clear one point, that generally those lands which are sub-let are occupancy holdings and *sir* lands and as such are held for a nominal rent, and therefore the sub-lessee has got to pay practically the same rent which is paid in the locality for other kinds of land and the difference between that nominal rent and the rent prevalent in the locality pays the moneylender. Therefore there is practically no difference between the rent paid by the tenants generally and the sub-lessee because the original rent of the plot is very nominal.

I want to know how efficient farming is spoilt?—Because they do not put in more manure. They are not very anxious to improve the land.

Mr. Srivastava : There is no question of sub-letting in my district. The cultivator has not got sufficient land for his own use and so there is no sub-letting of this kind in Benares.

The Chairman : Now coming to the borrowings, we find that there are three kinds of debts—productive, unproductive and unavoidable. By unproductive I mean marriage ceremonies, expenses on litigation, etc. By unavoidable I mean rent or revenue. Taking all the figures I find that 51 per cent. is unproductive, 20 per cent. is unavoidable and 29 per cent. is productive. In Rae Bareli I find expenses on social ceremonies 28 per cent., Rs. 1,63,000; expenses on litigation 24 per cent., Rs. 1,40,000. Now you will, I think,

agree with me that if we have to get at the real facts, the things that matter to Government and everybody, we have to distinguish the productive and the unavoidable debts from the unproductive. It is entirely plausible to argue that Government ought to arrange for cheap credit in some shape or form for agricultural debt, but it is not quite so arguable that Government should finance a marriage ceremony or a lawsuit.

Mr. Satya Prakash : Government can legislate. They can say that nobody is to give a dowry. A marriage party consisting of more than a certain number may by law be declared an unlawful assembly.

Mr. Bhargava : In some States such laws have been enacted. For instance, in Alwar there is a law that nobody should feed more than twelve *Brahmans*, and if a man feeds more than twelve, he is penalised.

The Chairman : We are getting rather outside our proper function, but let me remind you that the Sarda Act has not met with universal approval, which is more important than these marriage ceremonies.

Mr. Satya Prakash : I think we can considerably reduce unproductive expenditure by such legislations.

Rai Bahadur Babu Mohan Lal : I think this point should always be borne in mind that a marriage ceremony is a necessity. Now expenditure on deaths is an absolute necessity. Some margin should be left at least for expenses on these accounts, and if you wipe them out altogether and care only for the productive debts, then the point of the agriculturists will not be served. Some margin should be left for all these things.

The Chairman : Might I suggest a criticism of that? The marriage is necessary, but not the marriage expenditure.

Rai Bahadur Babu Mohan Lal : Then at least you will allow some percentage.

The Chairman : Undoubtedly. Mr. Waugh puts it in one place that marriage expenditure is important to those who do not consider that the sole object of life is to make money.

Rai Bahadur Babu Mohan Lal : So I cannot say that they are tremendous, but at any rate some reasonable amount should be left.

The Chairman : We have to allow for that.

Dr. Radhakamal Mukerjee : As a general proposition you may say that unproductive expenditure is high among high castes only not in the lower castes?—(*Mr. Satya Prakash*) That is so.

The Chairman : Do you find anywhere any interest taken in consolidating cultivation?—No.

As I told Mr. Upadhya, and I believe you looked at the village, the people in Dasia are entirely Kurmis. They simply divide the village into four *chaks*, that is to say, for sugarcane, wheat, rice, etc., and they simply rotate in *chaks*.—(*Mr. Satya Prakash*) Well, they do in every village like that. Suppose they are going to sow sugarcane, they will just try to have one *chak* on one side of the village.

They will do it within limits, but this is so uncommon. They pool the whole produce and divide proportionately according to their rents. The whole thing is uncommon. Did you find anything about it in your enquiries?—I asked many people and nobody seemed to know anything about it.

They took good care not to tell anybody. I found it out by chance.

Dr. Radhakamal Mukerjee : That will solve the problem of under-sized holdings in your area?—Yes.

The Chairman : It is not so much consolidation of holdings as consolidation of cultivation.

Rai Bahadur Pandit G. S. Upadhya : Just one or two things about your investment. You know that there are a number of co-operative societies and they have been in existence not only in Benares but in other districts and people have been grudging even the payment of money towards shares. That you must have noticed?—Yes.

And you have never succeeded in drawing any money from them for the savings bank?—Yes, that is so.

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What did you find? Have they anything with them which they can really invest there, or do they want to keep back and hoard it?—As I have shown in one of my notes there is but little margin between income and expenditure.

So you mean to say there is no margin?—Yes, so no question of saving or hoarding arises.

Did you make any enquiry privately whether there is any appreciable amount of hoarding still? Has it disappeared now, or does it exist only in certain parts?—Hoardings have altogether gone. Of course, there are some tenants who hoard a little in order to show to others that they are very poor.

You, Mr. Srivastava?—I have found only one or two instances in the whole village which I investigated.

You, Mr. Bhargava?—I have not seen any cases of hoarding.

You, Mr. Kunwar Bahadur?—Hoarding is very rare.

Rai Bahadur Babu Mohan Lal: Are these agriculturists by nature economical or spendthrife?—(*Mr. Srivastava*) They are by nature economical not spendthrift.

Rai Bahadur Pandit G. S. Upadhya: Sometimes they are not economical but they are improvident?—(*Mr Satya Prakash*). They are sometimes forced to spend beyond their means.

Mr. Srivastava: I find that you mention in some villages there are very few gold and silver ornaments. Would you please mention which villages?—Dangharia and Chiraigaon.

You will find very few gold and silver ornaments except with Thakurs. Otherwise they have copper and some brass ornaments. So it is very wrong to think that even these comparatively low castes have gold and silver ornaments?—One or two silver ornaments they use at the time of marriage ceremonies, but no gold at all.

Dr. Radhakamal Mukerjee: You have not found gold ornaments at all in Chiraigaon?—No.

Mr. Satya Prakash: I have found.

Dr Radhakamal Mukerjee: Mr. Kunwar Bahadur, did you find gold or silver and brass in the Rajput villages?—(*Mr. Kunwar Bahadur*) I did find persons very often who would be delighted to see their ladies embellished with ornaments of silver, specially those who have great regard for their tradition and *izat*, *e.g.*, in Bhatiyana as well as in Pasounda. Only Muslim Rajputs have not got any gold ornaments. They were wearing only bronze ornaments.

In other words the wife is the cultivator's bank in villages?—(*Mr. Bhargava*). There too the ornaments were very seldom found.

Not even silver?—Sometimes silver, only amongst the Thakurs amongst whom the males put on *murki*.

The Chairman: You say they were very seldom there. Does that mean that you saw them very seldom? They do not wear their ornaments every day.—Generally in these hard times they all bring out their ornaments to get some food.

Now that is interesting. Apparently none of you know definitely whether there is any hoarding left. I should imagine there is probably less than there was, but there are actually figures to prove that the amount of silver coins that have been coming —where from except hoards—into currency chests for the last six or seven years is extremely large in the United Provinces. I had special enquiries made in three districts, Rae Bareli, Budaun and Meerut, and found this to be the case.

Rai Bahadur Pandit G. S. Upadhya: Then it may be that it is exhausted now?

The Chairman: It had been going on up to last October.

Mr. Srivastava: In my villages there was only one village where I could find a goldsmith.

Rai Bahadur Pandit G. S. Upadhya: You are talking of ornaments; I am talking of cash.

Mr. Srivastava: About cash I have shown in my enquiry that whatever those people are able to save, for instance, Rs. 10, Rs. 20 or Rs. 5, first of all they want to pay off their old debts and from that amount they pay it off.

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Rai Bahadur Pandit G. S. Upadhya : And if they like intvest it in their own busines. Could they keep a shop or invest it in any subsidiary industry?—(*Mr. Kunwar Bahadur*) We have got a silver bullion bank in Meerut Cantonment.

Dr. Radhakamal Mukerjee : This silver goes to the villages and is concerted into ornaments?—There is a market for it and thousands of rupees worth silver is sold every day.

The Chairman : To come back to the point I was going to make. There is no doubt that a great deal of this influx of silver into the currency chests is in exchange for notes, that is to say that people are now-a-days using notes more freely than they used to. There is no doubt that there is an enormous outflow of notes and in Meerut there is an enormous efflux of both.—(*Mr. Kunwar Bahadur*) Meerut possesses the best class of goldsmiths.

I cannot say very much about that because I have got the figures of only three districts, but they are going to lead to extraordinary results. I have not yet got the figures for the whole province.

Rai Bahadur Babu Mohan Lal : Is it used for ornaments or is it hoarded?—(*Mr. Kunwar Bahadur*) The people sometimes even mortgage their land to get ornaments for their women on marriage occasions.

The Chairman : The savings bank deposits are increasing more rapidly than the withdrawals. Withdrawals are, of course, expected to be large during the last two or three years.

Rai Bahadur Babu Mohan Lal : One more thing I want to know. What should be the extent of a holding to maintain a family of five and also be able to bear reasonable expenses on marriage and other ceremonies?—(*Mr. Satya Prakash*) : It will differ with the different kinds of holding.

Rai Bahadur Pandit G. S. Upadhya : Would you say six acres?—Five acres per tenant for Basti.

Mr. Srivastava : In Benares I have said 5·7 acres is the average.

Mr. Bhargava : If it is twelve acres, it should have at least three acres of double-crop area so that it may come to about fifteen acres.

Mr. Kunwar Bahadur : In Meerut it ought to be at least ten acres.

The Chairman : It varies everywhere.

Dr. Radhakamal Mukerjee : In most of these villages the average holding is very much less.

Mr. Satya Prakash : In Basti it is less than two acres.

The Chairman: I know that you took a great deal of care over your survey and I quite agree with practically everything you say, but there is one point you probably do not realise. It is not a case of looking into one village, that is, the villages are so small that we cannot get a correct estimate of a man's holding, for he has often holdings in several villages. You cannot, as Mark Twain puts it, "stretch out in bed without a passport." A man will have to look to about half a dozen villages to get a proper estimate.

Dr. Radhakamal Mukerjee : Did you consider the holdings which were scattered in other villages or did you estimate only the size of the holding from the village itself?—I took from all the villages.

Mr. Srivastava : So did I.

Mr. Bhargava : Only very few cultivators from outside were found to be cultivating there (Muttra villages).

Rai Bahadur Pandit G. S. Upadhya : Before we have done with the boarding question, there is one thing more I would like to know. Has it not become a fashion of late for the cultivators or for the proprietors to lay by or save a little money to lend it out to others in larger proportion than it was several years ago?—(*Mr. Srivastava*) : They lend money themselves. That is what I have shown from my figures.

With this prospect there now, is there any remote chance of their keeping the money back under the soil or in hoards?—No, because recently in Chiraigaon, the bye-laws have been changed and they are allowed 12 per cent. interest on the money which they deposit in the society. About Rs. 1,500 have been deposited during the last three or four months. So there is no question of hoarding now.

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The Chairman : Not now. I do not say there is hoarding. I say money is coming out of hoards.

Dr. Radhakamal Mukerjee : In the Meerut enquiry it is stated that 10 per cent. of the land and in Pasounda 12 per cent. of the land has gone into the hands of non-cultivating moneylenders. What is your experience in Benares, Mr. Srivastava? Is land of the *zamindars* being transferred into the hands of non-agriculturists in some measure?—In very few cases.

And in Basti?—(*Mr. Satya Prakash*) : In Basti, land is being transferred, but very little to the non-agriculturist moneylenders who are confined only to the towns and if they advance money they do it to big landlords and in lakhs. In their case if the land is transferred from the *zamindar* to the *bania* the efficiency in cultivation does not suffer.

But so far as the small proprietors are concerned?—In their case land is passing into the hands of their own brethren, the agriculturists.

What is your experience in Meerut, Mr. Kunwar Bahadur?—In Meerut land is passing into the hands of the non-cultivating class, the Vaish

Rai Bahadur Babu Mohan Lal : What difference does that make in the matter of cultivation?—If land passes from an agriculturist class to a non-agriculturist class, then you may say that there is no better rise of the land.

I think you have not followed me. Suppose one village is owned by a *zamindar* who is resident in the village; if that village passes from that *zamindar* to a *mahajan*, that *mahajan* may not cultivate himself but he will let out the land to tenants in the same village who will cultivate. So what difference will that make to cultivation?—No single village has been transferred: only small plots and *pattis* have been transferred.

Dr. Radhakamal Mukerjee : How has that affected agriculture? Suppose a *zamindar* stands in need of money. He goes to a *mahajan* and places the land on mortgage?—That land is first of all transferred by usufructuary mortgage and finally ends in sale. Merely small strips of land have been passing. The new *zamindar* does not cultivate land himself, but he sub-lets to others. Either he would sub-let to the person who was the previous owner or another person, in which case the first proprietor becomes ex-proprietary.

Rai Bahadur Babu Mohan Lal : How does the land suffer?

The Chairman : This is a question which depends on circumstances. As a matter of fact I know of many Vaish *zamindars* who are very good *zamindars* indeed. They do lend money to their tenants and, of course, the most dangerous creditor you can have is your landlord. He has got you in two places. If you don't pay your debt, whatever you do pay he puts towards your debt and leaves the rest as your arrears of rent.

Dr. Radhakamal Mukerjee : Well, if the small Rajput cultivating proprietor is superseded by the *bania* who does not cultivate himself, do you think that the farm would decline in standard?—(*Mr. Kunwar Bahadur*) : I think in that case it will not decline, but might improve because the Rajput is a bad agriculturist and if it is transferred to a *bania*, the *bania* may sub-let it to a Chamar or a Kurmi, who is a good agriculturist.

The Chairman : You cannot get to any definite principles. Have you any knowledge, Mr. Satya Prakash, of the north of Basti? Do you know anything about the English estates up there?—(*Mr. Satya Prakash*) No. I have no experience of that part. I was asked to confine myself to the south of Basti.

Dr. Radhakamal Mukerjee : Mr. Satya Prakash, you have described some form of hereditary bondage. You have described that a Chamar, when he gets money from a *bania*, sends some member of his family to the *bania* as a servant.—(*Mr. Satya Prakash*) It is not a bondage. If the man feels irrigated, he runs away to another village.

If the man absconds, the man to whom he goes pays the former *mahajan*.

The Chairman : You have a lot of the same kind of thing in Rewah.

Dr. Radhakamal Mukerjee : The *mahajans* force some kind of *begar* even now.—(*Mr. Satya Prakash*) : It is not very common.

What kind of *begar*?—It is *hari begar*. If the *mahajan* wants to sow sugarcane, he will call his client to do it.

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Is this practice being abused?—In some cases.

You have seen cases of abuse?—In these villages I have not seen.

The Chairman: This village of Chiraigaon is an unusual place. It is almost entirely a vegetable garden?—Yes.

In that case it is probably an extremely valuable one?—Fruit, flower and vegetable.

Dr. Radhakamal Mukerjee: Mr. Srivastava, you have pointed out that one of the defects of the present rules of the co-operative society is in respect of giving credit to the cultivators with regard to *hasiayat*. You have stated that a tenant might obtain a much larger amount from an outside moneylender. Will you please explain that?—(*Mr. Srivastava*) At present in advancing money to the members of the co-operative society, the rule is that 25 times the annual rent in the case of fixed-rate tenants and six times the annual rent in the case of occupancy tenants might be advanced.

This is fixed by law?—By the general rules prepared by the bank supervised by the Registrar.

Those rules apply all over the province?—There is slight difference.

Rai Bahadur Babu Mohan Lal: These are bye-laws and they can be changed by the bank itself. No legislation is needed.

Mr. Srivastava: But it is done on the general instructions of the Registrar.

Dr. Radhakamal Mukerjee: You think that the bye-laws ought to be modified in some measure?—(*Mr. Satya Prakash*): The Registrar is enquiring into this matter.

The Chairman: Your monograph on marketing, Mr. Bhargava, is too long for our purpose and we shall have extracts taken from it and the whole thing divided into parts. If it can be put in a readable form it will be extremely useful. You have mentioned something about *satta* or speculation. Do you find any traces there of gambling in rain?—(*Mr. Bhargava*) Yes, they do gamble in rain. I have not mentioned anything about it in my note, because it has no concern with grain or agriculture. They gamble in connection with the date as well as the time as to whether it will or will not rain. It is a mere speculation. I have mentioned something about other local speculations, such as *badni*, etc.

Dr. Radhakamal Mukerjee: Is there any tendency of the *arhatia* in the city to supersede to any extent the village buyer and to come into direct contact with the cultivator?—No, they always depend upon the village *arhatias* to bring custom to them.

You have distinguished between *pakka* and *kachcha arhatias*. Are they both to be found in your place?—They are to be found all over the province. I have distinguished between them and described the difference. The *pakka arhatia* works on behalf of the *beopari*, who buys in a big *mandi*. The *kachcha arhatia* works on behalf of the seller.

Is there any tendency on the part of the *pakka arhatia* to supersede the *kachcha arhatia*?—There are also cases in which the same acts as both. He charges commission in the first instance from the cultivators for selling their grain and then again charges commission from persons who purchase for export to Bombay, Calcutta, Karachi, etc.

Is there a tendency on the part of *kachcha arhatias* to become *pakka arhatias*?—Yes, they do so many times.

What is the present tendency?—(*Mr. Satya Prakash*): There is no fixed tendency.

The Chairman: Do you know if big grain dealers like Ralli Brothers go to villages and deal directly with cultivators?—(*Mr. Bhargava*): No, they do not go there. I have not found any such case. There are practical difficulties in their way. If they themselves go to villages to buy grain they will get all sorts of grain, some of which is very good and some not of the proper quality. Then they cannot get large quantities of grain at one place.

You mean to say that there is no grading?—No, there is no such grading. In the cities they standardise. For instance, Kupa is famous for wheat, and Kupa wheat is always sold at a higher price than other wheat. If these big grain dealers go to villages they cannot buy grain of various grades.

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In the war time, of course, I know they did not worry much about the quality; wheat was wheat.—(*Mr. Bhargava*) : Then they did not pay much regard to the quality.

Perhaps they could not.

Dr. Radhakamal Mukerjee : Do you find agents of Ralli Brothers making purchases in villages?—(*Mr. Satya Prakash*) : No, they do not go there.

Rai Bahadur Babu Mohan Lal : They only go to big *mandis* and not to villages.

The Chairman : There is another question. Did you, Mr. Bhargava, see that note on licensed warehouses?—No, I have not seen it.

I would like each of you gentlemen to have a copy of that note.

Mr. Bhargava : There is another thing about agricultural marketing that I have not added in my note, because at that time I did not possess much information on the point. Now these Allahabad and Imperial Banks have got their godowns and they advance money on grain.

The Chairman : I would like you to have a copy of the note on licensed warehouses and to let me know what you think about it. The general idea is to get the cultivator to put his grain in licensed warehouses. Arrangements are made there for grading and inspection by Government to see that things are proper and clean. Those warehouses issue certificates and the certificate issued by a licensed warehouse becomes a negotiable instrument. Anyone who has got it can borrow money on its security.

Mr. Kunwar Bahadur : Something like this exists in Hapur. There is the Chamber of Commerce which has framed certain rules to govern the letting of *khattis* and grading of grain. The Chamber of Commerce is regulating the sale and purchase of *khattis*. The owner of a *khatti* gets himself registered as a member of the Chamber and gives a full description about the quality of the grain and its weight and the bank then advances money on that *khatti*. The Chamber has fixed certain commission and weighment charges on all grain coming from outside.

(Mr. Kunwar Bahadur then quoted at length from his note on the subject.)

Dr. Radhakamal Mukerjee : Are there any such rules in the market of Hathras?—(*Mr. Bhargava*) : There are certain conventions which are their rules. There are professional *khatti* keepers there.

The Chairman : I would like you to think out whether, taking into consideration the conditions of the country as well as the habits of the cultivators, it is possible to have licensed warehouses here. They have such warehouses in Bihar. You see the advantage of the warehouse. By putting your grain there you get a certificate on the security of which the bank or anybody else will lend you money. Each of you may take a copy of the note and let me have your views by the middle of February. I shall be very grateful.*

Mr. Bhargava : I may tell you that in Hathras there are certain conventions. There are some professional *khatti* owners, who let them out on fixed rates. Sometimes they have to certify that such and such persons have stored so much grain in their *khatti* and on that certificate sometimes money is lent These are merely conventions and there are no regular rules.

Rai Bahadur Babu Mohan Lal : I believe they have been found true?—Yes, they have always been found true.

Dr. Radhakamal Mukerjee : Have you described these conventions in your survey?—No.

Have you, Mr. Srivastava, come across any such system as has been described by Mr. Bhargava?—(*Mr. Srivastava*) : No, I have not come across any such system in Benares.

(The Chairman expressed his warm appreciation of the work done by all these gentlemen and thanked them, and they withdrew.)

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*The opinions asked for were not received by the Committee.

MESSRS. DEVI SAHAI SRIVASTAVA, SATYA PRAKASH, BRIJENDRA NATH BHARGAVA AND KUNWAR BAHADUR.

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., ...	*Members.*
RAI BAHADUR BABU MOHAN LAL. M.A., LL.B., M L.C., ...	
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* :—*Mr. Puttoo Lal Bisaria*, M.A., *Inspector of Co-operative Societies (on special duty.)*

Rai Bahadur Pandit G. S. Upadhya : Mr. Bisaria, you surveyed three villages in the district of Partabgarh?—Yes.

We find that in one case, that is Purai Ajmere Shah, the indebtedness is disproportionately larger than in the other two villages. Will you please explain it?—In the district of Partabgarh we have mostly the *talugdari* system, but this village is a *zamindari* one. There are mostly *pattidars* and the people generally are Thakurs, so that they spend a lot over their marriages and other things, and therefore they are mostly indebted. In other villages there are only statutory tenants. Here there are *zamindars*.

I also notice in connection with this village that some of them—they might be *zamindars* or *pattidars*—advance money and also borrow?—That is a very peculiar feature about this village.

For what do they borrow?—They generally borrow for marriages.

I am referring to those persons who also advance money. Why should they advance money and then borrow? If you will refer to your report you will find that you have said that these agriculturists themselves are generally members of the co-operative society. They are not, however, free from debt themselves.—(*Witness*) : The thing is that when they require money for marriage and other things they borrow from other people, and when there is any surplus they advance to other people.

Mr. Sah : Is it not a possibility that they borrow at 24 per cent. and lend it out at 37½ per cent. which is quite a profitable undertaking?—That is not the thing.

They are members of the co-operative society. Suppose they borrow from the society at 15 per cent. and lend it out at 25 per cent?—That is not generally the case. They lend to members of the co-operative society. These members could have borrowed from the society, but sometimes when an urgent necessity arises they approach their fellow-members and they would take a loan from them.

Dr. Radhakamal Mukerjee : Interlocking of debts is not uncommon in villages?—It is common in some villages; to a great extent in some cases and to a lesser extent in others.

I think there is a bit of it everywhere.

Rai Bahadur Pandit G. S. Upadhya : Is it sometimes the case that they borrow and mortgage other's land?—I do not think it is like that.

I also notice in the case of this village, Purai Ajmere Shah, that the pronotes in which no land has been mortgaged are changed after every three years, interest added to the principal and a fresh bond executed for the total amount. Do you mean that this accumulation of interest and an addition every three years goes on?—Yes.

Rai Bahadur Babu Mohan Lal: They do not charge compound interest.

Dr. Radhakamal Mukerjee: Mr. Bisaria, you also say that for a pair of bullocks of the value of Rs. 100 they fix the price at Rs. 150 repayable in four instalments. The rate of interest would be 50 per cent.—(*Witness*): Yes.

The Chairman: You mention four instalments. What is the period of these instalments?—Six months.

In other words they charge Rs. 50 on Rs. 100 for two years?—Yes.

Mr. Sah: Rupees 50 on Rs. 100 for two years comes to 25 per cent.

Dr. Radhakamal Mukerjee: Is that generally the way in which they purchase bullocks?—Yes.

Rai Bahadur Babu Mohan Lal: They pay *sawai*, that is 25 per cent.

The Chairman: It works out on equated instalments at 37½ per cent.

Dr. Radhakamal Mukerjee: Mr. Bisaria, do these *beoparis* go regularly to these villages?—Quite regularly.

With their herd of bullocks?—Yes.

If they go to markets at a distance to purchase bullocks they have to pay cash?—They never bother about cash. They take down the name and they will accept one instalment.

Rai Bahadur Babu Mohan Lal: In this transaction the charge is higher than the actual market value?—Usually it is higher.

They charge interest also?—It is like this. If a pair of bullocks costs Rs. 100, they would fix the price at Rs. 150. Now they will divide it into four instalments of Rs. 37-8 each. They would charge Rs. 37-8 per instalment. The interest is calculated on that amount.

What I want to know is this. Suppose I were to purchase in cash, then I shall have to pay Rs. 80. Since they are purchased on credit, instead of Rs. 80 they would charge Rs. 100 as the price and Rs. 50 for interest?—Yes. That is so.

Rai Bahadur Pandit G. S. Upadhya: In villages where you have co-operative societies such purchases in instalments are infrequent?—They are infrequent, but there are such cases.

Dr. Radhakamal Mukerjee: Even members of co-operative societies purchase bullocks in the same manner?—Some of them do, but such cases are quite few.

The Chairman: Co-operative societies lend money for bullocks?—Yes.

Rai Bahadur Pandit G. S. Upadhya: You have found labourers practically free from debt in this village?—Yes.

Is that due to the fact that they are well off or they do not borrow?—Because there is no good security to offer and nobody would lend.

Mr. Sah: Kahars and Chamars are debt-free. I mean to say that Kahars are absolutely debt-free?—They are in service.

Kahars are probably well off?

Rai Bahadur Babu Mohan Lal: They must be cultivating *singharas*?—If landlords allow them.

Mr. Sah: Otherwise they take service in Partabgarh?

The Chairman: Kahars are used to service. They take service anywhere. There is a demand for them.

Dr. Radhakamal Mukerjee: Mr. Bisaria, you have said that the creditor does not desire the repayment of debt in which land has been mortgaged?—He wants that the whole land may pass on to him.

Mr. Sah: The creditor's object is to take land?—Yes.

Mr. Sah : Creditors are of small agricultural classes?—They are *zamindars*.

Do they sub-let to statutory tenants?—To statutory tenants, yes.

Rai Bahadur Babu Mohan Lal : Have you found in your research that there is a tendency for interest on mortgages to go down or to rise of late?—There is one *zamindari* village where I have found this thing. In other places all are statutory tenants and not *zamindars*.

Mr. Sah : What is the tendency in that particular *zamindari* village?—Generally it is with possession and therefore they do not charge interest for it.

Rai Bahadur Babu Mohan Lal : Is the interest going down in the case of mortgages? —At first it used to be Re. 1 per cent. and it is now 12 annas or 10 annas.

Dr. Radhakamal Mukerjee : The tendency among the agricultural moneylenders is, I think, that they do not want the complete repayment of debts?—Yes. Simply because they want possession of the land.

You have found this tendency in your village?—Yes in Purai Ajmere Shah.

Rai Bahadur Pandit G. S. Upadhya : Are the moneylenders here of the agricultural class?—Not all.

In this particular village?—No, it is generally the *zamindari* class who lends money.

Banias and Vaishyas cultivate?—Vaishyas do not cultivate. They lend money and do not cultivate land themselves. They sub-let to other tenants.

Dr. Radhakamal Mukerjee : So in this village land has been transferred to Vaishyas?—No.

The Chairman : No, what he says is that the land has not been transferred to Vaishyas. Vaishyas do not want land. It is only the agricultural moneylenders to whom land has been transferred. Mr. Bisaria, has land been transferred both to agricultural and non-agricultural classes?—Land has passed from *zamindar* to *zamindar*. It has not passed from *zamindars* to cultivators.

Who are your *zamindars* in this village?—They are Thakurs.

Dr. Radhakamal Mukerjee : We want to know whether any of these Thakur *zamindars* has parted with his land and it has gone either to the Vaishyas class or Bania class?—I do not know.

Have you any Kalwars?—I do not think that Kalwars live there.

Rai Bahadur Pandit G. S. Upadhya : There is one family I know of there, but that does not make any difference.

You think, Mr. Bisaria, that the distribution of *taqavi* can be more profitably done through co-operative societies?—I think so.

The Chairman : But do you suggest that co-operative societies should give *taqavi* only to its own members or to everybody?—For this purpose it can be distributed to everybody.

Rai Bahadur Pandit G. S. Upadhya : You say "the co-operative society has defects of its own." Of course, that is so.) "There is not enough money to meet the demand." How can you say that?—I mean to say that if there are 50 members in a society the normal credit which the central bank accepts for the society is Rs. 2,000. Now, within that limit the society should give loans to its members. So that the average per man comes to Rs. 40.

Supposing the number of members increased to-day and there is only sufficient money to meet the demand, but if the demand is fixed at 75 per cent. or 60 per cent. you can meet the normal credit, for to that extent money is always forthcoming. You can get much more money from district banks, or central banks, or raise it, locally sometimes, if the demand is greater. Do you mean in that sense?—Yes.

Dr. Radhakamal Mukerjee : More than one witness has impressed upon us the necessity of increasing the amount of credit which ought to be given through the co-operative society. Do you agree?—Of course, I think that would be better.

Mr. Sah: Do you think you would be able to recover the increased amount?—If we can recover the amount that is already advanced we can also recover the extra amount, because our loans are advanced on joint responsibility and surety.

Do they understand the system?—In some societies they do and in some places they do not. Things are explained to them, but in some places they do not realise it until they are forced to pay for others.

The Chairman: But apart from explaining it, do they approve of it? Do they appreciate it as a good thing?—I cannot say about it, but I think they must be liking it, because they have been having all the transactions in that way.

Dr. Radhakamal Mukerjee: Don't they appreciate the advantages more than the disadvantages?—Sometimes these people have got to pay for others. Of course they are against it.

Rai Bahadur Pandit G. S. Upadhya: But one thing you have to make clear. There is a popular belief which should be corrected that this joint responsibility is not enforced while the society is working, but only when the society has gone into liquidation.—*(Witness)*: Yes.

That is to say, unless the society goes into liquidation joint responsibility will not be enforced.—*(Witness)*: The society itself is responsible for outside loans. For instance a society in its corporate sense obviously has borrowed from a district bank. Now, for that loan which is borrowed from a district bank it is jointly and separately responsible to pay that amount so long as the society exists.

Rai Bahadur Babu Mohan Lal: But in the case of individual borrowings from the society by its members certainly those who have joined in surety have to pay?—Only when the principal debtor has not paid or cannot pay.

Rai Bahadur Pandit G. S. Upadhya: And not generally from any other member?—No, even when decrees are obtained against a defaulter, the decrees are executed against all the resources of the defaulter first and the balance, if any, is recovered from the others.

Rai Bahadur Babu Mohan Lal: Then your belief is that in villages this co-operative movement has commenced to be appreciated by them?—I cannot say much about that, because in the districts in which I have been I have not come across any cases. I have up till now been in two districts.

Rai Bahadur Pandit G. S. Upadhya: Excepting districts where there has been wholesale liquidation this movement is appreciated?—That is so. At present I am in charge of the Bulandshahr district and there we have got more liquidated societies than working societies and what I have said is based on that fact.

Rai Bahadur Babu Mohan Lal: One thing I want to know from you as an inspector of co-operative societies. Is there, by genuine efforts on behalf of the department as well as on behalf of some public non-official members who take public interest, any chance of this co-operative movement being so extended as to cover the needs of the major portion of the tenantry?—I think so, if it is developed.

Rai Bahadur Pandit G. S. Upadhya: One thing more. You say, in paragraph 3, "Nevertheless, every villager, whatever his position or status, possesses some jewellery for his wife." You have to define jewellery, because I know the poorer tenants do not have much gold ornaments.—*(Witness)*: By "jewellery" I do not mean any ornaments of gold. In villages generally and in good families we have got a few articles of silver, otherwise we have got *kansa*. So generally they purchase *kansa* articles. I mean "some ornaments." As a matter of fact they cannot afford to purchase gold.

Dr. Radhakamal Mukerjee: Well, in the Deogalpur enquiry you have shown that the position is much more unsatisfactory there than in other villages?—Yes.

And much of it you attribute to the land system. You think that the incentive for better cultivation is not there, because there is neither fixity of tenure nor interest in land. Will you explain this?—Because it is a *taluqdari* village and they are generally all statutory tenants. Now their legal position is that after every ten years they are liable to enhancement of rent and they are also liable to ejectment.

The Chairman: They are liable to ejectment after ten years?—Not after ten years, but they can be ejected by the landlord for failing to pay rent; so under these conditions when the cultivator knows that his rent is liable to enhancement after ten years he does not make any improvement in the land, because his rent can be increased after ten years.

Isn't it fair to say that the landlord has the right to enhance his rent by an agreement? If he does not agree the tenant is ejected. The rent is only enhanced according to the roster rate.—(*Witness*) : Generally, they enhance it because the rent is so low. In this village the average rent per *bigha* is only Rs. 4, but up till now (because it was in the Dallipur estate) they use to take *nazrana*. So if we take into consideration this *nazrana* the rent will come to Rs. 8.

Nazrana is very often due entirely to land hunger. There are so many people wanting land that land is put up to auction.

Dr. Radhakamal Mukerjee : Are these *nazranas* levied periodically?

The Chairman : It is levied periodically on two occasions : once on change of a tenant and then when there might be enhancement.

Dr. Radhakamal Mukerjee : Mr. Bisaria, are there concealed rents in the village?—I cannot say much about that.

Rai Bahadur Babu Mohan Lal : When you say that tenants do not make improvements because they think if they have improved the land higher rents will have to be paid, don't you know that the question of improvement is taken into consideration at the time of enhancement of rent or of ejectment?—Even then I think that they don't improve their land.

Rai Bahadur Pandit G. S. Upadhya : In this particular case—I presume you were thinking of Deogalpur where I had been twice—there is another reason. If I remember right, in the case of Deogalpur the reason why they don't improve land is because all common land has been taken out of their hands. This is a great complaint that they made to me, that there used to be some common land in the village in which the tenants had grazing rights. The whole of that has been taken away from them, so they are very dissastisfied and they are always talking of leaving the village.

Dr. Radhakamal Mukerjee : That will affect grazing. How does it affect cultivation?

Rai Bahadur Pandit G. S. Upadhya : Their cattle suffer in the first place.

The Chairman : May I suggest to you that the grazing lands in a village, if there are any, are probably worth a great deal more than the cultivating land. But very few villages have got any, and if you notice, the largest proportion of people in those areas are Ahirs.

Dr. Radhakamal Mukerjee : Then, Mr. Bisaria, is the lack of incentive for better cultivation due to dissatisfaction on the encroachment of the grazing rights, or rather the depreciation of cattle itself?—All these things combine to make them less inclined to improve land.

The Chairman : If you put your tenants in a bitter temper, they are not going to do anything to improve your land.

Dr. Radhakamal Mukerjee : But on the whole, you think the rates of rent are pitched rather high?—(*Witness*) : Yes. In this village it is Rs. 4 per bigha.

The Chairman : That is Rs. 6-4 per acre. That is not very high.

Dr. Radhakamal Mukerjee : Mr. Bisaria, about moneylenders you have suggested a law which should fix the maximum rate of interest and penalise usury, and you have also said that the accounts ought to be subject to audit?—Yes.

Mr. Sah : Should this be compulsory or a voluntary process?—I think it should be compulsory.

Will you give the licensed moneylenders any privileges, for instance, as regards the realisations of their debts and so on?—Of course, that should be given.

So you would put them in the same position as the co-operative societies?—Exactly. And that is why I have out that it is better that they should form a co-operative bank of their own.

And as regards these licensed moneylenders, would you give them any privileges such as the raising of capital : whenever they find that they have not sufficient capital of

their own, for instance, the raising of capital from other institutions such as the Imperial Bank or the joint-stock banks?—If they are affiliated to district banks then, of course, money can flow from those district banks to these people. My idea is like this. I say that in every village where there are moneylenders, they should be licensed and they alone should be allowed to have transactions with the village people. Now, if there are eight or ten villages and there are two men in every village, they should form a sort of a local board. Now that local board should be connected with the district banks and the money from all these people should go into the local board, from there it should be uniformly distributed according to the needs of the people. In that case there will not be much difficulty in getting money.

The position of the district bank will be to supply money when it is required?—Yes.

Rai Bahadur Pandit G. S. Upadhya : But this can be done not to individual persons under the law but only if they form themselves into a co-operative society or a central society or association?—Yes.

Mr. Sah : As regards the co-operative society, do you think that that is a practicability. Supposing there are four moneylenders, the question would arise which of the four are to go out of their business and then which of the four has to take the managing part?—The one who commands the greater proportion of finance.

Supposing there are four persons and they form themselves into a co-operative society. Would not the first question that would arise between these four be which three are to go out of business and which is the fourth who has to manage the business?—They can make their own management, all the four people together.

Rai Bahadur Pandit G. S. Upadhya : It can be done in this way. Supposing a particular moneylender has in his circle seven villages, another has four, another has three; there are ten of them to form a co-operative society or a central society; but every one of them may still have his *jajmani* in those plots, so that you don't stop the business of anyone. That is only pooling of their resources, while the activities of everyone of them would still be in their own villages.

The Chairman : Might we put it this way? Supposing you have ten moneylenders, each with a capital of Rs. 5,000; one has got a clientèle of three, another four, and so on. Well then, each individual village will have its own share of Rs. 5,000; whilst before it might have only a smaller share of Rs. 5,000 or it may be larger.

Mr. Sah : Well, Mr. Bisaria, do you think that the village moneylenders at the present time are sufficiently educated and sufficiently advanced in order to understand the benefits of this co-operative society?—They are educated, but they may not like the idea of forming societies.

The Chairman : May I further suggest to you that in villages of this particular type, most of the moneylenders appear to be cultivators themselves who generally combine for borrowing and can surely co-operate for lending? The idea is precisely the same.

Dr. Radhakamal Mukerjee : You would lend money to the cultivators through this board or through the individual *mahajans*? The board will be a counterpart of the district central bank, and the *mahajan*, restricted and given some privileges, will be lending directly to the cultivators. Is that your point?—The *mahajan* should lend through the board and the board shall be comprised of representatives of the *mahajans*.

The Chairman : He would be acting as an agent of the board instead of on his own.

Mr. Sah : As regards this licensing of moneylenders, Mr. Bisaria, supposing we gave them certain privileges as you mentioned, will it not be an incentive to them to ask for licence?—(*Witness*) : You mean to say that it should be a voluntary and not a compulsory thing? If there are ten people in the village and they are doing moneylending business, should they all be licensed compulsory, or only if they apply for licence?

It is only when they apply for a licence that they should get it. Can you make it compulsory? Can you stop any person from lending to another?—We cannot, but legislation can.

But how can legislation be effective? Supposing I lent you Rs. 5 without licence and you repay to me the next day, can legislation stop that?—That is an ordinary personal loan, but it has got to be written down on pronote and certainly the law can stop it.

But are most of these village loans written on pronotes and bonds?—Up till now they are not written.

The Chairman: May I suggest to you, if you want to do it by legislation, the only means is to refuse recognition of a pronote except by a licensed moneylender. I also suggest that in that case all that will happen will be that there will be no pronote.—(*Witness*): But I think then most people will not lend because it may be feared that the money will not be repaid.

Mr. Sah: Are not at present most of the loans paid voluntarily in the villages without the aid of the law?—Yes, they are paid voluntarily, because the man has got local influence.

Rai Bahadur Babu Mohan Lal: One point I want to know in connexion with licensing the moneylenders compulsorily. It is this. If you make this licensing business compulsory and if these people stop moneylending, then the licence will become quite useless. How would you meet the needs of the people?—The other people can make a deposit in the local board with the society of moneylenders

You say it should be made compulsory; we are not talking of boards. Suppose no boards are formed, and it is not easy to form a board and they do not lend money but take to other business; then how would you meet the needs of the people in that case? Rather would it not be better that some concessions be made in favour of those who get themselves licensed, and their licensing may be left to their discretion in the hope of getting concessions? Would it not be a better system than the system which you propose?

Rai Bahadur Pandit G. S. Upadhya: May I help him to clear a confusion which is apparently in his mind? There are two things. In one case you say the moneylender may be licensed and in the next the rate of interest should be fixed. In the first place I should like to point out that even by fixing a maximum rate of interest the moneylender can be able to get round it. For instance, you have fixed the maximum rate by law at 12 per cent. The man wants to borrow Rs. 50. It is all right, the stipulation is there: the man wants to get 24 per cent.; probably he will not pay him the full Rs. 50 but only Rs. 10 or Rs. 45. But if there is legislation fixing the maximum rate of interest, its object may not be achieved but may be forfeited. So you see the point here. Even licensing of individual persons will not meet the case. Therefore, two alternatives have been put before you. The one already mentioned, and the other is of roping in all these persons into a co-operative institution. For your information I may tell you that in the Punjab they have already started this moneylenders' co-operative association. It has not been in existence for a long time, still it seems to be working for the time being.—(*Witness*): I think instead of licensing individual persons, if all these people, formed themselves into a co-operative society, these difficulties can be removed.

Which of the two alternatives do you prefer: make the individual compulsorily licensed or leave the option to him of getting himself licensed in the hope of getting certain concessions?

Dr. Radhakamal Mukerjee: I do not know whether he suggested them as alternatives; he wanted both.

Mr. Sah: You have suggested one way of co-ordinating the moneylenders with other financial agencies. As regards the licensing of moneylenders, and as regards the formation of co-operative societies of their own, would you suggest any other way of co-ordinating the moneylenders with the co-operative societies?—I cannot think of any.

Dr. Radhakamal Mukerjee: You state, in your report on village Alapur, that in one case a loan of two maunds of seed came to Rs .100 in four years' time. That is an enormous rate of interest!—(*Witness*): First two maunds of wheat were borrowed. The crop failed and on the *deorhi* system, the loan became three maunds. Payment was postponed till next harvest when the loan became 4½ maunds. A pronote was then executed for Rs. 50 at 25 per cent.; at the end of two years it was changed to Rs. 75 at 24 per cent. which came to nearly Rs. 100 at the end of three years. They had also other transactions with them.

MR. PUTTOO LAL BISARIA.

Mr. Sah : What would be the amount of these other transactions?—It would not be much.

Dr. Radhakamal Mukerjee : You have shown the relation between the solvency of the cultivator and the status of his financier. Will you classify the peasant according to the status or caste of the *mahajans*, the lowest being represented by the *qistwalas*?

The Chairman : I do not think he can say anything more definite than what he has given there.—(*Witness*) : I mean by "better" not any community but those who are a bit higher in finances.

Dr. Radhakamal Mukerjee : Which are the moneylending classes in that village?—They are generally *banias* of Kishanpur and Paiganj. There are three places from where they come. Now, for example, there is also a *patwari* in the village who made it his business, and there are some other *telis* in the village who advance them to a very little extent.

To whom do the agricultural labourers go?—Generally to the *qistwalas*.

No solvent farmer will go to them?—No, they approach generally the big financial people, that is, the *banias*.

(The Chairman thanked the witness, who withdrew.)

Report of an economic enquiry in village KUSHAL KHERA, district Rae Bareli.

[By Rai Bahadur Pandit Suraj Din Bajpai, B.Sc., LL.B., Landlord.]

Revenue statistics for the year 1331 *Fasli, corresponding to* 1923-24.

[*Note.*—The current settlement of the village was made in 1928. The assessment was based on the figures for 1331 Fasli. The new *jama* came into force in 1336 Fasli (1928-29).]

1.	Total area			196 acres.
2.	Unculturable area			24 ,,
3.	Groves			8 ,,
4.	Culturable waste and fallow			22 ,,
5.	Cultivated area	(1) Irrigated (from wells)		61 ,,
		(2) Unirrigated		81 ,,
		(3) Total		142 ,,
6.	Proprietor's cultivation			*nil*
7.	Under-proprietor's cultivation			*nil*
8.	Tenants' land	(1) Held in cash		146 ,,
		(2) Held in kind		*nil*
9.	Rental demand			Rs. 1,711
10.	Collections including arrears			Rs. 1,175
11.	Settlement Officer's valuation of assets			Rs. 1,187
12.	Revenue assessed at 40 per cent. of the assets			Rs. 475
13.	Incidence of rent per acre of cultivation			8·22
14.	Incidence of revenue per acre of cultivation			3·35
15.	Ploughs			23
16.	Plough cattle			50
17.	Population (1921)			91
18.	Crop area	(1) *Rabi*	(i) Wheat alone	22 acres.
			(ii) Wheat in combination	9 ,,
			(iii) Barley alone and in combination	41 ,,
			(iv) Gram and peas	7 ,,
			Total	79
		(2) *Kharif*	(i) Early rice	2 ,,
			(ii) *Juar* alone and in combination	53 ,,
			(iii) Sugarcane	4 ,,
			(iv) Other crops	18 ,,
			Total	77
		(3) *Do Fasli*		4 ,,

Personal statistics relating to the residents of the village.

(See the attached statement.)

Notes.

All the resident tenants of this village are of the Ahir or Pasi caste. Women also work in the fields. The occupation of all the residents of the village is cultivation. A few sometimes work as day-labourers. Two are in Calcutta employed in some menial job. One is at Indore in similar employment. One keeps goats as a

2. Rent is generally fully paid at the end of the year and, as a rule, from the produce of the holdings; tenants rarely have to borrow money to pay their rent.

3. Produce is almost invariably sold without difficulty at the village itself. There is no market in the village; village traders visit the village during the season, purchase grain from the cultivators, and take it to the neighbouring markets or to the consumers in the neighbouring villages. Purchases are also made from the cultivators direct by the consumers. The people of this village keep in touch with the prices of grain by visiting the neighbouring markets which are held twice a week. Sometimes they carry the samples of their produce to the markets and settle sales there. Actual sale, however, always takes place at the village, the purchaser, whether a trader or a consumer, making his own arrangements to carry the commodity from the seller's house.

4. Period of money debts is generally one year, unless a deed is executed and a period of repayment is specifically mentioned. Security for all borrowings is personal. Sometimes a document is executed, but generally the transaction is oral. No land or ornaments have been pledged.

5. Grain debt is always incurred for a short period, that is to say, it is repayable at the next harvest. When the harvest fails, it remains in arrears, and interest at the *derhi** rate becomes payable on the accumulated principal and previous years' interest—in other words ompound interest is charged at the *derhi*.* rate on all arears. When the harvest fails during two or more successive years, the grain debt becomes an intolerable burden on the cultivators. But as no security is given and no bond is executed, a large portion of the grain debt, which is not repaid at the harvest next following the date when it is advanced, is not paid at all. The lenders are mostly petty *mahajans*. They are generally afraid of publishing their loan transactions. A lawsuit to recover a grain debt is thus unheard of; and repudiation of this debt is a common occurrence.

6. On the other hand, there is no hesitation to file suits to recover money debts, so long as the borrower has sufficient assets to meet the liability. A fair proportion of money debts is thus recovered. Sometimes a clever grain lender manages to convert the grain debt into a money debt at a fair valuation in cash and gets a bond executed for it. When this happens, the grain loan becomes as safe as a money loan and is recovered with the same facility.

7. The rate of interest is high because the only security offered is personal, and the only assets from which the loan can be realized are the borrower's live-stock; and even this is partially protected from attachment and sale under the Civil Procedure Code. The residents do not possess any ornaments of value; while the landlord has a first charge on the produce of the land.

8. A large portion of the debt of the village is old and in some cases commenced during the famine of 1907-8. Some debts date back to 1918. As in the case of the grain debt the total of the money debt is also made up of the principal and the accumulated interest for years. The total indebtedness of the village is nearly double the value of the live-stock owned by it.

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* Fifty per cent. for a period of about six months in the case of original loan and one year in the case of arrears.

Report of an economic enquiry in village JAMNIPUR, district Allahabad.

[By the members of the Allahabad University Village Service League.]

Members of the Credit Survey Sub-Committee.

Mr. Daya Shanker Dubey, M.A., LL.B. (Convener).

Mr. J. K. Mehta, M.A.

Mr. Bhookan Saran.

Mr. B. P. Jain.

Mr. Badri Narayan Singh.

Mr. Lal Pradyumna Singh.

Mr. Ram Lal Rathi.

Mr. Krishna Behari Lal.

Introduction.

Jamnipur is a village in pargana Jhusi, tahsil Phulpur, district Allahabad. It is about 14 miles from Allahabad and is nearly three miles from Ramnathpur, a railway station on the B. and N.-W. Railway with which it is connected by a *kachcha* road. This village has been the centre of activity of the Allahabad University Village Service League for the last three years.

People are naturally very reluctant to disclose their secrets with regard to indebtedness, and some take it as an insult if any such information is sought from them. By our work in the village we have been successful in gaining the confidence of most of the people of this village, and this has enabled us to obtain fairly reliable information with regard to the indebtedness of 122 families. We had one more advantage. There exists an organisation in the village called Gram Seva Sangh consisting of the educated and energetic young men of the locality. The members of this Sangh have always co-operated with us in our activities, and as usual gave us much help in this investigation also. Their local knowledge and influence were always at our disposal. Our thanks are due to the members of this Sangh for their invaluable help.

Extent of indebtedness.

According to the census of 1921 the village contains 259 families consisting of 1,120 persons. Our investigations for want of time were confined to 122 families consisting of 614 persons. These families have been taken at random. They belong to rich, middle and poor classes, generally in the proportion in which they are found in this region. Attempts have been made to secure information for each family, either directly or indirectly, about the extent and nature of indebtedness, its causes, the rates of interest charged and the objects on which the borrowed money was spent.

Out of 122 families under investigation, 84 or 70 per cent. were found to be in debt. The total existing indebtedness of these families amounted to about Rs. 50,000, *i.e.*, about Rs. 400 per family or Rs. 80 *per capita*. Per indebted family the indebtedness amounts to Rs. 600. The amount of the loan varies from Rs. 10 to Rs. 6,000; the most frequent amount (*i.e.*, the mode) being Rs. 200. The debts of nearly one-third of the indebted families are considered to be beyond their capacity to repay within a reasonable time.

Security of loans.

The amounts borrowed on different securities are as follows :—

	Rs.
On the security of land, nearly	30,000
On the security of ornaments, nearly	1,500
On the security of machines (flour mill)	3,000
On personal securities	12,500
Total ..	47,000

VILLAGE JAMNIPUR : MEMBERS OF ALLAHABAD UNIVERSITY VILLAGE SERVICE LEAGUE.

From the above table it is evident that most of the loans (*i.e.*, 60 per cent.) has been borrowed on the security of land. The most common practice is to get money on usufructuary mortgage of land. In this case the possession of land passes to the creditor and the borrower pays no interest on the money borrowed, the creditor not paying any rent for the land. The amount per bigha lent under this condition varies from Rs. 100 to Rs. 300 according to the nature of the soil. A very interesting case as to how a local moneylender was cheated by an occupancy tenant was narrated to us. A tenant borrowed a certain amount of money from the moneylender on the usufructuary mortgage of his land. Later on he surrendered his occupancy right in the land to the *zamindar* on receipt of a certain amount of money. The *zamindar*, after charging the usual *nazrana*, gave that land to some other tenant, who got the moneylender dispossessed of the land on applying to the revenue court, with the result that the moneylender did not get his money back and lost possession of the land also. If this has been done in accordance with law, as it is alleged to have been done, all those who have lent money on the security of land belonging to occupancy tenants will sooner or later find themselves in considerable difficulty.

Moneylenders lend on the security of gold ornaments also. It is very difficult to get correct information with regard to the amount of money borrowed on the security of ornaments. In this village the females of well-off families were found to lend to other females on the security of ornaments, sometimes without the knowledge of male members of their families. We were not in a position to collect information from females. Borrowers were unwilling to disclose this kind of information. The borrowers, when they have no other security to offer, and when they do not get money easily on personal security, pledge their ornaments. They do not want other people to know that they are in financial difficulty. The amount of money advanced is generally less than 50 per cent. of the estimated value of ornaments, and the rate of interest charged is usually 24 or 25 per cent., but it increases to one anna per rupee per month (*i.e.*, 75 per cent.) when the borrower happens to be very needy.

Seed is generally advanced on the security of crops, and the rate of interest charged is 25 per cent. for the season (*i.e.*, from the time of sowing to the time of harvesting). The people of the village generally do not borrow in kind even for seed. Only very recently through the efforts of our League a few cultivators have been induced to borrow an improved variety of seed from the Agricultural department.

The remaining amount of the loan (Rs. 12,500), which forms 25 per cent. of the whole, was borrowed on personal security, generally on promissory notes, the rate of interest varying from 6¼ per cent. to 36 per cent., the usual rate being 24 per cent.

Rates of interest.

The following table gives the amount of money borrowed at different rates of interest :—

	Rs.
In lieu of rent, nearly	30,000
In lieu of labour, nearly	1,200
Without interest	50
At 7½ per cent.	2,000
At 9 „	500
At 12 „	1,000
At 15 „	2,300
At 18 „	1,350
At 24 „	10,600
At 25 „	1.000
Total ..	50,000

As already mentioned before, about Rs. 30,000 were borrowed on the usufructuary mortgage of land and no interest was received by the creditor. He, however, enjoyed the produce of the land or rent from a sub-tenant.

We found the prevalence of a system in the village which is more or less akin to economic serfdom. Some cultivators have advanced money to labourers on the explicit understanding that they would work for the creditor in the busy season on a nominal wage

of three-quarters of a seer of grain for each working day. The borrowers, who generally belong to the lower classes, do not pay any interest on the money borrowed, but they cannot work for any other man during the busy season (at the time of ploughing, sowing and harvesting). The amount thus lent to each labourer is generally Rs. 50, though, with an increased demand for labour in rural areas during the busy season, this limit has several times been exceeded. Once a labourer borrows money from a cultivator on the above condition, he has to work for his creditor only till the money is repaid. This takes several years, and thus the poor labourer loses his freedom of work.

When a small amount of money is advanced to a relative or a friend for a short period, generally no interest is charged. Barbers and priests have their *Yajmans* in the village. When small amounts of money are borrowed by them from their *Yajmans* for a short time, no interest is charged if the money is returned in time. Government charges 7½ per cent. on *taqavi* loans usually advanced during times of calamity. Moneylenders charge 9 and 12 per cent. among themselves. The co-operative society charges 15 per cent. Moneylenders charge their clients from 18 per cent. to 36 per cent.; the usual rate, as mentioned above, is 24 per cent. In some cases higher rates have also been charged in accordance with the intensity of the needs of the borrowers.

Objects of borrowing.

Most of the money borrowed (*i.e.*, 77 per cent.) has been for unproductive purposes, generally marriages, funeral ceremonies, litigation, etc. The amount of money borrowed by the 84 families under investigation for different objects are as follows :—

Unproductive purposes.

	Rs.
Marriages, nearly	10,600
Funeral ceremonies, nearly	2,800
Litigation, nearly	5,660
Feasting of Brahmins, nearly	600
Purchase of a horse, nearly	200
Repayment of old debts, nearly	9,000
Maintenance, nearly	10,560
Total ..	38,700

Productive purposes.

Purchase of seed, cattle, etc.	4,100
Construction of wells	600
Payment of rent or land revenue	2,000
Education of children	200
Purchase of machines (flour mill)	3,000
For professional work (moneylending)	1,000
Total ..	19,900

People generally borrow recklessly at the time of marriage and funeral ceremonies. Money borrowed for maintenance has been utilised in getting articles of food and clothing during periods of difficulty. Litigation is responsible for 11 per cent. of the total amount of loan. Village people do not realize the importance of using money for agricultural improvements. Money has been borrowed in small amounts for the purchase of seed or cattle, or for construction of a well, or payment of rent or land revenue. One gentleman borrowed more than Rs. 3,000 for a flour mill, but could not work it successfully.

Lenders of money.

More than 80 per cent. of the money borrowed has been from the local moneylenders belonging to the village and neighbouring villages. At the time of advancing the money they generally charge one per cent. as a writing fee, which is given to the writer, who is very often the *patwari* of the village. Very few cases of malpractices by moneylenders were reported to us. One gentleman complained that his creditor did

not enter in his books the instalment of money which he had already paid. Some complained that their creditors charged a very high rate of interest, usually compound interest, at the time of renewing the old bond. A local Thakur took a loan of Rs. 6 for the entertainment of his guest on the last *Nagpanchami* festival. He had to give a bond for Rs. 16, promising to pay interest at 48 per cent. The money was returned after three days only with an interest of eleven annas (*i.e.*, 48 per cent. on Rs. 16 for one month), which amounts to more than 100 per cent. on the amount actually borrowed.

Some moneylenders were reported to be very liberal in their dealings with their clients. Some relinquish a part of the interest (generally 6 per cent.) when they receive their money back.

One rich moneylender has the reputation of not filing a single suit against his clients.

Out of 122 families under investigation, 33 were found to be lending to others. Out of these 33 families, 13 were in debt and six belonged to the professional moneylending class, one of them having a business of Rs. 60,000. The total amount of money lent out by these 33 families to the people of the village and neighbouring villages was Rs. 95,000 distributed as follows :—

	Families.
Lending less than Rs. 500	13
Lending from Rs. 500 to Rs. 1,000	7
Lending from Rs. 1,000 to Rs. 2,000	7
Lending from Rs. 2,000 to Rs. 5,000	5
Lending from Rs. 60,000	1
	33

The above table shows that 13 families lent less than Rs. 500. This gives the extent to which cultivators lend and borrow amongst themselves.

Out of the total amount of Rs. 95,000 lent out by these 33 families, Rs. 77,000, *i.e.*, 80 per cent., was lent on the security of land, Rs. 2,000 on the security of ornaments and Rs. 16,000 on personal security. The rates of interest charged by these 33 families were as follows :—

	Rs.
In lieu of rent, nearly	77,000
In lieu of labour, nearly	2,500
Without interest	100
At 3 per cent. (Saving banks)	100
At 12 „	500
At 18 „	2,000
At 24 „	12,300
At 36 „	500
Total ..	95,000

From the table it is also clear that the usual rate of interest charged by money lenders in this village is 24 per cent.

The amount of money borrowed from the Government in the form of *taqavi* loans has not been very large. People say that the *patwari* used to charge one anna per rupee extra for this loan. Last year when *taqavi* was advanced, district authorities took special care to see that no such charge was made by the *patwari*. Dismissal of a few *patwaris* who were reported to be collecting the unauthorised charge had the desired effect of preventing other *patwaris* from asking for this fee.

The village has a co-operative society consisting of 22 members. The society gets money from the District Co-operative Bank and lends to its members at 15 per cent. for productive purposes only. It has not been working satisfactorily and may be brought under liquidation any day. It seems that some members lacked the spirit of co-operation, and from the very beginning wanted to derive some personal gain at the cost of other members. Three members, without informing the others, borrowed a certain amount of money from the bank for purchasing a flour mill which could not be worked satisfactorily. The members concerned did not repay the money or the interest, and other members are not willing to take up the liability of the loan. Some underhand dealings between the bank officials and these three members

Report of an economy enquiry in village MALAK CHATURI, district Allahabad.

[By Mr. Om Prakash Saksena, M.A., (Final) Class, Allahabad University.]

I.—Agricultural credit and credit facilities.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—(*a*) The cultivator in this district borrows usually from the following :—

(i) The village *mahajan* or *bania*.
(ii) The co-operative societies.
(iii) The Government (*taqavi*).
(*iv*) The *Aghas* (mostly cloth on credit); and
(v) His own relatives (marriage or other social functions).

(*b*) The cultivators usually borrow for the following purposes :—

(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 and rent.
(vi) Seed.
(vii) Litigation.
(viii) Expenses of cultivation.
(ix) Purchase of plough or other cattle; and
(x) Subsistence.

They do not generally borrow for manuring, sinking of wells, building of tanks and purchase of agricultural implements. Very rich cultivators having large areas under cultivation are said to borrow from the Government for sinking a well or building a tank. None of this type happens to be living in this village.

(*c*) (i) It is impossible to be definite about the proportion in which the debt is distributed among the above-mentioned purposes. The cultivators do not keep any accounts to show how the sum borrowed is spent. When a cultivator borrows he spends the money on any purpose that presses him at that moment. The proportion spent on the various heads of expenditure differs in individual cases according to the circumstances of the cultivator at the time of borrowing.

The cultvator, even when he borrows *taqavi* from the Government, which should only be used for some definite, purpose, often utilises that money for his subsistence and for purposes other than for cattle or seed. Often he borrows on false pretences, especially during the years of drought and famine.

For marriages and other social functions he first of all tries to borrow from his relatives, and when he fails to get a loan from this source, he seeks the help of the village moneylender or co-operative society.

Below is given an estimate of the expenses of cultivation of one bigha of land in this village; this may give some rough idea of the purposes of the debts and their proportion :—

Say wheat, *rabi* harvest.

	Rs.
Thirty-two seers seed	6
Wages of watering	4
Wages of *harwaha* and sowing	2
Food for subsistence	6
Mot (leather bucket) for taking out water from the wells ..	2 to 3
	20 to 21

The cultivators borrow for all the above purposes, and often, in addition to these for the payment of land revenue, social functions, etc.

Total area under cultivation in this village is about 300 bighas.

(ii) The proportion in which the debt is divided between the various classes of moneylenders differs in individual cases. When need arises, the cultivator tries to borrow from whoever will lend to him at the easier possible rate of interest and will give him the greatest facilities for the repayment of the debt.

The cultivator borrows mostly from his *mahajan* or co-operative society. A member of the co-operative society cannot easily get a loan from a *mahajan*.

The proportions of the debts of the village as a whole stand roughly as follows :—

	Per cent.
Mahajan	40
Co-operative society	30
Government	20
Relatives	5
Aghas	5

The *mahajan*, the *zamindar* and the relatives are sometimes the same persons.

The amount is at a low figure this time because the *kharif* crops have been harvested recently. The total debts were roughly given at Rs. 2,000 for this village of about 100 houses, excluding big *zamindars* who do not reside in it. But the debts probably increase during the *rabi* harvest. The amount is likely to go up to Rs. 9,000 during the *rabi* season.

(*d*) (i) In ordinary years the proportion of the loans in cash and in kind is something like 65 to 70 per cent. cash loans and 30 to 35 per cent. loans in kind. The percentages for the last three years have been 55 per cent. cash and 45 per cent. kind—mostly grain, because these three years have been more or less years of drought and famine. The cultivators have not been able to grow sufficient food crops for their daily consumption, and the proportion of the loans in grain has risen. The amount of the debts is also reported to be considerably higher in these years than usual.

(ii) Presuming the short-term loans to be of six months or of less duration, the proportion for this village of long-term and short-term loans may, roughly speaking, be taken to be 30 per cent. long-term loans and 70 per cent. short-term loans. But for the distress of the past three years the proportion of short-term loans would have been higher.

Cultivators borrow for short terms generally to finance their agricultural operations or to purchase grain and cloth, etc., for their daily consumption. It is only when the cultivator fails to pay back his debt that such debts become long-term loans. Debts incurred for building a house or performing a marriage or other social ceremony are often not repaid at the proper time, and have to be renewed for long periods. This period is seldom more than a year or two in the first instance. But they are often renewed when the term expires. The debts are renewed also when a cultivator who has borrowed for agricultural purposes is unable to repay at due date.

VILLAGE MALAK CHATURI : MR. OM PRAKASH SAKSENA.

There is hardly any cultivator who can do without borrowing, not only in India but in every agricultural country. He requires money, however, for a short time only—from the sowing season to the harvesting season.

The *kharif* debts begin to be incurred just after the rains set in, *i.e.*, at the end of June and early July (Hindu month *Asarh*). They are highest just before harvest, *i.e.*, in October and November (Hindu months *Kunwar* and *Katik*). For the *rabi* crops the debts begin to be incurred from seed time in December and January (*Pus*) up to harvest in February and March (*Phagun* and *Chait*).

The debts incurred just before the harvests are mostly in grain, because this is the time when the available supply of food grain is almost exhausted and cultivators require grain for their own use.

Question 2.—(*a*) The rate of interest charged by the co-operative societies is 15 per cent. per annum.

On *taqavi* loans advanced by the Government the rate is 6¼ per cent. per annum.

The rate of interest charged by the village *mahajan* usually depends on the urgency of the need for which the loans are required.

The following are the usual rates of interest charged in this village on the different kinds of loans :—

For cash advances.—The rate ranges from Rs. 1-8 to Rs. 3 per cent. per month. Sometimes it goes up even to Rs. 4 or Rs. 5 per cent. per month : this usually happens when the borrower has very little or no security and the need is urgent.

For loans in kind for seed.—The usual rate of repayment in the form of an increased quantity of the commodity itself is 1¼ times the original quantity advanced, *i.e.*, 1¼ times the principal. This is the rate for poor cultivators who cannot give good security. From cultivators whose financial condition is good 1½ times the principal is charged at repayment. The same rate (1¼) is sometimes charged from poor cultivators who are regular in repaying their debts.

For other loans in kind--Grain for subsistence.—No interest is charged for these loans, which are advanced usually for a month or two before the harvesting season, and are repaid just after the harvest. *Zamindars* in the village are said to advance loans in grain for food to their tenants in lieu of certain services, such as carting of grain after the harvest, etc. Only very few debts in grain are long-term debts.

Goods sold on credit, such as cloth, etc.—The rate of interest is usually the same as on the cash advances. But it is reckoned in cash at enhanced prices, say by half an anna per rupee above the market price, according to the kind of cloth and the urgency of the need. As a general rule the rate of interest is higher if the amount borrowed is small, and it is lower if the amount borrowed is large.

Aghas charge very high rates of interest, usually two annas per rupee per month. Sometimes the rate goes even up to four annas and more.

(*b*) *Methods of calculating rates of interest.*—The co-operative bank and the Government charge simple rate of interest. The loan is to be repaid in easy instalments together with the interest.

The village moneylender calculates his interest every month—so many pice per rupee. He is very particular about realising his interest regularly every month. After the harvest he becomes particular about realising the principal also. When the principal is paid at the proper time he allows 10 per cent. rebate on the interest. The rebate is allowed only on cash advances and not on loans in grain. The rate of interest is compounded once each year when the debtor fails to pay back the principal and the interest at the proper time. The debts are renewed if not paid back every year, the unpaid interest being added to the principal.

The *bania* also advances money on the *qist* system. The amount advanced is to be repaid by instalments together with interest—as is the case with the co-operative banks and the Government. The *qist* is paid on certain fixed days of the month according to the custom prevalent in different localities—*Amavas* and *Purnawasi* are the fixed days in this village.

VILLAGE MALAK CHATURI : MR. OM PRAKASH SAKSENA.

(c) It is not possible to make an unqualified statement that the rates of interest charged by the village moneylender, *Aghas*, the co-operative banks and the Government are exorbitant. In the case of *mahajans* and the *Aghas*, particularly the latter, it can be said that the rates of interest charged are exorbitant. The *mahajans* are often well disposed and allow advances on easy rates of interest. The *Aghas*, because they advance money without much regard for the security given by the cultivator, charge very high prices on goods sold on credit and also charge very high rates of interest—from two annas per rupee per month to four annas per rupee per month. The *bania* is in a position to charge a high rate of interest because of the peculiar circumstances in which the cultivators are generally placed, *viz.*, they can give but poor security, their occupation is liable to many unforeseen calamities, and so on. The pressure of their need, the lack of facilities for borrowing, the absence of competition with other lending agencies, enable the village moneylenders to charge high rates of interest. Co-operative societies and the Government do not charge unreasonable rates of interest; but the cost of going to the tahsil or to the bank and the tips (*shukrana*) that have to be paid to the tahsil or bank servants increase the charges considerably. There has arisen some competition among the members of the bank and the *bania*, but to a very limited extent, for the member cannot get a loan for another man because he fears the consequent liability.

(d) There are no other charges incidental to the grant or repayment of the loan. In this locality the *bania* allows a rebate of 10 per cent on the interest for loans advanced in cash if the principal is paid back punctually. In getting a loan from the *bania* a stamp duty of not more than ten pice is usually required, but the charges with regard to loans borrowed from the co-operative bank and the Government amount to a considerable sum.

A rough estimate of expenses incurred by a borrower each time he gets a loan from the co-operative bank or *taqavi* is given below :—

(i) *Co-operative Bank.*—

Expense in going from the village to city where the bank is situated some four or five times (once to apply and then to receive the money and then again to pay back the instalments)—Rs. 3 or 4.

Registration fee—Re. 1.
Shukrana or *dasturi* to the bank's munshis, etc.—Rs. 2.
Total Rs. 6 or 7.
(ii) *Taqavi loans.*—
Commission to *patwari* for recommending *taqavi*—Re. 1 or Rs. 2.
Registration fee—Re. 1.
Shukrana of treasury clerks, etc.—Rs. 2.
Total Rs. 5.

Question 3.—(a) As regards the security usually given the following are the facts :—

Ornaments are pawned only for short-term loans and when the need is very urgent. The ordinary cultivator does not possess many ornaments, and, even if he does, it is thought degrading to pawn them.

Kashtkari cannot be mortgaged, but the *zamindari* right in land can be both mortgaged and sold.

The rate of interest charged on loans with the security of silver or gold ornaments is usually one pice per rupee per month. The rate of interest with the security of standing crops ranges between one and a half pice to four pies per rupee per month.

Houses are seldom mortgaged. First, because every one has his own house and does not require another, and the *sahukar* cannot derive any benefit from letting or selling it. Secondly, the cultivators do not possess more than one house, so that they cannot do without the house they own.

Agricultural implements are neither sold nor mortgaged. Bullocks are sometimes sold.

Fruit-bearing trees are often mortgaged and are regarded as good security.

Trees or any other property cannot be sold by the *mahajan* if he has only *rahannama* in his favour, but if he has got a *bainama* he can either sell the property or purchase it himself.

(*b*) "The better the title to land the greater is the amount of indebtedness" is a correct statement. The landlord is in a better position to supply security than any of the occupancy tenants or tenants-at-will. He can mortgage all of the landed property of which he is a *zamindar*. He is a man of influence in the village. He gets loans on easy terms and at low rate of interest.

The tenants, whether occupancy or non-occupancy, cannot mortgage the land or right to cultivation but only the standing crops. The occupancy tenants can mortgage the future crops of the fields under their cultvation also. The position of the statutory tenant has been improved, *i.e.*, his ability to borrow has improved. He has got a life interest in the land under his cultivation and his son has a right for five years after him. To this extent, then, he is in the same position as occupancy tenants. Cultivators can also mortgage the fruits of trees and other property they own.

(*c*) The extent of indebtedness of landlords and cultivators is roughly as under :—

(1) Landlords or *zamindars* - 55 per cent. of the total debts.

(2) Occupancy and statutory tenants - 35 per cent. of the total debts.

(3) Others in the village (artisans and wage-earners)—10 per cent. of the total debts.

(*d*) The amount of debts secured on land mortgage is increasing. The main reason seems to be the past bad years and the increase in the luxurious habits of the *zamindars*.

The following is a rough estimate of the debts distributed according to the security :—

Debts secured by mortgage on land—55 per cent. of the total debts.

Debts otherwise secured (standing crops, trees, ornaments and pronotes, etc.)—40 per cent. of the total debts.

Debts unsecured (personal security, grain for consumption and short-term loans)—5 per cent. of the total debts.

Question 4.—(*a*) In the case of loans in kind, particularly grain, the *bania* realises his debts as soon as the crop is ready to be marketed. He sends a reminder to his debtor and the debt is usually paid back. Sometimes two or three reminders are necessary.

When a debt is not repaid at the proper time, the *mahajan*, after a while, brings pressure upon his debtor through his friends and relatives, and even threatens to file a suit against him. But he very rarely does so. He shirks taking this last step because he fears that the court will reduce the rate of interest if it finds it exorbitant. The initial cost of filing a suit is also large when compared with the loan, which is usually small, often only five to ten rupees. If the creditor is quite confident of the honesty of the debtor, and thinks that he will be able to repay his debt sooner or later, he renews the debt, but the amount of it will now include the principal and the interest so far accrued thereon.

Disputes and quarrels often take place which lead to violence. This is very common in the case of dealings with the *Aghas*.

In the case of *taqavi* loans, if the borrower is unable to pay back the money at the appointed time without valid reasons, the debt is realised as if it were land revenue. Borrowers are very particular in paying back these loans because of their fear of the Government. They often borrow from the *mahajan* to repay both *taqavi* and the land revenue; the latter is very common.

Similarly, in the case of the co-operative society, the member who borrows from the bank is made to resign his membership in case he repeatedly fails to pay back the money borrowed at the proper time, and his whole property is attached if necessary; he is jointly and severally liable to the bank.

The Indian cultivator is honest and very willing to repay his debts. But his extreme poverty, the exactions of the landlord and the tahsil officers, the very high rates of interest charged by the *mahajan*, make him unable to do so. He knows that failure to repay means a bad name with the *mahajan*, loss of credit and a still higher

rate of interest when next he requires money. And on top of these troubles he is subject to all the calamities that are peculiar to agriculture.

The *sahukar* finds the greatest difficulty in realising his debts from landlords. Many of them are men of influence in the village, and outside too, and the *sahukar* has to renew the debts from time to time. It is these debts which account for most long-term loans.

Often, too, the *sahukar* does not want his debtor to get out of his clutches when the debtor happens to own landed property or other property that he covets. He does not care very much if the principal is not repaid so long as the debtor possesses property worth the amount of the debt. He is more particular about regular payment of the interest.

(*b*) Generally, there is no difference between the rates that are prevailing in the village and those at which the cultivator borrows grain or other things from the *bania*. But often there exists a difference in the market rates of a neighbouring city or town and the rates prevalent in the village. The remoter the village is from the town the greater is the difference. It is only when the *bania* knows that the cultivator is hard pressed that he charges a higher rate.

No means of knowing the prices ruling in the town markets exists at present in the villages.

It was formerly the case that the *bania* used to charge for grain but at the price most favourable to him. But now, owing to the increased intelligence of the cultivator, it has become difficult for the *bania* to charge arbitrary prices. He now gets only the amount agreed to by both parties at the time of contracting a loan. Improved communications have brought the village in closer contact with the town market than before. Where communications are still bad—for instance in this village, which is 12 miles from Allahabad—the cultivators have very vague information about current prices. The *sahukar* would like to take full advantage of his position, and he tries to charge those prices which are favourable to him. But such practices are gradually disappearing, in this village at least, and transactions take place at the price ruling in the village or in the market nearby. The *sahukar*, when he sells goods on credit, of course raises the price by an anna or so per rupee and charges interest on the enhanced price. The practice of the *bania* using two kinds of weights and measures does not exist in this village.

The *bania* is better placed than the cultivator, because he can press the cultivator according to the pressure of the need with which the latter approaches him.

Some organisation to keep cultivators informed of current prices is desirable. At present the cultivator, even if he is literate, gets only hearsay information which is often incorrect.

Question 5.—(*a*) The cultivator is desirous of taking full advantage of the Agriculturists Loans Act, but he is greatly handicapped in doing so. As regards the Land Improvement Act, in this neighbourhood the poor cultivator hardly knows of it.

(*b*) The reasons for this, in the case of the Agriculturists Loans Act, are as follows :—

The tahsils and the treasury offices who manage the grant of *taqavi* loans, etc., do not treat the villagers with sympathy or give prompt attention to their demands. The tahsil staff often try to exact money from the cultivators as their *shukrana*. The cultivator must waste much time in applying for a loan and getting it, whilst he is afraid of the government officers. The strictness with which the loans are realised is also a drawback. The village moneylender may be sympathetic and give the borrower time, but the tahsil officials do not and in fact cannot. The *bania* is at hand and easily approachable, but the tahsil is generally situated at a distance.

Again *taqavi* loans are not always spent for the purpose for which they are taken. The cultivator regards himself as free to spend the sum borrowed in any manner he likes.

In respect of the Land Improvement Act, very few cultivators borrow money for constructing a well or a tank. This is considered to be a charitable function and is expected of rich men only. In this village few, if any, cultivators have land sufficiently large and compact to need the exclusive use of a well or a tank. The fragmentation of

holdings acts as a check on such improvements. In special cases small *bandhis* are constructed to collect rain water near the fields.

Zamindars and big cultivators occasionally construct wells as a charitable gift or to perpetuate the name of some relative. The *zamindar*, however, often charges *nazrana* from a cultivator who constructs a well.

(c) Cultivators, as a whole, borrow *taqavi* more in abnormal years than in normal years.

Question 7.—The defects of the present *taqavi* system have already been pointed out. The defects of co-operative banks are as follows :—

The bank is often situated at a considerable distance from the villages; the bank for this village is in Allahabad, some fourteen miles away. In this village of about 100 houses, there are only sixteen members of the bank; the membership has actually declined, because during the past three years of drought, some members have failed to pay back their borrowing to the bank, and consequently have ceased to be members.

The employees of the bank to some extent have the same faults as the government employees. They have not been able to establish cordial relations with the cultivators and they have done little to encourage the movement or explain it. They do not always give prompt attention to the applicants for loans; members who are on good terms with the inspectors or the *chaudhri* get their money easily, others have to wait for their money. There is much scope for improvement in the efficiency of the management of the co-operative banks.

Many cultivators dislike the principle of joint and several liability, and refuse to give in consequence; they have little confidence in the financial condition of the other members, into which only an insufficient investigation is made.

In the event of a member's failing to repay a loan every possible attempt should be made to learn his real condition before other members are asked to make good the loss. At the time of allowing a loan to a new member, the extent of his credit should be decided, after consulting the other members of that group or village.

The money advanced by the bank is received back in *qists* of Rs. 5 each time. This is a high figure and should be reduced. After every loan of five rupees the members have to deposit one rupee with the bank as their share in it; but so far the members of this village have received no dividend. Nor do they know the exact purpose of this payment. This has made them suspicious of the dealings of the bank.

The co-operative bank is very strict in realising the debts. They should be more lenient to deserving members if there is any hope of their paying within a reasonable time.

As far as possible attempts should be made to give prompt attention to the applications for loans, and sufficient resources should always be kept at the office of the bank to cope with the seasonal demand for money which is peculiar to agriculture.

The village moneylender.—There is no definite class of village moneylender. Any cultivator or resident who happens to possess some surplus money is ready to advance it to others on interest. The bank cannot satisfy everybody's demand for credit at present or for a long time to come. The Government advances money only for certain specified purposes. Therefore it is impossible to do without the moneylender. He is easily approachable. Although he charges high rates of interest, he is often lenient in enforcing repayment. His rates of interest are high because he has not yet felt the competition of the co-operative banks to any considerable extent; when these banks become more efficient and popular, he will have to lower those rates. Because Government and the bank are strict in realising their various debts, the cultivator often has to borrow from the village moneylender to repay them. And this makes more difficulty for the cultivators, for the *bania* is not very ready to lend those persons who borrow from the bank.

Aghas are a very undesirable class of moneylenders. They advance cloth on credit and charge very high rates of interest. At the time of realising the money they are a serious nuisance, not only to their debtors but to other villagers.

To minimise the dealings of the village moneylenders and the *Aghas*, the co-operative bank should establish a branch in every village, if possible, or one in each group of two or three neighbouring villages, and also open a retail shop to sell the cultivator's daily requisites, on the lines of co-operative stores.

It is impossible to eradicate the habit of agricultural borrowing from the cultivators; they must borrow at the different stages of their operations. Credit is essential for the progress of every industry, and agriculture is not exception to the rule. The problem is not to stop borrowing altogether, but to provide cheap credit and to enable the cultivators to repay in easy instalments at reasonable intervals. Credit, however, can never be as cheap for this industry as for others because of its special features and the poverty of the cultivators.

Primary education is necessary to induce the people to take advantage of the co-operative movement, the Agriculturists Loans Act and the Land Improvement Act. Every village must have a school.

A careful study of different localities should be made to ascertain its special conditions, the volume of the credit required, and the times when it should be available; and the co-operative bank should arrange to have the necessary funds available at the proper time. The funds for *taqavi* loans should be put at the disposal of the co-operative department and every possible attempt should be made to encourage the people to take advantage of them. The aims and objects of the co-operative societies should be given the widest possible publicity through organised propaganda, and every possible attempt should be made to inspire confidence in the co-operative banks and the government officials.

The Government should alter the dates for payment of the land revenue so as to suit local convenience; sufficient time should be given to the cultivators to secure the necessary funds by selling their crops. At present many cultivators have to sell in a hurry and cannot wait for prices to rise. For instance, the cultivators of this vilage want the times for the realisation of land revenue to be changed from *Aghan* and *Pus*, to the end of *Pus* and the beginning of *Magh* in the case of the *kharif*, and from the months of *Chait* and *Baisakh* to the end of *Baisakh* and *Jeth* in the case of the *rabi*.

Report of an economic enquiry in village MALAK CHOWDRI, district Allahabad.

[By Mr. Khetra Mohan Chaudhri, M.A. (Final) Class, University of Allahabad.]

Introdution

The village Malak Chowdri is 11 miles from the city of Allahabad and lies on either side of the Allahabad-Partabgarh *pakka* road. There is a regular motor service between Allahabad and the villages adjoining Malak Chowdri, Mohanganj, Ismailganj, Sheogarh, and Malak Chattri, all of these lying within a radius of two miles. Sheogarh and Ismailganj have big grain markets where *desawar* transactions are carried on.

There are 108 houses in the village of different communities: Pasi, Dhobi, Kurmi, Teli, Gadaria, Thakur, Kayastha, Brahman, Bania, Kahar, Ahir, and Chamar. There are two houses of *mahajans* and five houses of *banias*.

The total area under cultivation in this village is 300 bighas.

To answer now the questions included in the questionnaire :—

I.—Agricultural credit and credit facilities.

Part A.—Agricultural borrowing for purposes of production.

Question 1. (*a*) The total debt of the agriculturists may be very conveniently classified into cash and commodities.

He gets cash from—

(i) The Government in the form of *taqavi* advances.

(ii) The co-operative societies.

(iii) The village moneylenders, or *mahajans* as they are called.

(iv) His relations or caste-fellows.

He gets commodities from—

(*a*) The *bania* in the form of grain, cloth, utensils and ornaments.

(*b*) The *Aghas* in the form of cloth only.

(*c*) The landlords in the form of grain. This is usually for a very short period, say three months or so, and on such advances of grain no interest is charged by the landlord. In return for this concession by the landlord, namely, that of not charging any *deorhi* (1½) or *sawai* (1¼) on the grain advanced, the cultivator usually has to do cartage work for the landlord free of charge. On the other hand, if the landlord happens to be grasping, he makes him, as well as his wife, do a lot of *begari* (forced) work.

(*b*) The cultivator borrows for the following purposes :—

(i) Repayment of earlier debts and payment of accumulated interest. Such borrowings occur only if the creditor insists on the clearance of an old debt at that particular moment, and when, on the other hand, the debtor has nothing with which to pay him off. This is not unusual in the village; 15 per cent. of the total borrowings are for the repayment of earlier debts.

(ii) Marriage and other social functions relating to births and deaths, *panchayats*, etc.—This is another of those items on which the poor cultivator has to beg, borrow or even sell his very belongings (if not, of course, steal) to meet the wretched convention of feasting a horde of hungry relations and caste-fellows (*biradari*). The daughter's marriage is the most expensive item among social functions, and involves heavy waste. Borrowing is so common for social functions that the poorest of cultivators would readily

ask for a big loan even though his means may hardly enable him to buy food. Everybody, rich or poor, can get something from the *bania* or *mahajan* on this plea though at exorbitant interest. Such big functions are, however, rare; and 2 per cent. of the total borrowings go to meet their expenses.

(iii) Famine and other kinds of distress, like the entire failure of crops. The latter sort of distress, namely, that of failure of crops owing to lack of rain and so forth, has been an ugly feature of the village life for the last three years, and as a result of this the social and economic equilibrium has been badly disturbed. Even the most well-to-do occupancy tenants of this village have become heavily indebted. There is hardly one of them who has not borrowed to the extent of Rs. 200 cash and 50 maunds of grain. Part of this has been paid off, but a major part is still due. It is for the repayment of this sort of earlier debt that the cultivators reborrow to the extent of 15 per cent. referred to above in (i).

(iv) Payment of land revenue and rent.—Unfortunately the time for payment both of the *rabi* and *kharif malguzari* is very inconvenient,—a time when the cultivator cannot sell at a profit, yet, owing to the pressing demands of landlord's agents and other creditors, he has to dispose of his produce at what price he can get. If the payment of rent were postponed to a later date, the cultivator would be enabled to sell dear and secure a larger surplus. That he is not at present able to do, and so one frequently finds the cultivator harassed by the payment of *chaiti* and *aghani malguzari*. If rent were paid in kind this would be the best time for the payment of rent. But as it is paid in cash, it would be better if the *rabi malguzari* were paid in June and the *kharif* instalment paid in February. This would allow the cultivator to withhold his stocks and sell in a rising market.

Borrowings on this account however usually occur only in times of distress. The failure of harvests for the last three years was responsible for indebtedness on this item to the extent of 5 per cent. of the total borrowings.

(v) Seed.—The co-operative societies are doing immense service in advancing loans for seed, not only to their members but also to others through their members. They are coming into competition with the *mahajans* and *banias* of the village. The borrowing for seed is 8 per cent. of the total borrowings.

(vi) Expenses of cultivation.—These amount to 20 per cent. for irrigation expenses, labour for weeding, harvesting, and so forth.

(vii) Cattle.—The cultivator borrows *taqavi* for this. Cattle disease is common, and whenever there is a deficiency of rainfall the cattle are the first to suffer through shortage of fodder. This year, however, owing to the mischief of the *patwari* (I cannot say whether he was honest or not) *taqavi* was not available in this village. The proportion of last year's *taqavi* for cattle to the total borrowings is 10 per cent.

(viii) Subsistence.—The last, though not the least, important purpose is subsistence. In fact one may say with fair accuracy that the cultivator spends some part of every loan on subsistence. Forty per cent. is the proportion.

(*c*) It is extremely difficult to say in what proportion the debt is distributed on different items, because, if the cultivator asks for *taqavi* for cattle, he spends it on his subsistence. One can give a very rough estimate if at all—

	Per cent.
Payment of earlier debts	15
Marriages and other social functions	2
Payment of land revenue	5
Seed	8
Expenses of cultivation	20
Cattle	10
Subsistence	40
Total ..	100

The debt is divided between various creditors in the following proportions :—

	Per cent.	Grain.	Cash.	Cloth.
		Per cent.	Per cent.	Per cent.
Bania	15	11	..	4
Agha	4	..	..	4
Mahajan	56	32	24	..
Government	10	..	10	..
Ordinary landlords and near relations ..	5	4	1	..
Co-operative societies	10	..	10	..
Total ..	100	47	45	8

(*d*) The debt is divisible into cash or kind in the following proportions :—

	Cash.	Cloth	Grain.
	Per cent.	Per cent.	Per cent.
Payment of earlier debts	15	..	..
Marriage and other social functions	2	..	..
Payment of land revenue	5	..	..
Seed, etc.	3	..	5
Expenses of cultivation	10	..	10
Cattle	10	..	..
Subsistence..	..	8	32
Total ..	45	8	47
GRAND TOTAL ..	100		

Of the total debt 31 per cent. is for long periods (one year or more) and 69 per cent. for short periods.

Question 2.—(*a*) The co-operative societies charge interest at 15 per cent. per annum. The rate of interest charged by the Government on *taqavi* is 6 per cent. per annum. The *mahajans* charge 18¾ to 46⅞ per cent. per annum interest, but if money is paid back at the right time, a rebate of 10 per cent. of the interest is allowed. Usually, it is the urgency of the need that determines the interest. Ornaments are pawned always for short periods, and when need for money is very urgent. Interest charged for such advances on the security of ornaments is one pice per rupee per month, which comes to Rs. 1-9-0 per cent. per month, or Rs. 18-12 per cent. per annum. When fifteen or twenty rupees are borrowed on the security of standing crops or fruit trees, the rate is 2 pice or 2½ pice per rupee per month according to the urgency of the demand, and thus the rate comes to Rs. 37-8 or Rs. 46-14 per cent. per annum. The rate of interest is the same whether borrowed on the security of silver or gold ornaments.

The rates of interest for loans in kind for seed are as follows :—

Deorhi (1½ times), from a poor cultivator, which comes to 100 per cent. per annum.

Sawai (1¼ times), from a rich cultivator or from a poor cultivator also when his need is not urgent; this comes to 50 per cent. per annum.

The rates of interest when grain is borrowed for food are as follows :—

If taken from the landlord for two or three months, no interest is charged, and a villager usually goes to the landlord for such help. The village *zamindars* do not charge any interest on advances of grain, but they advance only for two or three months. Instead of charging interest they take *begari* work, such as cartage, or from a menial, domestic work, such as chopping the fuel, etc.

The *banias* and the *mahajans* on the other hand charge 1½ times from poor farmers and 1¼ from well-to-do ones. Sometimes they also charge 1½ from well-to-do farmers, if their need is urgent. If the loan of grain is entered in terms of money he charges two pice per rupee per month interest, which comes to Rs. 37-8 per cent. per year. The *Aghu's* rate of interest in respect of purchases of cloth is from two to four pice per rupee per month. The *bania's* rate is two pice per rupee per month, but in addition to this he charges one pice per yard more, and in case of *dhotis* one anna per rupee more, when he sells cloth on credit.

Ornaments.—The bank and the Government charge their interest together with the principal by easy instalments.

(*b*) The *mahajan* calculates interest by pice per rupee per month and he usually demands that the cultivator keep paying the interest regularly. He cares more about the interest than for the repayment of the principal. The principal is usually paid after the harvest, *i.e.*, after the crop is sold. If the interest is paid off at the right time a rebate of 10 per cent. is allowed. But if neither principal nor interest is paid, then the interest is compounded. He renews the loan every year. In case of loans in grain no rebate is allowed and the principal and interest are repaid at harvest.

The *bania* demands interest and principal together at the harvest time, as he deals only in commodities.

(*d*) No charges are incurred when loans are taken from the village moneylender or *bania* or *Aghas*.

In the case of a loan from the co-operative societies the following charges are incurred by the members in securing a loan :—

(i) Expenses of going from the village to the city once to apply and then to receive payment and then again to pay four instalments. Thus he goes six times to take the money and repay it. Every trip costs 10 annas—this comes to Rs. 3-12.

(ii) Registration fees, Re. 1.

(iii) *Dasturi* of bank *munshis* and peons come to at least Rs. 2.

Total Rs. 7.

Non-members are also given credit through the members, and in such a case the members charge their travelling expenses.

In the case of *taqavi*, the following charges are incurred :—

(i) Commission of *patwari* for writing the application for *taqavi* and again for securing it, Rs. 2.

(ii) Registration fee (including expenses for writing it out), Re. 1.

(iii) *Haq* of treasury clerks, Rs. 2.

Total Rs. 5.

The village moneylender charges interest between 37½ to 167 per cent., with a 10 per cent. rebate if paid up punctually. Thus the interest comes to 33¾ per cent. to 42 per cent.

Question 3. (*a*) The various types of security are—

(*a*) In the case of landlords—

(1) Right of ownership of property.
(2) Standing crops (in case of *khudkasht*).
(3) Ornaments.
(4) Cattle.
(5) Fruit trees.

(*b*) In the case of occupancy tenants—

(1) A sub-lease (*patta*) giving the right to cultivate.

(2) Standing crops.

(3) Cattle; but these are usually sold outright to pay debt rather than used to secure it.

(4) Fruit trees as above. If the document is a *bainama*, the creditors can sell the trees in case of non-payment of debt; if it is a *rahnnama*, they cannot. They are then entitled only to the fruit.

(5) Ornaments.

House property is never a security. Agricultural implements are not taken or given as security. They are worth a few rupees only. Bullocks are usually sold instead of being given as security. It is more profitable to sell cattle than to borrow on them as security.

(*c*) Landlords are indebted to the extent of between Rs 2,000 and Rs. 3,000 each. None of the landlords is free from debt.

Occupancy tenants are indebted to the extent of Rs. 200 cash and 50 maunds of "*ghalla.*" This is due to bad harvests for the last three years.

(*d*) Debt secured on land mortgage is increasing. The landlords can get most on the security of land; and the *mahajan* too prefers security of land in comparison to other securities, with the sole exception of ornaments.

Question 4.—(*a*) Payment of *taqari* and co-operative society loans is enforced by notices of short duration.

The only method of *banias* and *mahajans* enforcing payment of debt is *taqaza* or frequent reminders. They visit the farmer for money almost every alternate day, and, if they chance to meet twice a day, they would remind their client twice. A hard-hearted *mahajan* would sue in court for non-payment and would not accept part payment. This, however, is very rare and the usual way is to dun the client frequently during the harvest time.

The *Agha* is the most tyrannical of the moneylenders. He gives credit to any Tom, Dick or Harry without enquiring about his status, or about his means of paying off the debt, and when the time for repayment comes he adopts any foul means of exacting payment. It often happens that a cheat, instead of giving the *Agha* his own name gives him the name of some well-to-do villager (who is often his enemy), gets his assertion verified by a few of his friends, and secures a loan. But when the time of payment comes the man whose name was given to the *Agha* at the time of borrowing is held up and made liable to pay the amount. A refusal would generally end in a serious fight. The *Agha's* only argument is *ad baculum*.

(*b*) When the cultivator borrows grain of the same sort which he is growing, the question of difference in rates does not arise at all as the payment is in kind at the rate of *sawai* or *deorhi*. When on the other hand the cultivator borrows grain which he does not grow, he gets that entered in terms of money and there is a difference between the rate of borrowing and the market rate prevailing at the time. The *bania* gives one seer a rupee less when lending on credit, *i.e.*, if a farmer wants gram worth Rs. 2 on credit and the market rate be 10 seers a rupee, then he will get only 18 seers instead of 20 seers. Hours of haggling might make variations of one chhatak or so in the total loan, so that instead of 18 seers he might be able to get 18 seers and 1 chhatak, but never more than that.

Repayment can be made in one of two ways. Supposing the debt is Rs. 2,—the debtor can either sell his produce and pay Rs. 2 *plus* interest at two pice per rupee per month, which for six months comes to Rs. 2-6-0, or he can sell to the particular *bania* who is also his creditor, wheat worth Rs. 2-6 at the current market rate. It is absolutely wrong to say that creditors force the farmers to sell their produce to them. There is no compulsion of any sort, and it rests with the farmers to sell their produce anywhere they like: also they are at liberty to pay off their debts either in cash or kind, and the creditors do not mind whether the debt is paid off in cash or kind. Briefly, therefore, there is a difference between the market rate and the rate at which the cultivator borrows, but there is no difference between the market rate and the rate at which he pays.

As weekly and semi-weekly markets are regularly held in this village and the neighbouring villages, and as the members of one village are frequently visiting markets of other villages, they have up-to-date knowledge of the prevailing market rates. But they are very ignorant of the rates of cloth which are exorbitant in the villages. They can even ascertain the market rate prevailing in the city, at all events once a week, as there are many men in this village who are employed in the city but come home every Sunday. There is a great difference between the prices of the city market and the village markets, even greater than the costs of transportation would justify. Yet the average cultivator prefers to sell to the *mahajans* in the village than sell his produce in the city, for he is much afraid of the octroi and the city *banias*, who often beat the farmers with shoes when they get them to their shops, if they do not sell at a slightly cheaper rate than what they had stipulated in the Khuldabad or other grain market.

Question 5.—(*a*) and (*b*) The cultivator does not borrow *taqavi* freely for seed purposes because of the following reasons—

(i) It takes months and months to get it

(ii) The amount of *taqavi* available is usually small, and it is an expensive affair as payments must be made to the *patwari*, the tahsil *munshis*, and the peons. If the amount of loan be Rs. 20, Rs. 3 will be spent on securing the loan, and annas 9-6 as interest for six months, total Rs. 3-9-6. A *mahajan* would have charged for six months on Rs 20 at 2 pice per rupee per month, Rs. 3-12-0, and it would have been far easier to get the money from a *mahajan*.

(iii) The fear of the government agency also prevents the cultivator from using it. *Taqavi* is borrowed only in bad seasons when the previous crop has entirely failed so that nothing was set aside for seed. *Taqavi* for seed is also borrowed for new cultivation.

Taqavi for cattle is common, and can be applied for any time in the year. But the certificate of the *patwari* is essential and he would not certify unless he gets a sufficient *haq* (perquisite). It must be noted that *taqavi* for cattle is actually spent on different purposes, principally food, and least of all on cattle.

Taqavi is not borrowed for agricultural implements, as the plough is made by the village carpenter, and the *mot* is prepared by the village Chamars in return for certain dues to which they are entitled at the harvest time

Taqavi for building wells, etc., is rarely borrowed for the following reasons :—

(i) The benefit of a well accrues to all the farmers whose fields are adjoining the well, but the cost is borne by the one in whose field it is situated, and so nobody undertakes to construct a well.

(ii) The construction of a well does not ensure the watering of the entire holding of the farmer who builds it. His fields are so widely scattered that no well could irrigate the entire holding. And it does not pay him to build a well that will water perhaps one-fifth of his total fields.

(*c*) *Taqavi* loans are more frequently borrowed in years of distress than in ordinary years; it is only then that they are easily obtained.

(*d*) and (*e*) *Taqavi*, though most difficult to get, is most easy to pay. The amount of *kist* (instalment) is so small and the time of repayment is so convenient that a majority pay off the *kist* quite regularly.

The various defects in the present *taqavi* system may be noted as below :—

(i) The certificate of the *patwari* is necessary before applications for *taqavi* can be entertained, and he often abuses his important position in the village. Even if cattle be dying, the *patwari* without getting his *haq* would not certify to that effect. The only possible remedy for this is that some responsible government official should pay surprise visits to the villages and enquire of the ordinary folk about their needs and requirements and should hear their complaints. This will make the *patwari* more alert to his duties which he does not perform in the best interests of the public.

(ii) Secondly, it takes months to get *taqavi* loans, with the result either that there is no application, or the applicant, when at last he does get the money, does not use it for the purpose for which it was borrowed. This is the reason why *taqavi* for seed is so uncommon in this village.

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The *patwari* is responsible for part of this delay, as he detains the application till he has received his preliminary due, which may be in the form of grain or *bhusa* or *ghi*. The tahsil is also partly responsible for the delay owing to slackness. And, in any case, there is bound to be some delay in the necessary preliminaries, but if papers relating to *taqavi* advances are treated as urgent by everyone, more than half of the delay could be avoided. The villagers suggest the maintenance of a treasury in every village. But, apart from the expense, the proposal would give the treasury *munshis* a wider scope for peculation than in the cities. Unless the officials are highly paid, and responsible, and honest, such a proposal would breed more abuses than the present system. There must be special effort on the part of the Government to punish corruption of that sort.

(iii) Lastly, the debtors should be informed a month before of the date on which the instalment is due and a *sufficient time of grace should be allowed*. Usually the villagers know the due date of instalment just four or five days before or even less than that. An instalment notice, on the analogy of a premium notice of insurance, sent a month before would result in punctual repayment of the debt.

Question 6.—The cultivators combine only in case of new *kashi* or when they are producing valuable crops such that the expenses of cultivation are beyond the means of one cultivator; such as hemp, wheat and sugarcane. Partnership in profits is equal in all cases.

Question 7.—The problem as regards the village moneylender can be stated thus :—

(i) The individual loan as a rule has little tangible property behind it, usually too little to enable realisation of the full value of the interest when it falls due. The guarantee is small, and if through death or some such reason, interest is not forthcoming, the original capital is frequently irrecoverable. A high proportion of bad debts must enter into the lender's calculations and allowance be made for them in the interest charge, and the rate is for that reason high.

(ii) If a large proportion of a moneylender's loans proves to be, if not irrecoverable, at least unprofitable, he must make good his losses by charging a higher rate of interest on future loans.

(iii) His clients are mostly derived from the same class. They are all dependent for their welfare on agriculture and they are all residents within a small area. In such an area the climate is uniform; in a bad season all suffer; in a good season all benefit; and the capacity of each of his clients will therefore be affected in the same way at the same time. For this reason also, therefore, the rate of interest he charges must be high.

(iv) These are legitimate reasons for a high rate of interest, but there is also another cause, namely, the villagers' entire dependence on the *mahajan* for credit, which also greatly swells the rate of interest. This is one of the main defects in the system of agricultural borrowing. Take, for instance, the case of a well-to-do occupancy tenant who requires a loan to build a threshing-floor (*khalyan*). The village moneylender promises him a loan at 37½ per cent. interest; the applicant knows that it will not pay him to build the *khalyan* unless he can obtain the loan at 25 per cent. interest, so he refuses the terms offered. But from whom besides can he borrow the money?

There is no competition between moneylenders, and the village *bania* would be more than human if he did not, under these circumstances, fix the rate of interest demanded at the maximum which his clients would pay.

(v) Another and even a worse defect is the fact that the cultivator depends, even for his necessities, upon the *bania* and *mahajan*. In any other case he might have refused to pay high interest, but not in this case. His means are not sufficient to support himself and his family from one harvest to another, and he has to accept whatever terms the *bania* dictates. The latter takes advantage of the situation and imposes rates which he knows the cultivator can never pay. This means that from that time onwards the cultivator will be in a bondage of perpetual indebtedness.

The only means of freeing him is to increase his income, and that is only possible if more and more capital is sunk in agriculture, which capital must be available at a low rate of interest. The main problem, therefore, is the cheapening of agricultural capital and this may be said to have two aspects—

(*a*) Removal of the disabilities which prevent the ordinary banks from making agricultural advances, and

(*b*) Widening the present bases of supply of agricultural capital.

The former is mainly a matter of removing risk, for it is the unsuitable nature of the guarantee, with the consequent large risk in its acceptance, that prevents existing banks from making loans for agricultural purposes. The latter, on the other hand, is mainly a question of providing competition amongst those loaning money for the same demand. In both cases a reduction in the rate of interest would result, if a more certain form of guarantee were available.

Remedies.—To provide a better guarantee the cultivators should invest more capital in up-to-date agricultural implements. But any large employment of capital will cause a rise in the rate of interest, and it is necessary therefore to increase the supply of capital at the same time. The supply of capital can only be increased by enlisting more members in the co-operative societies. It is distressing to note that in this village the number of members, instead of increasing, is decreasing every day. Formerly there were 27 members, now there are only 20. The officers of the societies are indifferent and are not on friendly terms with the villagers.

A very serious defect in the co-operative society's methods is that they try to assist non-members as well as members. The non-members obtain credit from the societies through the members, and therefore the non-members are better off than members, because the former can get loans both from the societies and the village *mahajans*, etc., whilst the members are refused any credit by the *mahajans*.

If the real aim of the co-operative societies and of the Land Improvement Act is to emancipate the farmers from the tyranny of the *mahajans*, an intensive programme of work is desirable. *Taqavi* should be confined to one particular selected area until the cultivators are relieved from the grip of *mahajans* and *banias*, and until the societies have a controlling influence in the village credit. It is much better to relieve one locality completely from the trouble rather than render partial help to many localities and save none.

It must be noted that regularity in repayment is the best security than can be given. *The village mahajan encourages that practice, allowing 10 per cent. rebate on a debt that is punctually repaid.*

To ensure punctual repayment, the loan should be spent on the object for which it is borrowed; if *taqavi*, borrowed for cattle or other productive purposes, is utilised in paying off other creditors, production will suffer and punctual repayment will be impossible.

To facilitate the use of loans for the purpose for which they are borrowed, they should be advanced without delay. Under the present system *taqavi* usually takes three months, and a loan from co-operative societies takes at least four days. To help quick borrowing from the societies a branch office of the society should be established in each village, with direct telephonic communication with the city office. This will have another beneficial effect, namely, that of saving the travelling expenses now incurred by the members in going to the cities to apply for the loans and again to get them when they are granted.

If the *taqavi* cannot be advanced with less delay, the Government should place the funds allotted for *taqavi*, at the disposal of the co-operative societies.

If *taqavi* for wells is to be popularized, the man in whose field the well is dug should not be required to repay the whole of the *taqavi* loan. Its burden should be distributed over the owners of the neighbouring fields who are also benefited by the well. The greater the distance of fields from the well the less should the burden be.

The members of this village insist on the entire elimination of the *Aqhas*. They are the most disturbing feature in the tranquility of the village life. They do not reason and their only argument is the stick. If they are allowed to exist they should open regular shops and live in the village, for it is only then that they can recognise their real debtors. Even these *Iqhas* should not be allowed to advance credit unless the *patwari* certifies that the debtor's *hasiyat* is such as to enable him to repay the amount borrowed.

Report of an economic enquiry in village PANDILLA, district Allahabad.

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Introduction.

Pandilla, the village under inquiry, is situated on the left bank of the Ganges in the Saraon tahsil of the district of Allahabad at a distance of 11 miles north-east of the city. The village is fortunate in having at hand both post office and an Upper Primary School at Ismailganj and Tharwai, respectively. Each place is one mile distant from the village in opposite directions. There are two railway stations, namely, Tharwai and Phaphamau, distant 1 and 2½ miles, respectively, both on the East Indian Railway line between Allahabad and Benares. A metalled road runs parallel to the railway line. A *kachcha* feeder, which is 1 mile long, connects the village with the metalled road. Phaphamau junction, which is connected by a bridle path, lies on the Allahabad-Partabgarh road. It is one of the chief grain markets of the United Provinces. The *kachcha* feeder is repaired annually by the *zamindars*.

Pandilla is a joint *zamindari* village, and is divided among three *zamindars*, whom I call X, Y and Z.

X is an eight annas shareholder, possessing 828 acres out of 1,656 acres of land.

The landlords Y and Z are brothers: each of them owns a four annas share. X lives at Nisaratpur near Pandilla, the other two are represented by their rent collectors, called *karindas* or *ziladars*.

The total area is 1,656 acres, of which 1,362 acres are under cultivation and the rest is uncultivated. The land is classified as *uparwar* (dry) and *kachchar* (lowlying) land. Some of the barren land is afforested. The climate resembles that of Allahabad.

The village is not compact. There are two groups of houses called *paras* (hamlets). One *para* is called "Chanda" and the other "Bishanda-ka-pura."

The chief classes of villagers and their principal occupations are as follows:—

(1) The *ziladars* are the paid representatives of the landlords; they are not permanent residents but they live there as long as they hold their posts at the discretion of the landlords. Their chief duty is to settle various disputes.

(2) There is a Kalwar who lends money to the cultivator and is called the *mahajan* of the village.

(3) The *banias*, also called *beoparis*, are the village traders. They have begun to lend money as well, and also hold land. Moneylending and trade is not reserved to any particular caste.

(4) The Chamars are agriculturists, but they also make rough leather articles, such as are used in agriculture; shoes, waterbags (*mashaq*) and leather straps are the main things supplied.

(5) The Ahirs are cattle-herds and dairy men: most are agriculturists also, whilst one or two families lend money.

(6) The Muhammadans are agriculturists, some of them quite well-to-do. They get credit from their fellow Muhammadans of Siwait village, six miles from Pandilla, who are weavers and traders in cloth.

(7) Kachchis are a low caste: they cultivate land, but their principal occupation is growing vegetables. They also lend money.

(8) Pasis are employed as village chaukidars. They are given some rent-free land for their services. Sweepers are similarly remunerated. Both are poor.

(9) Kayasthas and Bhats are agriculturists: they lend money, but not in large quantity.

(10) Kumars supply earthen vessels, and are very poor.

(11) Kahars are generally employed as servants, but they have some land which they cultivate.

(12) Brahmans are employed as cooks, either in or outside the village. Most of them are cultivators also.

(13) The Gadarias tend sheep. They have no land to cultivate.

(14) Other castes are washermen, blacksmiths, Telis, tailors, etc. They have no land to cultivate and earn a living by their other occupations.

There are two harvests a year—*kharif* (*Aghani*) and *rabi* (*Baisakhi*).

The produce of the village can be classified under three main heads—

(*a*) *Agricultural produce.*—

(i) *Rabi* crops: gram (*chana*), wheat, barley (*jnar*), oil-seeds (*til* and *sarson*) and hemp (*san*);

(ii) *Kharif* crops: Sorghums (*juar* and *bajra*). "Boro" rice is grown, but for local use only. Sugarcane is not grown because of white-ants.

(*b*) *The products of subsidiary industries allied to agriculture.*—

These are potatoes, vegetables and fruit. The last is not of great importance.

(*c*) *The products of minor industries allied to agriculture.*—These are—

(i) ropemaking out of hemp. These ropes are used for drawing well-water;

(ii) basket-making out of bamboo, which is also used for thatching house roofs.

The export trade of the village consists of wheat, hemp, *nim*-seeds (used in dyeing), and oil-seeds (*til* and *sarson*).

It imports manufactured cloth from Calcutta and Cawnpore markets. The *mahajans* and *banias* are the middlemen, through whom the export and import trade is carried out.

There are three principal markets with which the village deals—

(1) The nearest market is at Ismailganj, one mile from Pandilla. There is a regular bi-weekly market, on every Tuesday and Saturday. The cultivators bring samples of their produce which they want to sell. The sample system is called *bangi*. The people of the neighbouring villages also come there.

(2) Katra *mandi* is another market at a distance of 9 miles from the village.

(3) Allahabad city market, which is 12 miles away.

In the case of (2) and (3), there are special difficulties, noted later, which prevent cultivators of ordinary means from using these markets. The result is that the cultivators are in the clutches of the *mahajans*.

There are some 200 families in Pandilla; the total approximate population is 2,000; the average number of persons per family is 10. The total area cultivated is 1,362 acres. Out of 200 families twenty are those of landless labourers: the rest possess land. The average cultivated area per family, therefore, is 7·4 acres. The village is inhabited by almost all castes, but the Chamars predominate.

To deal now with the questions included in the questionnaire :—

1.—Agricultural credit and credit facilities.

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

Question 1.—(*a*) The agriculturists of the village Pandilla borrow from various classes of lenders, viz.—

(i) From the Government in the form of *taqavi* loans. These loans are given for a short period of six months only.

(ii) From the *mahajan* of the village, and that of Ismailganj, who are the chief creditors. (The village *mahajan* borrows from that of Ismailganj, who deals with the export and import merchants of Calcutta and Bombay).

(iii) from the village banias (They, too, borrow from the Ismailganj *mahajan*).

(iv) From the Primary Co-operative Credit Society of the village; it advances money, however, only to its members. The number of the members is 25, of whom 19 are new ones.

(v) From the two *ziladars*. They bring money from Allahabad and advance money to the cultivators at a high rate of interest.

(vi) From the prosperous agriculturists. They give loans to their fellows, but in a very limited quantity.

(vii) From the *patwari*. *Patwaris* lend money in the names of their wives or children. (This practice is irregular and carried out secretly.)

(viii) From the *Pathan traders*. They lend at a very high rate of interest. Such loans are few, for the presence of the *ziladars* restrict the *Pathans'* operations. The low castes, particularly Chamars, blacksmiths and Dharkars, borrow from them. The *Pathans* do not care for security: their cudgel is their only security.

(ix) From their distant relatives, such as wife's sisters and mother's brothers, etc.

(*b*) The purposes for which the cultivators borrow in normal years and the proportions* in which the debt is distributed among the various purposes are as follows:—

	Rough proportion.
Repayments of earlier debts	25 per cent.
Purchase of plough and other cattle	18 ,, ,,
Payment of land revenue or rent	16 ,, ,,
Seed and watering	14 ,, ,,
Expenses of cultivation	9 ,, ,,
Subsistence	6 ,, ,,
Litigation	4 ,, ,,
Marriage and other social functions	4 ,, ,,
Extravagance	4 ,, ,,

(*c*) The debt is divided among the various lending agencies as follows:—

9 per cent. ...	... *Aghas* or Pathans.
11 ,, ,, ...	... Co-operative society.
12 ,, ,, ...	... *Ziladars*, prosperous agriculturists, patwari and relatives.
18 ,, ,, ...	... Government.
43 ,, ,, ...	... *Banias* and *mahajans*.
7 ,, ,, ...	... Debt free.

(*d*) Nearly 50 per cent. of the total debt is incurred in cash and 50 per cent. in kind.

Approximately 85 per cent. of the total debt is incurred for long periods, generally of 3 years, but in some cases longer up to 10 years. Unless things go wrong with the debtor, repayment is not demanded before 3 years. Six-monthly loans are contracted by a few prosperous agriculturists. Loans for marriages are for short periods and are repaid out of the dowry.

Question 2.—(*a*) The monthly rates are the same for short or long-term loans. If anyone borrows for 15 days, then he will be charged the interest for one month. But in cases of special emergency or marriage loans, rates called *ugahia* or *katua*, etc., are charged. These are explained below.

Aghas or *Pathans* charge a very high rate, four annas per rupee per month. They lend to Chamars and others, persons to whom nobody else will lend money.

*These proportions are approximate, based on enquiries from a large number of the cultivators.

The Ismailganj *mahajan* deals with export and import merchants of Calcutta and Bombay. They charge interest from him. The term of repayment of loan is 90 days in the case of silk goods, and interest is charged on money left unpaid after that term. Similarly, if the export and the import merchants owe the *mahajan*, they will be charged interest after 90 days.

For cash advances the lenders charge the following rates :—

(*a*) Where the borrower is a friend or relative, 12 annas or Re. 1 per cent. per month (*i.e.*, Rs. 9 or Rs. 12 per cent. per annum).

(*b*) When the borrower is himself a *bania* or village *mahajan*, Re. 1-8-0 per cent. per month (Rs. 18 per cent. per annum).

(*c*) Where the borrower is a prosperous agriculturist, Rs. 2 per cent. per month (Rs. 24 per cent. per annum).

(*d*) When the borrower is an ordinary cultivator, Rs. 3-2-0 per cent. per month (Rs. 37-8-0 per cent. per annum), a very high rate of interest.

Besides these there are special rates, generally charges on short-term loans, as follows :—

(*e*) *The ugahia rate* :—On being given a loan of Rs. 8 the cultivator signs a pronote for Rs. 10, and the money is realised in ten months by instalments of Re. 1 every month. On a cultivator failing to pay it back on the due date, the sum is doubled.

(*f*) *The katua rate*.—For a loan of Rs. 10 the borrower is given Rs. 9-6-0 only, but the ordinary rate is charged on the sum of Rs. 10.

(*g*) *The naudasht rate*.—A sum of Rs. 9 is advanced on a pronote of Rs. 10. This system is usual in the case of marriage loans which are short-term loans repaid out of dowry.

(*h*) For *taqavi*, the rate is Rs. 6 per cent. per annum, which is regarded as a just rate by the villager. The co-operative society charges Rs. 15 per cent. per annum.

Both *deorhi* (1½ times) and *sawai* (1¼ times) are charged on loans in kind. *Kharif* borrowings in *Asarh*, *Sawan* and *Bhado* (July to September) are repayable in *Aghan* (December). *Rabi* borrowings in *Kartik*, *Aghan*, *Pus* and *Magh* (November to December) are repayable in *Chait* (April).

(*b*) The monthly rates of interest for cash advances, and for advances in kind when commuted in cash, are calculated either in fractions of a rupee or percentage. Per rupee the rates are one pice, two pice, one anna and four annas; per cent. they are 12 annas, one rupee, 1½ rupees, 2 rupees and 3⅛ rupees.

Usually simple interest is charged, but in the case of change of documents, the interest is added to the principal. If again loans are not paid in full during one harvest, their payment either is postponed or changed into money loans. The process is simple. First, *deorhi* is charged on the grain loans and then the grain is valued at somewhat lower than the market rate. Suppose the grain is selling at five seers per rupee in the market, the *mahajan* would undervalue the grain. He will charge at the rate of four seers per rupee. Finally, the sum thus calculated is charged at the cash rate of interest, *i.e.*, Rs. 2 or Rs. 3-2-0 per cent. per month, which are the most common rates in Pandilla.

(*c*) In many cases the tenants could not pay up the interest even. On the whole, with the exception of the rate of interest on *taqavi*, the rates are very exorbitant. Licensing moneylenders might be introduced.

(*d*) There are incidental charges at the time of the repayment of the loans. Prior to weighing the grain the *mahajan* or his agent asks for some grain from the cultivator in order to please the God Ganesh. Among the Hindus there is a custom that whenever any work is begun, the God Ganesh is worshipped. The *mahajan* asks the cultivator to allow him to take grain worth one *pao* for *Ganesh*. This is called "*Ganeshji ka pao.*" According to the market weights this so-called *pao* weighs three-fourths of a seer. Then there is the "*mahajani-pao.*" It is attributed to the *mahajan*. The *bania* or the *mahajan* weighs the grain of the cultivator, and every time one rupee's worth of grain is weighed the creditor asks for a "*mahajani pao.*" According to the market weights this "*mahajani pao*" would weigh three-fourths of a seer. Suppose the cultivator sells grain worth Rs. 40,

then he will have to pay ten "*mahajani paos.*" These ten *mahajani paos* would be equal to 7½ seers from the market weights. The *mahajan* gets 7½ seers gratuitously. When weighing is done, the creditor asks for blessing (called *barkat*). Roughly it is equal to half a seer in the market. So in all the *mahajan* gets 1 *Ganesuji-ka-pao* plus 10 *mahajani paos* plus *barkat*, total($\frac{1}{4}$ + $\frac{15}{2}$+$\frac{1}{4}$ seers)= $\frac{32}{4}$ = 8 seers and 12 chhataks is the loss of the cultivator.

Question 3.—Persons of low status give ornaments as security; silver ornaments are valued by the creditors at a quarter and gold ones at half of their price. The rate of interest charged on loans secured by silver is Rs. 3-2-0 per cent. per month, while for gold securities it is Re. 1 per cent. per month.

Persons of somewhat better status give as security a pronote called *indultalab*, or a land mortgage. House property, gardens, trees (called *rahan*), and occasionally standing crops are other kinds of securities.

The *mahajan* of Pandilla told me that he usually can get cloth worth Rs. 1,000 on loan without any pronote from the *mahajan* of Ismailganj. But this is a private arrangement.

The Government lend on the basis of *haisiyat* (general position), while the co-operative society lends both on *haisiyat* and personal security.

(*b*) The following figures were obtained by personal enquiry and may be regarded as correct :—

Caste and size of holdings.	Number of holdings.	Debt free.	Indebtedness in terms of annual rent.							
			Less than one year.		Between one and two years.		Over two years.		Total.	
			Number of debtors.	Amount of debt.	Number of debtors.	Amount of debt.	Number of debtors.	Amount of debt.	Number of debtors.	Amount of debt.
I.—Brahmins.				Rs.		Rs.		Rs.		Rs.
Under 5 acres ..	1	..	..	..	1	50	..	..	1	50
From 5 to 10 acres	5	..	..	..	3	425	2	325	5	750
From 10 to 20 acres	4	2	1	40	1	260	..	..	2	300
Total ..	10	2	1	40	5	735	2	325	8	1,100
II.—Kachhis.										
Under 5 acres ..	8	..	..	..	2	100	6	1,075	8	1,175
From 5 to 10 acres	2	..	..	..	..	..	2	300	2	300
From 10 to 20 acres	1	..	1	50	..	..	..	..	1	50
Total ..	11	..	1	50	2	100	8	1,375	11	1,525
III.—Ahirs and Muslims.										
Under 5 acres ..	6	..	..	..	..	..	6	607	6	607
From 5 to 10 acres	6	1	1	50	1	100	3	1,400	5	1,550
From 10 to 20 acres	2	..	1	90	1	200	..	..	2	290
Total ..	14	1	2	140	2	300	9	2,007	13	2,447

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Caste and size of holdings.	Number of holdings.	Debt free.	Indebtedness in terms of annual rent.							
			Less than one year.		Between one and two years.		Over two years.		Total.	
			Number of debtors.	Amount of debt.	Number of debtors.	Amount of debt.	Number of debtors.	Amount of debt.	Number of debtors.	Amount of debt.
IV.—Chamars and Pasis.				Rs.		Rs.		Rs.		Rs.
Under 5 acres ..	14	..	..	..	6	520	8	690	14	1,210
From 5 to 10 acres	1	..	..	..	1	54	..	..	1	54
Total ..	15	..	..	..	7	574	8	690	15	1,264
V.—Others.										
Under 5 acres ..	10	4	5	100	1	40	..	..	6	140
From 5 to 10 acres	2	..	..	..	..	..	2	280	2	280
Over 20 acres ..	1	1	..	..	..	..	..	..	..	..
Total ..	13	5	5	100	1	40	2	280	8	420
VI.—All castes.										
Under 5 acres ..	39	4	5	100	10	710	20	2,372	35	3,182
From 5 to 10 acres	16	1	1	50	5	579	9	2,305	15	2,934
From 10 to 20 acres	7	2	3	180	2	460	..	..	5	640
Over 20 acres ..	1	1	..	..	..	..	..	..	..	..
Total ..	63	8	9	330	17	1,749	29	4,677	55	6,756

The following table shows the indebtedness of 13 landless families :—

Caste.	Number of families.	Amount of indebtedness.
		Rs.
Dharkar	1	200
Chamar	2	90
Pasi	2	90
Muslim	2	100
Dhobi	2	50
Others	4	55
Total ..	13	585

These landless villagers are small artisans or menials. Amongst "others" are included one oil presser, one blacksmith, one shepherd, and one maker of spangles (*tarkihar*).

The total indebtedness of the families under enquiry was Rs. 7,321, and the total rent paid by them is Rs. 3,876. One landlord owes 1¼ lakhs : the others are free of debt.

(*d*) The amount of debt secured by mortgage on landed property is on the increase. One *mahajan* seems to have got 44 acres of land in this way, and is now recognised as a small landlord. Some tenants mortgage their land though they are not legally allowed to do so. If the *ziladar* hears that a tenant has mortgaged his land, he files a suit against him. Though they fear to lose their land, yet some take the risk and mortgage it secretly.

Question 4.—Usually the *mahajans* get their money back out of the sale of the cultivator's produce. They send their agents to their debtors during harvest time. The debtors either pay back in kind or cash. Violence may be used if they do not pay up the dues. This drives them to borrow from others at a higher rate of interest, and thus pay up their earlier debts. The cultivators from other villages told me that the time of payment of rents was a time of great hardship, which sometimes causes them to abandon their homes. This is not applicable to the village in question.

As a rule, the cultivators are compelled to sell their produce to those to whom they are indebted. The grain is purchased by the *mahajan* below the prevailing market rate. The *mahajani* weights are heavier than the market or standard weights. Two weights are used for weighing in Pandilla village by the *mahajans* when they buy the produce from the cultivators. One *dhara mahajani* weight, called a weight of 4 seers, is equivalent to 5¼ seers standard weight. It is used for weighing vegetables and tobacco. Another *dhara*, called a weight of 5 seers, is equivalent to 7¾ seers standard weight. Seven and three-fourths seers produce, which weighs 40 seers by the village weights, would be equal to 62 seers by market weights. So the *mahajan* gets 22 seers more. Beside this, he would get more various additional payments (*Ganeshji ka pao*, etc., as described above), which are equal to 7¼ seers standard weight. The total extra gain to the *mahajan*, therefore, is 29¼ seers standard weight. If we suppose that the grain is selling at 5 seers a rupee, one maund, village weight, would bring Rs. 8; but if sold by market weight, it would bring Rs. 13-14-0, and the loss to the cultivator is Rs. 5-14-0.

Question 5.—Agriculturists are indifferent about *taqavi*, due to its short term. The *taqavi* is realised shortly after the district is declared free of famine; but the financial position of the cultivator does not improve so quickly. Further, so far as seed or bullocks are concerned, the cultivator does not get *taqavi* up to his full demand, and uses whatever

he gets for subsistence; whilst building tanks or digging wells means heavy expense, and as the advance is always insufficient, the cultivator does not take it at all.

The people borrow *taqavi* mostly in abnormal years and very little in normal years.

The main shortcomings of the *taqavi* system are noted below—

(1) It is distributed in the tahsil headquarters, which are six miles away from Pandilla. In spite of the cultivator repeatedly going there, he finds difficulty in getting it. If he gets it at all, it is less than his demands.

(2) It takes a long time before the application is granted. The cultivators told me that sometimes it took as much as three months.

(3) It is distributed once only, while the *mahajan* could be approached whenever there is necessity. The *patwari* cannot give such help as local lenders do.

(4) There are interceptors like the *patwari* and the office clerks.

(5) Sometimes the cultivators do not get information about its distribution. This can be ascribed partly to the illiteracy of the cultivators and partly to the negligence of the *patwari*.

*(6) If the cultivator does not pay on the due date, he is put in the *haulad* (on parole). This fear compels him to sell his produce at any price received, sometimes even below the cost of production.

(7) Repayment in a lump sum is another great difficulty. The cultivator rarely has so much money at a time. Payment in two to six instalments would minimize this difficulty. The cultivators suggested that *taqavi* should be distributed through the educated persons and the Sewa Samiti. This is not possible. The first trouble would be to obtain information regarding the *haisiyat* of the cultivators. I would suggest that it should be distributed through the co-operative society wherever one exists. The society only grants a loan after a great deal of enquiry and on good security. All cultivators are not members of a society, but this change would popularize the movement, as would also the licensing of money-lenders. During the time of distribution one of the government officials should be deputed to the spot. This would save the cultivators from many of the worries mentioned above.

Question 6.—There is no regular custom or practice among the cultivators of combining together to produce particular crops but I was told that the villagers often work in each other's fields by turn, and lend each other cattle.

Question 7.—The existing credit facilities mentioned in my answer to question no. 1(*a*) are inconvenient and exorbitant and hence are inadequate. The *mahajans* charge very high rates of interest. The rate charged by the co-operative society, under the present circumstances, is tolerable; but the society neglects its aim which is to emancipate the cultivator from the clutches of the *mahajan* and make him a free man. The cultivator is illiterate and secretive: and the society should try to remove this great defect. The society is exempted from taxation and therefore its rate should be lowered. Nine per cent. per annum should be the general rate of interest. The cultivators complain of the system of unlimited liability and therefore do not like to be members of the society. A tailor of the village, a member of the society, had paid up all his share. There were two other members of good position, but their liabilities were yet unpaid. In order to realise their dues, a decree was obtained against the tailor, who was hit hard, while the other two were not at all affected. These things should be discouraged.

Some people are of the opinion that the introduction of more competition would undermine the present position of the *mahajan* or *bania*. This plan has disadvantages. If the present system is replaced altogether by a new one, I think nearly 25 crores of rupees would be needed to wipe off the present debt of the cultivators in the whole of the United Provinces. This is a big sum to be found from the provincial sources of income. But assuming that this could be done, fresh indebtedness would arise. The *mahajan* is a ready helper. He does not require to keep the records of every man's

*It is hearsay evidence.

financial condition, for he is in close touch with them. People would again borrow from him, and matters would soon be as bad as before. The only accusation brought against the *mahajan* is that he charges a very high rate of interest. The solution which I would recommend is the establishment of a regulated and licensed system of money-lending. This will help the growth of the co-operative societies. When the societies are fully developed, the licence may be removed.

Before concluding the present survey it is necessary to touch briefly on certain points which are very intimately connected with it :—

(1) In order to remove the illiteracy of the masses, compulsory primary education should be introduced in the village through the joint efforts of the Government and the landlords. Every programme of rural reconstruction is helped by the education of the masses.

(2) Communications between the Katra *mandi* and the Allahabad city market with Pandilla are not good. The *kachcha* road should be turned into a *pakka* one.

(3) The municipality charges octroi duties which hinder free trade between the cities and the villages. The cultivators cannot afford to pay such duties and they are consequently induced to dispose of their produce in the village rather than bring it into the city of Allahabad. On the other side, it strengthens the position of the *mahajan*. These duties should be abolished and the loss thus imposed on the municipalities should be compensated by levying taxes on the land in the cities, which is so far untaxed. Free trade will bring fair prices to the cultivators.

(4) At present, the cultivators do not borrow for the purpose of marketing, because the surplus produce is small and does not fetch a fair price. Improvements in this direction are very necessary.

(5) The barren land on the left bank of the river Ganges should be reclaimed and this will help to increase the produce of the village.

(6) This year the co-operative society distributed seed to the cultivators. This practice requires encouragement.

(7) The villagers complain that their cattle are of inferior quality. They want a better type of bulls. This difficulty needs early attention.

(8) On the worst and sandy land, the growing of Gasuarina, a firlike tree, should be tried. Gasuarina has a very rapid growth and is excellent fire wood. The department of Agriculture introduced this tree into Madras from Japan, where it seems to have checked the use of cowdung for fuel a good deal. Most of the farm manure will then be available for the fields and improve their fertility.

(9) The agricultural operations at every step are wasteful, *e.g.*, by the misuse of cowdung and bonemeal.

(10) Simple book-keeping should be taught in the primary schools. This will teach the cultivators to realise the ways in which they are being cheated, and their consequent losses.

(11) Finally, the introduction of the co-operative sale system would be of great importance. It would give the cultivators those advantages which are beyond the power of an individual cultivator, namely, concession rates in transportation, etc. The village has got bright prospects if it can be connected with the Allahabad, Partabgarh and Benares markets.

Report of an economic enquiry in village NAKAHRA, district Mirzapur.

[By Mr. Ram Naresh Lal, M.A., (Final) Class, Allahabad University.]

NAKAHRA is situated in tahsil Chunar of the Mirzapur district. On three sides the village is surrounded by streams which rise in the neighbouring hills and fall ultimately into the Ganges. These streams make the land fertile; it requires no irrigation whatever.

The village consists of eighty-five families with a total population of about 600 to 700 persons. Out of the 85 families fifty were Kurmis, twelve Chamars, five Brahmans and four Mallahs. There were two families each of tailors, a barber, potters, weavers and washermen, and one each of Kayasthas, milkmen, carpenters, and Telis. The Kurmis are a caste who till the land with their own hands and perform almost all agricultural operations with the help of their family. Only the Brahmans and the family of Kayasths and a few well-to-do Kurmis employ the services of Chamars for agricultural purposes. Even the village artisans supplement their own trade with agriculture. Out of the 85 families twelve possessed no land and lived on wages only.

The cultivators used old methods of cultivation and primitive tools. They use the wooden plough with iron point, the woden yoke, the iron spade, the iron *khurpi*, and so on. They say that they are poor and it is beyond their means to provide either for improved methods of cultivation or for improved forms of implements. Most of them are constantly indebted to one or other of the richer families in this village or a neighbouring village. There is no organisation of the Raiffeisen type of society in that area.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—(*a*) and (*b*). The cultivators borrow only from richer neighbours, as already mentioned, but never from the Government. Occasionally they borrow from the *Aghas* in the form of cloth but never in cash. They imagine that the "*Sarkar*" (Government) is much too high to lend to them. Moneylenders as a separate class do not exist in the village. In spite of the cultivators' reluctance to give details of their debts, I learned enough to estimate that 75 per cent. of the families are indebted. An analysis of their debts shows that they borrow for marriages or other social functions; for repayment of earlier debts; sometimes for payment of accumulated interest; famine and other kinds of distress, such as fire; payment of rent; seed; litigation; purchase of cattle, and subsistence. They had never borrowed for manure, agricultural improvements, or agricultural implements. As already said, they use old forms of implements which are cheap and which they can provide themselves. They do not use chemical fertilisers or other expensive manures, instead they use ash and other house refuse, together with the cowdung of the four rainy months as manure. They say that if they ever venture to use improved implements, *e.g.*, the iron plough, they would lose because the iron plough is expensive itself. and in addition requires the strongest and biggest bullocks, to provide which is beyond their means. And in their circumstances their statements are probably true.

(*c*) To distinguish the various purposes for whih debts are incurred is not difficult; but to ascertain the proportion between the debts contracted for various purposes is almost impossible. The cultivators keep no account of how they spend what they borrow: it depends on what is their greatest need at the time. Sometimes one need is predominant, sometimes another, and no permanent proportion can be ascertained even for the whole village. No more is possible than a rough estimate, which will vary from time to time. My estimate is as follows:—

14	per cent.	for marriages, etc.
25	,,	for repayment of earlier debts,
5	,,	for payment of accumulated interest,
4	,,	for famine and other kinds of distress,
18	,,	for payment of rent,
10	,,	for seed,

8 per cent. for litigation,
10 ,, for cattle, and,
6 ,, for subsistence,

The amount of debt contracted for payment of rent is slightly greater than it was in earlier years, because of the two successive bad harvests.

(*d*) Of the total debts above mentioned those for subsistence and seed, and usually for cattle, are incurred in kind, while the rest are borrowed in cash. Thus, according to the above calculation, roughly 26 per cent. of the total debt was incurred in kind and 74 per cent. in cash. Taking a short period at six months or less, none of the above debts are incurred for short periods, although the cultivator is at liberty to pay back the loan at any time favourable to him.

Question 2.—(*a*) The rates of interest charged in the village were 2 per cent. per month, 1½ per cent. per month, and 1 per cent. per month for cash advances, and a system of *sawai* or *deorha* prevailed for debts incurred in kind. The rate of 2 per cent. per month or 24 per cent. per annum was the general rate; the rate of 1½ per cent. per month or 18 per cent. per annum was the rate charged from intimate friends and old customers; while the rate of 1 per cent. per month or 12 per cent. per annum was charged from respectable and well-to-do customers or relations. This last rate is also charged when land is mortgaged. Gram, barley, and the like are advanced on a system of *sawai*, while wheat, peas, oil-seeds, etc., are advanced on a system of *deorha*. Loans in kind are given at two times. Once, when the rains commence people borrow grain for eating purposes, but not for seed. Next, they are advanced in the month of *Kuar* (September-October) when the sowing for *rabi* crops is likely to begin, and this debt is incurred mainly for seed purposes. When asked why they borrowed grain for subsistence so soon after the harvest, the cultivators told me that when the harvest was ready, they either sold the grain to pay the rent, the debt, or the interest, in which case later on they had to borrow for subsistence; or if they did keep the grain for food and seed, they had to borrow money for payment of rent, debt, or interest. The debts incurred at both the times were to be repaid at the *rabi harvest*, and the rate of *sawai* or *deorha* did not differ with the period of the loan so long as the loan was repaid at that time. But if by some chance the loan could not be paid when due, then the interest was added to the principal and the new principal ran at the rate of *sawai* or *deorha* for the next harvest.

The *Aghas* charge a rate of interest equal to 4 annas per rupee per month or 300 per cent. per annum. They never advance money and seldom sell for ready money. They give the cloth and include the interest in its price. The same is the case with those who bring herds of cattle and sell them to the villagers. A price is settled and that price is realised in two instalments within a year. I have not been able to ascertain what rate of interest they include in their price for the cattle.

Sometimes it happens that when the men of a rich family have refused to make a particular loan, and the would-be borrower is greatly in need of money, he offers ornaments to the old ladies of the family as security, with interest at 6 pies per rupee per month, or 37½ per cent. per annum. The rate of interest varies with the amount advanced: if the advance is of half the value of the ornaments, the rate is 6 pies per rupee per month, whilst if the advance is one-fourth of the value, the rate is 3 pies per rupee per month, or 18¾ per cent. per annum; the more common rate of interest is the latter.

The amount advanced depends on the status of the borrower and the chance of repayment, *e.g.*, one person living in Chunar town always advanced half the value of the ornaments to townsmen and one-fourth the value of ornaments to villagers, but charged the same rate of three pies per rupee per month on both advances.

(*b*) The interest on money loans is sometimes simple and at other times compound, but more often the former than the latter. Only moneylenders new to the business charge compound interest; as a rule, moneylenders of long standing charge simple interest. On loans that are advanced in grain interest is always compound, as described above.

(*c*) The *Aghas*' rate of interest is most exorbitant, and the rate of interest charged on advances in kind for seed and subsistence is also high. But the rate of interest charged on cash advances is not excessive considering the risk, the inconvenience and the attendant difficulties. It often happens that not more than fifty rupees are recovered of a loan of one hundred rupees, and as ten loans in every hundred are of this kind, the rate of interest, though from the point of view of the individual borrower it seems high, yet from

the point of view of the lender it is not, because it secures him on an average not more than 15 per cent. per annum.

(*d*) Besides the interest the borrower has to meet certain other charges while contracting the loan. For instance, when a loan is advanced on a pronote, the borrower has to pay the price of the stamps of the pronote and the receipt and the writer's fee at the rate of one rupee per cent. of the loan contracted. When, however, loans are raised on land mortgage there are other incidental charges to pay as well as these, *e.g.*, the registration fee, and a *nazrana* of 5 per cent. of the loan in the case of fixed-rate tenancy, and of 15 per cent. in case of occupancy tenancy, to the *zamindar*.

Question 3.—(*a*) When raising a loan the cultivators generally give no security except the execution of a pronote, but at times they offer as security land, house property, or ornaments. When land is given in security, and the lender cultivates the land, no interest is charged on the loan; the lender cultivates the land in lieu of the interest and the borrower goes on paying the rent to the *zamindar* as usual. It is a personal understanding between the borrower and the lender.

(*b*) The statement that "the better the title to land, the greater the amount of indebtedness contains a large amount of truth. We find that the big *taluqdars* are more indebted than the small *zamindars*, and the *zamindars* are more indebted than the cultivating classes. The same relation we find between the various types of cultivators. Why? The reason is not difficult to find. The more a man has, the more lavishly he spends. He has to keep up his status in the eyes of society. When he cannot do this from his own resources, he borrows, and he gets his loan without trouble for the lenders know that they can realise their money from the borrower's landed property. A tenant-at-will cultivating one bigha of land could not find anybody to lend him fifty rupees but a fixed-rate tenant possessing the same area of land can easily obtain twice that money.

(*d*) The amount of debt secured on land mortgage has been more or less constant of past years. In ordinary circumstances the cultivator will not part with his land and prefers to execute a pronote for loan at 2 per cent. per month. It is only when he is unable to pay this loan, and the principal with the interest has become a large amount, that he has to mortgage his land. The amount of debt advanced on pronotes is increasing day by day. Pawning of ornaments is less acceptable to the moneylenders because it fetches less interest than the advance of loans on pronotes; but with women it is common. Without the security of some ornament no woman would advance money, nor would they accept any other security except ornaments.

Question 4.—The preliminary step in enforcing payment of debt is to send a servant to demand it of the borrower. If the borrower fails to repay, he must either execute another pronote, or mortgage some property; or else the lender brings a lawsuit: this however is rarely necessary. Cultivators fear the law courts because they must pay the costs of the suit as well as the amount due. When the loans are advanced in grain on *sawai* or *deorha*, they are generally paid back and received in grain. The question of rate (*nirakh*) comes in only when the loan of grain is repaid in money, which is rarely done in this tract save when a lawsuit is brought. On such an occasion the rate at which the grain is changed into money is the prevailing rate of the market at the time of instituting the suit. This rate is known to the cultivator, for from time to time he or his friends frequent the market

Question 5.—(*a*) (*b*) and (*c*). The cultivator never takes advantage of the facilities provided by the Agriculturists Loans Act and the Land Improvement Act. They have never borrowed *taqavi* either for seed, cattle, or agricultural implements, or for building tanks or wells. They do not know that they can get money from the Government for such a purpose. Thus in ordinary years they never borrow any *taqavi* from the Government. It is only in abnormal years, when the country is threatened with famine or the harvests are bad, that they realise that *taqavi* is available; but even then they do not take advantage of it for they prefer to borrow money at a higher rate from the moneylender. When asked why they do not take *taqavi* even in abnormal times, they state that some twenty years back there were very bad harvests and *taqavi* was distributed; but though almost everybody in the village went to the tahsil, only four persons got *taqavi*, and that too only in small amounts, and the rest had to return disappointed. Ever since then they have resolved not to borrow *taqavi* even in abnormal times. Further, if they were to borrow *taqavi* the moneylenders would refuse to advance them money.

VILLAGE NAKAHRA: MR. RAM NARESH LAL.

(*d*) In my opinion the present *taqavi* system suffers from certain defects. Although the *taqavi* rate of interest is much below the usual village moneylender's rate, other conditions of the advance are severe. The richer applicant gets the loan because he has the better security, but the poorer applicant who needs it most is disappointed. Again, the condition that at the next harvest the interest and at least a portion of the principal must be repaid, makes the cultivator unwilling to take *taqavi*, for if the next harvest is bad or the cultivator has to perform a marriage ceremony or other social function, he has a difficult situation to face. Thirdly, *taqavi* is generally distributed on the basis of reports of the *patwaris* who get a percentage of the advances, and if the cultivator refuses to pay the *patwari* his fee, the latter will not recommend him for a loan. Lastly, the advances are not sufficient, *e.g.*, a man who needs Rs. 100 gets only, say, Rs. 25. These are some of the causes which drive the cultivator to go back for help to his old *mahajan*, who, after refusing once or twice, advances the money required.

(*e*) *Taqavi* advances should be more liberal than at present so that it may reach those who need it most. The *patwari* should have nothing to do with *taqavi* advances. The village headman should be called upon to make all recommendations. Above all some laxity should be shown in respect of repayment, for sometimes punctual repayment is impossible.

The most glaring defect in the present system of agricultural borrowing is the exacting rate of interest which the cultivators have to pay on their loans. Once they contract a loan they are never able to repay it; at most they can with difficulty pay the annual interest, but the principal year after year remains intact. The cultivators have always needed capital and will always need capital, and the problem now is to supply them with cheaper capital. This can only be done by reducing the risk and the inconvenience attendant on lending loans, by raising the standard of guarantee and by importing other agencies to compete with the *mahajan*. We have to popularize the Agriculturists Loans Act and Land Improvement Act in rural areas and open and extend cooperative societies of the Raiffeisen type in the areas where they do not exist.

Part B.—Agricultural borrowing for purposes of marketing.

Questions 1 *and* 2.—The village of Nakahra is situated three miles from the grain market of Chunar, about ten miles from the grain *mandi* of Khojwa in Benares, and about nine miles from that of Ahraura. Nakahra is connected to all of these places by *kachcha* roads and village lanes. But the cultivators generally try to avoid the roundabout main roads and take short cuts through the fields. The cultivators of the village frequent all the three markets, but they sell most of their produce in the grain market of Chunar for that is the nearest one. When the harvest is ready, and there is a great rush to sell grain, some also go to the grain *mandi* of Khojwa. It is only occasionally that they visit the Ahraura grain market.

The cultivators never borrow any money for marketing their crops, nor do cooperative societies exist in that area. Most cultivators possess at least a pair of bullocks and one of these is trained as a pack animal, and carries the grain to the market. Those who do not possess a pack animal, bullock or camel, sell their grain to those who do or hire one. The hire of a pack bullock from the village to Chunar market is eight annas, that of a camel is twelve annas. The hire of a pack bullock from the village to the Khojwa market is one rupee.

Question 3.—When the cultivator takes his grain to the market himself he has to pay the following charges :—

(*a*) *Jagahi* (a charge for allowing the man to sell)	9 pies
(*b*) *Chankidari, Chaudhirai, Mahabirji ka Kharcha, Ram Lila* ..	18 chattaks of the load
(*c*) *Taulai* (a charge for weighing)	One seer.

When the cultivators take their grain to the Khojwa grain market they have to bear an additional charge of at least 5 annas 3 pies per bullock as octroi. This octroi charge varies with the kind of grain. When the crop is sold to the local *bania*, he usually buys it at a rate which is likely to pay all the above charges, with a small profit for himself. Thus he buys at a rate slightly lower than the market rate at Chunar.

The *arhatia* (commission agent) charges the same quantity of 2 seers 2 chattaks whether the load be expensive or cheap. But generally this 2 seers 2 chattaks

becomes about three seers, for the *arhatia* does not weigh it, but takes it in handfuls, and always takes more than the actual estimate.

Question 4.—The villagers store their grain in one of four methods. They store their grain in *bakhars* (a portion of a room separated by a mud plastered wall), or they use a *kothi* or *kunda* (a big cylindrical pot made of mud); or as a fourth alternative they use gunny bags.

Every one of these methods of storing suffers from certain defects. The first one is liable to depredations by rats and to damage by a small insect called *pai*, and by ants. The next method of storing, although immune from the danger of rats, is subject to all the other defects mentioned; whilst after four or five years white-ants begin to make their abode in the *kothis* and render them useless. The third method of storing is free from all other defects, but a certain amount of damage is done by red ants and *pais*. The fourth method is immune from all defects except the danger of rats. Once the rats enter a bag it becomes useless for ever. Of these four methods of storing grain, the third is the best. But unfortunately they are not very big. The biggest would contain only about four maunds, so that a big cultivator would require from seventy-five to a hundred of such vessels to store all his grain, while that quantity can very easily be stored in one corner of a room in a *bakhar* or *khatti*.

It is highly desirable that the cultivators should make cement and lime plastered *bakhars* or *khattis* to store their grain; or build *kothis* of reinforced concrete or steel.

As regards the storage in the markets, the godowns of the *mahajans* are full of gunny bags filled with different kinds of grain. They never use any other method of storage. Of course the bags are very liable to damage by rats, and there is always a possibility of destruction by fire. But the *mahajans* say that storing in bags is the most convenient method. They have to require small quantities for retail sale, and in such cases the bags are the best to handle.

Question 7.—At present I do not know any instance where cultivators combine together to market particular crops. But such a combination is desirable as well as possible. As previously explained, if the cutivators combine to produce particular crops, they can jointly market them in grain centres themselves without the help of any intermediary and thus obtain more favourable prices for their crops. If they produce in large quantities one kind and quality of crop, they can sell by sample. So long as they produce only in small quantities they are bound to go to the nearest market and sell there at a lower rate than exists in bigger places.

Report of an economic enquiry in village JHAMKA, district Bulandshahr.

[By Mr. Jagmohan Swarup Gargwa, M.A., (Final) Class, Allahabad University.]

Introduction.

Throughout the country the indebtedness of our agricultural population has now become so serious as to require a thorough and detailed investigation. It has been estimated that some 80 per cent. of agriculturists are in debt; whether this figure can or cannot be accepted, the fact remains that as a result of poverty, his lack of education, and his want of foresight, the cultivator has to incur heavy debt to meet the expense of his seasonal agricultural operations, for the improvement of his land, for social rites and for ceremonies. The accumulation of capital against emergency is prevented by frequent bad years, and the high rate of interest prevalent. Of late years much has been done to release the Indian agriculturist from his state of constant indebtedness but the process is a slow one and very complex.

This essay is the result of a series of enquiries made in the village of Jhamka, situated in tahsil Khurja, district Bulandshahr, at a distance of 2½ miles from Khurja, a town with a population of some 30,000. Khurja has a big grain and *ghee* market, and possesses twelve ginning factories which export cotton direct to Bombay. The Khurja city railway station is about 3½ miles from the village on a branch line; another station is about 7 miles away on the main line of the East Indian Railway. The only direct means of communication is the unmetalled road from Khurja to Pahasu, which carries a little traffic during fair weather but becomes impassable during the rains. The Grand Trunk road is some two miles away. A small tributary of the Ganges canal passes through the village area but provides irrigation to a very small area because most of the land is sandy and on a higher level. The main source of irrigation are the wells and the rain water. There are some 200 families of which only 60 live by agriculture. The rest are either labourers, village servants and menials, or *jogis* (beggars). The economic condition of the village is on the whole, satisfactory, but a succession of bad years has done great damage, and only some three or four families have escaped the clutches of the moneylender. The village distress has been caused by crop failures due partly to a bad monsoon, partly to the recent swarms of locusts which ravaged the whole area.

There are few lending agencies in the village. Co-operative societies as yet are unknown, though some have been established in other parts of the district. They are urgently required and the present time is favourable for introducing them, since the moneylenders are refusing to grant extended credit since the peasants are urgently in need of extended credit. Now is the time to convince them of the numerous advantages of co-operation.

The main source of agricultural credit is the ubiquitous *mahajan*, who is not so inhuman as he is often taken to be. Though he battens on the cultivator yet without his aid agricultural operations would come to a standstill; for being in close contact and personal relations with the cultivators, he supplies loans, both for production and consumption, at the right time and in sufficient amounts. The moneylender, at least for his own gain, sees that the affairs of his debtors gradually improve and gives timely help. He runs great risks in lending money on little security but his personal confidence in his client's honesty; but he rarely loses his money, save when the cultivator is hopelessly burdened and it is beyond his power to repay the loan. But the rate of interest charged is very exorbitant, and out of all proportion to the benefit done.

Government is another source which lends money in the form of *taqavi*, exacting small interest, and postponement of revenue, which amounts to an indirect loan without interest.

Other sources, though insignificant, deserve due consideration. The cultivator may borrow from his *arhatia*, (commission agent) at whose shop he sells his produce. The cultivator when refused money by the moneylender at harvest borrows from the *arhatia* who lends to him in the hope of being paid when the produce is sold in the market. The sum loaned seldom exceeds fifteen or twenty rupees for a very short period. The cultivators also borrow money from their fellow agriculturists and relations, but only in small amounts, generally without interest, and payable at their own will in the case of the latter, and at nominal interest to the former.

Village Jhamka : Mr. Jagmohan Swarup Gargwa.

The moneylender draws no distinction between the capital required to finance industry and the money needed for consumption. Everything is put down in a common account. The borrower himself does not distinguish between sums borrowed for productive purposes and for current needs. It is, therefore, impossible to determine, with any accuracy, the proportions of the debt expended on different requirements. Table I, appended to this essay, gives details of the loans taken by eight selected families of the village for different purposes in the year 1929.

The greatest single item is the debt incurred for paying land revenue and rent, 30 per cent. of the total, but this is abnormal and the result of a series of calamities in recent years. Ordinarily it would be about 15 per cent. During normal years the percentage of loans taken for social functions, litigation and purchase of cattle would, therefore, be relatively larger : whilst marriages take place more frequently in years of plenty than in famine years. The cultivator cannot spend money on lawsuits except in good years. He cannot purchase cattle in a bad year because he cannot feed them as well as himself and his family. Again, previous debts tend to decrease in good years when the cultivator has a surplus. In normal years the debt for seed and subsistence may decrease, but only slightly, because even in good years the cultivators do not generally store any large quantity of grain, for they are forced by their creditors to sell practically all their produce to repay them. There is no expenditure on agricultural implements, for they are not costly and of a primitive type. The *zamindar* usually allows the cultivator to cut wood free of charge for making ploughs, or other articles. The carpenter and the blacksmith are at his disposal on payment in cash or kind, now generally the former. The little manure he puts on his land he gets free from the farmyard or the house sweepings and he spends practically nothing on chemical fertilisers. Being so much burdened with the accumulation of other debt, he never even thinks of making any improvements, though recently the occupancy and to some extent the statutory tenant have begun to consider the matter, for they have been given greater safety of tenure by the new Agra Tenancy Act of September, 1926.

The main cause of the debt of to-day is the debt of yesterday. The cultivator borrows, not only because he has some need to satisfy, but because he has credit and cannot resist the numerous temptations to enjoy its use. He will even keep a debt running so that he may maintain his good relations with the moneylender. The cultivator has to wait for at least half a year before he receives any return for his labour, and all that time has to live on credit.

Tables I and II, appended to this essay, give an idea of the financial condition of the same eight families. It suggests the following observations :—

(*a*) The families that are moderately well-off are the most indebted.

(*b*) The total debt is 67 per cent. of the total cost of production, including revenue and rent.

(*c*) The average debt per agriculturist family is Rs. 371 : per family of labourers is Rs. 38-5.

(*d*) The normal rate of interest for agriculturists is 24 per cent. per annum : 24·4 per cent.

(*e*) The normal rate of interest for agriculturists is 24 per cent. per annum : for labourers it is considerably higher. At a rough estimate 90 per cent. of the total debt is due to professional moneylenders, 4 per cent. each to the *arhatia* and fellow agriculturists, and 1 per cent. each to Government and other moneylenders.

Until very recently money was advanced on account, without documentary proof, and bonds were executed only when the borrower's credit was low or he was a stranger to the lender. But bonds are now becoming more common, and are constantly renewed. The rate of interest varies with the credit of the borrower, or his reputation or punctuality in repayment. The rate also varies according as the debtor is a landowner, an occupancy tenant, a statutory tenant or a labourer, that is, according to the security which he can offer. There is no law which prohibits the land being transferred from the agricultural to the non-agricultural classes, and there are many instances in which the agriculturists have sold their zamindari to the moneylender. Some moneylenders take advantage of the ignorance and illiteracy of their debtors and employ unfair means to extract more money than is really due. For instance, the moneylender will cause the cultivator to put a thumb-impression upon a blank stamped paper which the moneylender

keeps and can subsequently fill up as a bond for a larger amount than the real debt. He can then either charge the cultivator the real sum and the interest really due, or the larger amount with exorbitant interest; and the bond enables him to collect that amount by the help of law courts.

There are different kinds of loan—

Money loans. The kist system.—By this system, the amount lent is either Rs. 8 or Rs. 10 : the amount repaid is either Rs. 10 in ten monthly instalments, or Rs. 12 in twelve monthly instalments. This system is used in the case of agricultural labourers or small handicraftsmen. The cultivator rarely borrows in this way. The rate of interest works out roughly to about Rs. 3-10 and Rs. 4-6 per Rs. 100 per month, respectively. The days on which these loans are made are generally the 15th (*Amavashya*) and 30th (*Puranmashi*) of a lunar month. If the instalments are delayed, two pice per rupee per day is charged. The borrower has to incur certain additional expenses, amounting to five or six annas, for the stamp, for writing the deed, with a present to the creditor's servant who collects the money.

When a loan is taken by a tenant for agricultural purposes, raw materials and labour, the rate of interest is 1½ per cent. to 2 per cent. per month. The rate is the same on loans for marriages and other ceremonial purposes. Petty *zamindars* pay from ¾ per cent. to 1¼ per cent. per month according to their credit, reputation, and property. Only two or three years ago the maximum rate was 1 per cent. but it has now increased to 1½ per cent. This increase is due to a continuous series of bad years and the consequent failure to repay punctually. Interest is calculated by compounding half yearly, or, in the case of large loans, yearly; when the bond is renewed, the whole of the accumulated interest at this compound rate is added to the principal.

Small landowners have been put to great loss by the Agra Tenancy Act of 1926, for land has depreciated by about 10 per cent. and their credit has thus been lowered considerably. This is due to the new statutory right conferred on the tenant by which the landlord's powers, both of ejectment and enhancement of rent, have both been greatly restricted. The result is that proprietary rights are passing to the moneylender. The following table shows the depreciation in the case of four landlords :—

	Value of land.		Decrease in value.	Percentage of decrease.
	Before 1926.	After 1926.		
	Rs.	Rs.	Rs.	Rs.
1	25,000	14,000	11,000	44
2	19,000	12,000	7,000	37
3	4,100	2,500	1,600	39
4	3,300	2,000	1,300	39
Total	51,400	30,500	20,900	40.7

Grain loans.—When loans were taken in kind, generally for seed or food, the payment was always made at 1¼ of that amount or its money value whether the period is a month or six months, so that the least rate of interest was 50 per cent per annum. But now this system is prevalent only in a few neighbouring villages among *Bohras*, a lending class. Cultivators now borrow grain according to the market rate in Khurja and the interest is calculated at 2 per cent. per month. Payment may be made in either kind or cash, at the convenience of both the debtor and the creditor, at the prevailing market rate. In this case the cultivator is doubly penalized, firstly, by borrowing grain at a dearer rate and repaying at a lower one, and, secondly, by paying interest at 2 per cent. per month. The amount of grain per rupee given to the village *bania* may be higher than the market rate in case the cultivator pays in the village and not in the market at Khurja, for the cultivator saves other expenses.

Mortgages.—When the landlord cannot repay his debts he mortgages his zamindari, and the occupancy tenant his occupany rights, for at most five years. The occupancy tenant can rent out his land to a sub-tenant for five years but can mortgage it only for 2 years to his creditor. The Act is evaded easily by renting out the land to a sub-tenant for five years and writing a bond asking him therein to give over the tenants' *munafa* (rent received from a sub-tenant *minus* rent paid to the *zamindar*) to the moneylender for five years; thereby he mortgages his land for five years instead of two years, the legal limit. The rate of interest in case of mortgages with possession, known as *Dakhli rahan*, is ½ per cent. to 1 per cent. per month, and for mortgages with security, known as *Arhi-rahan*, it is ¾ per cent. to 2 per cent. per month. Interest is generally compounded half-yearly and cases of simple interest are rare.

Pawn-broking.—Loans are also secured by pawning ornaments at 2 per cent. to 3 per cent. per month for silver and 1 per cent. to 1½ per cent. per month for gold. If the sum is small and for a short period, the ordinary rate is two pice per rupee per month. The women in well-to-do households lend money in this manner, generally to other women. The cultivator gets such loans through his wife.

Taqavi.—The Government makes *taqavi* loans to agriculturists for three or four purposes, namely, for sinking wells, fitting Persian wheels, and for purchasing cattle or seed. *Taqavi* or wells is payable in six to ten years. The rate of interest formerly was 6 per cent. per annum, but now it is 7½ per cent. per annum. *Taqavi* for cattle is payable within three years, and for seed in six months. Little *taqavi* is taken for wells and Persian wheels though an allotment is annually sanctioned by the Government. Only six wells were constructed in the whole of pargana Khurja this year by *taqavi*, and some 150 wells since the *taqavi* began to be given. For seed *taqavi* is taken only in years of distress. For wells the application requires an 8-annas stamp; but for seed no stamps are required. Dates are fixed for the distribution of *taqavi*, and as the dates do not always correspond to the cultivator's needs, he is able to use it for food rather than for any productive purpose. In times of prosperity, therefore, cultivators do not need *taqavi*, and in times of calamity they use it for subsistence. Instalments can be paid on or before the date of repayment, but if delayed, the amount of the instalment credited to principal is reduced and the amount credited to interest is increased, and the amount in defect is made up by increasing the last instalment. There have been complaints of Government's strictness in the matter of punctual repayment of these instalments; some cultivators are afraid to take *taqavi*, and prefer to go to the moneylender. The latter also looks with disfavour upon those who once borrow *taqavi*. The illegal expenses incurred in the process of taking amount roughly to 1 per cent. which are taken with the cultivator's consent: there is no open compulsion for fear of prosecution. *Taqavi* is not generally used for the purposes for which it is taken; if its proper use were enforced, it would be more profitable than at present. The dates of repayment should not be too rigid though some strictness in its collection is necessary. No system of Government loans can ever be as elastic as that of the moneylender who wants to keep his client in perpetual debt. Another complaint is that the deserving do not get *taqavi* while others get it who can influence the *patwari* or *kanungo*. Again the amount is often insufficient for the purpose, as is obvious from the table below showing the areas cultivated and the *taqavi* given to the tenant for seed—

Area cultivated.	Cost of seed required.	*Taqavi* given.
Acres.	Rs.	Rs.
52	300	25
32	100	20
39	200	40
34	150	35
18	80	15

The amount of *taqavi* for seed that each cultivator receives is ridiculously small when compared with the area that he cultivates. The total amount of *taqavi* distributed this year was Rs. 430 and the number of the recipients was 20; the average of Rs. 21½ per head was hopelessly inadequate, and for that reason is spent in other ways. A reasonable loan would be Rs. 30 or Rs. 35 per plough or Rs. 6 per acre for the *rabi*; none is required for the *kharif*, because *kharif* seed is cheap and little of it is needed. The loan for sinking a *kachcha* well should be at least Rs. 20 each, and Rs. 250 at least for every masonry well.

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Postponement of revenue.

The postponement of revenue during years of unusual and acute calamity amounts to a loan without interest: but the system has some serious defects, for all cultivators are treated alike, and the same proportionate amount of rent is postponed for everybody irrespective of individual losses. The old method of four or five years ago is preferable, for the remission or postponement is based on individual fields. The new method was adopted because of its simplicity and convenience, but justice demands the old method. *Zamindars* are also put to difficulty, for rent is postponed in respect of tenants who can pay as well as of those who cannot. The cultivator also suffers, for when the time for the next payment of rent comes, he cannot pay the whole year's rent on one harvest only, and falls into the clutches of the moneylender. Rents should therefore be either remitted fully or partially to such an extent as would enable them to pay the balance without difficulty. The remission or postponement of rents fall heavily on the *zamindar* for he has to remit or postpone a greater amount of rent than the revenue remitted or postponed for him by the Government. In this village, for instance, the *zamindar* pays Rs. 1-14 per acre whilst the average occupancy rent rate is Rs. 4-8 per acre, and the rate of non-occupancy and statutory rents is Rs. 12 per acre. If the Government remits Rs 1-14 for the *zamindar*, the latter has to remit Rs. 4-8 or Rs. 12, as the case may be. In the village the amounts remitted by Government in *rabi* 1929 and *kharif* 1928, respectively, were Rs. 250 and Rs. 490, but the *zamindar* at the same rate had to remit Rs. 2,635. That is why this policy of Government is always seriously resisted by the landlords.

Some mention should also be made of the *arhatia* (commission agent). His loans are distributed only among those cultivators who sell their produce at his shop, and never extend beyond Rs. 30 or Rs. 40 per head. The loans are given for very short periods of a month or two and paid as soon as the produce is sold. The total loans amount to about Rs. 300 and are distributed to some 25 men of the village. The least amount borrowed is Rs. 3 or Rs. 4. The rate of interest varies between one pice per rupee to one anna per rupee per month.

The period for which the loans are taken is usually six months, or one harvest. No cultivator has borrowed long-term debt though failure to repay may turn short-term debt into long-term. The general poverty of the cultivator prevents him from launching costly schemes of improving land by long-term loans.

Combination among cultivators.

Cultivators in the village combine only while extracting sugarcane juice or drawing water from the well. The system is known as *salori*. They hire a pressing machine (*kolhu*) in common for the whole season. This is used by all the villagers who have sugarcane cultivation, and it is paid for by all in proportion to their respective produce. The bullocks of all drive the machine by turn. In the same way the cultivators irrigate their fields by helping each other with man as well as bullock power. Such combination among cultivators is most desirable and can be suitably extended to other operations as well, for it leads to economy of labour, capital, and time. Such combination will be encouraged by the further establishment of co-operative societies.

Marketing.

Means of communication are totally undeveloped and are of the primitive type. The road being unmetalled, the bullock-cart is the chief means of transportation. The cultivator, if he has not got a cart of his own, himself brings his produce to the market and pays the conveyance charge to the carter at the rate of an anna per maund per mile. If the amount is small, or is intended to be sold in small quantities, *e.g.*, cotton, it is bought by the well-to-do potters and brought to the market on their donkeys; or if the potter is poor, he may simply act as a carrier. The rate of carriage is irrespective of the kind of produce; and the proportion of this charge to the total value of the produce transported does not increase to a very high amount with distance, as the *mandi* towns in the district are all distant some 10 or 15 miles, and the produce is taken to the nearest *mandi*. The *arhatias* very seldom go to the villages to purchase the produce there. Mustard, rape, cotton, etc., are sold generally in the village to the village *bania*, for those crops are ready for sale at a time when the cultivator is very busy in his agricultural operations for the next harvest, and cannot spare time himself to take the produce to the market. When

the produce is brought to the market, the octroi duty charged is one pice per donkey loaded with grain, etc., and the same is also charged on each head load. Bullock carts carrying grain are charged 2 annas 6 pies each. The total payments in the *mandi* are 6 annas per Rs. 100 which the cultivator pays. The charges for the *palledars*, and the commission of the *arhatia* are paid by the purchasers except in the case of wheat, when the cultivator pays, at Rs. 1-9-0 per cent. Other small payments in kind, *e.g.*, a handful of grain to the beggar, sweeper, etc., are made at the will of the cultivator. Only the companies *e.g.*, Ralli Brothers, etc., have brokers, who are paid brokerage by the companies themselves. The *beoparis* (wholesale grain dealers) who buy the produce in large quantities through these *arhatias* have to pay the following charges :—

Commission to *arhatia*	..	annas 8 to Re. 1 per Rs. 100 for wheat.
Ditto	..	annas 4 to annas 8 „ for cotton.
Brokerage	..	anna 1 per Rs. 100.
Shagirdi	..	anna 1 to 2 annas per Rs. 100.
Correspondence expenses	..	Re. 1 per *bijak*.

The above expenses do not affect the cultivator for they are paid by the purchaser.

Coming to the storage problem, the grain is stored generally in *kothas* (above ground), and not in *khattis* (underground cells); and when it is transported it is carried in gunny bags. In the village the *kothas* have mud walls exposed to moisture, and great damage is done to the grain by white-ants and rats. In the towns the *kothas* are built of bricks and sometimes plastered with cement. *Kothas* are preferable for the grain in *khattis* generally deteriorates. The grain is ordinarily sent to Hapur, the great grain market in the United Provinces, by the *arhatias*, who used to send formerly direct to Calcutta, Bombay and Karachi. The grain is now exported to these places only by the companies, *e.g.*, Ralli Brothers, or by the *beoparis*. Cotton is stored after being ginned and pressed in the factories, of which there are ten or twelve in Khurja. It is stored in the factory godowns by any merchant on payment of rent, or by the proprietors of factories themselves.

Conclusion.

The individual cultivator wants capital for his business, but he has not much credit and little security to offer except his own honesty; for even his best crop is liable to destruction from one calamity or other. A society of cultivators can command better credit and eliminates the element of risk, and co-operative credit societies should be established in this part of the district. Again, the extension of co-operative sale and purchase of agricultural requisites is urgently required to free the cultivator from the clutches of the moneylender, who is seller and capitalist rolled into one. The cultivator has no choice in the matter of quality and price of seed, and has to submit to the terms of the moneylender. Sale societies will enable the cultivators to wait till they can obtain better prices. When the cultivator is in need of money he is content with any price the merchant will give him; but a co-operative society will try to secure for its members the best prices obtainable.

Finally, education is necessary to remove the ignorance of the agricultural class. The cultivator will then not fall so easy a victim to the mischief of his creditors or the deception of his customers. Education will also teach him the value of improving his land and of adopting more efficient methods of agriculture.

Facilities should also be provided for the adoption of useful subsidiary industries, *e.g.*, spinning and weaving, so that the cultivator may find some work during seasons of unemployment. There is a great chance of introducing such industries as can be carried out with the help of the cheap electrical power which will be available within a few months from the Upper Ganges Canal hydro-electric scheme, recently launched at Palra at a distance of some eight miles. This power will also be useful in lifting water from the wells and canals.

TABLE I.

Serial no.	Condition of the family.	Previous debt.	Marriage, etc.	Payment of land revenue. and rent.	Seed.	Expenses of cultivation (labour).	Litigation.	Purchase of cattle.	Subsistence.	Total.
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1	Well-off	..	..	..	25	..	..	..	..	25
2	Do.	..	..	20	36	45	39	..	..	140
3	Moderately well-off ..	50	60	120	40	22	..	..	45	337
4	Ditto	120	..	190	35	40	..	80	73	538
5	Poor tenant	130	..	172	15	33	..	..	80	430
6	Ditto	50	..	26	10	25	..	..	85	196
7	Landless labourer ..	10	50	..	..	..	..	..	..	60
8	Ditto	..	..	..	..	..	..	..	17	17
	Total ..	360	110	528	161	165	39	80	300	1,743
	Average for family ..	45	14	66	20	21	5	10	38	218
	Percentage for each kind of debt.	20·6	6·5	30	9	9·5	2·4	4·5	17·5	100

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TABLE II.

Serial no.	Caste of the family.	Condition of the family.	Land under cultivation.				Total charges paid to Government and / or land-owner.	Expenses of agriculture.		Debt.		Rate of interest per month.
			Zamindari.	Occupancy.	Non-occupancy.	Total.		Labour.	Seed.	Money.	Kind.	
			Acres.	Acres.	Acres.	Acres.	Rs.	Rs.	Rs.	Rs.	Mds	
1	Thakur ..	Well-off ..	3½	36	14½	54	524	200	300	25	..	2 per cent.
2	Do. ..	Do. ..	..	33½	..	33½	296	100	100	140	..	,,
3	Do. ..	Moderately well-off ..	..	32½	7	39½	583	50	200	337	20	,,
4	Do. ..	Ditto ..	..	24	12	36	336	70	150	538	40	,,
5	Do. ..	Poor tenant ..	..	12	6	18	175	40	80	430	20	,,
6	Do. ..	Ditto ..	..	..	11	11	165	45	30	195	..	,,
7	Chamar ..	Landless labourer.		..	..	..	..	..	..	60	..	43½ per cent. *kist.*
8	Do. ..	Ditto ..	..	..	..	..	..	..	..	17	..	37½ per cent. or two pice per rupee per month.
		Total ..	3½	138	50½	192	2,079	505	860	1,743	80= Rs. 560.	

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Report of an economic enquiry in village KANDHLA, district Muzaffarnagar.

[By Mr. Om Prakash Kushchal, M.A., (Final) Class, Allahabad University.]

Introduction.

The village of Kandhla is on the light railway from Delhi to Saharanpur, about 18 miles from Delhi. There is a grain market at Kandhla during the harvest.

Part A.—Agricultural borrowing for purposes of production.

I.—Agricultural credit and credit facilities.

Question 1.—In this area the agriculturist borrows only from the village moneylender.

The objects of his borrowings, and the proportion of debt due to each object are as follows :—

(i) Repayment of earlier debts	.. 20 per cent.
(ii) Marriage and other social functions (iii) Famine and other kinds of distress }	.. 4 ,,
(iv) Payment of rent, land revenue and water rates ..	.. 45 ,,
(v) Seed	.. 10 ,,
(vi) Wages of labourers	.. 6 ,,
(vii) Purchase of cattle and repair of implements ..	.. 5 ,,
(viii) Subsistence	.. 10 ,,

Generally, the agriculturist borrows from time to time everything that he spends during the year from the moneylender. He goes on borrowing, when necessity occurs, throughout the year. At the same time he gives all his produce, either in kind or in money (after selling the produce in the market), to the moneylender.

(Recently the agriculturist has acquired a practice of keeping back a sufficient quantity of his produce. This he sells in the market without the knowledge of the moneylender. So now he does not borrow much for marriage and other social functions and other small expenses.)

The manure that he uses is his farm manure or the accumulated village filth which he gets at a cheap price. So he does not borrow for manure.

Wages are borrowed only when they are incurred in sowing. At the time of harvesting, they are paid from the produce at the spot.

About 80 per cent. of the debt is incurred in cash and 20 per cent. in grain. This 20 per cent. is for seed, grain for food and sometimes the wages of labourers.

As has been mentioned before, the agriculturist goes on borrowing at the time of need during the whole year, and goes on paying whenever he gets money from the sale of his produce or in kind from the produce itself during the same year. The accounts are settled at the end of the year, *i.e.*, at the end of *Baisakh* (or the middle of May). So it is difficult to find out what debt is taken for what duration. Generally the understanding is that the debt incurred in the *rabi* would be paid at the *rabi* harvest and that in the *kharif* at the *kharif* harvest. It is very seldom that the agriculturist pays all of his debt of the year in the same year. The remainder goes to his account of the next year and is debited against his name as principal. This process goes on till he becomes heavily indebted and one day finds himself ruined.

Question 2.—Apparently the rate of interest charged is from 12 per cent. to 24 per cent., but in reality it is much higher than this, as explained below.

The rate of interest for cash advances and loans in kind is not different, for loans in kind for seed and other loans in kind are changed into their money value, and it is this money value that is entered in the account book, *i.e.*, *bahikhata*.

The interest is charged on that amount of money that has been debited against his name by the date of clearing the accounts at the end of the year (the end of *Baisakh*). It is immaterial whether a certain sum of money is borrowed twelve months before the date

or a day before it; the interest in both cases will be charged for full one year. Moreover, the money that he goes on paying during the year is not taken into consideration when calculating the interest. Interest is charged on the total amount borrowed during the year, and the amount paid during the year is then subtracted and the remainder debited against his name as principal in the accounts of the next year.

Apparently the rates are not very high, but in reality, no doubt, they are exorbitant, for the interest is charged for a full year even if any amount is borrowed only one day before the date of settlement; and also, even if, when borrowed earlier, it is paid back the next day after borrowing it.

There is one charge incidental to the grant of loans called *katauti*. It is a deduction of six pies per rupee borrowed in cash for purposes other than rent, land revenue and water rates, *i.e.*, for every rupee credited to his name 15 annas 6 pies will be given to him. (This is now going out of practice.)

Question 3.—No substantial security is taken. In the beginning of the agricultural year, the agriculturist writes on a stamped paper a bond that he borrowed such a sum of money from the moneylender. The amount entered is the estimated sum of money that he thinks he will need to borrow during the year. Sometimes he gives a blank stamped paper, after putting his thumb-impression on it, to the moneylender, who writes the text after the end of the year. The amount then entered in it is the actual money borrowed *plus* interest on that for one year, *minus* what has been paid during the year. The moneylender takes also his thumb-impresson on an anna stamp affixed to his *bahikhata* when the account is settled.

Question 4.—(*a*) The payments are enforced through the courts.

(*b*) Generally, there is a difference of half a seer between the rate at which the cultivator borrows grain or repays it and the prevailing rate for the grain in the market at Kandhla at the time of borrowing or repaying respectively. But he is not charged the other expenses of marketing which he would have to pay if he sold his produce in the market. (The market charges are recounted below.)

The cultivator can ascertain the prevailing rate in the market by asking at different shops in the market. Generally he trusts the commission agent.

Question 5.—The cultivator does borrow *taqavi* only if it is available to him. He borrows *taqavi* only for seed and cattle. The building of wells is the function of the *zamindar* who borrows *taqavi* for it.

If he does not, it is because it is not given or because of its defects, and also because some have a prejudice against it that seed sown from *taqavi* does not yield good crops.

The cultivator borrows *taqavi* in abnormal years about four times what he borrows in ordinary years.

The defects of the present *taqavi* system may briefly be summed up as follows:—

(1) They have to undergo many formalities before they get *taqavi*, *i.e.*, they do not get it at once when they need it. In 1928 the *taqavi* given to the cultivators of this area was given at a time when the season of sowing had passed and they had sown the seed after borrowing from the *bania*. Thus they had to pay interest both to the village moneylender and to the Government.

(2) The actual amount which they get is only 80 per cent. of what they were supposed to be given, the remaining 20 per cent. having leaked through the drain of the *patwaris* and other petty government servants.

(3) Generally, the poor cultivator does not get it. For it is a fixed amount for every district, and preference is given to one who is rich, *i.e.*, who does not require it necessarily. Sometimes one rich cultivator, rather a big *zamindar* who cultivates his own land, gets about 80 per cent. of the total amount fixed for the area and the remaining 20 per cent. is distributed to other well-off cultivators. Thus the poor people who need it the most are deprived of the benefit. The *patwari* will not recommend *taqavi* for these poor cultivators.

(4) The time for which it is given is short and the repayment of it at the prescribed time is forced with harsh measures.

(5) It is given on the recommendation of a *patwari* who is generally swayed by bribes.

Village Kandhla: Mr. Om Prakash Kushchal.

I think the following improvements will do away with the defects of this system :—

(1) The application for *taqavi* should be promptly responded to.

(2) The *patwaris* must be strictly warned against bribes and unnecessary recommendations.

(3) A sufficient amount of money should be distributed for this purpose. The amount must be according to the area cultivated. It must also be seen that a greater proportion of it is distributed among small cultivators. No one should get more than 10 per cent. of the total amount which is to be distributed in the area.

(4) It is desirable that in cases when the cultivator cannot pay back the full amount owing to a bad harvest or owing to the cheap rate of the grain in that particular year, the repayment of a part of the grant or the whole of it be postponed for the next year.

(5) The rate of interest should be still lower than the present rate.

The success of this system greatly depends on the morality and the goodwill of *patwaris*, who are the only persons who can judge correctly the amounts demanded by individual cultivators.

Question 6.—There are no instances of combination. It is not possible for the following reasons :—(i) It is very difficult to get a reliable companion, and (ii) the holdings are not compact, but are divided into small separate plots. Combination is also not desirable. Every cultivator must produce on some of his land some crops for fodder. For no one will produce fodder on a large scale as it will not bring him much money. Then he must also produce some rich crops, such as wheat, sugarcane, cotton, etc., so that he may be well-off and may be able to pay back his debt. He must also produce some other crops which do not depend on rain, so that he may be able to produce the bare expenses of subsistence, if the rain fails and with it the rich crops. Thus he should produce not one particular crop, but should combine the different crops.

Question 7.—About the defects of the present system of agricultural borrowing, it may be conveniently said that our agriculturist is born a debtor, lives through all his life a debtor, and one day dies a debtor. He is never free of debts. There will be hardly any cultivator who is not in the clutches of the moneylender. If he only once borrows money, he becomes a debtor to the moneylender for his whole life. The interest that the moneylender charges is so exorbitant, and the way in which he charges it is so cunning, that the poor cultivator, though he pays the double of what he borrows, yet is unable to liquidate his debt. As the cultivator is not required to give any security, and as he can get money at any time from these moneylenders if only he pays good interest, he acquires a habit of borrowing more than he actually needs. This he spends uselessly in marriages and in satisfying his conventional wants. This has a bad effect on his moral and mental faculties. The cultivators borrow a good deal of money and they begin to realise that their whole produce will not be able to counterbalance the sum borrowed *plus* its interest; they also know that the moneylender will take all the produce and that only, for they have nothing else to give him. So they began to think of their crops as belonging to the moneylender, and this retards their progress in agriculture. By this system they have to give the whole of their produce to the moneylender and at once when it is cut. It means that they have to limit themselves to the market in which the moneylender lives and also to the time when the crops are ready, a time when generally the rates are very low. They cannot sell in the best market and at the best time, *i.e.*, they cannot get the maximum from their produce.

Because the cultivator depends completely on the moneylender, he sows the seed which he gets from him. The seed which these moneylenders give him is generally weak. They will not give him good seed when they know that they can give bad seed for the same price. Thus he cannot sow the best seed and cannot purchase the best implements and cattle for his agricultural operations.

Thus this system of borrowing ruins the cultivator materially as well as morally. The crops cannot yield good produce under these conditions, and the cultivator, though producing the most, gets the least. It is here that the principles of distribution fail. Their status cannot be raised unless their standard of living is raised. Their standard cannot be raised unless their material position is made better, and their material position

cannot be made better as long as this system of borrowing prevails. The agricultural exhibition will remain only a *tamasha* and they will not attain any practical end unless they get credit facilities.

Co-operative banks did something to this end, but they failed as far as the Government's hand is active in them. These have become like Government departments and every kind of work is done by the Government. On the other hand, they should be public bodies. The Government can do a work the course of which is steady. It frames laws once for all. It cannot adapt itself to the different ways in changing conditions at varied times and places. Again, the members of these banks can only be rich cultivators. They poor cultivators, who are in a good majority, have no place in these institutions.

For these poor cultivators a separate institution is required. This institution would borrow money from the Imperial Bank and would give it to these cultivators, at a nominal interest, to liquidate their instalments from their produce. It would give them the best seed and other necessary help in order that the crops may yield better produce.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—(*a*) The principal crops of the area are brought to market by the cultivator, either on the backs of donkeys which are hired, or in bullock-carts if the cultivator possesses one.

Sometimes an agent of the wholesale grain merchant goes to the villages and buys the grains there and he then brings the produce to the market, or some other middleman will do this business.

The methods of marketing are the same, whether the crop be one mainly used for domestic consumption or one mainly sold in the market.

Question 2.—The cultivator brings the crop to the market to the shop of the commission agent (*arhatia*). He in turn sells it to some local buyer, who either stores it in *khattas* to sell at some future time, or exports it to some other market, where he thinks he will gain something over and above the transportation charges. The culivator gets the price of his crop from the commission agent at once. The commission agent gets the amount from the buyer on the next day or on any other day within a week.

When some middleman performs the function of bringing the grain to the market, he borrows money from the commission agent on the understanding that he will sell the grain which he brings from the village at his shop. He pays back the amount when he sells the grain which he buys in villages. Generally such middlemen are the trusted persons of the commission agents.

There is no co-operative society in this village, but it is desirable that there should be one. As the commission agent has to part from his money for three or four days without any interest, he sells the grain to any one who will pay the price sooner and cheaper by a chhatak or so in the rupee. If there be a co-operative society that will assist in lending money, the produce will bring the best possible price in the market.

Question 3.—The cultivator pays the following charges in marketing his crop :—

To the *arhatia*.—One chhatak of the grain per maund.

To the broker (*dalal*).—One chhatak of the grain per maund.

To the *tola* (one who weighs).—One chhatak of the grain per maund.

To the *tola* (who separates dust from the crop).—One chhatak of the grain per maund.

The commission agent gets about 1 per cent. from the buyer.

The charges vary with different crops. On cotton the cultivator pays six pies per rupee to the commission agent only.

He has to pay to the municipality, if there is one, an octroi duty

One anna in Rs. 100 is charged for religious functions, *i.e.*, *dharmada*.

Question 4.—The cultivator stores grain very seldom. But if he stores it at all, he stores it in earthen pots or in *kothas* In the markets the grain is stored in *kothis* and *kothas*. There are some defects in *khattis*, viz. :—

(i) The rain water sometimes enters these *khattis* and spoils the grain.

(ii) Sometimes water comes from under the ground.

(iii) The grain thus stored in *khattis* begins to give off a bad smell. It is not of much use for seed purposes.

(iv) Some of the grain decays, even if it is kept dry.

If the *khattis* are in a shed, or if they are made on a raised level where no water will stay, then they are all right. The *khattis* should be well cemented they should not be merely a deep well dug in the ground. Straw should be used between the grain and the walls of the *khatti*. *Kothas* are better than these.

Report of an economic enquiry in villages HATNUR and PALIGAON, district Garhwal.

[By Mr. Shyam Dat Pant, student, Allahabad University.]

THE village of Hatnur is of an average size, containing 36 families and 202 persons. It is at a distance of 22 miles from Pauri (the district headquarters) and 39 miles from Kotdwara (East Indian Railway terminus). It is populated solely by Hindus. This village is supplied with water by an irrigation ditch. Generally there are two crops, viz., *rabi* and *kharif*.

Figures have also been given for another smaller village known as Paligaon which is at a distance of 6 miles from Pauri. The population of this village is 18 families and 101 persons, all Hindus.

India is a land showing very diverse degrees of agricultural development. In the hills the cultivator still uses crude methods and produces on a small scale, his first object being to provide food requirements for himself, his dependants and his cattle. In the fertile alluvial plains of Northern India, on the other hand, the cultivator uses highly advanced methods and produces on a large scale, his object being to provide the requirements of an extensive area besides his own locality.

The first reason for this difference lies in the density of population; in a locality the population of which is very much, and where no fresh areas are available, people are forced to adopt advanced methods, but not in a locality where population is thin and new areas available for increasing demand. In the hills the population is yet thin and fresh areas available, and so there is no incentive for improved methods or resorting to intensive cultivation.

The second and much more important reason of this difference lies in the physical features of the hills and the plains. The plains form a vast stretch of cultivation and it is everywhere the same climate, but in the hills fields differ from one another both in level and in climate. For fields are made by terracing the hillsides; a field down in the valley or at the foot of a hill has got a hotter climate than one at the top of a hill, while the former can be irrigated, but not always the latter. The size of the fields is much smaller (a hill field is sometimes only a yard wide) and the shape very irregular. The implements used are of the most ordinary type, made mostly of wood cut from the neighbouring forests, and so light in weight that they can be carried by the cultivator from one field to another. The holdings are scattered. The result of this is that agricultural operations cannot be carried on on a large scale, and modern machinery cannot be adopted.

Means of communication are very poor. In Garhwal district there is only one cart-road, 26 miles in length, from Kotdwara (East Indian Railway terminus) to Lansdowne. Kotdwara is served by a branch railway line 15 miles in length from Najibabad Junction (East Indian Railway).

This road owes its importance to Lansdowne being a cantonment. Between Kotdwara and Lansdowne there is a station known as Dogadda (10 miles from Kotdwara) from where a bridle road leads to Pauri (the district headquarters), which is at a distance of 41 miles from gogadda. All the necessaries of life, such as food and cloth, are brought to Pauri from Dogadda, while to Dogadda itself cloth is brought from Delhi and foodstuffs from Najibabad. Transport from Dogadda to Pauri is about Rs. 3 per maund. This makes the cost of things imported very high. These articles are bought by the officials and other people in service: but the villagers cannot afford to buy them, and so they are forced to live on their own produce and to make the villages self-sufficient in character.

Under such conditions we cannot expect the size of the villages to be very big. A normal sized village contains about 200 persons or 40 families (taking five as the average size of a family).

The village of Hatnur is a village of an average size containing 202 persons and 36 families. In this village we find every type of relationship to land, *viz.*, landowners, occupancy and non-occupancy tenants and the landless. There are thirteen families of landowners, sixteen of occupancy tenants, five of non-occupancy tenants and two families which are neither landowners nor tenants of either kind.

The number of indebted families in this village is 26, out of which the number of landowners is seven, of occupancy tenants twelve, of non-occupancy five, and of the landless two. The number of persons in the families which are indebted is 134. The total debt of the village is Rs. 5,780. So the debt per head in the families indebted is Rs. 43-2-2 and the debt per family is Rs. 222-11-11. But taking the whole population of the village the debt per head is Rs. 28-9-10 and the debt per family Rs. 160-8-11.

In Paligaon out of 18 families and 101 persons the number of the indebted is 13 and 73, respectively. The total debt of the village is Rs. 3,100. So the debt per head in the families indebted is Rs. 42-7-5, and the debt per family Rs. 238-7-5. But taking the whole population of the village the debt per head is Rs. 30-11-1 and the debt per family Rs. 172-3-7.

The main class of moneylender here is the village moneylender who is also a *zamindar* and is always in touch with the borrowers. The co-operative movement has not so far been introduced in this district. Most of the amount borrowed is spent on things which do not increase their productive capacity. The purpose and the amount borrowed will be clear from the following table :—

TABLE 1.

VILLAGE HATNUR.

Showing the causes and extent of indebtedness.

Serial number of families.	Number of members in the family.	Amount of loan.	Purpose.	Rate of interest.	L=Landowner. O=Occupancy tenant. N.O=Non-occupancy tenant. X=No land.
		Rs.		Per cent.	
1	8	1,000	Litigation Rs. 300.. .. Marriage „ 700.. ..	12	L.
2	3	50	Purchase of a bullock ..	25	L.
3	3	700	Litigation Rs. 300.. .. Marriage „ 400.. ..	25 12	L.
4	6	200	Litigation	25	L.
5	4	300	Loss in contract	25	L.
6	10	900	Son's marriage Rs. 300 .. Son's education „ 600 ..	Rs. 400 at 25. Rs. 500 at 12.	L.
7	6	100	Subsistence	25	X.

NOTE.—In local nomenclature "*khaikar*" is the name for the occupancy tenant and "*Sirtan*" for a non-occupancy tenant.

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Serial number of families.	Number of members in the family.	Amount of loan.	Purpose.	Rate of interest.	L=Landowner. O=Occupancy tenant. N. O=Non-occupancy tenant. X=No land.
		Rs.		Per cent.	
8	2	200	Marriage	25	L.
9	3	300	Do.	25	O.
10	3	100	Do.	12	O
11	2	50	Purchase of goats ..	25	O
12	4	50	Purchase of bullocks ..	25	O.
13	7	200	Son's marriage	12	O.
14	10	300	Ditto	12	X.
15	5	130	Rs. 50 for purchase of bullocks. Rs. 80 for purchase of cows and buffaloes.	25	O.
16	5	50	Purchase of bullocks ..	25	O
17	10	200	Son's marriage Rs. 100 .. Purchase of bullock Rs. 50 .. purchase of cows and buffaloes Rs. 50.		
18	2	110	Marriage	12	O.
19	4	50	Subsistence	12	N. O.
20	6	50	Purchase of buffaloes ..	25	O.
21	4	40	Marriage	12	O.
22	5	100	Marriage (sons)	12	N.O
23	9	200	Do.	12	N. O.
24	4	100	Purchase of cows and buffaloes	25	N. O.
25	4	100	Ditto ditto ..	25	N. O.
26	5	200	Litigation	12	O.

The remaining families, Nos. 27—36, are not in debt. Of these, six families, consisting of 42 members, are landowners, and four families, consisting of 26 members, are occupancy tenants.

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It will be clear from the above table that most of the debt has been incurred for marriages. Out of the total debt of Rs. 5,780, marriages are responsible for Rs. 3,050. The next item is litigation, for which Rs. 1,000 was borrowed. The amount borrowed and the proportion of each item to the total debt is as follows :—

Serial no.	Purpose.	Amount borrowed.	Per cent. of the total debt.
		Rs.	
1	Marriage	3,050	52·8
2	Litigation	1,000	17·3
3	Education (of son)	600	10 4
4	Cows, buffaloes and goats	430	7·4
5	Loss due to contract	300	5·2
6	Bullocks	250	4·3
7	Subsistence	150	2·6
	Total ..	5,780	100

TABLE 2.

VILLAGE PALIGAON.

Showing causes and extent of indebtedness.

Serial number of families.	Number of members in the family.	Amount of loan.	Purpose.	Rate of interest.		Short or long term.
		Rs.		Per cent.		
1	5	100	Merry making	5	*Ganthi-khulai.*	Short.
2	3	80	Subsistence	5		,,
3	3	70	Trade	5		,,
4	7	50	Purchase of a bullock ..	5		,,
5	7	200	Marriage	25	..	Long.
6	6	400	Do.	25	..	,,
7	8	400	Do.	25	..	,,
8	5	800	Do.	25	..	,,
9	11	400	Do.	25	..	,,
10	7	200	Do.	25	..	,,
11	5	100	Do.	25	..	,,
12	3	100	Social functions	25	..	,,
13	3	200	Purchase of cows and a buffalo	25	..	,,
Total	73	3,100				

The remaining five families, consisting of 18 members, are not in debt.

In this village too a great deal was borrowed for marriages. The distribution of the total debt among the various purposes and the percentage of each to the total debt is as follows :—

Serial number	Purpose.	Amount borrowed.	Per cent. of the total debt.
		Rs.	
1	Marriage	2,500	80·6
2	Cows and buffaloes	200	6·5
3	Social function (thread ceremony)	100	3·2
4	Merry making	100	3·2
5	Subsistence	80	2·6
6	Trade	70	2·3
7	Bullock	50	1·6
	Total ..	3,100	100

The reason for such heavy expenditure on marriages is the fact that in most cases the bridegroom is forced to meet the expenditure on both sides (*i.e.*, bride's as well), and it so happens that where money is demanded by the bride's parents, they demand much more than the actual expenditure in order to make provision for the bride's ornaments. The money demanded in some cases goes up to Rs. 800, but generally the money demanded is between Rs. 100 and Rs. 300. The total amount borrowed was for sons' marriages. This happens with people who are able to support themselves with or without a small margin; well-to-do people spent more money on their daughters' marriages. It would certainly be to the advantage of these people if such extravagant borrowing could be checked, either by legislation or by any other method, such as education or the co-operative movement, although the last of these will be fruitful only after a long period of years. This is the kind of debt which ruins an ordinary cultivator, for it is one which he finds very difficult to pay back. At the time of the marriage he never thinks for a moment whether he will be able to pay back the amount at the high rate of interest charged by the moneylender.

Litigation is responsible for 17·3 per cent. of the total debt. No money has been borrowed in Paligaon for litigation. It may be due to the fact that all the families are owners of land, and quarrels most frequently arise in the case of occupancy and non-occupancy tenants. Quarrels generally arise out of occupation of land, and it is in a great measure due to the defective system of land records.

A third and specially praiseworthy item of debt was incurred on a son's education, frustrated by the son's death. The father is in a position to pay back the amount in three or four years' time.

Only 7·4 per cent. of the total debt is spent on cows, buffaloes and goats, and 4·3 per cent. on bullocks. The corresponding figures for Paligaon are 6·5 per cent. and 1·5 per cent. [Here it is not very difficult to maintain a cow and a bullock.] The cow is important because of her milk as well as from the religious point of view. Nearly every family maintains at least one cow; anybody requiring more milk maintains a buffalo. Every cultivator knows the importance of a bullock, and when male calves

are born they are very carefully looked after. It is only when a bullock falls from a height or dies of disease (though the former cause is more common) that a cultivator has to buy a bullock, hence the relatively small borrowing on this account. Maintenance is cheap: the cattle graze on the pactures, which are common land generally on the slopes above the village. No single family need maintain a pair of bullocks; one family can maintain one of the pair, another the second, and share their joint services during the sowing and ploughing season. This is a good system anywhere, but especially in the hills where holdings are not very large and bullock power is used for no other purpose than sowing and ploughing, which means that the cattle are idle for about 2 or 3 months in the year. It also means economy of fodder and pasturage, an important matter since pasture land is decreasing as more land is brought under the plough.

Wood for fuel can be obtained from the forests and dung here is used only as manure. After the harvesting is done the cultivators take their cows, buffaloes and goats to the fields and live there in temporary huts which are moved daily from one end of the field to another. Thus all the dung and urine of the cattle is utilised as manure, whilst the cost and the trouble of taking it from the sheds to the fields are saved. Thus, though no money is required for manuring, manuring is done.

As regards subsistence, cultivators manage to support themselves on what they obtain from the land. One debt of Rs. 50 under this head was borrowed during the famine of 1907. The borrower is very poor, and it is not likely that he will be able to pay back the principal. So far he has not been able to pay anything, even interest. As regards the other Rs. 100 the borrower is a landless beggar, who also works as a tailor. These two sources of income hardly suffice for his subsistence and it is doubtful whether he will be able to pay back the principal, or even the interest. In Paligaon Rs. 80 have been borrowed, but only for a short period.

No money is spent on implements. They are of wood mostly and can be made by an ordinary cultivator.

As regards irrigation there has been in this village an irrigation ditch for a very long time, and any repair to this is carried out by the villagers co-operatively. In many places the water brought in such a way serves two purposes, that is, it runs a water-mill and is then used for irrigation. In a place near Pithoragarh, in Almora district, six water-mills are run by the same water simultaneously because the mills are one above the other on the slope of a hill.

In Paligaon we notice that Rs. 100 were borrowed for merry making. One member of his family is in service getting about Rs. 100 per mensem. Once he came home and he had to borrow this amount to spend on luxuries. This is a short-term debt.

The money borrowed for trade was required to buy articles for the village shops This loan is also for a short period. The whole of the debt incurred is in cash; none is in kind at present. Loans in kind are rare, and are raised only in abnormal conditions. Loans for seed are rare. The first thing which a cultivator does after harvesting is to put aside the best grain for seed, and he never uses it for his personal consumption.

All the debts have been incurred for long periods, except some Rs. 300 in Paligaon, or 9·7 per cent. of the total. The period is in the first instance from three to four years. The debts which have been secured on stamped documents have to be paid within the period mentioned in them or the documents have to be renewed. If the borrower refuses to renew, the lender seeks redress in the courts, and then the borrower has to pay not only the principal and interest, but also the court expenses.

The common rate of interest is 25 per cent. per annum simple interest for cash advances. But in particular cases, when the lender is of a generous nature and the borrower is honest and punctual in payment, the rate goes down to 12 per cent. The former rate makes allowance for legal expenses in case the lender has to realise his amount through the courts; this is clear from the fact that when borrowers pay back the

amount in time, part of the interest is remitted and thus the rate of it is lowered. This will be clear from the following table :—

Number of cases.	Amount borrowed.	Period after which it was paid back.	Rate of interest.	Total interest.	Remission of interest.	Interest actually paid.	New rate of interest.
	Rs.			Rs.	Rs.	Rs.	Per cent.
1	200	Four years ..	25 per cent. per annum.	200	100	100	12½
2	100	Ditto ..	Ditto ..	100	20	80	20
3	100	Ditto ..	Ditto ..	100	5	95	23¾
4	50	Two years ..	Ditto ..	25	5	20	20
5	500	One year ..	Ditto ..	125	25	100	20

Such remission, of course, is voluntary, and depends upon the goodwill of the lender. Thus the rate varies between 12 and 25 per cent. Out of Rs. 5,780, Rs. 3,200 have been borrowed at 12 per cent. and Rs. 2,580 at 25 per cent. These rates are in regard to long periods. As regards short-term loans, when the period does not exceed three months, interest is not charged directly, but there is an indirect charge called *ganth-khulai* ("open the purse strings") at the rate of 5 per cent. This is paid in advance and is not refunded even if the loan is paid back the very next day. If it is not paid within three months, *ganth-khulai* is doubled, and then the amount can be paid back after three months, but before six months. If it is not paid even then interest is charged at the regular rate.

Before stamped documents came into use the system was different. Then debt was by oral agreement and the time limit was very much longer; debt incurred by the grandfather was often paid by his grandson. The principal doubled itself in four years, and after four years the interest ceased to accumulate, because a borrower was never asked to pay more than the double of the amount borrowed, so that it made no difference whether it was paid in four years or forty. This system was possible because the people have a belief that if a debt is not paid here the debtor will have trouble in the next life, and it is the duty of a son to pay and thus save his father from trouble. Nowadays a time limit is specified in the agreement, before which the debt has to be paid or the paper has to be renewed. This period is generally from three to seven years. Mistrust is growing on both sides as times are changing and people are adopting the use of stamped papers more and more.

Loans in kind.—At present no debts have been incurred in kind, but the general rate of interest is as follows :—

For six months ..	..	..	1¼ times the quantity borrow
For one year ..	..	..	1½ „ „ „
For two years ..	..	..	2 „ „ „
For two to fifteen years	..	..	3 „ „ „

A loan taken in kind can be paid back in cash as well if both the parties agree; but such payment is not compulsory and a lender cannot force the borrower to pay back in cash. If both parties agree to such payment, the debt is evaluated at the general market rate ruling in that locality.

Of these rates of interest the first one, *i.e.*, at 25 per cent., seems to be exorbitant, but it is only five out of hundred cases that it is actually realised, and it must also be remembered that most debts are unsecured, and the interest includes expenses of

realisation. The other rate, *viz.* 12 per cent. is just. As regards the rate of interest in case of loans in kind, they are very well graded, though the rate of interest is 50 per cent. in the first three cases. It is also a very high rate of interest, though the cultivators do not feel it as much as they feel the burden of interest to be paid in cash. For the price of grain is less at harvest time. No other charges besides the above have to be paid.

At first no security was required, but since the introduction of stamped documents lenders demand it in some cases. In this village out of the total debt of Rs. 5,780 there are documents for only Rs. 2,140 (*i.e.*, nos. 1, 5, 9, 14, and 15 and 18 in Table 1 above). None of these is registered. As regards the other debts there is no security but honour. Witnesses are not required if the amount is small, say Rs. 50 or below it, but they are required generally for an amount exceeding Rs. 100. No documents usually pass between members of the same brotherhood or caste, and in some cases no interest is charged. But now times have changed, honesty is departing, mistrust is increasing on both sides and lenders are tending to adopt the use of documents more and more. In some places land is mortgaged, though not a single case of land mortgage is to be found in this village. Land mortgage is of two kinds. In the first case the lender takes possession of and cultivates the land; the land revenue is paid by the borrower, but he pays no interest. If he is able to pay back the amount borrowed within the time limit, he gets back the land, otherwise the lender becomes the owner of it. In the second case the land is retained and cultivated by the borrower; he then has to pay interest, and if within the time limit he is not able to pay back the principal along with the interest, the land passes to the lender. If the land is mortgaged for an amount above Rs. 500 documents are prepared and registered. The time limit, unless otherwise specified in the document, is 60 years. The extent of indebtedness does not depend solely upon the title to land. In this village there are two landless families. One of these families, which maintain itself partly by begging and partly by tailoring, has raised a loan of Rs. 100 which is not secured by any document. The other family has borrowed Rs. 300 at 12 per cent., in spite of the fact that it possesses no land and maintains itself by tilling the fields of others or by doing unskilled labour; one of its members indeed is in service getting Rs. 18 per month, but as the family consists of ten members this does not go far, yet it has secured a big loan at 12 per cent., whilst landowners have to pay 25 per cent. for much smaller loans. Documents exist only in the case of two land-owning families out of seven, three occupancy tenants out of twelve, and one out of two landless families. This shows that debt is not influenced by the title to land; it may be due to the fact that in this village inter-caste borrowing is prevalent, and there is no system of land mortgage.

The indebtedness according to the nature of title to land is as follows :—

Table showing indebtedness according to the nature of title to land.

Nature of title.	Amount of debt.	Per cent. of the total debt.	Debt per family.	Debt per head.	Remarks.
	Rs.		Rs. a. p.	Rs. a. p.	
1. Land-owners	3,350	58·0	478 9 2	93 0 11	
2. Occupancy tenants ..	1,480	25·6	123 5 4	26 6 7	
3. Non-occupancy ..	550	9·5	110 0 0	21 2 6	
4. Landless	400	6·9	200 0 0	25 0 0	

The land-owning class is most heavily indebted. Thereafter if we take debt per family, the landless class comes second; but if we take debt per head, the occupancy tenant comes second, closely followed by the landless class. Out of thirteen land-owing families six (or 46·2 per cent.) are debt free; among occupancy tenants only four are debt free out of sixteen families, or 25 per cent. All the rest are indebted.

VILLAGES HATNUR AND PALIGAON : MR. SHYAM DAT PANT.

The only method of enforcing payment is by going to the courts. This means a good deal of unproductive expenditure. Both sides produce witnesses and they have to be paid. Every sort of fair or foul means are utilised and the borrower has to pay much more than he actually borrowed. But when mortgages are registered the matter is quite simple, because, as soon the time limit expires, the lender becomes master of the land and there is no ground for any quarrel.

Season of borrowing.—As most of the borrowing is for marriages, the season of most borrowing coincides with the season of marriages, *i.e.*, the latter half of November and December and May. So we expect most of the borrowing in these months. The purchase of cows and buffaloes takes place in the months of June or July when the monsoon has set in and the problem of finding fodder for them is no longer difficult. In the rainy season cows or buffaloes are better fed and so give more milk.

The marriage season is just after the harvest, when people are free to take part in the festivities. It is also the time when the cultivator has got the maximum quantity of agricultural produce and does not feel the burden of expenditure (in terms of kind) on feasts very much.

Taqavi here is not as popular as it is in the plains. In some villages people do not even know about it. In villages near Pauri, people are familiar with *taqavi*, but greatly dislike it. This is due to the fact that many failed to repay at due dates the *taqavi* advanced during the severe famine of 1907, despite the great pressure that was put upon them, and their lands were auctioned. Now they do not expect mercy from the Government and prefer the village moneylender, because to him they can appeal for mercy if payments are not punctual. The system of *taqavi* in itself is quite good, but the agency through which it is distributed and realised is not as sympathetic as it ought to be. The rules themselves are not as strict as they are made by the agency.

The problem will be solved only through rural education and the co-operative movement. The first thing is to make the cultivator realise his mistake in borrowing a great deal for unproductive expenditure. What is required here is a co-operative movement (whose main object is to check such spending) and not *taqavi*. For *taqavi* is meant only for such objects as implements or construction of wells and so on, and for these there is very little scope. If part of the expenditure which is at present incurred on unproductive items, such as marriages or litigation, could be spent on education, the problem would not be very difficult to solve. For then people would begin to realise their mistake and such extravagant borrowing would cease.

The introduction of the co-operative movement would not be difficult, because people already realise its advantages. Villagers subscribe to put up a water-mill or buy a sugarcane crushing machine; they co-operate to dig water canals, to raise crops on common land, to build huts for lower primary schools, to transplant rice; whilst the habit of co-operation in the possession and use of plough cattle has already been mentioned. The spirit is there, but propaganda is needed.

Report of an economic enquiry in village ARRANA, district Aligarh.

[By Mr. Muhammad Aqil, M.A., Research Scholar, Aligarh Muslim University.]

ARRANA is a village in pargana and tahsil Khair of the Aligarh district. It lies on the eastern border of the Aligarh-Tappal Road, at a distance of eleven miles from Aligarh and three miles from Khair. The village is owned by non-resident *banias* and is held under perfect *pattidari* tenure. The revenue together with cesses is Rs. 1,540. The tenants are mostly Jats with some Brahmans, Gadarias, Khatiks and Chamars. Wells are the only source of irrigation. The number of masonry wells is six, of which only four are now used for irrigation, and all of them need repairs very badly. The number of *kachcha* wells varies with the need in a given year, being between 25 and 60. The *rabi* and *kharif* crops are sown in nearly equal proportion. Hot weather or *zaid* crops are inconsiderable.

2. Appendix I gives an area statement of the village for 1335 *Fasli*. According to the settlement record for 1902, the soil is mostly *matiar* of fairly good quality, with some undulating *pilia* along the western and southern borders and a little *chiknot* to the north of the village site. The homelands are very fair. There is very little *do*-fasli area outside them. The outlying *matiar* is infected with the *baisuri* weed. With the exception of two tracts along the borders of the villages Chaundhana and Jarara, where wells can be made with difficulty, irrigation is fairly good from both masonry and non-masonry wells. The depth of the spring level varies from 30 to 45 feet.

3. The population of the village in March 1929 was 331, of whom two were government servants, one a *patwari*, the other a *chaprasi* of the *qurk amin*, both brothers. All the rest depend upon agriculture either as tenants or labourers. The two government servants also derived part of their income from agriculture.

4. In Appendix II the tenants of 1928-29 are classified according to their rights in land. The tenants with their dependents number 200 persons, while the rest of the population, numbering 131, derives its livelihood generaly through agricultural labour and adds to its earnings by shopkeeping, carding, oil pressing, water carrying, sweeping, barbering, cobbling, repairing of houses, and plying carts on hire.

5. The village is not very prosperous. It is on one compact site. The houses are made of clay. The furniture, wares, bedding and clothes all are of a very simple and cheap variety. Very few persons in the village own ornaments of silver and gold. The numbers of ploughs and plough cattle in a normal year are 37 and 35, respectively. The number of milch cattle is 60 and of calves 75. There were three pigs and twenty sheep and goats, ten bullock-carts and one *rath* or bullock chariot.

6. *Method of estimating indebtedness.*—The village Arrana was selected for the work of an economic survey on the suggestion of Dr. Parr, Deputy Director of Agriculture for the Upper Doab division. The facts and figures embodied in this report are the result of personal investigations made in the village. The statements of the villagers were checked in various ways: by referring them for verification to a *patwari* resident in the village, and to some trustworthy villagers, and by comparing them with the statements of the moneylenders from whom they had borrowed money, where that was possible. The moneylender is a difficult person to deal with, often most unwilling to show his *bahi-khatas* or documents; and as the money was borowed from 60 persons living in 27 different places, it became impossible to establish the personal contact necessary to abate their suspicions. Most of these 27 places lay within a radius of 6 or 7 miles from the village; but debts had also been incurred from relatives by marriage who lived in far-off places. One *sahukar* of Moradabad also had business dealings with the people. The only course was to rely on the word of the cultivators themselves. Consequently, though the information regarding the debt and the debtors is sufficiently accurate, the information regarding the corresponding credit and creditors is less certainly correct.

7. *Classes of lenders.*—There had been for three years a succession of bad harvests in the village, and the year 1929 in which the observations were taken was particularly

unfortunate, since the *kharif* crops in the year preceding had failed badly as a result of drought and *rabi* crops of a high quality could not be sown for want of moisture and capital. The area that was sown and irrigated was withered and destroyed on account of dry winds and absence of winter rains.

8. Appendix III shows the classes of moneylenders from whom the agriculturists of the village borrowed in the year 1929.

9. As the table shows, the largest amount was drawn from the class of moneylenders who are also *zamindars*. These persons were originally mere professional moneylenders (*Marwari banias*) who subsequently became *zamindars* by the default of their *zamindar* clients; or else Brahman landlords of certain villages in the neighbourhood of Arrana who practise moneylending.

10. The next important class of moneylenders is made up of the cultivators who lend out of their savings. This calls for explanation. The year was an abnormal drought year. The standing crop, which is the greatest asset of a cultivator, had failed and the moneylenders had therefore refused to finance the cultivators. They were thus forced to go to their more prosperous friends and relatives to seek their assistance. This assistance was given so far as it was possible out of their own savings; otherwise they provided them with money on the strength of their own better credit with their own moneylenders. Such help is sought in ordinary times. It is only when a man is reduced to extremities and finds all other doors shut against him that he knocks at the door of his own kith and kin. Under the stress of modern ideas these traditional ways of assistance have a tendency to disappear.

11. The class of moneylenders who follow no other calling includes one *sahukar* of Moradabad, of the type generally known by the name of *qistwala* or *rehtiwala*. He has spread a net over several districts, and his *karindas* go about riding on ponies followed by *ziladars*, who carry long red *bahi-khatas* or account books with them. They receive payments of old advances and make new. The system is simple. Anyone who desires to borrow from them has to bring two reliable witnesses and sureties, and affix his thumb impression against his name in the account-book. The *karinda* then "*lends*" him Rs. 10, but "*pays*" his Rs. 9-10-9, having deducted Re. 0-5-3 for the cost of writing. The Rs. 10 are to be repaid in 12 instalments of Re. 1 each monthly from the date on which the loan was advanced. These *karindas* usually pay their visits a few days after the full moon, having directed their debtors to set aside a sum of Re. 1 on the *purwa*, *i.e.*, the first day after the full moon. In case their borrower fails to set aside this sum they threaten to charge four annas as interest on every delayed instalment. There is rarely need to act upon the threat; and when need does arise, the *karinda* usually foregoes his interest in the rôle of a kind-hearted *sahukar*. It is believed that the business of the *sahukar* of Moradabad has a capital value of several lakhs.

12. The column "Moneylenders with other professions" includes one Muslim *faqir*, one Pandit, one Rai, one pleader, a few labourers and other persons whose occupations were not specifically mentioned.

13. The other columns in the table require no comment; they speak for themselves. People in the village have so far borrowed from the Government only in abnormal times. No co-operative society exists in Arrana.

14. There is no moneylender of any importance in Arrana itself and this is a source of great complaint to the cultivators. For the absence of a moneylender causes the cultivators great inconvenience. There is nobody on whom they can implicitly rely to help them with money to tide over their difficulties: and a good deal of their time is wasted in going about the surrounding villages in search of an accommodating moneylender.

15. There are a few persons who do moneylending within the village on a small scale. The total amount due to them was Rs. 864. But their resources are too meagre to satisfy the requirements of the whole village. Their small business is confined to their friends and a few menials. In a normal year the whole village would require at least Rs. 5,000 to finance the current requirements of its agricultural industry. This estimate is arrived at in the following manner. There are 36 ploughs in the village Arrana. In a good year the sum required per plough may be taken at Rs. 100, which, with the expenses of marriage ceremonies, festivals, and other conventional

necessities, will rise to about Rs. 150. For 36 ploughs the sum required will be Rs. 5,400 · or allowing for repayments of former debts, we may take Rs. 5,000 in round figures as the capital required to finance the cultivators of the village.

16. It will be seen from the table that the money was borrowed from 60 persons living in 27 different places. Arrana and the neighbouring villages of Jarara, Chaundhana and Pipalgaon accounted for considerably more than a half of the debt; or if the Government *taqavi* is excluded, the proportion becomes two-thirds. An attempt was made to verify this portion of the debt from the moneylenders. Three kinds of discrepancies were found in the statements of the two parties. The first discrepancy was traceable to the ignorance of the cultivators with regard to the sum to which their debts had amounted after adding interest to them. The second discrepancy was due to a dispute between the lenders and borrowers with regard to the sum due, which awaited the decision of the *panchayat* or the court. The third discrepancy was due to the evasive and misleading answers of the moneylenders who refused to furnish satisfactory information for fear that some evil might come to them. As there was no means of reconciling these discrepancies in the first and second cases, the statements of the lenders were perforce accepted, and in the third case that of the borrowers.

17. *Purpose of loans*.—The loans were taken either for the ordinary day-to-day expenses of agriculture or for securing the necessaries of life. No loan was earmarked for a definite purpose; it was spent for any need that arose. A perfectly correct and elaborate classification cannot therefore be arrived at. But the objects of expenditure were not numerous. The villagers avoid litigation as much as they can. They are not addicted to drink or other spendthrift habits. No marriage has taken place in the village for several years. There are 55 persons of marriageable age who are unmarried, in most cases because they have not enough money to satisfy the claims of the guardians of the bride or to entertain the guests of the bridegroom. The expenses of the festivals of the year are of course a regular feature of the family budget, and a person must be reduced to real extremities indeed before he will forego the observance of these festivals. The details of the purposes of borrowing will be found in Appendix IV. It was not possible to arrive at the proportion of debt incurred for festivals. This has been included under the general heading of "subsistence." Similarly it was not possible to make a clear cut division between borrowings for "subsistence" and for "famine and other kinds of distress." In fact, the whole classification is more or less artificial.

18. Figures showing the forms of debt and the periods of debt are given in the following table :—

—	Debt in cash	Debt in grain.	Debt in kind.	Total debt.	Debt of short periods.	Debt for long periods.	Total.
	Rs.	Rs	Rs.	Rs.	Rs.	Rs.	Rs.
Amount..	3,621	3,348	1,179	8,148	2,570	5,578	8,148
Percentage	45	41	14	100	31	69	100

19. *Forms of debt*.—A substantial part of the debt is incurred in kind. It takes the form of a bullock, a buffalo, a cow, or grain to be used either as food or seed; clothes, fodder; the transfer of an account from the book of one moneylender to that of another, or the accumulation of interest on interest at a compound rate to be calculated after every six months. Government *taqavi* swells the column of cash advances. The statements of the cultivators with regard to the forms of debt were not, however, satisfactory on account of their fondness for making indefinite statements. They always asked me to "take it as such and such" and not to bother much about what it actually was.

20. *Periods of debt*.—The crops having failed, the credit of the cultivators was at its lowest ebb in June when the observations were made, and they could incur very little

debt. The moneylenders refused to finance them partly because they themselves had no money, and partly because they considered the security of the cultivator untrustworthy. The column of short-period debt is swollen by Government *taqavi* advances. No debt had been deliberately incurred for a long period; the debt was at the beginning incurred for short periods; but as the cultivator failed to repay, the debt developed into a long-period loan. In some cases the original sum had been borrowed ten or twelve years ago, and as the cultivator was punctual in the payment of interest and in renewing his bond after every third year, the debt was allowed to persist.

21. *Rates of interest.*—The rates of interest prevalent in the village are shown in appendix V.

(i) The rates of interest for cash advances and for advances in kind when commuted in cash are as follows :—

First method of calculation—

(1) One pice per rupee per month.

(2) One and a half pice per rupee per month.

(3) Two pice per rupee per month.

(4) One anna per rupee per month.

(5) Two annas per rupee after six months.

(6) Two annas per rupee after six months together with a *chowta* of one anas per rupee after six months.

Second method of calculation—

(1) Rs. 2 per cent. per month.

(2) Re. 1-8 per cent. per month.

(3) Re. 1 per cent. per month.

(4) Re. 1-12 per cent. per month.

For *taqavi.*—7½ per cent. per annum.

The rates of interest depend on the need and circumstances of the cultivator. Rs. 2 per cent. per month is the most common rate of interest.

The *rehtiwala* or *qistwala* of Moradabad gives Rs. 9-10-9 and realises Rs. 12 in the course of a year by equal instalments of Re. 1 every month and lends out every rupee realised every month to other borrowers.

(ii) The rates of interest for loans in kind for seed when not commuted in cash are calculated on the basis of 1¼ times, *i.e.*, *sawai* or 1½ times, *i.e.*, *deohra* of the grain borrowed. The time limit for the repayment is fixed by the harvests. The seed is advanced at the time of sowing and has to be repaid as soon as the harvests are gathered in.

(iii) The grain for food is also borrowed at the approach of the harvesting time on the basis of *sawai* and *deohra;* and it often happens that a cultivator who borrows the grain only fifteen days before the harvest has to pay *sawai* or *deohra* of the weight of the grain borrowed.

The Muslim butchers who deal in cows, buffaloes and bullocks do not charge interest; they commute the interest charge in the price of the cattle.

The pedlars from the Punjab who sell cloth, and other vendors, follow the butchers in adding interest to the prices of the articles sold on credit.

22. *Calculation of rates of interest.*—It is in calculating the rates of interest that the moneylender exercises all his ingenuity and cunning. The cultivator on the other hand is reckless and improvident when he finds the heap of grain lying before him. He delights to play the rôle of a generous person and the moneylender exploits his weakness. He insists and the cultivator yields, hoping that by these means he will be establishing good relations with the moneylender. He knows by bitter experience that the services of the moneylender are real and indispensable and his displeasure has far-reaching effects. Sometimes the cultivators quarrel with the moneylenders; but they settle their differences and eventually part on good terms, though they may abuse the moneylender to their hearts' content in his absence. The cultivator cannot keep a record of his borrowings and the

moneylender in most cases does not give to the cultivator the credit that he desires all at once. A running account is kept between the cultivator and the moneylender, and the advantage is obviously on the side of that party which keeps the account. The following descriptions of transactions will show the manner in which debts are incurred, repaid and interest calculated upon them.

Case I (May, 1929).

The facts as stated by the debtor are shown in the following account :—

Debt incurred.

Grain for food.
Sann hemp for rope.
Cloth for *dhoti*.
Cotton seed for fodder, etc.
Total amount, Rs. 80.

Payments made.

	Rs.	a.	p.
Ghi, 8 seers 12 chhataks ...	9	0	0
Grain, 3 maunds	9	0	0
Cash	10	0	0
Grain, 15 seers	1	4	0
Pair of shoes	1	8	0
Fodder, 8 maunds... ...	6	6	4
Bullock cart for marriage, with driver for six days at Rs. 2 per day and Rs. 2 for the food of the driver ...	14	0	0
Bullock cart for carrying beams from Balipur to Chaundhana, two times at Rs. 2 per time and food of the driver ...	5	0	0
Straw, 3 maunds at 8 annas per maund	1	8	0
Grain, 3 maunds at Rs. 3 per maund	9	0	0
One *burden* of grass for the pony for one year at 1 anna per day	23	0	0
Total—about ...	89	10	4

The borrower had a slip which contained the following account of the same debt alleged to have been written by the lender but bearing no signature—

Debt incurred.

	Rs.	a.	p.
Cash in the middle of *Mah* 1984 *Bakr-Id*	5	0	0
Cash at *Sha Barat*	1	0	0
Cash at *Holi*	2	0	0
Sugar at *Holi*	1	0	0
Cash at *Holi*	1	0	0
In *Phagun* of the same year ...	1	0	0
In *Phagun* of the same year ...	6	0	0
Wheat, 2 maunds 11 seers 8 chhataks in *Kartik* for seed.			
Wheat at *Holi*, 20 seers.			
Total 2 maunds 31 seers 8 chhataks at 8 seers 6 chhataks per rupee...	13	5	0
17 seers gram for seed in *Kartik*, per rupee	1	8	9
Cash	5	0	0
Cloth for *angochha* and shirt ...	7	0	0
Cloth for shirt	0	13	0
Cloth for *dhoti*	1	12	0
Cloth for shirt	1	0	0
Ditto ...	1	0	0
Total ...	41	8	9

Payments made.

	Rs.	a.	p.
For fodder	1	4	0
Ghi	1	4	0
Shoes	1	4	0
Hire for cart	2	8	0
Ditto	1	0	0
Cash	10	0	0
Bejhar 3 maund 17 seers at 13 seers per rupee ...	10	8	6
Candhi(?)	11	0	0
Total ...	39	2	6

The debtor claims that he has paid off his debt, and that the creditor owes him Rs. 9 The creditor claims that the debtor is still owing him.

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Case II (May, 1929).

Three years ago Z went to a moneylender to borrow some money from him. The moneylender asked him to bring a stamped paper of 8 annas. When he had brought that paper his thumb impression together with the thumb impression of his brother was taken on it while it was unwritten and they were afforded a credit of Rs. 45. They had borrowed this sum for a pair of bullocks and for subsistence. The rate of interest was fixed at Rs. 2 per cent. per month to be calculated after six months at compound interest. After one year the borrower paid Rs. 10. But when two years had passed the moneylender told him that his debt had amounted to Rs. 130 and in the *Jeth* of the last year he asked him to repay his debt, otherwise he would file a suit against him. When he proved adamant to all entreaties the borrower gave him his pair of bullocks worth Rs. 90 and Rs. 2 more. He seemed satisfied and went away promising that he would supply him with grain for food and seed. But later on he refused to deliver the stamped paper to him as he said the claims on his brother still remained unsatisfied.

Case III (May, 1929).

A cultivator contracted a debt of Rs. 30 for seed three years ago at 2 per cent. per month compound interest. He affixed his thumb impression on an unwritten stamped paper of 8 annas. That very year he paid Rs. 50 worth of wheat and gram. Rs. 5 remained after his payment and the paper remained with the moneylender. In 1927 the moneylender supplied him with seed and food grain—

	Rs.	a.	p.
8 maunds barley	32	0	0
4 ,, gram	17	0	0
4 ,, wheat	20	0	0
2 ,, peas	7	8	0
5 seers *dhan* ...	1	0	0
12 seers *sarson*	2	2	0
Total ...	79	10	0

The borrower did not know at what rate the different kinds of grain were calculated. But he thought this was the approximate and prevalent rate at which the moneylender ought to have charged. This rate does not seem to be accurate for they charge heavy rates for seed.

In the *Baisakh* of 1928 after six months the cultivator paid the following :—

	Rs.
15 maunds gram worth	60
12 maunds *bajur* worth	45
Cash	10
Total ...	115

After this payment the moneylender still demanded Rs. 40 more in 1928 and the borrower did not know what he would claim in 1929, the year of investigation.

23. For purposes of the calculation of rates of interest the transactions are classified into *sahukari* transactions and *hath udhar* transactions. *Sahukari* transactions are those in which the moneylender takes the responsibility of supplying the cultivator with seed, subsistence and other requirements throughout the periods of *kharif* or *rabi*, and for this assured supply of capital he charges a general rate of two annas per rupee from the sowing time to the harvesting time. The articles may be borrowed in kind, but

their price is calculated in money and the rate of interest is charged on this calculated price. If the borrower desires to pay his debt in grain the creditor will charge what is known as *chouta* of one anna from him over and above the interest, and further will buy his grain at a rate cheaper by one seer per rupee than the prevalent rate of grain in the market. This *chouta* of one anna per rupee after six months is also charged over and above the settled rate of interest in cases where a man stands in urgent need of money and he cannot easily find a willing lender.

The interest is calculated on the basis of *sawai* when the grain is to be found in plenty and is sold at cheap rates; and when the grain is dear they prefer to lend in cash. When the grain is selling at 8 seers per rupee in the market the *sahukar* buys it from his borrower at 9 seers, and lends it for seed or subsistence at 7 seers. Assuming two annas as the price of one seer of grain and supposing a man to have borrowed from and paid to his *sahukar* in grain, and calculating the rate of interest at two annas per rupee after six months, we arrive at a rate of interest of six annas per rupee after six months or one anna per rupee per month. If the debt was contracted at the beginning of the *kharif* season and was not paid at the time of *kharif* harvest and was allowed to go on to the *rabi* harvest, the borrower would at this rate have had to pay a rate of interest approaching cent. per cent. The borrowers who become a victim to such a kind of transaction cannot extricate themselves afterwards and their debt continues from season to season. They sow the crops and perform all the labours connected with agricultural production. But their products go to enrich the granaries of the *sahukars*, who advance them money for the payment of rent, and provide them with subsistence and other necessaries. Economically, they thus become slaves. The *sahukars* give one and half maund of grain per month for food to those borrowers who cultivate with one bullock and are partners with some other person having a second bullock, and two and a half maunds to those who cultivate with two bullocks. They calculate the price of the grain at the highest rate during the season, and justify their action by saying that they would have sold the grain only at the time when the rate was highest. There were no such cases in Arrana; but there were several at Jarara, a village near Arrana.

21. The majority of debts in Arrana were of the *hath udhar* type of transaction in which the cultivator borrows at the rate settled by the process of higgling and pays interest for his separate borrowings from the separate dates on which he incurs debts. The chances for confusion in calculation are very great in transactions where debts are incurred several times during the season, and although the cultivator possesses a fairly good memory, he is no match for the superior intelligence and ability of the *sahukars*.

25. As a general rule, if cultivators borrow in cash, they have to pay annually something above one and a quarter times of their borrowings, and if they borrow in kind they have to pay one and a half times. People seem quite familiar with the manner in which their debts double themselves when interest (compound, calculated every six months) is not paid on them. With Rs. 2 as interest per cent. per month, the debt doubles itself in three years. With one and a quarter times the grain borrowed, the debt doubles itself in three harvest seasons.

26. Payments made by the borrower in connexion with a debt incurred on the security of a stamped paper are written on that stamped paper by the moneylender, in whose possession the paper remains, and when all the debt together with interest is cleared up, the paper is handed over to the borrower. It is also a common practice among the borrowers who have occupancy or even statutory rights in land to allow their lender the use of their field for a year or two and not to charge him any rent. But the amount of rent which some other sub-tenant might have paid if the field had been sub-let to him and which is settled beforehand, is credited in favour of the borrower on the stamped paper. In another case a new moneylender who had his own claims on the old moneylender accepted the claims of the latter on the borrower as payment for the former's claims.

27. *Classification of securities for debt.*—As the debt is entirely that of tenants, no part of it is secured by mortgage. A small proportion is secured by the pledge of ornaments or utensils, whilst cattle are often accepted in payment or part payment of a debt. Cattle, however, are movable property, and debtors often defeat a creditor who has obtained a decree by transferring it to friends or relatives. Apart from the goods mentioned the only security available is the standing crop.

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The debt of this village may be classed thus—

(1) Entered in pronote or other document—

	Rs.
(*a*) Stamped	3,659 or 45 p.c.
(*b*) Unstamped (*taqavi*)	955 or 12 p.c.
(2) Entered in account-book—	
(*a*) without thumb-impression	985 or 12 p.c.
(*b*) with thumb impression but without one anna stamp	1,545 or 19 p.c.
(3) Secured on pledged ornaments, etc.	170 or 2 p.c.
(4) Without document (oral promise)	834 or 10 p.c.

28. *The supply of capital.*—The general organisation of agricultural finance in this part of the country is described in the following paragraphs. The information was derived partly from landlords and others competent to speak on the matter; and especially from a few moneylenders who without revealing the secrets of the trade and their own particular transactions, were, however, willing to give me a general description of the organisation of their trade.

29. The biggest *sahukars* of pargana Khair live in Jarara, a village adjacent to Arrana. These *bohras*, as they are called, have an old and long established business. They also own landed property. But their dealings are generally confined to the landowning classes who can offer the security of their lands for their borrowings. Most of them also keep *khattis* or granaries, from which they lend seed and grain to the cultivators. They do not deal in *hundis*. They pay income-tax. The capital and property of one of the biggest of these men in popular belief amounted to about one lakh of rupees. He keeps a reserve for emergencies such as litigation against defaulters; and also borrows from others when he is in need of money. There was one other person in Jarara who was believed to be equally rich. But the resources of most other moneylenders range between Rs. 50,000 and Rs. 1,000. Anyone who can finance at least ten ploughs, *i.e.*, who has a capital of about Rs. 1,000, is generally given the designation of *sahukar*. These big moneylenders are trusted by the cultivators, and are generally fair in their dealings.

Another group of moneylenders, second only in importance to the former, live in the village Utwara in pargana Khair. These men deal both with tenants and with landowners but chiefly the latter. The property of a few of these is estimated at about Rs. 50,000. Some of them pay income-tax.

Next comes Chaundhana, a village lying close to Arrana. There are no big professional moneylenders there, but the big Brahman *zamindars* practise moneylending out of their surplus income, and some of them pay income-tax on this business.

Other villages have petty moneylenders. Cultivators, petty government servants such as the *patwari* or school master, pensioners, shopkeepers or any person who saves one or two hundred maunds of grain in one good season may take this trade.

30. There is, therefore, a considerable body of moneylenders, distributed over many villages. But it is important to realise that, with the exception of a few moneylenders whose income exceeds the taxation minimum, and who deal mostly with the landowning classes, the rural creditors carry on their business with exceedingly small capital. And it is partly for this reason and partly on account of their parsimoniousness that their standard of life is never better, and sometimes worse, than that of their debtors, and it is due to this that unless they combine some other business with moneylending, two or three bad seasons leave the moneylender as helpless as the cultivator. They carry on their business from season to season, with a capital as small as Rs. 800 or even less; and, when once the debtor fails to repay that capital, they are themselves reduced to extremities. The accumulation of capital is no easy matter: there is little surplus production, and even a miser finds it difficult to save. The moneylender is his own banker, and works single-handed. He collects debts, invests money, files suits against the defaulters, and converts proceeds in kind into cash, all without assistance. He has to be his own watchman and treasurer, and is specially liable to theft, burglary, and dacoity. In addition to this insecurity of life and property with which the moneylender suffers he is exposed to one other difficulty, namely, if he goes to law, the presumption is generally against him and the cultivator has all the sympathy of the court.

31. The widespread poverty of the cultivator; the great risks associated with moneylending; the scarcity of capital; the moneylender's desire to get rich quickly: the illiteracy of the borrower, and the cunning of the lender—all these taken together explain the high rates of interest prevalent in rural areas. It is the petty moneylenders who charge exorbitant rates of interest; the big men sometimes lend at rates cheaper than those of the joint-stock banks. A regular customer of a moneylender of Jarara has stated that in one instance he was charged as low a rate of interest as five annas per cent. per month, or 3¾ per cent. per annum. The minimum rate of interest most generally prevalent is 25 per cent. per annum. But this rate is prevalent only when the parties to a transaction are big *sahukars* and cultivators possessing good security such as occupancy and statutory rights, buffaloes, cows, bullocks, good furniture, numerous utensils, gold and silver ornaments, ponies, chariots, camels, etc.: a poor debtor who deals with a petty moneylender may pay as much as cent. per cent. interest on his loans.

32. There is another factor which seems to be responsible for the high price of capital in this part of the country. A large part of all debt is unproductive. The security for such debts is invariably the land of the *zamindars;* and in most cases the *zamindar* is unable to pay back his debt out of his rents. He allows the interest to accumulate, and ultimately the land passes from his hands to the hands of the *sahukar.* As a result of this process the moneylender's assets, though they may increase, cease to be fluid; they are locked up in land and he is no longer able to finance the requirements of agriculture on as easy terms as he did before. In fact, the *sahukar* himself finds difficulty in borrowing money on easy terms and he cannot therefore afford cheap credit to his clients. Nor does a moneylender, in spite of his financial ability, usually make an intelligent and progressive *zamindar.* He follows the traditional methods of cultivation because he believes that it pays him better; and what is worse, he becomes the creditor of his own tenants, so that efficient cultivators are either ejected after ruinous lawsuits, or are reduced to the position of economic slaves.

33. So long as we recognise the rights of a landholder to borrow freely on the security of his lands for absolutely unproductive purposes, so long will the lands go on passing into the hands of the moneylenders, however willing or unwilling they might be to shoulder this new burden. The rates of interest on landed property are also increasing which shows that the *sahukars* are not ready and willing to advance on the security of landed property. The real value of land is probaly decreasing: people complain that the land has ceased to be as productive as before; they also complain that the tenants, having acquired rights, have become insubordinate, that the tendencies of the age are against the landowner. And if its price has not fallen it is due to its artificial importance as a security for debt. It is for these reasons that the lender who invests money on the security of land is now very cautious. He allows credit only on half of the present value of land and charges a high rate of interest to cover depreciation charges. In fact, agricultural land is now not in high demand among *sahukars,* but as no other more profitable avenue is open to them, they still lend, unwillingly, on its security. Meantime the unproductive debt on the security of land shows no signs of diminution, and no permanent agricultural improvement can be effected in such circumstances. In a sense it is true to say that the landlord class is living on the capital of the community.

34. *Conclusion.*—A review of the credit organisation of this part of the country leads one to the conclusion that our agricultural community is suffering—

(1) from the disorganisation of available resources, meagre as they are, which are distributed among a numerous and scattered class of moneylenders and hoarders of wealth;

(2) from a general absence of good security among the cultivating population whose only security is the standing crop, the soundness of which is subject to the vagaries of the monsoon and unforeseen calamities; and

(3) from the unproductive use of credit which, instead of being used to supply the needs of agriculture, is misused to provide the means of subsistence and unproductive expenditure to our unemployed or partially employed landowning middle class.

What is the solution? What are we to do? How are we to husband and organise our capital resources? How are we to increase them so as to make capital easily accessible

for all the requirements of agriculture? How are we to make capital cheap and at the same time not too cheap? Shall we fix a maximum rate of interest? Shall we borrow from foreign countries, which have a surplus capital? To what agency is the negotiation of foreign loans to be entrusted? Shall we establish State banks in every village. Shall we organise joint-stock banks with numerous branches? How can we control the investment of capital so that it may not be diverted to unproductive channels? How are we to enforce repayment? Shall we restrict the right of free transfer of land? These are the questions which confront us; and any answer brings us face to face with danger. The most obvious solution of these difficulties lies in a vigorous growth of co-operative societies, extensively organised among all classes of population and liberally supported by the credit of Government.

(For oral evidence, see page 368—70.)

APPENDIX I.—*Area statement of village Arrana.*

Total area.	Not culturable.	Culturable.	Cultivated.			Total culturable and cultivated.	Area under *kharif*.	Area under *rabi*.	Area under *zaid*.	Area cultivated more than once.
			Irrigated by wells.	Dry.	Total.					
1	2	3	4	5	6	7	8	9	10	11
Acres.	Acres.	Acres	Acres	Acres	Acres.	Acres.	Acres.	Acres.	Acres.	Acres.
572	92	21	185	274	459	480	252	280	1	74

APPENDIX II.—*Classification of tenants in village Arrana.*

—	*Khudkasht*.	Occupancy tenant	Tenants of more than 12 years in 1354 *fasli*.	Statutory tenants.	Without rent.	Total.	Sub-tenants and tenants of *khudkasht*.	Grand total.
Area (in acres) ..	2	111	12	340	7	472	79	551
Rent (in rupees) ..	..	951	128	3,876	..	4,955	1,219	6,174
Tenancies	..	11	7	35	12	65	18	83
Tenants	..	11	3	27	9	50	5	55

APPENDIX III.—*Table classifying the moneylenders of village Arrana.*

Places where the moneylenders live.	Moneylenders who follow no other calling.		Moneylenders who are also *zamindars*.		Cultivators who lend out their savings.		Moneylenders who are also in Government service.		Traders who do moneylending.		Moneylenders with other profession.		Government *taqavi*.		Total.	
	Number.	Amount.	Number.	Amount.	Number.	Amount.	Number.	Amount.	Number.	Amount.	Number.	Amount.	Number.	Amount.	Number.	Amount.
		Rs. a.		Rs. a.		Rs.		Rs.		Rs. a.		Rs. a.		Rs.		Rs. a.
Arrana (the village itself).	..	..	..	..	3	514	1	345	..	..	2	5 0	..	..	6	864 0
Chaundhana (a neighbouring village).	..	..	2	1,747 0	..	..	1	100	1	489 0	2	17 5	..	..	6	2,353 5
Jarara (a village in the neighbourhood).	6	758 8	..	..	1	20	1	140	..	..	1	205 0	..	..	9	1,123 8
Pipalgaon (a village in the neighbourhood).	..	..	3	268 7	..	..	..	..	..	..	..	..	..	..	3	268 7
Other villages.. ..	..	..	6	589 0	16	1,120	1	72	4	202 12	6	260 0	..	..	33	2,243 12
Moradabad	*2	340 0	..	..	..	..	..	..	..	..	..	..	..	..	2	340 0
Government	..	..	..	..	..	..	..	..	..	..	..	..	1	955	1	955 0
Total ..	8	1,098 8	11	2,604 7	20	1,654	4	657	5	691 12	11	487 5	1	955	60	8,148 0
Proportion ..	..	12·5	..	32·5	..	20	..	8·2	..	8·8	..	6	..	12	..	100

*N.B.—Two *sahukars* of Moradabad send out their agents to distribute the sum of Rs. 10 each, repayable with interest in 12 equal instalments of Re. 1 each per month. They are known as *qistwalas* of Moradabad.

APPENDIX IV.—*Purposes of borrowing in village Arrana.*

	Repayment of earlier debts.	Famine and other kinds of distress.	Payment of land revenue or rent.	Seed.	Expenses of cultivation.	Purchase of plough or other cattle.	Subsistence.	Bullock cart, etc.	Total.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Amount..	25	170	632	1,393	558	2,251	2,899	220	8,148
Proportion	..	2	8	17	7	27	36	3	100

	Rs.	a.	p.
Total debt	8,148	0	0
Arrears of rent	4,369	12	0
GRAND TOTAL ..	12,517	12	0

VILLAGE ARRANA : MR. MUHAMMAD AQIL.

APPENDIX V.—*Table showing the rates of interest obtaining in village Arrana.*

Cash advances.											Advances in kind.				
First basis of calculation.					Second basis of calculation.					*Taqavi.*					
Per rupee per month.				Per rupee after six months.	Per cent. per month.					Per cent per annum.	*Qist* or *rehti.*	Commuted in cash.	Not commuted in cash.		In kind and in cash but without interest.
					Rs. 2—								*Sawai.*	*Deorha.*	
One pice.	One and a half pice.	Two pice	One anna	Two annas.	Cash from the very beginning.	Originally in kind but commuted in cash.	Rs. 1-12.	Rs 1-8.	Re. 1.	Rs. 7-8.					
Rs.	Rs.	Rs	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Amount. 435	33	548	90	100	747	3,545	100	100	103	955	340	See column 7	367	150	633
					4,922										
Proportion-s.	..	6	1	1	9	45	1	1	1	11	4	..	5	2	8
					54										

ORAL EVIDENCE.

Lucknow, February 5, 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. ...	...
Babu Lakshmi Das, B.A.	...
Rai Bahadur Pandit G. S. Upadhya, B.A. ...	... *Members.*
Mr. Mohan Lal Sah, M.A., LL.B.	..
Rai Bahadur Babu Mohan Lal, M.A., LL.B., M.L.C....	...
Dr. L. Jain, M.A., LL.B., Ph.D.	... *Secretary.*

(*Witness*) :—*Mr. Muhammad Aqil*, M.A., *Research Scholar, Aligarh Muslim University.*

The Chairman : You have got a column in one of your tables showing Government servants as moneylenders. Who are they?—*Patwaris* and school teachers.

Mostly the village *bania* is the moneylender?—Yes.

You say that the debt is borrowed from as many as 60 persons living at 27 different places. Is the same man indebted to more than one moneylender to any great extent?—Yes.

He is indebted to several persons?—Yes.

Where did you get these cases I and II referred to in paragraph 22 of your report and so on, from?—Borrowers supplied them.

From the moneylenders too?—No.

You have attempted to give us a concrete sort of account. Probably the best way of looking at this is to suppose that the borrower has been correct in his statement of repayments just as the creditor in his account of payments. In that case we get Rs. 80 paid by the lender and Rs. 89 returned by the debtor. I should say that the debtor had the best of it. I find a payment in the shape of a pair of shoes for Rs. 1-8-0. Generally they pay grain. But you will admit that it is rare that such payments are made as a pair of shoes?—The borrower had bought a pair of shoes. When the lender came to him he said that he should pay something to him. The borrower was wearing that pair of shoes and the lender said "give that pair of shoes to me."

Rai Bahadur Pandit G. S. Upadhya: It does happen.

The Chairman : Was it given as a present or repayment?

Mr. Upadhya : The moneylender thought that it was a present and the borrower thought that it was repayment.

The Chairman : In your case I you will find that there are various sorts of payments in kind. There is a pair of shoes in one place, there is a bullock cart for carrying beams from Balipur to Chaundhana twice at Rs. 2 per time, and food of the driver for Rs. 5. Then there is one burden of grass for the pony for one year at one anna per day, Rs. 23. So that the borrower paid the lender very considerably in kind?—Yes.

What is this entry *Candhi*?—I do not know what it was. The borrower also did not know. I got the paper—it was written in Hindi—and nobody could understand it.

Rai Bahadur Pandit G. S. Upadhya : It may have been *chandhi.*

The Chairman : What is that?

Rai Bahadur Pandit G. S. Upadhya : That is a silver ornament made of *chandi.*

The witness : It was written as *kandhi.*

Rai Bahadur Pandit G. S. Upadhya : Was it *kandhani*? It was worth Rs. 11.

The Chairman : You say that payment of such varieties of kinds, though convenient to the borrower, is the cause of great confusion of account?—(*Witness*) : Yes.

You can keep them straight enough, but if you do not do so there is likely to be confusion, as you are not likely to be careful enough?—Yes.

Rai Bahadur Babu Mohan Lal: Could you read it properly? It might have been *karbi* (fodder).—(*Witness*): I could not read it. It is just possible.

These ornaments are not paid in repayment of these debts.

The Chairman: You have given a very useful sort of resumé of the local moneylenders, and from your account it appears that there are small moneylenders with a capital of Rs. 800 or less up to big men with a capital of half a lakh, and these small moneylenders are themselves hit during bad years. Now, who are these small moneylenders?—Some of them are petty cultivators. Some of them are government servants and district board servants, and some of them carry on trade. Some of them are landlords.

Dr. Radhakamal Mukerjee: You have also mentioned professional moneylenders (*Marwari banias*).—(*Witness*): But they have acquired landed property. I do not know whether you would include them among *zamindars*.

The Chairman: It depends on what they originally were.

Mr. Sah: They are not petty landlords?—Some of them are.

Dr. Radhakamal Mukerjee: Among the purposes of loans you say that social ceremonies form a small part. Though the village consists of Jats and Brahmans they are not addicted to drinking and are not spendthrifts?—No.

In fact you say that no marriages have taken place for several years, because there was not enough money?—Yes.

You mention also that there are 55 persons who are of marriageable age, but who are not married. It is quite a large proportion for a village like that?

Rai Bahadur Pandit G. S. Upadhya: You said that no loan was earmarked for a definite purpose; it was spent for any need that arose. Which need was most important?

The Chairman: If you look at the end you will see that all the classification is there. The biggest is subsistence and next the purchase of cattle.

Dr. Radhakamal Mukerjee: These arrears of rent you say are debts. But they are not debts; they are merely postponed payments.—(*Witness*): Cultivators have to pay interest at 2 per cent. per month on arrears of rent.

Rai Bahadur Pandit G. S. Upadhya: You say that in some of these grain borrowings the rate of interest approaches cent. per cent.?—Yes.

Dr. Radhakamal Mukerjee: And the borrower becomes more or less a slave of the creditor who gives him just enough grain to eat. How are such loans repaid ultimately?—When good seasons come these loans are repaid. But if there are no good harvests for two or three years, then debt will continue.

But what the *sahukar* pays is to keep him alive?—He pays rent for him and gives subsistence.

Does this *sahukar* consciously make him a slave?—No. He does not keep him a slave consciously.

The Chairman: Every debtor is a sort of slave to his moneylender.

Rai Bahadur Babu Mohan Lal: Debts are so heavy that he cannot repay and he will remain a slave.

The witness: Yes.

Dr. Radhakamal Mukerjee: He gets subsistence from month to month from the *sahukar*.

Mr. Sah: The *sahukar* gives him subsistence in the hope getting back his capital.

Dr. Radhakamal Mukerjee: You said that some of the land has passed into the hands of professional moneylenders. Do you think that it is satisfactory from the agricultural point of view? It has not been satisfactory from the agricultural point of view, because the moneylender is cultivating it in the same old fashion as the other *zamindars* have been doing, in spite of the fact that he possesses capital, and he can improve the land if he likes, but he does not improve it.

VILLAGE ARBANA: MR. MUHAMMAD AQIL.

Rai Bahadur Pandit G. S. Upadhya : Does he cultivate himself or through hired labourers?—He cultivates it through hired labourers.

Does he sub-let to tenants?—Yes. He is in the position of a *zamindar* and he will deal with the land as other *zamindars* do.

So it is not necessary that the land should be worse off?—No. He has got capital with him and he may improve it.

The Chairman : He owns the land, but he does not improve it very much.

Dr. Radhakamal Mukerjee : Do you think that in land which is cultivated by hired labour or is let out to tenants cultivation?—In this respect it suffers.

Mr. Sah : After this moneylender comes into the possession of land, the position of the land is not changed at all, whether the landlord is the moneylender or the moneylender is the *sahukar*?—The position is changed in this respect. A person who is an ancestral landlord does not care for the gain. But when the moneylender becomes the *zamindar*, he cares for his gain and not for prestige or other things liked by ancestral *zamindars*. For example, if there is a Pathan *zamindar* or a Rajput *zamindar*, he will like his cultivators to be obedient to him, and he will allow him other benefits so long as he remains obedient to him, but the *sahukar* will not care for these things. He will care for money.

Dr. Radhakamal Mukerjee : Does he rack-rent?—Yes.

The Chairman : I think within the limits of law.

Dr. Radhakamal Mukerjee : Are there concealed rents in your villages?—Yes, there are concealed rents. There are different methods by which rents are concealed. They will tell the cultivators that the land is three *bighas* and in the *patwari's* papers it will be written two *bighas*.

Rai Bahadur Babu Mohan Lal : Have you come across any cases, or have you investigated any cases, in which the proprietary rights of a village have passed into the hands of a *sahukar*, and have you taken the census of the tenantry of that village and also of the tenantry of a village owned by a *zamindar* who is heavily indebted, and have you compared the condition of the tenantry of the two villages?—No.

Rai Bahadur Pandit G. S. Upadhya : We have got some very good stuff from him.

(The Chairman thanked the witness who withdrew.)

Extracts from a survey of the small urban industries of Benares.

[By Mr. S. N. Majumdar Choudhury, M.A., student, Lucknow University.]

Introductory observations.

Wherever the raw materials are costly and the finished products have no ready sale or are easily spoilt, *e.g.*, silk, gold and silver thread, *kamdani* and *zardozi* work, etc., it is beyond the means of the artisans to work independently, and invariably such industries are captured by the middlemen. No doubt the middlemen take a risk in resorting to such industries, but the extremely low wages paid to the workmen and the high profits obtained from the sale of finished products far outweigh the risks they run.

Many of the defects can be remedied by co-operative organisation by grouping small units of the same industry or each industry into one for purposes of credit, purchase of raw materials and tools, and marketing the products and providing technical and commercial advantages. The indebtedness of the artisan population and the grip of middlemen dealers will disappear immediately as a co-operative organisation supplies raw materials to the artisans and receives payment in the form of finished wares and products. Where the products have ready sale or more or less fixed prices, co-operative societies for credit are not difficult to work, but the advantages of co-operative sale are not very great. Where the market depends upon casual purchases or is fluctuating or seasonal, the risks are taken by the moneylenders at a high rate, and unless a big organisation to finance stocks and arrange sales is started from the beginning it is not easy to help the workers. Success is easy with readily marketable articles, and difficult cases should be taken up where experience is gained. The urban workers have small assets and so the Schulze-Delitzsch system, *i.e.*, lending on the security of two other names and on limited liability, seems workable.

I.—Silk weaving.

The karkhana or workshop system.—There is no guild or trade union of the workers. Notwithstanding the absence of such an organisation which formerly existed and has disappeared recently, the weavers work under strict discipline. Though custom plays the part of law, the absence of authority of guilds or trade unions is very keenly felt. In 1921 a common association was formed called the "association for the middlemen and wage-earners," and a weekly of the same name was published both in Hindi and Urdu, but the movement failed too soon. The association could not enlist a sufficient number of sympathisers from the class, while the paper lacked subscribers. About two decades ago six co-operative associations for silk weavers were formed in Benares, but they had to be ultimately closed after a few years' good work. The middlemen dealers looked upon these associations with disfavour. Absence of adequately trained officers also contributed to their failure. At present, associations, better known as *panchayats*, for the middlemen only are in existence in different weaving *mohallas* where they exercise a great influence, and there is a compact sense of brotherhood among the different members of the *panchayats*. If a weaver who works under a *karkhanadar* leaves him without repaying fully the amount advanced to him and joins a new *karkhanadar*, the latter is bound to pay the dues to the old master in case he employs the worker for more than three days after the fact has been reported to him. If he does not pay, the *panchayat* takes up the case itself and decides in the old *karkhanadar's* favour. But there is no such association or *panchayat* of the workers against a middleman dealer. If cases where the workers abscond with money are not infrequent, cases where the workers are not paid or under-paid by middlemen dealers are also not rare. Of the total

number of weavers in Benares nearly 60 per cent. work for the *karkhanadars* and middlemen, and out of these 60 per cent. nearly 25 to 30 per cent. work in the workshop. About two decades ago a greater percentage of weavers worked in the *karkhana*, but now there is a marked tendency of the workers drifting to their homes from the *karkhanas*. This tendency is mainly due to the fact that the weavers feel themselves independent when they work in their homes and among their own people who help them in their work, and also because a quarter of the wages *plus* the wages of the children who help them in the work are deducted by the *karkhanadars* from the wages when they work in *karkhanas*.

The work of designing requires a great sense of beauty and colour as well as knowledge of drawing and the art is confined to only a few hereditary families of designers (*nakshaband*) who do not generally teach the art to any outsider. The paucity in the number of designers in Benares is a great handicap in the way of supplying new patterns which are in great demand, while the price of a new design which is not very low prohibits most of the petty dealers from undertaking any risks in the business. The art of transferring the design from the paper to the small-sized cotton yarn again is not known to any outsider. For bleaching and dyeing the silk yarn a worker is paid from Re. 1 to Rs. 4 per seer by the middlemen according to the quality of the yarn. Foreign chemical dyes are always used. But, generally, no special worker is kept for this purpose, and the wages of the weaver include the cost of bleaching and dyeing.

The weavers are always paid by the length of the texture woven—at the rate of six annas to Rs. 25 per yard of woven cloth.

Apprenticeship.—Formerly apprentices were kept by almost all the middlemen, but owing to the loss of thread, etc., through apprenticeship, a well-nigh universal custom decayed. But where at present apprentices are attached to the weaver they happen to be his sons or near relatives. When the *karkhanadars* keep apprentices they are chosen from the same caste and are paid Rs. 2 to Rs. 6 per month. The increase in their wages, which gradually approximate to those of the adult workers, depends upon the experience they can gather and the satisfaction they can give to their employers.

Middlemen.—Out of over thirty-five thousand persons engaged in the silk industry more than 60 per cent. work under the *karkhanadars* and middlemen. The former employ weavers in their workhsop or in the weavers' homes and have no shops of their own in Benares for retail sale. These belong to the weaving community. Some of them are also yarn dealers. Then there are the middlemen capitalists and traders, who have local shops for the sale of silk products manufactured at their instance and with their capital by the weavers in their homes. Both these classes undertake contracts and may be regarded as wholesale dealers in silk, and they may be distinguished only in so far as one class runs workshops and the other local retail shops—an indispensable link in the chain of silk production and trade. Whether the weavers work under the former or the latter their condition is the same. Advances (*dadan*), generally to the value of Rs. 40 to Rs. 50, are paid to the weavers as wages. No interest is charged on the amount advanced. A weaver who receives an advance has to work under and for the middleman as long as the money advanced is not paid up in full. A regular account is opened in the name of each weaver and the wages are credited to his name. A "chit" with both debit and credit side in it is also given to the weaver concerned, but it is not certain whether the middleman takes advantage of the weaver's ignorance and illiteracy. When the middlemen or the *karkhanadar* sees that almost the full amount of advance is going to be repaid in the shape of wages he invites him into accepting another advance. The result is obvious. The weaver cannot claim higher wages notwithstanding the rise in general prices unless and until he repays the money in full; besides he spends the money in luxuries and frivialities and his extravagance compels him to ask for a further loan from a moneylender or from the same middleman or *karkhanadar*. The latter thereby acquires a double advantage over the worker. He exploits the worker who cannot free himself from his control and appropriates the profit due to the general rise in prices on extension of markets. Some middlemen pay advances at the outset to the weaver amounting to not more than half the dues which may be recovered from his work. As they also supply the costly *kalabattu* material, they run the risk of losing the advance if the worker absconds. Thus once the weaver undertakes work on an advance a greater part of the wages is always withheld so that he may not leave work whenever he chooses. The total capital employed by the middlemen in

Benares was estimated at 30 lakhs in 1891, but at present the capital is estimated at one to two crores of rupees and the annual output at not less than two to three crores. Many Punjabi *kshatris* are now taking part in the silk trade of this city. Nearly 50 per cent. of the middlemen are working with borrowed capital on which they pay an interest of 9 to 12 per cent. and the total borrowed capital may be roughly estimated at 5 lakhs. The capital is borrowed generally from other big middlemen dealers, who also receive deposits in private because of the prestige accruing from an established position in the market.

Middlemen and marketing.—The *karkhanadars* do not generally sell locally the products of their workshops, but the middlemen have regular shops in the market which command a large local sale, especially during the *Pujas*. The former send their products to different parts of the country and most of the orders are received from Rangoon and Madras. Sometimes they receive orders from local firms also. The latter can be divided into two sub-classes, *viz.*, (1) those who have small capital, and send their goods to the Punjab, Bengal, Bihar and Central Provinces, the demand from the last province being very little and that from Bengal being the greatest, and (2) well-established big silk firms which command large capital and export their wares regularly to England, France, Denmark, South and East Africa, Mauritius and other foreign countries. There is a considerable demand from these places for silk corsets, petticoats, pyjamas, bodices, shirts, shoes, etc. France is the biggest customer outside India for silk fabrics for making feminine garments such as underwear, lingerie, petticoats, etc. The Punjab demands *dupattas* and *thans* for making pyjamas and turbans. Bihar requires shirting and plain *thans* for ladies, while Bengal wants mainly coloured *saris*, *nilambaris* and *chaddars*. Very little of advertisement is resorted to by the *karkhanadars*. Advertisement is only casual and indirect. A cloth dealer comes to Benares from a distant place, and when he returns with his consignment of Benares silk, other dealers take the address of the Benares manufacturer from him and send orders. The smaller firms, however, advertise their goods in different vernacular newspapers and periodicals which brings them a sufficient number of orders from distant parts of the country. The bigger firms generally obtain the patronage of native chiefs, *taluqdars*, Governors of Provinces, foreign tourists, etc., and also resort to advertisement. Recently with the idea of competing in the foreign market, a shop has been opened in Paris and regular consignments are being sent from Benares. No canvassers are appointed, but local canvassers are allowed commission on sale at the rate of one anna per rupee. Some middlemen are of opinion that more capital is required to put the silk industry in Benares on a firmer footing. In the port towns, especially at Bombay and Calcutta, both the dealers and the customers prefer Japanese silk pieces, because they are smooth, glossy and cheaper than Benares products. But with the introduction of modern designs and patterns and the employment of more capital, fabrics similar to those imported from Japan could be produced in Benares also. As for the marketing of the products by independent weavers, they form a small minority and are helpless before the middlemen. Most of them are poor, and the purchase of raw materials which is costly already taxes their scant resources. Some again purchase them on credit from the yarn merchants. As the better quality *sari* requires many days to weave and the price of the materials, *kalabatlu*, etc., is high, generally less ornate *saris* of smaller value are woven by the independent weavers. An ordinary *sari* requires four to five days to weave. In the meantime they have to live and maintain their dependents. When the cloth is produced the weaver takes it to the local dealers for sale. The latter, under whom a good number of workers are working and have a large stock at their disposal, offer him prices which are sometimes below the cost of production. The weaver goes to every dealer, but the same or similar price is offered by each. Thus hard-pressed by poverty or by threats of the yarn dealers, from whom he might have bought more yarn on credit, the weaver would sometimes sell his goods actually below the cost of production. It is true that the weavers prefer to work independently with a desire to get better prices, but it is needless to say that this desire generally remains unfulfilled. There are cases where better prices are obtained when there is a great demand for silk fabrics, *e.g.*, during the *Pujas* and other festivals, and weavers working under a middleman or a *karkhanadar* have been seen to leave them and work independently for the time being, but with the depression in trade and during the rainy season they again return to the middlemen or *karkhanadars* who are prone to retaliate by offering reduced wages. Thus the weavers have two alternatives open to them, *i.e.*, either to produce goods under a middleman, whether a *karkhanadar* or a yarn dealer, and receive cash in advance, or to starve and sell the wares below the cost of

production. Naturally the weaver, by trials and errors, will choose the former course, and he can hardly be blamed for doing so, though he reduces his status to that of a mere wage-earner. As the silk weavers at Lohata, Sheopur, etc. (suburbs of Benares), cannot daily come to the city with their wares for disposal, there is a tendency of increase in the number of *dalals* or commission agents.

Economic condition of the weavers.—Most of the weavers are sunk deep in debt. Instances where houses have been mortgaged are not rare. Supposing a weaver weaves a *sari* of five yards in five days with the help of his wife and children, he earns Rs. 5 for a *sari* at the rate of Re. 1 per yard (we are excluding weavers who are paid less than Re. 1 per yard, and the number of such weavers is not insignificant). Out of Re. 1 (earning for one day) he has to feed his dependents and himself, pay municipal taxes, buy clothes, fuel, etc., and to save something against unemployment and sickness. But the main defect of the system of payment is that the weavers are paid a lump sum in advance which is likely to be squandered away, so that they always live from hand to mouth. Moreover, the number of their dependents is considerable as the following figures indicate :—

1901.		1911.		1921.	
Actual workers.	Dependents.	Actual workers.	Dependents.	Actual workers.	Dependents.
5,662	5,964	6,820	7 853	1,431	384

Amongst actual workers engaged in the industry there is a considerable number of females. They do not actually weave cloths, but ordinarily help their husbands in the preliminary processes, *e.g.*, twisting silk thread round the *nals*, etc. Though we have come across two cases of women working at the loom, weaving by women is unusual. If the number of the females is taken out from the total number of the actual workers (male and female) and added to the dependents the figures would be as follows :—

1901.		1911.		1921.	
Actual workers (males only).	Dependents.	Actual workers (males only).	Dependents.	Actual workers (males only).	Dependents.
3,283	8.013	5,156	9,533	225	1,590

The above figures show that the proportion between actual workers and their dependents is approximately 1 to 3 in 1901, 1 to 2 in 1911 and 1 to 7 in 1921. There is no significant increase or decrease in the number of dependents in 1929. Supposing the women have other sources of income, *e.g.*, twisting thread round *nals* and reels, which is rarely done and which fetches a very meagre remuneration, it is impossible for a weaver who gets Re. 1 per day to feed himself with seven dependents and to effect a saving for emergencies. The wages of weavers who work in the *karkhanas* do not amount to more than Re. 1 a day after a quarter of the total wages and the pay of the children apprentices who help them in their work are deducted. The independent weaver who sells his wares below cost of production exhibits, of course, the lowest standard of living. The proximity of a considerable number of weavers who can work at cheaper wages in the suburbs of Benares city, *e.g.*, Lohata, Sheopur, etc., is another factor contributing to reduce the wages of the urban workers.

Marketing.—It has been said above that excepting the small capitalists very little regular commercial advertising is done by the dealers in this business. No doubt a resort to modern methods of advertisement will naturally increase the demand for silk goods in Benares. The timidity of the capitalists to try new methods is really deplorable.

Cheap goods.—With the rise of the middle class during the last few decades there is an increasing preference for cheap and durable goods, while the demand for costly fabrics is fast diminishing. If such cheap and durable goods could be produced, there is every hope that silk garments would be in greater request. With the relaxation of the firm grip of middlemen and *karkhanadars* over the industry, the weavers will take more interest in their work, and under a new organisation the industry may obtain a fresh lease of life.

Octroi duty.—The municipality imposes an octroi duty upon all imports, but refund is not given on local products made from imported raw materials. As most of the silk fabrics are exported from Benares, the levy of the octroi duty upon the imported silk yarns, etc., means an additional charge, however small, to the cost of production, and hence the Benares silk industry is at a disadvantage as compared with other silk industries in this country. Thus the abolition of octroi duty seems essential in the interests of the silk industry of Benares.

Workers' Union.—The weavers have now understood that unless they are organised, the middlemen will continue to exploit them. Some of them are trying to organise themselves into a union or federation, but selfishness and poverty stand in their way. It is feared, however, that the solidarity of the middlemen as well as dissension among the weavers will nip the movement in the bud.

Co-operative stores and societies.—Real benefit can be derived from opening a co-operative store which will act as a store house and at the same time advance money for the upkeep of the weaver and his family. The amount will necessarily depend upon the work done by the weaver. This bank or store will supply yarns, etc., to the weavers, and will also be responsible for the disposal of the wares. Thus the store will supply the raw materials required for weaving, will keep the weaver running his loam, and will sell the produce that must be deposited with it. It is not possible to do this work in a day, and in the beginning the store may act as a commission agent and a co-operative bank may be established affording easy and cheap credit to the weavers which cannot but react favourably upon the industry. Every effort should be made to give the weaver at least a fair return for his labour.

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II.—Gold and silver thread.

System of work.—The whole process of gold and silver wire drawing has been divided into three parts, namely—

(1) The production of wire.
(2) The transformation of wire.
(3) The uses of wire.

(1) *The production of wire.*

The Sodhas. Generally a solid silver bar weighing 60 tolas is handed over to a distinct sect of goldsmiths known as the "*sodhas*". There are altogether 25 to 30 *sodhas*, including those who exclusively work for the *mahajans* (*kothi*). They have a *panchayat* of their own, and the *panchayat* is represented by one person who acts as a middleman between the *sodha* and the *mahajan*. A *sodha* will not take a silver bar from the *mahajan*, and the *mahajan* will not receive the molten silver from a *sodha* direct; it must be passed through the *panchayat* representative who guarantees the weight, etc., and for this both the *sodha* and the *mahajan* are to pay him. Silver is purchased in the shape of a *silli* weighing from 2,800 to 3,000 *tolas*; one *silli* consists of six pieces, and each piece consists of seven *pashas*. The *mahajan* pays twelve annas per *silli* for cutting into pieces, and six pies each piece, *i.e.*, three annas in all, for weighing. Then the pieces are handed over to the *sodhas* by the *panchayat*.

The required implements, etc., are supplied by the *sodhas* themselves. *Sodhas* who work for the *mahajans* hardly hire any labour, but sometimes a hand is required by the *sodhas* who work for both the *mahajan* and the public. In such cases the entire earning is divided into equal parts, and something is charged from the hired person, for the use of the employer's implements, etc. The *sodhas* are paid at the rate of five *pashas* to the rupee or three annas three pies per *pasha*. Out of this three pies per *pasha* is deducted by the *mahajan* for *goshala* (charity).

No advance is paid to the *sodhas*. Wages are paid only when the *pashas* are handed over, but the entire dues are not paid as a rule. If a *sodha* works for Rs. 10,

he is paid, say, Rs. 8 and not the full amount. The account is cleared twice a year, *i.e.*, after *Diwali* and after *Holi*. There is no regular work for the *sodhas*, and no apprentice system. When there is no work they work as coolies or do any other manual work. Instances where they get into debt are not rare.

The Potoiyas.—The *potoiyas* who draw wires for making *salma*, etc., have no *panchayat*, but as their number is very small they still hold some influence over the *mahajan*.

Wages are never paid in advance and payment is made generally at the end of each month, and the entire dues are never paid. An apprentice takes two years to learn the work, but the candidates are very few.

The Tarkashas.—Most of the work is done in workshops under master artisans who are paid the following wages by the *mahajan* :—

No. 60	...	...	...	...	...	6½	tolas for	a rupee.
,, 50	...	...	...	...	...	8	,,	,,
,, 10	...	...	...	...	...	10	,,	,,
,, 32	...	...	...	...	...	13	,,	,,

Out of Re. 1 one pice is deducted on account of cow protection (*goshala*) and an other pice is taken by the *mahajan* for weighing the wire, etc. Sometimes one anna is charged for this, but it solely depends upon the position of the worker, *i.e.*, if he is poor the *mahajan* takes advantage of his poverty knowing full well that he has no other alternative but to submit to his sweet will.

Method of payment.—The *karkhanadars* are generally paid by the *mahajan* a lump sum, say, Rs. 30 to 40, which is given generally once a month or so, and a *karkhanadar* is not allowed to work for another *mahajan* till the amount advanced is paid up in full. Very often the *mahajan* allows the dues to accumulate after the first advance is paid, so that instead of being paid in advance for the next time, the *karkhanadar's* dues are always kept in arrears so as to keep him attached and under subjection to the *mahajan*. The *tarkashas* who work under the master artisan are paid half of the wages that are paid to the *karkhanadars*, *e.g.*, for no. 40 the *karkhanadar* gets wages at the rate of 40 tolas to the rupee, while the artisan is paid at the rate of 20 tolas to the rupee. This is due to the fact that, firstly, all the expenses are borne and the implements are supplied by the *karkhanadars*, and, secondly, the workers generally get their wages when required, but the *karkhanadar* is not paid regularly. About four years ago they had their regular *panchayat* and they left work on a complaint against a *mahajan* for not paying higher wages, but the strike was of no avail.

There is a tendency among the *tarkashas* to drift to the workshops from their homes, which can be explained by the fact that there is competition for work between them and the *karkhanadars*, and also that the *mahajan* instead of distributing the work among individual *tarkashas* prefers to give it to one or two *karkhanadars*.

The wages of the *tarkashas* have also gone down very much in recent years. This is also due to the absence of large markets for these wires. A bigger market could be created by the adoption of modern advertising.

Chapra (wire).

System of work.—There are workshops where workers work under a master artisan. In such a case the worker gets nearly half the wages of a *karkhanadar*. From an independent worker, but who is not a *karkhanadar*, six pies are deducted per rupee for *goshala* and temples. But the levy of such commission has been very recently stopped from the *karkhanadars*.

The independent worker or the *karkhanadar* is paid at the end of the month; sometimes he is paid after 15 days. As a rule no advance is paid and a part of the wages is always withheld. Generally the account is cleared twice a year, (1) after *Diwali* and (2) after *Holi*. The workers are generally paid three or four times a month by the *karkhanadar*.

Workers' economic condition.—The work is not regular. Last year the workers struck work for two months, but poverty and selfishness stood in their way and the strike had to be withdrawn. The industry is barely paying, not only for the workers but even for hiring labour or inviting apprentices.

(2).—*The transformation of wire.*

Kalabuttun.

The *mahajans* are often compelled to stick to the system of low wages on account of the absence of the outside demand for the product.

Apprenticeship.—Apprentices are allowed, but a boy is not paid anything for the first 15 days, after which one anna per day is given, rising gradually to the standard wages. An apprentice woman is paid two annas a day for the first month.

Suggestions for improvement.—Co-operation is the solution of all the industrial evils of the 20th century. March can be achieved by co-operative production. But this is for the workshop owners or the middlemen. As the raw materials for the industry are costly, the workers are merely wage-earners. Better wages could be obtained by forming a *panchayat* of their own.

Salma.

Method of payment.—*Salma* is generally prepared by the *pardanashin* Muhammadan women to whom *charkhas* are supplied. The *karkhanadar* is paid three annas per tola, while the worker gets two annas per tola. The women get somewhat less wages. Nearly 30 tolas of *salma* can be made in a day. The *karkhanadar* is paid not more than once a month, while the worker generally gets his wages twice or thrice a week.

Sitara.

Method of payment.—The worker is paid once or twice a week. There is no regular work and there are cases where the anvils are unused for months together. Apprentices are paid nothing for the first year, after which they are paid Rs. 4 or Rs. 5 per month; thus their pay is increased annually until they acquire such experience as to allow them adult wages on the piece-wage system.

(3) *The uses of wire.*

Lais.

System of work and payment.—There are nearly 10 workshops where *lais* is given. As the price of the raw materials is very high, the work is done only in the workshops and the workers are merely wage-earners. There are altogether 50 persons engaged in the trade and the workers are highly skilful. The work requires trained workers and a delicacy of touch. The designs are made by the owner of the workshop himself according to order, and there are many exquisite designs. The worker is paid according to the weight of the wire, etc., used in weaving.

In nearly all cases the *karkhanadar* works for a dealer. The worker is paid once or twice a month, but generally the dues are cleared at the end of the month, while the *karkhanadar* is paid after two months or so or when the dues become a substantial sum. Apprentices are not paid anything for the first year. In the second year an apprentice is paid according to his work, gradually reaching the standard wages. The same applies to *kamdani* and *zardozi* work.

Gota (Lace).

System of work and payment.—About 200 persons are engaged in *gota* weaving, most of whom are women. The middleman gives the *badla* and the worker only gets the wages. Sometimes the work is also done in the *karkhana* whose owner gives 2½ annas to the worker for which he himself is paid three annas. The worker can get his wages when he wants, but the *karkhanadar* is paid by the *mahajan* not more than once a month. No advance system is prevalent.

Kimkhab.

Organisation.—There is no union or trade guild but customs are observed like laws, and so there is no lack of discipline. A few years ago, a disciplinary committee was formed and contributions were made by the *kimkhab* weavers. But the committee failed, due to the manager's embezzlement of the common money.

Method of payment.—They are paid according to two different scales. The expert weavers are generally paid piece-wages, *i.e.*, Rs. 30 to Rs. 40 for weaving one *than* of brocade which generally takes nearly a month to weave. This includes the wages of one adult and a boy worker who helps him in the work. Less expert weavers are paid monthly wages, *i.e.*, Rs. 15 to Rs. 20 per month, and are employed to produce inferior kind of work. Sometimes the worker weaves brocades independently and sells them to the *mahajan*—in such cases the *mahajan* generally keeps a great margin in the price.

Apprentices.—Apprentices are kept. They work for six months at handling the loom, *i.e.*, *naqsha*, after which period they are paid from Rs. 8 to Rs. 10 per month, and when they gradually learn the work of actual weaving they are given wages according to their ability.

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III.—Brass and Copper.

Generally two castes, namely, the Kaseras and the Thatheras, have been engaged in the industry for a long time, but at present workers of various castes are found in the industry—people who took to the work seeing the industry to be paying.

Supply of raw materials.—There are not more than 500 persons engaged in the brass industry which is carried on both in the workshop and in the homes of the workers. In the former case the work is also done in the home of the master artisan and not in a rented house. The *karkhanadar* usually employs six to seven men and supplies them with tools, etc. The independent worker who works with his family members only has his own implements. The middleman gives the worker or the master artisan sheets of brass, copper, German silver, etc., and the workers are paid at a specified rate. All the workers, except a few, work for the middlemen.

The workshop system.—There is no organisation of the metal workers, but at present a *panchayat* is in formation. All the members of the family work together and one middleman has five to six families under him. There is nothing to prohibit a brass worker to work in German silver, but generally some division of labour is found. There is a sharp division of labour among the workers. One man cuts the sheets, another shapes it, a third chisels it, and on. Thus an article passes through many different hands before it is finished. Sometimes one workshop or family specializes in making *lotas*, another *degchis*, etc., and generally a workshop does not make articles specialized by another, but there is no strict restriction. Such specialization seems to have been resorted to because it makes for both economy and efficiency.

Methods of payment.—Wages are paid by the piece-system and the workers are paid at the rate of six to eight annas per seer.

The workers are required to pay for the ingredients (*masala*) for the articles made, and their wages include the price of these ingredients. They must chisel and polish the articles according to the nature of the wages. Sometimes the middlemen accept unchiseled articles and get them finished at their own cost.

The master artisan pays one anna less per seer to his employee because he supplies him with tools, etc.

The *mahajan* charges two annas per maund for *goshala* and the same amount is given by him also. The workers are paid by the *karkhanadar* generally twice a week, but there is no hard and fast rule, and the worker can get his wages every day.

Apprenticeship.—The system of apprenticeship is prevalent, but it is generally restricted within the caste. Sometimes a boy is kept for helping the workers in their work, *e.g.*, handing over the hammer, etc., and is paid six pice to four annas a day or Rs. 2 to Rs. 4 a month. He works as an apprentice and is attached to the worker for eight to ten years, after which he attains the usual standard wages and may work independently and becomes capable of turning out decorative brassware. But generally an apprentice as such is not paid anything for the first two years, *e.g.*, in the sheet brass and glass-making industry. In the moulding branch he gets no pay for the first year.

Middlemen.—There are a few workers who work for themselves. The middlemen supply the workers with sheets of brass, copper and German silver and the latter turn out the required articles and are paid according to the weight. The profits of such firms are sometimes much larger than what is shown by Mr. Dampier, Of course, "the

skilled and well-known artisans sometimes command higher wages and dictate their own terms," but the number of such skilled artisans is very small and the ordinary workers who form the majority have no such opportunity of exercising any influence over the middlemen. In theory, the wages are paid by the *mahajan* as soon as the finished articles are weighed and deposited with him, but in practice the case is otherwise. Only a part of the dues are paid and the balance is paid after a month or even longer. In brass, glass and other small industries money is paid when the wares are deposited, because in such cases the wages are very low; but even here there are cases where dues have been withheld for more than a month. Except in the case of very skilled artisans who work under a big firm there is no advance system in the brass and copper industry in Benares. The coolie fare for bringing the sheets from the *mahajan* to the workshop is paid by the *karkhanadar*, while the *mahajan* pays the coolie who brings the finished wares from the workshop to the dealer.

The middlemen have their own shops in the market and can be divided into (1) big middlemen and (2) petty middlemen.

Marketing.—The sales of petty middlemen is in almost all cases local and very few of them resort to advertising or canvassing for their wares. Their sale depends entirely upon the inflow of the pilgrims on special religious occasions.

The big middlemen sometimes advertise their goods in different newspapers and enjoy considerable reputation.

Domestic utensils.—Co-operation, in spite of the risks it involves, seems to be the only solution. If the workers buy raw materials and sell the articles co-operatively, there is every hope that the industry will regain its former position. Again, through sale societies the working will be efficient and the cost of advertising, management, etc., will be small. The introduction of new styles of goods and concessions in railway fares will doubtless popularise the industry.

Decorative utensils.—In Mr. Heard's opinion the present system of payment for carving designs, etc., on the wares (*i.e.*, according to the weight of the article) is faulty. This can be remedied, he says, by the introduction of the piece-system. But it is doubtful if the suggested method of payment will result in any appreciable improvement. On the other hand, if time wages are paid, there is a hope of getting appreciable results. In the meantime the improved method of advertising and canvassing for the existing goods should also greatly increase the demand.

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IV.—Lacquered toys.

Organisation of labour.—All the workers are Hindus and many of them Thakurs by caste. The workers are not organised—they have no regular *panchayat* of their own. Almost all of them work for middlemen dealers. Some of them receive advances from a big dealer (sometimes amounting to Rs. 100) for buying wood, and this sum is realised from them by instalments as the workers prepare the required articles and the balance of wages is paid.

Apprenticeship.—In the figure-making industry no apprentice is allowed. In the lacquered toy branch sometimes an apprentice is taken. He pays from Rs. 5 to Rs. 15 as admission fee to the worker and this sum is not returned. The apprentice is given wood and a lathe-turner is appointed at the apprentice's cost. He thus learns the work and turns out articles from the sale of which he pays the lathe-turner and feeds himself. An apprentice takes six months to learn the work, but at present the candidates are very few.

Middlemen.—The middlemen advance money to the skilled workers to ensure supply of better wares. These workers buy wood for the whole year and pay the sum advanced in instalments by allowing the middleman to realise the amount by giving half of the wages due. In such cases the worker is to work solely for the middleman, and the articles made must be sold to him alone. In other cases the workers buy wood themselves and turn out articles which are sold to the shopkeeper who accepts them at the specified rate; and a part of the wages is withheld so that the worker is bound to sell the future wares to him alone. The makers of animal figures, etc., are generally paid cash when the articles are brought to the shopkeeper.

Marketing.—No canvassing system is adopted and very little advertising is done.

Suggestions for improvement.—A steady demand can be maintained by appointing canvassers and agents and sending them out to distant places. Advertisements in vernacular papers will also help a great deal. The workers can become independent of the middlemen by purchasing and selling their goods co-operatively. This can be effected by re-forming the old *panchayat*.

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V.—Dyeing.

Organisation of labour.—The condition of the industry is not so satisfactory as to enable the dyer always to appoint hired labour. At present labour is hired according to the demand for dyed cloths. A worker is paid Rs. 10 to Rs. 15 per month and sometimes he is also given food once a day. Formerly a hired labourer was paid Rs. 5 a month and was given food twice a day. The rise in wages is due to the rise in the prices of general foodstuffs.

Apprenticeship.—At present the condition of the industry is not such as to invite an apprentice and the industry is restricted within the family of the *rangrez* and only his children are taught the trade.

Absence of middlemen.—There is no middleman in this trade. The industry is carried on by the workers themselves. They generally do piece-work brought to them by private persons, *i.e.*, local customers or the women of the neighbouring villages. They also dye cloths, etc., given for the purpose by the local cloth merchants.

Economic condition of workers.—Their condition has been so poor and the standard of living so deplorable that, especially during the rainy season, they are forced to run into debt. Once they borrow they cannot repay the loan but keep on paying interest from generation to generation. The payment is made in instalments and is completed in three years. Instances where their houses are mortgaged and sold off in consequence are not rare.

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VI.—Calico-printing.

Organisation of labour.—The majority of the master printers work for the middlemen and a small number work for themselves. Chhipitola printers generally work for some *mahajan* of Baragaon who sends the printed cloths to Nepal, while the printers of Bisheswarganj work both for the local middlemen and those of Assam. Recently the printers have been tending to drift to the *karkhanas* from their homes, because they can always get advances from the *karkhanadars* and find it difficult to get orders direct from the *mahajans* or dealers. The *karkhanadar* is paid one rupee per *than* for printing on the border and the ground, while the printer is paid three annas nine pies for the same: and three to four *thans* can be printed in a day. For printing the border only he is paid two annas six pies per *than*, and in one day he can print six to seven *thans*. This is generally printed on *malmal* and a *than* is of 18 yards by 40 to 42 inches and consists of three *saris* of six yards each.

Apprenticeship.—Apprentices are allowed. In the printing of ordinary *saris*, blouse-pieces, etc., an apprentice is not paid anything for the first two months; after this period his wages gradually increase from four annas to a rupee. The worker is paid one rupee, but he gives the apprentice only four annas and keeps the balance to himself. An apprentice takes one year to become an expert.

Middlemen.—Almost the entire market is captured by the middlemen. Though they do not advance money, they generally withhold a part of the dues of the master-printer so that the latter is always attached to them. The payment is made when the printed fabrics are handed over to the middleman in his *kothi*, *i.e.*, after a month or two. The workers are generally paid at the end of the month, but sometimes a few rupees are paid every week or when very urgently required. Thus the workers again cannot leave the work whenever they choose to do so. When the middlemen advance money for the purpose of purchasing stamps, the printers are doubly secured and consequently they cannot leave their master. They are ready to print cloths on their own account and sell them in the open market, but they are reduced to such an abject condition that they command

very little capital on their credit, and if somehow they procure a little capital and print cloths, the middlemen refuse to buy their goods or offer exceptionally low prices. They cannot stand this state of things very long and ultimately they are forced to give way, either by selling at a low price or submitting to subjection.

Marketing.—There is a small number of printers who work for themselves. They hawk their goods in the local market and streets but cannot obtain good prices. The middlemen advertise their goods in some leading vernacular paper and by handbills on special occasions. They export their goods to distant places.

Suggestions.—(1) Placing the producer in direct touch with the consumer. This can be done by exhibitions, industrial and commercial journals, and perhaps by co-operative associations.

(2) Co-operative production. In Benares the printers are poorly paid and the entire profit goes to the middlemen. Co-operative production and co-operative sale of goods seem to be the only solution of this problem.

(3) A co-operative sales association will eliminate the middlemen and bring the consumers in direct touch with the printers, and the risk of loss from change of fashion will thus become less.

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VII.—Glass-blowing.

Organisation of labour.—All the workers are Muhammadans, and they have no organisation of their own. The owner of the workshop generally works with the help of one or two workers who are paid by the piece-system. One anna is paid for making one jar and one man can make 12 to 16 jars in a day. One jar weighs half a seer. The worker works from morning till evening with an interval of half an hour or so for taking food.

Apprenticeship.—Apprenticeship is prevalent only within the caste. A boy is paid from two to four annas a day for cleansing and washing the glass pieces and to supply fuel in the furnace. An apprentice generally takes one year to learn blowing and after one year he is paid at the same rate as an adult. But as the industry does not pay and the work is extremely tiresome, apprentices for glass-blowing are not at present forthcoming—only a boy is kept for cleansing and washing the glass pieces and his pay increases according to his experience.

Middlemen and marketing.—As the industry is not paying no middleman has intervened. The owner of the workshop himself is a worker. The articles are sold in the workshop itself.

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VIII.—Tikli-making.

Organisation of labour.—Nearly 1,200 persons are engaged in this industry—1,000 using glass, and 200 using copper leaves as raw material. All the workers using glass work under middlemen, while those who work in copper leaves are independent.

A.—Glass tiklis.

Generally the raw materials are purchased by the middlemen, but sometimes the worker buys glass himself and the price is paid by the middleman at the time of the payment of wages. The workers are paid at so much a hundred, and a hundred means 120 for big *tiklis* and 240 for small *tiklis*, better known as *ek soiya* and *do soiya*. A worker is paid at the rate of six pies per hundred for *katai* or cutting the glass into the required round shape. He cannot cut more than 1,000 *tiklis* in one day and his wages do not amount to four annas a day. Then the *tikli*, *i.e.*, the glass piece, is painted according to the pattern for which he is paid at the rate of three pies per hundred. In one day nearly 200 pieces can be painted. After the painting, designs (*echobi*) are made on silver or gold leaf (*panni*) and pasted over the painting or in between the various parts of the design for which he is paid at the rate of one anna per hundred. Then *pannis* of the same shape and size are attached over them and the worker is paid at the rate of three pice per hundred if only one *panni* is to be attached or six pice if two.

Apprenticeship.—As the industry is not paying, apprenticeship is not generally prevalent. An apprentice works for himself and gets the wage that is granted to him by the middleman. When he learns the work he may work in collaboration with another worker and divide their earnings among themselves.

Middlemen.—The industry is entirely captured by the middlemen. Twenty to twenty-five families are generally attached to one middleman, and he pays the workers at the specified rate and no advance system is prevalent. The glass is generally bought by the *tikli* makers for which the middleman pays them, and the other materials are purchased and supplied by the middleman directly to the workers. The workers only get the wages.

Marketing.—There is no advertising or canvassing system. The whole export business is carried on in the native way of marketing. An external customer comes to Benares for the things required and buys them locally. This often gives rise to regular correspondence between the two and there is thus some sort of advertising without initial costs.

Suggestions for improvement.—A producers' co-operative association will help the cause. But before such a movement is started, the people should be taught the causes of their miserable condition and the principles of co-operation. Primary education will hasten the demand for such associations.

B.—Tiklis made from copper and brass leaves.

Organisation of labour.—At present nearly 100 persons are engaged in making *tiklis* from brass and copper leaves called *pannis*. The labourers have still retained their independence at the cost of all other joys of human life and are trying their utmost to resist the middlemen. The industry is more or less localised at Rajghat.

Working system.—The industry is carried on in the cottages. The workers themselves buy all the materials and take the finished *tiklis* to the local dealer. Generally no hired labour is engaged; but when an external hand is employed, he is paid at the rate of six pies to one anna per 1,000 *tiklis* made, and nearly 4,000 *tiklis* can be made in a day. After the *tiklis* are cut from the leaf, these are given to the neighbouring women for pasting coloured mica in the *tiklis* and the finished *tiklis* are pasted on small pieces of paper with gum. The women are paid at the rate of six pies to one anna per 1,000. Generally 2,000 *tiklis* can be coloured, pasted and sorted in one day. As the industry does not pay the workers, they have subsidiary occupation as boatmen.

Apprenticeship.—As the industry is not paying, apprenticeship is very rare. When, however, an apprentice comes to learn the work he is paid nothing for the first three months, and from the fourth month he gets Rs. 3 to Rs. 4 a month. One takes six to eight months to learn the work.

Middlemen and marketing.—There is no middleman over them, but they are themselves generally attached to a shopkeeper. They can leave a particular shopkeeper whenever they like and go to another dealer. Though the dealers have not reduced them to mere wage-earners, yet for all practical purposes they are forced to sell their goods to them. The workers have small capital and little time to spare for selling their goods after the hard toil of the day. In some cases they sell their goods wholesale or retail to an external customer, but this rarely happens. The dealers also export the goods to Ballia, Buxur, Bankipur, Patna, Ghazipur, etc. No advertising is resorted to nor are canvassers engaged.

Economic condition of workers.—Very often the workers run into debt. They borrow from the *Marwari mahajan* at a specified rate, *i.e.*, they borrow Rs. 18-12-0 and pay Rs. 25 in all in two years at the rate of Re. 1 per month and one month is allowed as grace. Money is lent only when some security or a surety is given.

Suggestions for improvement.—The implements they use are all quite satisfactory and cheap and no improvement is called for in this direction. With the change in taste the industry is bound to suffer, but, still, if the workers work jointly and sell their goods on a co-operative basis, there is some hope that they will be able to hold their own for some time yet to come.

IX.—Lac bangles.

System of work.—As there is no uniform demand for bangles, hired labour is not employed throughout the year. An external hand is hired when there is a great demand for bangles, and is dismissed just after the demand is satisfied. The hiring is made according to both piece-wages and time-wages, but piece-wages are more general.

A worker is paid at the rate of two to six annas per hundred bangles or eight to twelve annas per day; and one worker can make 200 to 300 bangles in a day. Food is sometimes given once a day when the worker is engaged on daily wages. One and a half *pao* of wheat was fixed by the *panchayat*. The work is done from 6 a.m. to 4 p.m. with an interval of half an hour or so for taking food. Some sort of division of labour is observed in the industry. Formerly the *panchayat* exercised control to a considerable extent over the industry. Prices of bangles, wages for the workers, etc., were fixed by this body. At present no apprentice is kept.

Method of finance.—The industry is generally carried on independently of middlemen. The owner of the shop (*i.e.*, the husband) purchases the raw materials direct, from outside or from the local market. He also makes bangles himself. The wife sells the bangles and a considerable quantity is also sent outside. Sometimes the owner gets orders from outside customers or shop-keepers and receives a part of the price in advance.

Marketing.—No advertising or canvassing system is adopted. The customers personally come from outside and return to their places after necessary purchases are made; and thus arises a regular trade between them and the banglemaker. Sometimes the husband or the owner takes the goods to different places for the purpose of sale.

Suggestions for improvement.—Increased demand can be expected by appointing canvassers and introducing new and improved designs.

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X.—Iron and Steel.

A.—Iron.

Organisation of labour.—The *lohar* works in his own house aided by his sons and relatives. One family specialises in one sort of article, *e.g.*, *ghara*, while a second specialises in something else, *e.g.*, portable oven, but there is no restriction in one doing another's work. The iron sheet is supplied by the middleman and all the initial expenses are borne by the worker. Finished articles are handed over to the middleman and the wages are paid by weight. For making 1 maund of *gharas*, a *lohar* is paid from Rs. 3-8 to Rs. 4, out of which about Re. 1-2 is spent by him for the material, and a few annas for coal and charcoal. One maund of *gharas* can be made in one day by one adult worker with the help of three boys working from morning till evening. For making one maund of boiling pans, which can be turned out in one day with four persons, Rs. 2 to Rs. 3 are paid, and for one maund of ovens involving the same amount of labour the payment is Rs. 3. Generally, no external worker is engaged but in making boiling pans a worker is paid ten annas a day whenever he is employed. The wages are paid daily. In bucket-making payment is made both by the time-system and the piece-system, *e.g.*, one anna per bucket and six annas per tub or eight to ten annas per day. In one day twelve buckets or two tubs can be made, and the latter system, *i.e.*, by time, is observed where the worker works in the workshop and the implements, etc., are supplied by the dealer himself; while piece-wages are paid where the worker works in his own house and the raw materials are supplied by the dealer. If the master artisan engages workers under him the latter are paid about 14 annas for a rupee's worth of work. The worker is paid daily by the master artisan, but the latter is paid, say, once or twice a month. *Lohars* who work independently generally make *sandasis*, *chimtas*, etc. In one day 7½ seers of articles can be made. They are sold both by weight and piece. The sale price is five annas per seer.

Apprenticeship.—Generally in oven and *ghara*-making no apprentice is kept and the worker is helped in his work by his sons, while in boiling-pan-making an apprentice is allowed but no wages are paid for the first few months, only food for both the times being given by the employer. An apprentice is also allowed in bucket making and is paid one anna six pies per day, and the increment of his wages depends upon the length of his service, *e.g.*, four annas per day in the second year, five annas in the third, and so on; but generally an apprentice is paid ten annas a day in his fifth year and this is the maximum.

Middlemen.—The entire industry is captured by the middlemen who pay the worker either daily or by weight, as the case may be. No advance system is prevalent and payment is always made after the work is done; and a portion of the wages is

deliberately withheld lest the workers may refuse or leave the work whenever they choose. It is true there are a few workers who work for themselves. They turn out articles which are not bought by the middleman because of the unwillingness of the *lohars* to come under his control: their wares cannot compete in the market. The few independent workers still existent are ready to accept orders at any price or to take up any other occupation.

Marketing.—As has been observed the industry is run mostly by middlemen, and naturally there is a division in the industry between the middlemen on the one hand and the independent workers on the other. As a result, hard competition has followed. The former, commanding a larger capital, buys up the workers by making contracts with them, and, in order to carry on the business, may stand for a while the loss necessary to capture the market, or they withhold the wares till better prices are offered; while the latter works with his sons in his own house and has no other occupation. He has to buy his raw materials and feed himself and his family and requires to rent a shop in suitable quarters. In the meantime all his outturn may not be sold, but he has to pay the merchant from whom he buys the sheet. All these require a considerable sum but he is usually poor. If he cannot pay the merchant he is gradually subdued to the position of a mere wage-earner. This is the most distressing feature of the iron and steel industry in Benares. There is no canvassing system, and no advertising is resorted to.

Suggestions for improvement.—There is no doubt that time and labour could be saved if modern implements were used, but they are a bit too costly. What is wanted is not skill but capital. If capital is supplied there is every hope and possibility that the workers will be given a stimulus; and a little lesson on business economics will also help the matter.

It is doubtful if co-operative production would help the cause. Owning a modern furnace on co-operative lines has been suggested, but as most of the utensils are made from wrought iron, the possibility and utility of owning a modern furnace is not practical. What they require is to canvass their wares both in the local and outside markets, and every effort should be made to capture outside customers. The workshop is unsatisfactory no doubt, but it is useless to ask these poor workers to get workshops of the modern type.

B.—Steel.

Workshop system.—The labourers are not organised and they are members of no co-operative society, guild or union. They work individually and there is no division of labour. Generally the workers are divided into two classes, namely, (1) the trunk makers, and (2) the painters.

The trunk makers.—The trunk makers perform every work from the cutting of the sheet after required measurement to make a complete trunk. Such workers are paid by the piece system and according to the number and quality of boxes they make. Their wages range from two to ten annas per ordinary box, and from three to five annas per suit case; and each worker has to do the whole work himself, *i.e.*, from cutting to the finishing of the box. In one day two to three boxes of normal size are made, and the wages per head range from eight to ten annas a day. Generally no advance system is prevalent, but sometimes a lump sum is advanced to a good worker to insure his service. The labourers are paid daily up to half the amount of their dues for their maintenance, the balance after a week, a fortnight, or a month. A portion of the wages is thus withheld by the dealer so that the labourers might not leave the work whenever they like.

The painters.—The painters work on monthly payment, and are paid according to their qualifications, experience, and the nature of the work done. Their monthly pay ranges from Rs. 15 to 20. They work from 8 o'clock in the morning to 4 o'clock in the afternoon, with an interval of half an hour or so for their meal. Aniline paints mixed with indigenous dyes, which are sold in iron jars containing 12 seers of paint and costing from Rs. 6 to 9 each, are used with kerosine oil and applied with a brush. Foreign polish is used for the finishing work. The dyers are not kept throughout the year. They work for a month or two, and when the work is finished they are dismissed and are again employed when boxes are made in large quantities.

Apprenticeship.—In all workshops apprentices are allowed, but as the payment is made according to the piece scale, an apprentice must be attached to some worker who himself pays him at the rate of Re. 1 to Rs. 2 per month when he learns the work. Thus the workshop owner has no concern with apprentices. An apprentice usually takes a year to learn the work, and, if he can work like an adult trunk maker, he is paid on the same scale by the workshop owner; his age, however young, is not a bar. In cases where the work is paid after a month the apprentice is also paid by the worker when he gets his wages from the workshop owner.

Middlemen.—All the workshop owners are middlemen. They open workshops in rented houses and engage workers, and the instruments and other requisites are supplied by them. Though the advance system is not a rule, yet the workers are not free. As has been said above, a portion of their wages is always deliberately withheld lest they should leave their employers. Should a worker do so, he loses his dues, which is beyond his power to realise, and at the same time he is branded with dishonesty, so that he finds no job with any other employer. But if after taking an advance he leaves his employer and joins another, there is a mutual understanding amongst the workshop owners so that the dues of the former employer are paid to him by the new employer to whom the worker goes. In Benares town there is only one workshop which is run wholly and solely by the workers themselves. But the workshop, unfortunately, lacks both in management and scientific methods of working. Everybody is a manager there and none to follow the instructions.

Marketing.—Almost all other big centres have a similar industry, and, as no advertising or canvassing system is adopted or recognised, mufussil customers are not aware of the existence of such industries so near them. But local canvassers are allowed at the rate of one anna to the rupee. Most of the workshop owners are fatalists. They say that if it is ordained by God that they should prosper in the trade they must. This so-called submission to the unforeseen is really deplorable. One workshop owner appointed canvassers, but as no security was taken most of them misappropriated the advance money they received on orders. There were self-made canvassers too who printed order forms of their own and thus cheated the customers. The said firm has adopted other means. It has printed some handbills and labels with the firm's trade mark and address, copies of which are given to the customers who take them home, and thus a little canvassing is done.

C.—Cutlery.

System of work.—All the members, including the women of the family, work together, and there is some division of labour. The woman pulls the whetstones and the man sharpens the knives. They work from morning till evening and no hired labour is kept. Four persons can turn out 100 knives in one day.

Apprenticeship.—As the industry is in a precarious state no apprentices are attracted by it.

Finance.—There is no middleman in this industry. As foreign cutlery is cheaper and more beautifully finished and has sharper edges, no local shopkeeper likes the idea of keeping local cutlery in his shop or to start a factory of his own.

Marketing.—No advertisement by handbills, etc., is done and it is beyond the resources of these poor people to do so.

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XI.—Gold and silver leaf (*warakh*).

The workshop system.—Almost all the persons are wage-earners who work in one or other workshop.

The workers are not organised. The leaf is flattened by constant hammering a leather book in which the leaf is placed between alternate pages. Sometimes a sort of division of labour is observed, *e.g.*, one man places the leaf in the book and another hammers it, but such cases are very rare. The worker is paid at the rate of Rs. 2 for making *warakh* of gold weighing one *tola*. From one *tola* of gold 120 sheets of fine leaves, each weighing less than a *ratti* and of $8\frac{1}{4}'' \times 6\frac{3}{4}''$ measurement, are made. A worker takes two days to make 120 such sheets, so his wages come to Re. 1 per day.

But gold leaves are not always made. From one *tola* of silver 150 sheets of $6\frac{1}{2}'' \times 4\frac{1}{2}''$ measurement each are made, and the worker is paid ten to twelve annas per day. In one day 150 silver leaves are made. The worker is paid according to his requirements. There is no hard and fast custom in the matter of payment of wage-earners by the shop-keeper. The workers generally work from 9 a.m. to 6 p.m.

Apprenticeship.—An apprentice is paid nothing in the first year. After one year he pays all the expenses of the *puja* of the deity of the industry or for the *shirni*, after which and not before that, he is paid from Rs. 1 to 5 per month, his pay increasing according to his experience until he attains the perfection of an adult wage-earner.

Middlemen.—The industry is run both by the middlemen and independent workers. The latter sometimes borrow money from the *mahajans* who exercise no control over the industry but are paid a small interest on the principal sum. The raw material being costly most of the workers cannot command the necessary sum for buying it and so have to work in the workshop. Independent workers, who have to repay the borrowed money before they find a market for their *warakh*, are forced to repay their debt in kind. The *mahajan* thus usurps the position of a *karkhanadar*. The workers are, therefore, sinking into the position of mere wage-earners.

Marketing.—Neither any canvasser nor agent nor any advertisement in any vernacular papers is resorted to. The leaf is sold in the workshops. As the material is costly, and there is risk of being cheated, external customers personally come to Benares to make purchases. After mutual understanding they come to rely on the shop-keeper and send orders for the articles from their places. The demand for such articles can be considerably increased by means of advertisements in the vernacular papers and appointing canvassers.

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XII.—Carpet-making.

The workshop system.—Most of the preliminary processes are done by the workers with the help of their families.

One *darri* of standard size can be woven in a day. The work is generally restricted to the members of the family who work in their own homes. But sometimes external hands are also required. If the worker comes from the city and is known to the employer, the wages are calculated according to the usual rate and the size of the fabric to be woven and are paid in advance, but if he comes from outside only daily wages are paid. The rate is three square yards to the rupee in the case of big carpets; in small carpets no external hand is hired.

Apprenticeship.—Apprentices are allowed, but they are generally restricted to the caste. In *darries* of ordinary size an apprentice is not paid anything for the first month. When he has learnt to weave, in a month or two, he is given a separate loom, which is always kept for the purpose, and is given five annas as wages per *darri* of $6' \times 3'$, irrespective of the time he takes in weaving it. In respect of big *darries* he is given eight annas as wages for which an adult gets a rupee.

Method of financing.—There is no middleman and the weavers are servants to none. There is no regular routine of work. They take it up whenever they choose and leave it whenever they like. The industry is carried on strictly on the cottage system. The work is generally done to order or for the market. But when there is no work they sometimes work for the middleman who pays as soon as the finished *darri* is handed over to him.

Economic condition of the workers.—They occasionally run into debt which they cannot very easily pay off. When they fall sick they have no money to buy medicine or call a doctor. Naturally they lead a very miserable life.

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XIII.—Napkin-making.

Workshop system.—The industry is carried on entirely on the cottage system and there is no middleman. When required the owner of the workshop would hire labour and pay wages at the rate of one anna per yard of one yard width. But at

present competition has told heavily upon the local industry, and the hiring of labour is very rarely done as the industry cannot afford it. The yarn is dyed by the owner himself or by his worker. One worker can weave 10 to 12 yards of napkins per day, so their actual wages range from 12 annas to Re. 1 per day.

Apprenticeship.—Apprentices are allowed, but as all the initial work is done by the wife and children of the workshop owner, they are paid no wages for the first two months when they come to learn the work. After the period of apprenticeship there is no gradual increment in wages as in other industries, but the apprentice is paid at the same rate as an adult worker, because it takes hardly more than two months for a novice to learn the work thoroughly.

Marketing.—The workers are self-sufficient and slaves to none. They get yarn from the local market, weave the napkins themselves, hire an external hand when required, and sell the goods themselves or to the dealer. They allow no intermediary to take a share in their profits. Their workshop is their market. They are so much engaged in the industry that they have little time to spare, nor do they feel the necessity of taking their products to the market for sale. They labour hard from morning till evening, but still cannot satisfy the demand of their customers, both local and outside. External customers come to the workshop to buy their requisites personally as the supply is less than the demand.

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XIV.—Hosiery.

System of work.—Labourers are engaged on two district bases—(1) on piece wages, and (2) time wages. The former is generally paid to the women of the locality who come to the factory and are allowed to work there. They generally make socks and are paid 12 annas to Re. 1-8 per dozen socks according to the texture of the fabric. One woman can make six to ten socks per day. The demand for female labour is not constant. It solely depends upon the condition of the market. Male workers are paid at the rate of one anna per pair of socks and two annas per sweater. One dozen sweaters or a dozen and a half socks can be made in a day. Those who are paid monthly wages are more or less permanent. Their pay ranges from Rs. 10 to 12 per month. There is no specialised labour and one man can perform all the processes.

Apprenticeship.—Apprenticeship is prevalent. Some of the factory owners have opened something like training classes. An apprentice pays Rs. 25 to the factory owner, which is not refunded, and a monthly fee of Rs. 5 for six months. After this period he becomes efficient and gets proper wages if he wants to work in the same factory. If a man is poor generally no advance is taken from him and he has to pay only the monthly fee. If he is very poor he is sometimes taught free. But generally the work is taught in the local Government Central Weaving Institute.

Marketing.—The products are sold both wholesale and retail at the factory. They are sold wholesale to the local shop-keepers on credit, the price being paid when the products are sold. Thus the factory owner has to wait long for the realisation of his money. The little capital he has is thus blocked for a while and the industry cannot produce articles at a greater speed for lack of capital. A little export is made, especially to Burma. One of the factory owners resorted to advertisement in newspapers but no appreciable result was obtained. Both local and travelling canvassers are engaged. The former get one anna to the rupee and the latter receive 13½ per cent. commission on orders received, but no allowance is given.

There is no middleman in this trade. The factory is run by the owner himself or by one of his near relatives.

Suggestions for improvement.—If influential canvassers are appointed the products will be popular and four to five well-established factories can very well pull on in a city with nearly two lakhs of population.

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XV.—Pottery.

A.—Articles of common use.

System of work.—There is no organisation in the industry and the control of the *panchayat* is feeble. No hired labour is generally required, and all work is done by the members of the family. But where, however, an external hand is engaged he is paid piece wages, *i.e.*, for making the big earthen cups for keeping oil, etc., he is paid at the rate of a rupee per 2,000. Apprenticeship is restricted within the caste only, and no outsider is generally taught the work.

Method of finance.—Middlemen are there, but they are more of dealers than anything else. The potters do not work under them, nor do they accept any advance. When the articles are made these dealers buy the goods from the potters, just as a customer does, though they are allowed a special rate.

B.—Tile-making.

System of work.—The tile makers have a regular *panchayat* which generally directs and conducts the social observances but has no influence upon the trade. The tile makers do not generally require any hired labour, but when they are forced to employ any owing to increased demand, they pay from six annas to eight annas per day. One man can make 200 to 300 big tiles or 300 to 400 small tiles (*khapra*) in a day, working from morning till late in the evening with an interval of an hour to take his dinner. Apprenticeship is generally restricted to the caste and no external hand comes to learn the work.

Middlemen and marketing.—There is no middleman and the tile makers do not work for any dealer. No advance system is prevalent, and the industry is carried on strictly on the cottage system. Articles are sold both wholesale and retail at the place, or the potters send them outside if mufassil orders are forthcoming. There is no regular market and the demand for the articles is seasonal, not constant. No advertising or canvassing is prevalent, and mufassil customers personally come and settle the bargain. Tiles are sold at the rate of Rs. 7 to 8 per thousand, and flower tubs at the rate of Rs. 8 to 12 per hundred, big or small, as the case may be.

Economic condition of the workers.—Their standard of living is not very high. In some months of the year they sit idle or are forced to resort to some subsidiary occupations, *i.e.*, painting figures of animals, etc., on walls. Sometimes they run into debt, but they can ultimately pay it off. Such a condition is due to the fact that they are very prodigal, and their earnings are not well-distributed throughout the year; they get money in lump sums and spend it within a very short period.

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XVI.—Leather.

System of work.—The shoemakers generally do not require any hired labour, but where they do, a man is paid by the makers of native shoes two annas six pies per white shoe and three annas per coloured. One man can make three shoes in a day. A worker is paid either Rs. 10 to Rs. 20 per month or 12 annas per pair by the English shoemakers. The workers are generally paid daily, but in the case of makers of English shoes sometimes the worker is paid his wages in advance. The sewing machine may be used by another shoemaker, and its use is charged for at the rate of nine pies per pair of shoes, the thread being supplied by the owner of the machine. There is a *panchayat*, but it exercises very little control on the trade itself.

Apprenticeship.—In the shoe industry of country patterns an apprentice is paid nothing for the first four or five months, but he is allowed food twice a day by the shoemaker. After the specified time he is allowed half wages, and the payment increases with the passage of time until he reaches the standard of an efficient worker. But no apprentice comes to learn the work, and among the makers of English shoes apprenticeship is kept restricted within the caste.

Method of finance.—Generally, there is no middleman. The work is done by all the male members of the family. Some workers make shoes of different sizes for sale in the workshop, while others generally make to order. In the absence of orders these latter make shoes and keep them for sale. Both kinds of workers enter into contracts when articles are ordered by the local shopkeepers.

Marketing.—As a rule shoes are not taken to the local shopkeepers for the purpose of sale and no canvassing or advertising is done.

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XVII.—Minor industries.

(*a*) *Moulding of jewellery.*

System of work.—A small number of persons are engaged in making bell-metal jewellery; the majority of the workers work in aluminium and German silver. Old aluminium vessels are purchased locally at twelve annas per seer. Three persons are required for the moulding process—the moulder who is paid at the rate of four annas per seer; his helper who prepares the mould in the earth, ashes, etc., and is paid at two annas per seer, and the man who moves the bellows at two annas per seer. In one day twelve seers of articles can be turned out by three persons. The man who polishes the moulded articles, *i.e.*, the *reti*, is paid at one anna per seer. One anna six pies is paid for polishing the O-shaped anklet. Sometimes the workers are paid daily wages. The sale price of such articles is Re. 1-4 per seer. The workers are paid twice or thrice a month, while the workshop owner or the *karkhanadar* is paid only once a month by the *mahajan*. German silver sheets are supplied by the *mahajan*.

Apprenticeship.—An apprentice gets nothing for the first few months, and when he learns the work he is given either daily wages or monthly wages of Rs. 8 to 10, whichever he chooses. Generally no advance is paid and payments are made when the prepared articles are delivered to the dealer, and very often a part is withheld. There is no *punchayat*.

(*b*) *Wood.*

System of work.—The wooden shoes are made of *shishum* wood bought from the local merchants at the rate of Rs. 3-8 to Rs. 4 per piece of $4' \times 18'' \times 3''$ measurement. Sometimes an external hand is hired who is paid either by the piece or by the day, *i.e.*, nine pies per pair or twelve annas per day. One man can make twelve to sixteen pairs of wooden shoes in a day. Generally no apprentice is kept, and the workers in wooden shoes very rarely work for a middleman. The sale of such wooden shoes is exclusively local.

There are nearly ten to fifteen cabinet-makers in Benares, and nearly 50 workers are engaged by them. The workers are generally employed on monthly wages of Rs. 10 to 30. In Benares town there are nearly 1,000 carpenters.

Organisation and finance.—Many of the carpenters come from neighbouring villages and daily return there after their work is done. Their daily wages range from Re. 1 to Rs. 1-4 according to the nature of the work. Hired labour is not engaged by them nor is any apprentice kept. Two co-operative societies for the furniture makers were established long ago, but they soon failed.

(*c*) *Stone.*

There are only four or five workshops in Benares where Hindu idols from stone are made. Taking four persons per workshop not more than twenty workmen are engaged in the industry. Black slabs of stone are imported from Monghyr and Sasaram and white ones from Jaipur. No outsider is allowed to work as an apprentice, and only in rare cases is an external hand hired. The daily wages of an average workman ranges from twelve annas to one rupee. The idols are generally made to order, but ready-made idols are also always to be had during certain religious occasions. As the industry solely depends upon the inflow of wealthy devotees into the city, and as the price of the idols is not small, the workers sometimes remain idle till the ready-made idols are sold off. The industry is more or less localised in Sakshee-Binayek.

(*d*) *Gold and silver wares.*

There are nearly 1,000 gold and silversmiths in Benares. Out of the total number of persons engaged in the industry nearly 200 to 250 workers are Bengalis and the rest are natives of this province. Every sort of artistic work, both in gold and silver, is done here to a very considerable extent. Wages are paid at varying rates per *tola*

of the metal used. The rate of wages varies according to the nature of the work done. The work is always done by male members of the family and no hired labour is engaged, but there are cases, however, when external hands are required. These are paid monthly wages of Rs. 20 to Rs. 25. In some cases the work is paid at the rate of twelve annas to the rupee, *i.e.*, four annas are deducted by the shopkeeper for which he is paid one rupee as wages. Where an apprentice is kept his wages depend upon the nature of the work he can do, his wages increasing with his experience. The gold and silversmiths do not work for any middleman. The work is generally done to order given by customers. The metal is also generally supplied by the customers and there are a few shops where ready-made articles can be had.

CONCLUSION.

Textile.—Both silk and cotton weaving present almost the same problems.

Silk.—A little over 35,000 persons are engaged in the silk industry in Benares. More than half of them are merely wage-earners, and the rest, though working in slightly more favourable circumstances, are not better off and are fast being reduced to the position of wage-earners. Middlemen have taken away a large share of the profits of the weavers. The illiteracy, ignorance, and want of co-ordination among weavers have also worked favourably for the middlemen. As a result, 90 per cent. of the weavers live on the bare subsistence level. This is detrimental to the development of such an important industry in Benares. The exploitation must be checked and union and co-ordination among the workers brought about. Free compulsory primary education in the weaving *mohalla* will solve the problems to a great extent. Co-operative purchase and sale of raw materials and finished products should be sought for, otherwise the middlemen will continue to depress the economic status of the artisans. *Darri*-weaving and hosiery work are organised differently and middlemen have no foothold in them.

Brass and copper.—Benares brass and copper-wares have enjoyed considerable reputation all the world over, but the use of inferior brass sheets and inscription of crude and inartistic designs have considerably reduced the demand for such goods both in Europe and in the country. This practice has been due to the profit-seeking motive of the middlemen, as those who work in brass and copper are mere wage-earners. The wages they are paid are low, and they borrow money either from the middlemen or moneylenders and pay the interest from generation to generation. Most of them are deeply sunk in debt and are in the grip of the middlemen.

Toys.—The lacquered toy industry is completely captured by the middlemen. The wages paid to the workers to-day are practically the same as they were ten years ago.

Figure-carving.—As elsewhere, the only mode of rescuing the industry from the grip of middlemen is co-operative production and sale which can be easily effected if the workers choose to combine together.

Tiklis.—Excessively low wages and the intervention of the middlemen have greatly depressed the workers who number no less than 1,200. There is every hope that co-operation amongst the workers will help their cause as long as the *tiklis* are used by our womenfolk.

Iron and steel.—Almost all the workers are wage-earners, and the middlemen have sat tightly upon them.

General.—There is hardly any industry in Benares which would not obtain a fresh lease of life by the introduction of co-operation amongst its workers. The object of a co-operative society should be to procure raw materials at wholesale rates and dispose of the finished products. Thus the business which is now entirely in the hands of middlemen and wholesale dealers will gradually be taken up by the co-operative societies—that will thus ensure economic independence for the workmen. In the different *mohallas* of Benares, where the craftsmen ply their trades, co-operative societies of various types, credit societies, industrial banks as well as co-operative dépôts may be established, organising the craftsmen to combine together for the purchase of raw materials and joint sale of products and for securing cheap, though protected and organised, credit. With some measure of State encouragement and supervision and with adequate propaganda the myriads of workers in the Benares homes may be organised into co-operatives.

Commercial museums, dépôts, holding of exhibitions and appointing trade representatives are other ways of improving the condition of cottage industries through the extension of the market of their wares.

The members of the Industrial Commission of 1918 held that the dépôts had promising prospects, but at present they are the weak points in the process on account of their lack of sufficient aggressive policy. Again, as the products are kept in the dépôts and the workers work in their homes and remain isolated, there is none to instruct the craftsman, criticise his work, and supply new ideas and designs. The business side is also neglected, and the dépôts depend upon casual visitors. Neither any advertising nor any attempt to place the products in the foreign market is made.

Much can be expected from the establishment of sales agencies. If the Department of Industries of these provinces work in co-operation with a business institution, *i.e.*, a sales agency, they will find a ready means of introducing the products of both existing and improved cottage industries to extensive markets, while it will in turn derive benefit from the information which the department can place at its disposal.

(For oral evidence, see pages 412—7.)

Extracts from a survey of the small urban industries of Lucknow.

[By Mr. Ardhendu Bhattacharya, M.A., student, Lucknow University.]

I.—Kamdani.

The work consists in embroidering decorative designs of gilt or ordinary silver wire on fine cloths of cotton, silk or *tanzeb*. It is a flat-wire work and is mostly done on ladies' and children's garments such as *saris*, *dupattas* and *kurtas*.

Number.—The number of men engaged in the industry was estimated in 1922 in a government report at 250. The last seven years have seen little rise, and the present number, including children, would not exceed some 250 to 300. The very slight rise in number is explainable, not by any remunerative measure of the industry, but only by a period of temporary rise of wages about the years 1921 to 1926 which attracted some new hands.

Disposal of the finished product.—Conditions being such as to preclude any ordinary methods of storing, it is only in very rare cases that we can find articles kept ready-made for sale. Till lately there was no shop but one where *kamdani* articles could be had, and there was no *mahajan* who cared to attract business by modern methods of advertisement. Only recently two or three shops have been opened for local work in Kaisar Bagh and Chauk, and it is curious that none of them is owned by a *mahajan* but by enterprising *karkhanadars* and outside tradesmen. The usual method followed in the business is (1) that the customer places orders with the *mahajans* or shopkeepers (*gotawalas*), who in their turn give them to *karkhanadars* who, again, get the article made by the workers themselves in their "*karkhanas*." The customer supplies his own cloth and the shopkeepers the wire, whereas the *karkhanadars* only undertake to have it embroidered in a specified time with the materials given him. When returned completed the *mahajan* adds up the price of the material he supplied and the charges of the *karkhanadar* for having it embroidered and the business closes on the payment of these by the customer. (2) But another method commonly followed is to approach the *karkhanadar* directly and place orders with him. He purchases the gold and silver wires from the *mahajan* and gets the work done in his workshop. To the cost of these he adds his own commission; the total sum is what the customer has to pay when he takes back the articles. (3) One can also go to the individual craftsmen directly (when the work is accepted to be done at home); but this happens only seldom, for the humble home of the worker is far and away from where it may catch the eye of a possible customer. But the customer cannot always derive profit from this procedure. For odds are against his driving a bargain at any rate lower than that charged by the factory owners, as there seems to exist a tacit agreement between the workers themselves and the workshop owners not to accept anything lower than the workshop rate. But poverty and want are so degenerating that this reasonable effort is observed more in the breach than in the observance thereof. Consequently, there is a certain percentage of workers who are habitually earning at a rate lower than the average. But the large shopkeeper has no concern with all these, nor does he care much for the casual individual customer. He is interested in catering for mofussil orders, which come from the estates of landholders in the province and firms outside the city. His profits are derived mainly from these—for he can extract inordinately high prices from such sources; and both by employing inferior material and by fraud in weighment (for the cloth is always weighed before and after the embroidery to ascertain the quantity of wire used), he can always rest assured of a decent profit. The bulk of the business passes through his hands and he is the ultimate selling agent. So a large portion of what the consumer pays is disproportionately intercepted by the two classes of middlemen through which the articles pass and only the irreducible residuum reaches the real workers.

Financing.—When the *karkhanadar* gets an order from a customer he purchases the necessary raw materials and supplies them to the workers. As a general rule, however, the *mahajan* (known as the *gotawala*) engages the *karkhanadar* and supplies all that is required. The *mahajan*, again, invests capital in the manufacture of the gold and silver wires and occasionally advances loans to the *karkhanadars* to employ workmen. Thus whatever need there be in the industry of a financial nature is ultimately supplied by the *mahajan*.

The workshop or the karkhana.—The term *karkhana*, the English equivalent of which would be factory or workshop, is rather a misnomer, for the actual thing that obtains requires a clearer statement. It is far from what is generally understood by a factory. No machine power whatever is used in a *karkhana*, nor can the least semblance of mechanical appliances be found there. Then, again, there is no division of labour, however little, existing within the workshop. It is not uncommon to find three or four men (probably the total labour force of the *karkhana*) working on the same cloth at the same time and with the same kind of stitch. Every one seems to possess the average standard of excellence, the only difference lying in the speed with which one works. But this is hardly taken advantage of in dividing work, although the best worker is expected to effect trim and well-shaped handiwork. The running of a *karkhana* really is a very loose affair. No evidence of any sort of orderly organisation can be found in it. The *karkhana* is more of a rendezvous for passing the working time than a well organised workshop. Thus any place where more than one man are to be found to sit together is called a *karkhana*.

The karkhanadar and his relations with the mahajan, the customer and the worker.—A *karkhanadar* occupies the position of a small contractor and undertakes work often in bulk, on behalf of the large stores or a *mahajan*. He procures orders for work, as also the raw materials from the *mahajans*, and supplies them to the craftsmen. He is therefore the direct employer of the workers and the supplier of all raw materials to them.

The karkhanadar's profit.—For these services, which apparently are vital for the needy craftsmen, the workshop owner secures higher remuneration, about 20 per cent. (two annas) more than the usual wages of the individual hands. This share, which may be regarded as his commission, he takes both from the *mahajan* and customer, whoever may be the party that places an order with him. But while his relations with the consumer come to an end as soon as the article is delivered, they continue with the *mahajan*. He attaches himself more or less permanently to one or more *mahajans* and his further relations have been viewed with the methods of payment question.

He has to incur expenses for the charges for printing mainly, and also for providing *hookah* and drinking water to the workers, and sometimes the cost of making fresh wood stamps and also for the rent of the shop (when he rents one). After meeting these he is left with about an anna of profit on each worker. In no case do his daily earnings exceed Re. 1 to Re. 1-4-0, and even then not a single *karkhanadar* could assure me that he earned, of late, at that level regularly for a whole month. Some times when the worker and not the *karkhanadar* secures the work on his own, he brings it to the *karkhana* to have it done quickly. Here the *karkhanadar* allows his share of commission of two annas per *tola* to be divided half and half.

Apprenticeship.—It is an exception to-day to find an apprentice learning this art for his future livelihood. Among about 50 to 60 craftsmen, only five boys under fifteen years of age were seen in training, whereas men above forty number nearly fifteen. The reason is only too obvious to require mentioning. No parent who cares for his child would care to bring him up in his own craft, for he knows full well that it should perpetuate poverty for his offspring. Even the *karkhanadars* would hesitate to train their children in the same business and craft. By the age of ten or twelve the boys join some factory and by the end of about two years they complete their course of apprenticeship. They may of course learn it at home, but in most cases as the fathers attend *karkhanas* the children accompany them. For the first six months or so they do not get anything in the way of wages, and after that their payments begin from an anna a day rising to four annas a day towards the end of the term of apprenticeship. One has to pass about a year more in the factory with the willy-nilly wages

before one becomes a full-fledged worker and is allowed the full adult wages. But the payment of the apprentices depends entirely on the sweet will of the *karkhanadars*, and seldom does it reach even five annas a day which a boy day-labourer will easily earn. It is in the interest of the *karkhanadar* to keep an apprentice in the novice state and continue under-payment as long as lies in his power, and that power is no little. At last, when the skill of the learner becomes as palpable as his under-payment, and his novice state cannot be prolonged with impunity, the *ustad* or master declares him a master of his craft. The new worker on his part has to submit *nazrana* or *bhent* in the shape of sweets, etc., which may mean not a small expenditure for a poor man's son, and then he is admitted with that essential provision that there is work enough.

Wages.—The worker is neither strictly a wage-earner in the *karkhana* nor precisely a home-worker. He is a combination of the two and perhaps more of the former. When many of the *karkhanas* are but the homes of workers, with a few associates working irregularly, the term "working-hand" would have to be given a very liberal extension to include the associates in it. When these fellow-workers do not find work at the *karkhana*, they approach the *mahajan* directly to secure orders. By this procedure a workman may earn slightly higher wages than that given by the *karkhanadar*, and the *mahajan* may also make some saving. But orders in bulk are not generally trusted to the ordinary workman until he can show some standing as a *karkhanadar* and therefore he cannot hope for any regular employment. So the individual craftsman's position as a home-worker is both advantageous as well as disadvantageous to him, and he acts according as he finds the best opportunity in the one or the other.

He is paid according to the piece-wage system based on the amount of wire embroidered into each piece. The standard rate at which the *karkhanadar* is paid by the *mahajan* or any other agency that places orders with him is twelve annas for every tola of wire worked into the cloth. From this the *karkhanadar* deducts two annas per tola as his own commission and pays the workers at the rate of ten annas a tola. The average craftsman works on an average something like eight to ten *mashas*, *i.e.*, from two-thirds to five-sixths of a tola per diem. Therefore his average wages would come to six annas eight pies to eight annas four pies a day and amount to even less than the rawest day-labourer would earn.

An adaptation.—There is another class of work which appears to be a modernized version of the *kamdani* work, and which had certainly been introduced into Lucknow at a later date, most probably from Bombay, and is known as Bombay fancy work. The work consists of embroidering designs simply with minute dots, along drawings of curved and meandering lines. The average capacity per worker in this branch varies from five to seven *mashas* or 5/12ths to 7/12ths of a tola and cannot exceed three-fourths of a tola.

The wages for it are double those for the Lucknow work—Re. 1-8-0 for the *karkhanadar* and Re. 1-4-0 for the worker. But the ultimate result in the shape of earnings is not quite as cheery as it may look at first sight, although it is certainly somewhat better than in the Lucknow work. There are three or four *karkhanas* which do Bombay work exclusively with about 30 to 40 men among them. Apart from the wages being higher the wires used are heavier too. The average income ranges from about eight annas to twelve annas a day. But the demand for it lasts for not more than four months in the year, and the amount of work coming to every worker averages something like three to four *mashas* a day, which means a daily income of five annas to nearly seven annas a day or Rs. 9-6-0 to Rs. 12-8-0 a month. So it does not result in any greater income than that from the Lucknow work. In fact workers have been found to desert this class of work and to revert to the Lucknow work again on account of sheer want of sufficient work.

Deferred payment and indebtedness.—The system of payment in the industry is far from satisfactory. The payer, whether he be a Lala *mahajan* or a factory owner, always leave something over when making the due payment to the parties concerned. It is perhaps a device to keep the respective employees in hand. Nobody seems to realise the disadvantages of the system for the practice has become firmly established and has gained the sanction of custom. And a regular daily, weekly or monthly payment is unknown. The craftsman just goes on working in the factory and recording his daily weight of work with the *karkhanadar* and asks for money whenever he requires it, and is paid in small amounts. The factory owner cannot pay his hands—for he also is paid in the very same way. The inconveniences of the system are somewhat rounded off by the practice of allowing "over-drawings" both to the worker and the workshop owner.

In slack times, or in times of great necessity, as illness or death, the worker takes a loan from the *karkhanadar* (as few others would advance money without security) which he has to pay off gradually from his daily earnings and for which the *karkhanadar* does not charge any interest. This reduces his income still further. No worker who is a *baqidar* or indebted to one *karkhanadar* is employed by another until he has paid off his debts. It hampers the freedom of the worker to seek employment to his own advantage. It is a very great evil affecting almost all the industries which may be called "sweated." The *karkhanadar*, however, allows his confrères to employ the workmen so indebted, provided that he has himself no orders to supply and he retains the right of calling him back without notice. He in his turn also gets an occasional so-called "loan without interest" from the *mahajan*, but not so often as the workers get from him—and this too is known as *baqidari*. The *karkhanadar's* account is adjusted at the time of annual checking of accounts of the firm for which he works. And then a deduction, apart from that for paying off his *baqidari*, is made from the amount due to him, at the rate of Re. 1 per cent. and is known as *katan*, which is said to be taken as the charges for the *mahajan's* servant who may at times come to call the *karkhanadar* for new orders.

II.—Zardozi.

The art consists of stitching various sorts and sizes of gilt silver wire and discs on pieces of velvet or cloths of satin or silk. The effect produced is that of a dense and heavy work of gold which is singularly brilliant and gorgeous. Garments such as *saris*, coats, shirts and caps thus ornamented are used by all men, women and children alike and form a chief article of presentation on ceremonial occasions.

Number.—As far as the present enquiry shows the number of men and boys now engaged is some 600 to 700.

Instruments and raw materials and their supply.—All the instruments, except the needle and the scissors, and all the raw materials used in this industry are also supplied to the worker by the *karkhanadar*, who gets the principal raw material from the *mahajan* or the cost of it from the individual customer. All that the worker possesses is the needle and the scissors.

Organisation.—This industry also is organised exactly on the same lines as that of *kamdani*. There are the two classes of middlemen—the *karkhanadar* and the large dealer—between the craftsman and the consumer. The one is a contractor who brings together the artisans in his workshop and supplies the important implements and some raw materials and deducts his commission from what he is paid; the other, the inevitable capitalist and the first approach of the public, who supplies the chief raw materials to the other and gets inordinately high prices from the public. This is, however, the general trend, although there is no such rigidity of practice that on every occasion every garment must needs pass through both of these middlemen. Two noticeable exceptions, though infrequent, are found in the conduct of the business. An order for *zardozi* work may sometimes be given to the *karkhanadar* instead of the *mahajan*, in which case only one class of middlemen intervenes. Again, the workers may directly come in contact with the consumer and work under the latter's direction—though this is still rarer. The *gotawala mahajans*, again, are the sole manufacturers (through other handicrafts-men) and importers of the various kinds of wires that are necessary for this art.

Financing and sale.—This industry being very closely allied to the one already dealt with, the financing of the industry and the disposal of the finished products also are organised on the same lines as those of the *kamdani*, and there is hardly anything new to add, except that the *zardozi karkhanadars* display more enterprise in securing orders and in introducing newer variations in the work itself.

Karkhanadar.—The *zardozi karkhanadar* has to undertake the same responsibility as his confrères in the other industry, and perhaps greater risks. For there are chances of damaging the cloth by dirt, etc., and by careless handling; and there are opportunities of being defrauded by dishonest workmen, if one is not very careful. For when the work is completed, no definite ascertainment can be made of the weight of the wire actually embroidered—as cotton and silk thread and undercloth, etc., have now been attached to the finished articles. So the *karkhanadar* as well as the dealer needs a good deal of experience in the handling of these things before he can carry on business. And if once a *karkhanadar* allows himself to be defrauded by his working hands, his reputation is lost and he becomes a ruined man. But such retributions do not overtake

the dealer who is rich and has but few customers with whom he deals permanently for years together. Hence it is not every pushing craftsman that can set himself up as a *karkhanadar* or workshop owner. Those who have a natural eye for artistic designs and have acquired an aptitude in business habits alone can successfully direct and run a factory. For in many cases the *karkhanadar* has to draw a number of designs and submit it for approval to the dealer; and an original pattern at once attracts his notice as well as of the individual customers and ensures him a supply of work for some time.

Some *karkhanadars* are no longer working members of the craft and one or two seem to have never practised it.

The individual worker cannot afford to possess the different paraphernalia of his art. They are usually provided by the *karkhanadar*, and when the worker is engaged to work at a customer's place, the charges for silk thread, *kutchi soot*, the undercloth, etc., is not included in the wages. They are known as *bardana*, *i.e.*, overhead charges, and must be provided or paid for by the customer. What the worker provides himself with is a small tin case with which he comes to the *karkhana* in the morning, containing the needle, the scissors and the piece of canvas to put the gold wires on. But when the work is arranged through a *karkhanadar*, either by a customer to be done at his own place, or by a *mahajan* to be done at the *karkhana*, all these *bardana* expenses are borne by the *karkhanadar* and his charges therefore are higher than those of the workman. Apart from the other expenses usually borne by the *karkhanadar* as in *kamdani*, he has to distribute sweets on two occasions in the year to as many workers as he may then have. One of these occasions is called the *Hazari Rooza*.

His profits.—The *karkhanadar* in this industry, however, is somewhat definitely better off than the worker. Notwithstanding his larger expenses, his profits are larger as he is paid at a rate three annas more than what he pays the worker. The *mahajan* again deducts half an anna from the payment due to the *karkhana* as charges for *gaushala*, and the servant that is kept to call him His other relations with the parties he has to deal with are exactly the same as in the case of *kamdani*.

Apprenticeship.—The extreme dexterity required in the practice of the craft makes the apprenticeship rather long. The proportion of boys engaged would hardly exceed 10 per cent., whereas that of old men is large. And the reason heard everywhere is the same, that the art has become uneconomic for men engaged in it, and it is only those parents who feel a pressing necessity of an early addition, however small, to the family income that bring their son to learn this craft at the age of about 12; and it is not before six or seven years that he is given the usual adult wage. For the first six or eight months the boy gets nothing, then from Re. 1 or Re. 1-2-0 a month it gradually rises to about Rs. 5 or Rs. 6 at the end of three or four years, which is less than half the ordinary wage. For two or three years more he must work, although he might have acquired some skill, as a mere novice, after which he is given the full wage. It seems to be an unwritten law with the *karkhanadar* that until a man can show some six years' work in the city he is not to be given the full wage. And the worker, whatever efficiency he may have attained, submits to the rule, for the refusal to accept underpayment may mean starvation for him. That the small extent of child labour that exists at present is fully exploited can be reasonably suspected. For the Shia Orphanage, the only institution in Lucknow where this art is taught, has fixed the course of training at four years. The extra two or three years taken by the *karkhanadar* means depriving the worker of half his wages for so many years.

Wages.—The wages in the different classes and the average capacity of production are as follows :—

	Karkhanadar.	Worker.	Average capacity.
	Re. a. p	Rs. a. p.	
Ari work	.. 1 11 0	1 6 0	8—9 *mashas.*
Bombay work	.. 1 0 0	0 10 0	12—18 ,,
Lucknow work	.. 0 14 6	0 11 6	12—16 ,,
Jhoota work	.. 0 1 6	0 0 9	20—25 ,,
	to 0 1 0	to 0 1 0	

English work per piece—average being Re. 0-8-0 to Re. 0-10-0.

In slack times the unfortunate workmen have almost nothing to fall back upon. A very few of them resort to *jhoota* work—and that too with the greatest timidity and always surreptitiously. For this work requires little skill, and rather a loose and unprecise handling of materials in comparison to *zardozi*, too much of which may impair the fineness and precision required of him in the main industry. Again, this may work against the maintenance of his status as a skilled workman of the main crafts. A rumour that he has taken to mere *jhoota* work may reduce his chances of being requisitioned for good and heavy work, where the wages aggregate to a slightly higher level as already mentioned. Therefore, *jhoota* work by the worker of the main craft is more avoided than practised. And it has been repeatedly testified by several *karkhanadars* that workers have starved in the slack season but dared not lose their reputation as *sachha* worker. Hence by far a large majority of them remain unemployed for 15 or 20 days continuously at that time. Even in January last, when the demand was quite moderate, a worker was seen who had nothing to eat or drink since the morning, asking for his three or four days' wages in the evening from the *karkhanadar*. He was already a *baqidar* (that is, indebted to him) as a great many like him are, and had found work in the *karkhana* after about a week of unemployment. It is no wonder under such circumstances that workers would be indebted to the employers to such an extent that a repayment becomes out of question sometimes—and the craftsman is chained for life to one and the same employer. A number of craftsmen were found to be indebted to the extent of three, four or six hundred rupees. It is said that no interest is charged for these loans, which is perhaps true for the principal is never found to multiply itself. The difficulty of the position is that the craftsman scarcely earns enough to repay the debt, and it is rather the *karkhanadar* who gets his money back by gradual deductions from the due wages. Therefore it takes a long time to get rid of a debt, and before an old one is repaid the craftsman has to resort to further borrowings, and thus the principal goes on increasing. And whatever freedom from *baqidari* is found is more due to the reluctance of the employers than a sufficiency of income on the part of the worker. Sometimes there is a loss also on this account to the *karkhanadars* when the workers disappear or migrate to some other centre of the industry as Delhi, Benares and Bombay, etc. The largest employer of *zardozi* workmen of Lucknow stated that he had lost about Rs. 2,500 in this way.

III.—Chikan.

Chikan work is a form of embroidery done with cotton or silk thread on a white washing material, such as calico, muslin, linen or silk. Wearing apparel such as *topees*, *achkans*, bodices, "*dupattas*," etc., so embroidered are universally used by the rich and poor alike almost throughout Northern India. There is some European demand also for the better class of this work.

Number.—It is said that 75 per cent. of the female population of Lucknow contribute to the family income by means of this work, which would mean, calculating on the latest district report, that women engaging in it number 78,714, whereas there are some four to five thousand men entirely dependent on this craft. Whatever allowances may be made it cannot be doubted that at least forty to fifty thousand women of Lucknow are engaged in this work. Apart from these, there are men who supplement their earnings by *chikan-making* in their spare time, and there are women of well-to-do households who work just for the sake of engaging themselves and sell the pieces at a nominal price. Thus the total number of men, women and children practising this work would reach above 80,000.

Raw material and implements and supply.—The responsibility for supplying the workers with the raw materials is divided between the *mahajan*, *karkhanadar* or middleman, the former supplying the cloth and the latter the thread. But much *extempore* business is done and there are many middlemen *karkhanadars* who get *chikan* pieces embroidered on their own account for selling them to the local dealers or for export. In such cases both the raw materials are supplied by one and the same agent.

General organisation, marketing and financing.—The organisation of this industry is almost the same as that of the others already treated. Only the addition of a middleman, other than the everpresent large dealer and the *karkhanadar*, is a new element in this case who forms the link between the preponderately large number of women home workers and the wholesale and retail dealers. These latter get large sheets of cloth

printed in *topee* or *dupatta* sizes and hand them over to the middleman or the *karkhanadar* to be returned when embroidered. The *karkhanadar* then gets them embroidered by men workers at his own workshop, and the other middleman by women workers at their respective homes, and return the pieces to the *mahajan* when completed. The *mahajan* then gets them washed and starched and they are ready for sale or export. But the more usual practice is that the *karkhanadars* or the middlemen get pieces embroidered in small bulk on their own account without any orders from the *mahajan* and sell them wholesale to the latter. In this case neither of the middlemen gets any commission from the *mahajan*. There are certain *mahajans* who do not carry on any retail trade, while most of the others would do both wholesale and retail business. There are again some high class workmen, about 100 in number, who deal directly with the large shopkeepers without the intervention of any middlemen. The ultimate sale of the products, however, is always controlled and directed by the *mahajans* or large shopkeepers.

There is an attempt to advertisement in the practice in some instances of exhibiting highly worked pieces in glass frames before the shop front. The sales methods, however, remain crude and unconvincing, and higgling is resorted to in every case of sale, whether wholesale or retail. There is a large demand for *chikan topees*, specially from Bihar and parts of Northern India and the neighbouring towns of Lucknow. A large bulk of the wholesale trade therefore consists of export only and it is doubtful if the city demand would amount to 15 per cent. of the total production. As evident from the above the financing is done chiefly by the *mahajans* and the middlemen. The wholesale *mahajans* sink considerable capital for the export trade. The dealers, whether wholesale or retail, are almost all Hindus and only a few small Muhammadan concerns engage in the *chikan* trade. The work is practised both by the Muhammadans and the Hindus, the latter amounting to about 25 per cent. of the total number of men and women workers.

Karkhana and karkhanadar.— In the *chikan* industry the *karkhanas* are little homes for mass production and the mass demand is certainly for the cheaper articles. Thus the individuality of workmanship tends to be lost and neither the *karkhanadar* nor the workers are as well off as in the other crafts previously noted. The *karkhanadar* here cannot count for this profit on any definite share or percentage of payments made by the dealers, although at times he can get a small commission if he can command any special advantage. The prices are arrived at wholesale after bargaining for every fresh order that he gets; and these are ever fluctuating with the designs that he is given to be worked. Some designs may require five or six classes of work and others only two or three; a particular design may require a sparse embroidery and another dense; this involves him in greater or less expenses. For it is generally the *karkhanadar* who has to bear the printing charges and the cost of the thread in addition to the labour charges to be paid to the workers. Accordingly he clips or adds to the wages he pays after retaining some profit for himself, which can scarcely be above 12 per cent. Sometimes the *karkhanadar* prints the cloth at the dealer's cost and meets the rest of his expenses from his own pocket. *Karkhanadars* in all these industries are nothing but independent foremen on commission basis, *i.e.*, agencies through whom the actual workers are to be approached with a small fraction of the initial expenses to be met by themselves, which are adequately paid for by the dealers. But in *chikan* some of the *karkhanadars* occupy the position of the manufacturers. They supply the cloth themselves, get it printed on their own account, provide the thread, bear the labour cost and some even get it finished, *i.e.*, washed and starched, with their own money, and they sell the product either to the wholesale or to the retail dealers. But such factories are not numerous.

The other middleman.— The *karkhanadar* is not the only middleman that comes in between the workers and the dealer—business carried on through him forms only about a fifth part of the total volume of trade. There is another class of middleman with a position akin to the journeyman, without whom it would be really impossible to carry on the large *chikan* trade of Lucknow. This middleman gets the work done mainly by the preponderating bulk of the women workers, who are known as *chuktis*. They get the different pieces and sheets (*thans*) printed in *topees* from the dealers after bargaining for the wholesale price and distribute it to numerous women by going round to their own places. A price is settled having regard to the class of work, mostly at the dictation of the middleman, and the women take work according to their capacity for three or four days. The middleman then hands over to them the necessary amount of thread strands, and, if asked, pays something in advance to ensure punctuality. He comes again on the stipulated date, pays the due wages and takes back the work, and he may also give fresh work if he likes.

Apprenticeship.—There is scarcely any apprenticeship system in this industry; the home is the place where the boy or the girl must learn the art. After about a couple of years' training the boy begins to make some perceptible contribution towards the family budget. It is after some more time that he can hope to be taken by a *karkhanadar*, for he must have a passable knowledge of most of the classes of work, to learn which it takes about three or four years' time. But such cases are really exceptions and found only in the homes of the best workers, where a child is taught this art seriously with a view to make it his first means of livelihood. Nobody knows so well as the workers that the largest industry of Lucknow is the least paying of all. It is taught just as it was taught to the mothers and sisters, by the way only, so that the child may lessen a little the burden on the family from his earliest years until he takes up a line more substantial; and it is the last resort of men who have failed in other avenues of life, in the hope that it may just suffice to keep them out of the street. As regards the women, it must be said that their leisure is not very small, for in a poor household cooking and cleaning are modest affairs and the daily duties are soon over, whereas she is rarely inclined to take rest rather than finish her embroidery as soon as possible, for thereby she may lose an anna or a half which is a great help in her circumstances.

System of payment.—There are more than one ways of paying the workers, the commonest of them being by what is known as *koris*, *i.e.*, scores (of caps). The worker is given a bundle of 20 printed pieces (which are later to be sewn into *topees*) and a price is settled for the whole lot and paid for after completion of the work. If the embroidery to be done is of a slightly better class, or the piece be a large one, say an *orhni*, a price is settled for it and paid accordingly. A different system is adopted when the work is of a decidedly better class; the wages then are fixed according to the number of *tagas* or threads put into the fabric, when the price per *taga* or per number of *tagas* has been bargained for. A rough estimate is made as to how much space or how many leaves or petals can be embroidered with one *taga*, and then the middlemen leaves a sufficient number of strands to cover the order given. This, in fact, is the basis of other more rough and ready systems of payment, for it is the party placing the order that incurs the expenses for thread, and it is only natural for it to base the calculations on the amount or number of threads necessary. As the quality of workmanship declines, the intimate connexion with time and labour involved also decreases and therefore the wage calculations become less particular and more rough and ready. There is again a monthly system of payment. Men are engaged in service generally by big dealers like ordinary servants on a stipulated monthly salary. Dealers are undoubtedly watchful to extract more work from them than for which they are paid per mensem.

Wages.—There seems to be little *primâ facie* disparity between the men's and women's wages, but there is no doubt that it exists, or so large a portion of the work would not have gone to the latter. For instance, it was found that a stitch which the men in a factory were working at two *tagas* for a pice was easily acceptable to various *chutkis* at four or five *tagas* for a pice. On the other hand, it is the women's wages that largely determine the men's, for the number of men cannot be compared to the number of women, and nobody would care to employ a man at a higher rate unless he was pressed for time or for a definitely superior class of work—although some women can turn out as good a quality. Yet the reason why the men are able to command a comparatively higher rate seems to be that they can ensure much steadier and quicker work, and hence a large outturn for the employer within a given time, whereas, it being a spare-time work for the women, they take almost double the time for the same work and are unable to guarantee punctuality or regularity in dealings.. This is the prime cause of the lower rate for women although, practically speaking, there is little difference in efficiency. Another reason appears to be that men learn the art with an intent, a woman casually; and a man would ordinarily do any stitch, while a woman may not be able to do so. There is another way how the women are exploited. It is generally those stitches which are lowest in quality, cheapest in price and longest to work that are entrusted to women. Examples of such stitches are *katcha phana*, *hat kati*, *rahat bakhia*, lower quality of *kato* and coarse *zanjia*, stitches which are the lowest paid for having regard to the labour they entail, and which it would hardly pay the dealer to have embroidered by men; such stitches, therefore, form a good proportion of the women's task. So even if they are paid at the same rate as men, their *de facto* labour price is much less.

The average wage that the majority of women earn is not more than three annas and may be as low as a pice or two a day.

Men doing ordinary embroidery do earn more than the women, but this is due to the longer hours of work they put in. The average income of a man is about eight annas a day. When the demand is great, a man working at full pressure does earn about twelve annas a day and occasionally even a rupee, but in the slack season one gets four to six annas.

IV.—Gota weaving.

Gota weaving is weaving of gilt or plain silver wires into tapes or ribbons, with the wires as warp and silk and cotton thread as weft, for braiding or bordering purposes. It is extensively used for trimming *lahngas* and other feminine garments of cotton or silk meant for occasional wear.

General organisation.—The industry is carried on partly at home by men and women and partly in workshops by men workers only, in the proportion of about 40 and 60 per cent., respectively. Other features of the organisation are similar to that of the other industries, with the difference that in this case the dealer sometimes supplies all the raw materials, and sometimes only the more important or costlier ones, to the *karkhanadars* and the middlemen.

Marketing.—Although some *gota* is very expensive, there are cheaper varieties also and there is always an extensive demand for it, the more so from rural districts than from urban places. Therefore, notwithstanding the drawback that they get tarnished, it is possible for *mahajans* to store ready-made laces, and carry on *extempore* business for which no previous order has been placed by the consumer. So the trade in *gota* is the principal avocation of the *mahajan*, though he deals in other gold and silver embroideries per order of the consumer. Therefore when the middleman or the *karkhanadar* returns the *addas* or coils of *gota* after getting them woven, they are stored in the bazar and are sold to the public and rural traders as they come for their requirements.

Financing.—The entire financing of the industry is done, of course, by the capitalist *mahajans*. Perhaps in no gold embroidery craft is the financial hold of the *mahajan* so complete because, from the production and supply of the raw materials to the retail trade of the finished product, it is all in their hands. When all the raw materials are given, which is the commonest practice, they are weighed before they are made over to the respective parties. And the finished product also is weighed again to ascertain that nothing has been lost. The payment is made on the total weight.

The frail instruments used for weaving in this industry become somewhat semi-permanent when once set up for work and have therefore to be supplied by the *karkhanadar* in his workshop. But in the case of the workers who prefer working at home, and especially in the case of the women workers, all the instruments are possessed by them in their homes. These, however, do not require any great layout. In the matter of raw materials, which are in this case as costly as of other gold embroidery industries, the worker has as usual to depend upon the middleman and the *karkhanadar* and ultimately on the *gotawala mahajan* for their supply.

The other middleman.—The adoption of the craft by women as a means of earning their "pin-money," as it is called in the West, has brought into the field, as in the case of the *chikan* industry, a middleman other than the *karkhanadar* between the worker and the *mahajan*. He has to play the same rôle as that of the *chikan* middlemen—of approaching the women workers with raw materials and supplying the finished coils to the *mahajan*. But as only the narrowest and cheapest *gotas* are given to the women to be made, the middlemen's share is not always sufficient and their number, therefore, is not large.

It must be noticed here that in this industry neither the *karkhanadar*, nor the middleman, nor even the worker ever comes in contact with the consumer. It is only the *mahajan* that the consumer knows, for he is the only selling agent and the controller of the entire organisation.

Men's wages.—The daily outturn in the case of *asli gota* is about five to seven tolas and the wages amount from seven and a half annas to ten and a half annas. In the preparation of *nakli gota* one earns five annas to seven annas a day, and even twelve annas if broad *gota* is be done.

Women's wages.—There is only one rate for the women, without consideration of the width or quality, *viz.*, twelve annas per *adda*. Women are generally able to finish one piece or a quarter *adda* in a day, for the ribbons of *gota* are very thin and a comparatively large outturn is possible in a short time; and thus she earns three annas a day after weaving for the better part of the day. But the demands on the time of a woman who is a mother, a wife and a housewife are many, and if the time taken up in stretching etc., of the wire is considered, her daily earning would amount to about two annas only.

Considering the demand for *asli, nakli* and *jhoota*, and taking account of the large quantity of narrow *gota* that is made, and also the irregularity of employment, it can be stated that the average monthly income of the *gota* weaver varies from Rs. 10 to Rs. 14 a month.

Baqidari.—In such conditions it is not surprising that the *gota* weaver resorts to borrowing from the *karkhanadar* and becomes a *baqidar*, and is thus unable to seize opportunities for his betterment.

V.—Calico printing.

The work consists of printing large pieces (*fards*) of cotton or silk cloth, meant for bed covers or quilts, with multi-coloured floral patterns. Such cloths are widely used in Northern India irrespective of caste or community. Not very long ago Lucknow used to print large quantities of chintzes also for women's and children's garments; but this section of the craft has now been almost totally driven out by the Manchester chintzes.

General organisation.—The industry seems to be of a type which lies midway between home work proper and *karkhana* production. If it be included in a particular class it would come under home work. For the *karkhanadar* here is the chief capitalist and producer, although there are workers whose profession it is to print cloths.

With the decline of the industry during the last three or four decades there seems to have occurred a slight change in the organisation. Formerly the pratice was that the *karkhanadar* secured orders for prints as well as the chief raw material—the cloths—from the dealers, and sometimes advanced and printed cloths in his workshop with the help of other workers. That is, he was in the same position and had the same rôle to play as the *karkhanadars* in other industries. But he is no longer a go-between or small contractor for the large store or the *beopari*. It is the *karkhanadar* to-day who now finances the industry. He purchases the cloths, provides the other raw materials and produces the finished products. Some of them even no longer work with their own hands. In one establishment it seemed doubtful if the *karkhanadar* ever learnt the art.

Financing.—When the pieces are ready they are stored by the *karkhanadar*. The dealers who want such pieces go to his place and purchase them wholesale from him, and it has become rare to-day for the *karkhanadar* to go about securing orders. Retail selling is the *mahajan's* business.

Disposal.—One important reason for the change in the organisation, apart from the diminishing demand, appears to be that orders for fast-colour prints have to be placed at least nine or ten months before the selling season begins, and in the face of an increasing competition of foreign prints, the dealers cannot very well gauge the extent of demand for the local work. Whatever disadvantages might have been suffered by the *karkhanadar* in this transition it has certainly made his position more independent for he is no longer at the mercy of the *mahajan*, although the disposal of his products is affected to a certain extent by the favour or disfavour of a dealer. Whether due to this advantage or not, the *chhipi karkhanadar* seems to be better off than his confrères in other trades. The capital that a *chhipi karkhanadar* must sink before the sale begins is considerably larger than what is required of such middlemen in other industries. Thus when there is bad business, the loss becomes irreparable. Such failures in fact have been responsible for the disappearance of a number of *karkhanas* in recent years.

Number of workers.—The number of workers, apart from the *karkhanadars*, that still find a means of livelihood in the industry would indicate to what a pass the famous colour printing of Lucknow has come. At present there are some twenty to twenty-five workers only engaged in it, and if the printers of the fleeting colour prints are taken, the total number would not exceed, at the most, forty. Whatever praiseworthy and distinctive work is done in Lucknow to-day is done by about fifteen to twenty men working in the three extant workshops; whereas it is said that about thirty years ago there were some 200 to 250 calico-printers in Lucknow proper.

Some causes of decline.—A continuous decline of the industry has brought the calico-printers of Lucknow to the point of extinction. Competition with foreign machine-made printed cloth has been mainly responsible for it. It is rather strange that the industry—hopelessly crippled as it is—is still in existence, struggling with the keenest competition of the machine products of all the countries of the world. But it can scarcely hold out any longer, unless some help comes forward. The printing work of Farrukhabad was revived into a most thriving industry by the efforts of a sympathetic and far-sighted Deputy Commissioner, who introduced printing of pieces for use in European homes and those who live in that style. Farrukhabad prints are mostly of fugitive colour, yet owing to their cheapness and variety they are a formidable rival to the better work of Lucknow. It is possible that because the volume of business there has been much enlarged by judicious direction and help, they can produce at a rate much cheaper than that of Lucknow.

Illiterate as they are, the craftsmen and *karkhanadars* do not really accept suggestions for improvement, unless an assurance is given of definite gain. For instance, the designs have becomes very much standardized that even the colour arrangements are left untouched and proceeded with in exactly the same manner as they were done a century back. Nobody dares changing the blue bud in a design into a red one. Every thing has become rigid and inelastic, and unless some means of adaptation to modern requirements is found, the decay of the art will continue. Apart from such intrinsic handicaps and external rivalry the industry has to fight against the greatly increased wages and simultaneous decrease in the demand for printed *furds*. The fashion of using thin coverlets of printed calico as a day covering has given way to woollen wrappers, while *razais* or *lihafs* even are being replaced by blankets and rugs.

VI.—Brass and copper ware.

This work consists of beating and moulding brass and copper into utensils for domestic use from sheet or broken metal. Lucknow wares are valued especially for their beautiful shape and finish. Although the volume of the local production is not much, and little export trade exists, still Lucknow utensils are reputed for a distinctive quality, particularly in the field of utensils used by the Muhammadan community.

General organisation.—The industry is carried on, in all its different sections, in the home and in the family, and the word *karkhanadar* is conspicuous by its absence, the artisans being known as "makers." The workshop or *karkhana* system is altogether absent except in one or two advanced and not very important sections, as that of polishing, where machinery is also found to be in use. It is somewhat strange to find that such a major industry should represent perhaps the truest and purest type of home industry that is to be found in the city. While most of the small industries of Lucknow appear to have been declining for some time past, the workers in metal, especially those of the *dhalai* class are far better off than the rest of Lucknow handicraftsmen. The industry seems also to possess great potentiality of improvement.

The industry in all its branches is remarkable for the absence of any middleman other than the *kothiwala* or the large dealer, who after all seems to be a necessary evil between the craftsman and the consumer. For if the consumer is to get his wares from the *garhai* workmen, for instance, this is impossible without the assistance of the *kothiwala*. In the case of a well-ornamented brass *pandan* the following sources will have to be tapped, *viz.*, (1) the sheet merchant, (2) the *garhai*, (3) the makers of parts used for ornamentation, (4) the makers of joints and hinges, (5) the moulders of bottoms and tops, (6) the joiner of the parts (the blacksmith), and perhaps also the *kalai* or zinc plates. The large dealer serves the very useful function of the co-ordinating agent of these different subdivisions of one and the same trade. Yet perhaps he is not really *inevitable*, for with proper organisation, shifting and combination, the different sections may be formed into an integral whole.

As at present constituted, every section has in the industry separate and direct relations with the *kothiwalas*.

Financing.—In this industry also we find that the large dealers are at the top of the trade, virtually controlling the entire organisation and supplying the public demand. Because they are the ultimate selling agents, it is they only who can call for fresh orders from the *artisans* and give them employment. Also, ordinarily they are the suppliers of the chief raw material. Consequently, the financing of the industry is in their

hands. Yet the individual artisans are not as completely helpless in this matter as those of other crafts. For there are workers of certain sections who, if need be, can obtain their own raw materials and sell their products directly to the consumers. Of course independence thus earned is hard earned, but it shows incidentally the economic stability of these home workers.

Marketing.—The dealers have big shops stocked with finished wares worth thousands of rupees at Yahiaganj, the centre of this trade in the city, and this is why they are known as *kothiwalas*. As workers in each section return the articles they are ordered to manufacture they are sent out again to other sections if further work on the same articles is required. When the finished goods come back again to the dealer, he stores them in his shop, to which the consumers resort for their needs.

Dhalai.

Dhalai or moulded work is a completely distinct branch of the industry. It is done only in brass and its alloys. Moulding work in copper is negligible, being limited only to the making of bottoms and shoulder pieces of *lotas*, etc. It is also known as *bharat-ka-kam* or filling work, for the moulds are filled with molten metal.

Organisation.—But the type and organisation of the industry is exactly the same as those of the branch already treated. The whole work, from the making of the moulds and melting of the metal, to the lathing and chasing of the finished wares, is carried on by the craftsman at home with the members of the family; and the entire responsibility for the management of the home workshop; the assortment of implements, the different raw materials, and even the alloys to be mixed with brass, lies on his shoulder, except that the chief raw material is provided by the *kothiwalas*. But here again we find numerous instances in which the craftsman himself procures the chief raw materials (when there is no order from the *kothi*), does all that is necessary to turn it into finished articles, and even provides the public with his wares by hawking from door to door. A finer type of home industry than this section of the trade is difficult to find in a city. Paid hands are often maintained to help in beating the cast metal into sheets, in lathing, in minding the furnace, etc. But sometimes skilled hands are also found to be working who can shape moulds or can lathe wares properly. These hands are paid on various bases according to the amount of work they do daily, monthly or the weight of the metal they can do in a day.

On an average they cannot be expected to earn more than a rupee a day and families of four, five and six have to be maintained from it.

Chitai.

The work consists of bringing out raised designs of flowers and curves on to the body of the vessel.

Organisation.—The organisation of this branch also is identical with the others, and the family element indeed is so prominent that almost all the workers of the city will be found to be related to one another in some way or other. But their position is the worst in the whole industry, for they are wholly dependent upon the volume of general trade in brass and copper wares for their work, because those are their main materials on which they work, and a diminished production of which tells the quickest and first on these artisans.

Apprenticeship.—Apprenticeship is required to learn this art. As long as the boys are with the shops they are given only nominal wages. The term is about a year.

Wages.—The average earning in this branch scarcely exceeds ten to twelve annas a day, sinking as low as even three to four annas only a day; and days of unemployment are not unknown. The position of these artisans is perhaps the most unfortunate among the whole metal trade, for they can neither control the supply of raw materials nor can they have any voice in the disposal of the finished wares. They are simply intermediaries working at the bidding of the *kothiwalas* and at whatever wages they choose to pay them. It would be found more often than not that the artisans have a subsidiary craft of shaping very small vessels or of repairing old ones to enable them to earn enough for the maintenance of the family.

Relation of the dealer with the artisan.—Yet the relation of the *kothiwalas* to the metal workers is not so unsatisfactory as that of the *mahajans* of other industries to their craftsmen. The wages are not generally held over for very long periods, advances are

sometimes made when asked for, and the occurrence of *baqidari* is not so widespread. The transit cost of materials to and from the artisan's home is also shared half and half by the *kothis* and the artisans. In spite of these the artisans do not seem to carry on very happily. One of the chief complaints is the want of compensation for the loss they suffer from the burning away of metal, known as *jarat*. The loss amounts to about Rs. 2 to Rs. 4 for every maund of *dhalai* work which is not an insignificant sum for the workers. Attempts to wrest some allowances in this respect proved abortive some years back. It has only been successful in a single instance where the craftsmen enjoyed a monopoly of making brass *chamchas*. For every seer of article they make they have to return 15 chhataks, one chhatak being allowed as *jarat*. No other branch enjoys such a privilege though it is considered as its due. Then the system of keeping accounts is understood by none of the artisans, and the opportunities of depriving them of a part of their due wages prove too much for the dealer. The general rule is that a chit is kept with the artisans and the amount delivered each time is acknowledged in it by the dealer and is noted in his *bahi-khata*. But no mention is made about the rate, a verbal settlement being considered sufficient. But slight variations in rates always occur at times of brisk demand, and if the accounts are not squared then and there they are left over. Again, sometimes advances are made and *baqidar* results, all accounts however being kept in the dealer's book. Such a state of matters when continued for a long time is not unlikely to result in discrepancies and differences between the parties. In one instance in Tinmmiganj the poor craftsman was so much exasperated by these petty manoeuvrings that he left dealing with *kothis* altogether and has now taken to manufacture on his own account and supply outside markets. Again, when *baqidari* occurs, the artisans are told that no interest is charged on the money advanced to them in a philanthropic mood to enable them to tide over difficult times, with the other motive also that a good man may be retained in service. It may be so, and the artisans believe it, but this is a case where ignorance is bliss. When the actual state of affairs is seen, one cannot but suspect that wages and accounts are so managed in the books that there is no loss whatever of interest to the dealer though unknown to the artisan.

Formerly, the system of advances like the *dadan* in Murshidabad metal work also prevailed in Lucknow. That is, advances were first made and then the articles were manufactured. That system obviated many of the present difficulties and dishonesties in accounting, and the artisans, as the report goes, were very well off: their relations with the large dealers were very cordial and they were received by the dealers with manifest respect. Due to whatever cause it may be, the system has now practically dwindled into non-existence, with multiplication of difficulties to the craftsmen and the lowering of their status to that of mere workers.

Another evil in the trade is the practice with the dealers of refusing or withholding work from the artisans with a view to lowering their wages. This has resulted in a peculiar economic phenomenon—that of the adoption of the complete home craft proving disadvantageous to the craftsman. For when on the refusal of the dealer the worker purchases metal and manufactures wares on his own account, his resources are exhausted and he is obliged to sell his wares to the dealer at whatever price he gets. And the dealer in such cases buys cheap and his object of lower costs is fully attained. It has been even said that when an attempt was made to acquire the *jarat* allowance from the dealers (when a sort of strike was organised among the workers), the public had been blankly refused articles by the *kothiwalas*—being told that the craftsmen had stopped making the particular vessel, simply to frustrate their effort, which after all they did. Thus the position of the independent home craftsmen has been rendered more difficult for the chief reason among others that they cannot dispose of their products except by the tedious and tardy method of hawking, the *kothis* effectively commanding the all-important business of sale. The abovementioned practice is largely contributory to the progressive decline of wages that has been witnessed for the last seven or eight years. The past five years alone have seen an all-round decrease throughout the trade including the *nakashi* of 10 to 15 per cent. in the rate of remuneration.

Some causes of decline.—But the fall in wages has followed in the wake of the decline of the very industry itself which began at not a very recent date. Even forty years ago it was observed by Mr. Dampier that Lucknow was no longer the chief centre of the industry that it used to be. Apart from the causes imputed by

him at that time—as those of shrinkage in population and dearth of capital—more important reasons have been operating of late. Yahiaganj, as mentioned in the Government report of 1923, is flooded with articles imported from outside. The rise of Moradabad as a great centre of nickle-plated articles and the successful competition of Farrukhabad, Pilibhit, Benares, Delhi, etc., has hit the local trade very hard. The cost of manufacturing locally, it is alleged, is higher than that of other places and it does not seem improbable, for some places as Pilibhit enjoy special advantages in the matter of fuel, etc., owing to proximity to forests—at others the hands of the artisans are full to allow them to work at a lower wage. Here with the smaller volume of work they cannot help charging higher wages. Then the octroi duty till late prevented a large expansion of the local trade, whereas lately, though this has to an extent been amended, the rebate granted for export has been stopped. The outside *beoparis* prefer buying from Cawnpore than from Lucknow simply on account of the higher charges. Not less important is the fact that aluminium vessels and enamelled wares have appreciably diminished the demand for brass and copper ones.

The only sufferers, however, have been the craftsmen, for the *kothis* maintained their business all right by importing wares and selling even aluminium ones. A vicious circle seems to be noticeable in the present state, that of a declining trade bringing about a shrinkage in the number of workers, which latter fact is obstructing any possible expansion of the trade. For even if any large orders come at one time or other, it is impossible to cope with them with the present number of workers. Out of some twelve families of *phool thali* workers twenty years ago, only two remain. The number of *nakashis* has almost been halved. Artisans are even taking to other professions for want of work. Although the pace is slow, yet until efforts are made to arrest the continuous decline, the brass and copper industry of Lucknow may be reduced to conditions beyond recuperation.

VII.—*Zarkobi* or Waraki manufacture.

Zarkobi consists of beating small foils of silver or gold into large ones of extreme thinness which can then no longer be called foils, and "leaves" may be a better appellation. The thinness, indeed, is such that the leaves almost become translucent and it would take some four or five of them to equal the thinnest tissue paper. It is often used by well-to-do people, both Hindus and Muhammadans, on ceremonial occasions for wrapping *pan* or betel leaves in for presentation to guests. It is also used by the up-country confectioners to decorate their sweets and by the *hakims* or *unani physicians* for medicinal purposes. A use is found for it also in *mulamma sari*, which is an antiquated method of gold and silver plating of wares, and also in tobacco manufacture.

General organisation.—The workmen as well as the traders in this industry also are all Muhammadans. It is a noticeable fact in this case that there is no middleman here other than the *karkhanadar* between the worker and the consumer. The *karkhanadar* is the employer, the financier and the salesman all together. He is the person who invests money in the purchase of the raw materials and in employing the workmen to manufacture the leaves. He is also the shopkeeper and his small *karkhana* is in the city in his shop, where he keeps packets of ready-made leaves of different sizes for sale to individual customers. He is the sole organiser and the wholesale and retail dealer in the industry.

Apprenticeship.—The raw materials being pure precious metals cannot be provided by the workers themselves, as may be done in *chikan*. Both the raw material and instruments are supplied by the employer. In the case of the instruments he is also helpless—for the secret of making the chief one, the book of membraneous sheets, is known to the *karkhanadars* only. After some four to six months' training the learner is given broken pieces of foils or dustings to flatten, for which he gets half to one anna a day. After some time the smallest sizes of the leaves are given at half the usual wage, i.e., three annas per *gaddi*. It is only when he can prepare these satisfactorily, after about six months more, that he becomes entitled to the full wages.

Number.—There are only five or six *karkhanas*, with five or six hands working in each of them almost regularly, excepting in the rainy season. The number of men engaged, including the *karkhanadar*, would be less than forty with only two or three boy apprentices. For the constant hammering with a heavy hammer is not easily

withstood by the immature muscles of young boys. Some of the workers who have gained the trust of the *karkhanadars* borrow instruments from him and work at home or in small shops that they may keep. The *karkhanadar* being the all-in-all in industry seems to be quite well off and has little to complain about except the lack of business. He also is a member of the craft and sometimes beats out leaves himself.

Wages.—The average wages range between six and eight annas a day, but even this must be further qualified by the occasional absences of the workmen and want of work in the *karkhanas*, and so the average monthly income comes to about Rs. 10 to 12 or Rs. 13 a month.

Bagidari.—The lot of the worker is wretched and the system of advances made to the worker in his needs binds him hand and foot to the *karkhanadar*.

VIII.—DABKAI OR FLATTENING OF GOLD AND SILVER WIRES.

The craft has been described in Mr. Ghoshal's report as *badla* making; but the men engaged in it make not only *badla* but *sitara* also, the former being used in the *kamdani* and the latter in *zardozi* work. It is nothing but beating of ordinary fine gold and silver wires into a flat fine tape (*badla*) and of small rings of such wires into tiny circular bits or spangles (*sitara*).

Number.—There are about ten *karkhanas* with some fifty or sixty men engaged in the industry. The *karkhanadar's* profit consists of a pice or two per *tola* of commission from the *mahajan* for the work done at his place. He has to play the same rôle as those of other industries.

Instruments, raw materials and their supply.—The instruments are supplied by the *karkhanadars*. As some of these crude implements are not portable they are fixed at the *karkhanadar's* place, which is the workshop where the workers come to earn their daily bread. The hammer used by the *dabkiya* is of a special temper and is imported from Benares by the *karkhanadars*. The costly raw materials of silver and gilt silver wires are provided by the *gota*-trading *mahajans* to the *karkhanadar*. One or two workers however possess their own instruments and bring work home from the *karkhanadars* or *mahajans*. For some years one or two *badla*-making machines are being used in the city. They are probably of foreign origin and the *karkhanadars* would not allow anybody to see them. It was said that one machine did the work of eight men in a day, costing something over the wages of one worker.

Wages.—The daily income lies between six and nine annas, but the bulk of the demand is for cheaper varieties where the average earning ranges from six to eight annas which cannot even suffice to feed three months with three meals a day; and this is what they earn after working ten hours per day.

The average in the case of *sitara*-making comes to even less than eight annas per day of ten hours.

General organisation.—*Dabkai* being dependent on the more important embroideries, we do not find the workers coming directly in contact with the buying public and the whole industry is under the thumb of the dealer.

The *mahajans* get the silver bars gild from a set of craftsmen called the *kandilakashes*. Then the bars of silver and gilt silver are given to the *tarkashes*, or those who draw very fine wires from these and to others who make the special ones called the *bhogli* from which the spangles are made. The *dabkai karkhanadar* then gets these wires from them at the *mahajan's* direction and makes the *badla* and *sitara* in his own workshop, delivering them to the *mahajans* when made.

Financing.—The financing, as evident, is done entirely by the *mahajan* excepting that the *karkhanadar* bears the expenses of the tools for the worker.

Sale.—These gold and silver wires and spangles are generally made in the season when *kamdani* and *zardozi* works are in demand. They are kept in the *mahajan's gota* shops marked at different prices, and are sold to the *karkhanadars* and workers of the crafts in which they are used. But mostly these are put to the *mahajan's* own use, for they are also traders in *kamdani* and *zardozi*.

IX.—Cardboard box manufacture.

Number.—The number of men and boys at present employed is about 150. A very large majority of them make the boxes at their own homes, though there are some eight or ten places known as *karkhanas*. But the word workshop or *karkhana* is even less applicable to these than in other industries, for the *karkhanadar* can never afford to hire other places than his own and can seldom get work enough to keep three or four men employed for a week at a stretch. The lodging of a workman is transformed into a *karkhana* for a very brief period, either when the demand is exceptionally brisk or when there is an occasional order for quick delivery. Otherwise all work is done at home. The competition for work is keen and the effort to earn as much as possible in the busy season is indeed bitter. Scarcely one would refuse any large order and exert himself to the utmost, working for days and nights together, to bring about a large outturn and thereby earn to his utmost capacity.

General organisation, financing and disposal.—The cardboard box worker cannot really be called a wage earner; he is more in the position of a complete home worker for it is he who bears the cost of instruments and the raw material and is responsible for the delivery of the finished articles to the traders. He purchases cardboard and paper from the market, makes the boxes and sells them himself to those who require them. Either he secures orders previously or sells the ready-made boxes afterwards. But the boxes are never stored in bulk for nobody can be sure what the demand is going to be like and risk locking up his small capital.

This is perhaps one of the smallest home industries of the city, and because as yet in the nascent stage has remained a complete home craft. As such the workers have independence and freedom of work and all that home work signifies. Yet their earnings fall far below the necessity limit. The work being very easy, the number of workers has speedily increased, bringing about very keen competition, the demand on the other hand not increasing appreciably. These causes have prevented them from enjoying the fruits of independent home work.

Earnings.—To-day the average earning of a cardboard box manufacturer can hardly exceed six or seven annas, whereas there is no limit to which it cannot go down.

Conclusion.

Poverty and helplessness are writ large on the workers of trade after trade. Perhaps the best material for a study in poverty will be found among these handicraftsmen. It would be superfluous to dilate upon the social and moral evils that progressive impoverishment would lead to But the extent of illiteracy, which would scarcely be under 95 per cent., cannot be overlooked, and the lassitude and lack of enterprise and an effortless submission to declining conditions are much to be regretted. Submission to a more or less constant want for a period of about half a century and unrestricted competition have precipitated all the consequent ill effects; the wages have either failed to keep pace with the rise in prices or have been lowered, and suspicion and under-cutting of fellow workers goes on without compunction. The ultimate result has been that all co-ordination has been broken down and the workers have been brought completely under the thumb of the middleman and the large dealer, and it seems that courage and hope for concerted action has been crushed out of them. And the workers are living either steeped in debt or on the verge of starvation. It is surely needless to mention that an ill-fed, ill-housed, and ill-clothed population is a menace to the peace, health and prosperity of the city. It may not therefore be out of place to venture a few suggestions towards remedying conditions and to take stock of those that have been tried with varying successes in other countries.

Although sweating has been found to be present in some small industries of recent introduction, the fact remains that much of it is prevalent in the old and decaying industries. And the fact is more important because these are skilled and artistic industries—heritages of a brilliant past—still commanding the admiration of native and foreign connoisseurs which are advancing towards a sure extinction, to be replaced by nothing of the soil but only by some foreign, machine-made imitations. No indictment against machinery is meant here. On the other hand, production by machinery, where it is possible, has already been adopted in the city and probably to the advantage of the

trades, and it is possible that if there be scope enough, more of such machines will come to be used. But certain crafts there are in which no machine has yet been invented and it is possible that it will take long before such events happen. Men thrown out of employment in one industry can easily be taken up in another. But there is one big provision—that there must be sufficient work. How could one industry absorb other workers when those engaged in it can scarcely make two meals a day? This is the external factor that has the greatest influence on the present condition of the workers, that the demand is notoriously small and is declining day by day. Therefore, a revival of the gold and silver embroideries and the extension of the use of *chikan* through enlightened public support are some of the greatest needs at present. Twenty years ago Mr. Gwynne observed: "the rapid progress of European fashion in India has greatly diminished the demands of such embroideries amongst Indians of wealth" who were and still are the best customers of embroidery works. To-day, if an ordinary man dared to go out in such costumes he would be jeered at as a pauper nawab. But if the use of it is again patronised by men of education and wealth and station, it will again filter through to the common man and the demand will thereby be greatly increased. And it is not a herculean task as at first sight it may appear. What seems to have affected the custom of these industries is the conservatism of the workers and of those controlling them, in respect of the old designs involving very heavy work which has been characterised as "meretricious to the European taste." An adaptation of the designs in accordance with modern tastes will greatly increase the use of such articles as has been the case in the fancy work in *kamdani*. But the *mahajans* do not care to improve matters and whatever loss they suffer they seek to make good by reducing the wages of the workers. The department of Industries, through the School of Arts and Crafts, can render much help in this matter. For instance, not long ago, a *zardozi karkhanadar* wanted to send some specimens to the British Industries Exhibition in London and Birmingham, and he asked for suggestions for some designs or dress pieces from the Arts and Crafts Emporium. But no such help came forward, whereas the Madras Arts School is often helping local industries with improvements in designs without spoiling the originality.

The tapping of foreign markets and the introduction of local embroideries to European dress pieces for ladies and children, especially those meant for dances and festive occasions, are other avenues in which the department of Industries and Lucknow Emporium, respectively, can exert themselves in the hope of success. The latter institution can act as an advertising centre, for, excepting to a small degree in *chikan*, there is practically no system of advertising the articles or the work. Modern business methods must be taken recourse to if these industries are to thrive and their workers to live.

Propaganda work towards educating the general public in the evils of it might attract public sympathy and do much useful work in ameliorating the working and living environments of the sweated worker. Holding of exhibitions—like the Daily News Sweated Industries Exhibition in England and similar public exhibitions in Germany—may help much to attract public attention and to create a compassionate feeling of uneasiness at the plight of so many human beings.

To those who believe that sweating, though apparently an inexpensive method of production, is ruinous to the community through the physical and moral deterioration induced in the sweater and their workers, it will be at once evident that the abolition of sweating is an important incidental advantage of direct public employment. The establishment of the Army Clothing Factory in England has saved thousands of workers from sweating dens without any increase in the cost of production. Letterings for shoulder pieces and caps of the soldiers, police badges, braidings of the uniforms and turbans of government *chaprasis* are to a certain extent made in Lucknow through contractors or master tailors. If a factory for such work can be opened as that in Shahjahanpur for army clothing, a large number of men will be saved the constant anxiety of a hand-to-mouth existence.

The considerate and well-informed public may form something like anti-sweating leagues or consumers' leagues with the object of redeeming the conditions of the worker as far as lies in private hands outside the trades. The first consumers' league was that of New York City and defines its aims as follows:—"By the exercise of the combined influence of its members to ameliorate the condition of working women and other

employees in and about shops, stores, and workrooms in the city of New York and to secure conditions which shall conduce to the physical and moral well-being of such employees." Amongst the principles it recognizes are "that the interests of the community demand that all workers shall receive fair living wages, and that goods shall be produced under sanitary conditions. That the responsibility for some of the worst evils from which producers suffer rests with the consumers who seek the cheapest market regardless how cheapness is brought about. That it is, therefore, the duty of the consumers to find out under what conditions the articles they purchase are produced and distributed and insist that these conditions shall be wholesome and consistent with a respectable existence on the part of the workers." The stores which approach nearest to the standard of the league are printed in the "White List" which has been distributed in a million copies. Another object of the league has been to educate public opinion. Such laudable effort on the part of the consumers themselves cannot be too highly spoken of and cannot go without having some good effect. Much work in this direction can be done by the newly-formed Women's Association in Lucknow; as the articles used are mostly made for the women, they can bring their influence to bear with great advantage for the benefit of the sweated workers.

But to bring about all the abovementioned remedial measures a very thorough and vigorous propaganda work and investigation is necessary. These can be brought about by keeping the matter constantly before the public eye, through newspapers, municipal gazettes, university studies and investigation of private bodies, and disseminating these high and low. A very great step towards public education in this matter will have been taken if an exhibition of the sweated industries like that organised by the "Daily News" of London can once be held in the city.

But though such external attempts will rectify some of the evils, nothing short of a permanent increase in wages can bring about a noticeable turn in the tide. And the greatest weapon to achieve this end is exactly what the workers lack—organisation. Unless the workers in the different industries unite into cohesive bodies and carry on constant agitation and effort to improve the wages, there is small hope of any "respectable existence" being guaranteed to them. The path of trade unionism has once been experimented upon and found successful in raising wages. About the beginning of 1919 when the rise in prices was hitting hard, the *karkhanadars* of *kamdani* and *zardozi* took the workers into confidence and struck work refusing to submit to the low wages of ten annas per tola which then prevailed. It is said that the demand at that time, for some reason or other, was quite brisk. They remained on strike for more than a month and the *mahajans* were ultimately obliged to climb down and the rate at once went up to Re. 1 per tola for the *karkhanadar* and twelve annas for the worker. Not that this was a fair wage, but it was the least they could possibly live on.

Amongst the *zardozis* a regular union was formed with a working committee of four representatives of the *karkhanadars* and eight of the workers, and a constitution and byelaws were drawn up which can still be found with an ex-president; but the *kamdanis* could not advance so far and were content only with a rise in the wages. Not long afterwards the non-co-operation movement was started with its stigma against foreign cloth, and it undoubtedly reduced some demand, and the *mahajans* grasped the opportunity to start grumbling against the high wages involved in the production of ordinary embroideries. But somehow or other it was maintained till 1925 in the case of *kamdani* and about 1927 in that of *zardozi*. The *mahajans* then refused to pay the agreed wages and the workers again struck and remained without work for about two months. But nothing came out of it, for the resources of the workers are small and even when helped by the *karkhanadar* they cannot hold out for long. The *mahajan* began dealing with the individual workers and gave them work at fourteen annas, i.e., two annas more than the *karkhanadar* paid him, till at last nothing in the nature of a union standard of wages was left, and *karkhanadars* gave in to accept fourteen annas and the workers correspondingly went down to the present level of ten to eleven and a half annas, almost the same as it was in 1910 and 1880. The worker that ignored the union regulations may be called disloyal or unscrupulous, but it has been heard again and again that they preferred a moral dereliction only on account of the pangs of hunger. But there were also some intrinsic defects in the union. The subscription was never regularly paid and whatever was collected was spent in annual gatherings and fetes. Then because the president of

the union gained some *ex officio* advertisement and his *karkhana* flourished well, others were jealous of him and secretly wished the union to break down. Then they asked too much of the Government when, sometime ago, they wanted to turn their union into a co-operative body and abandoned the idea as soon as the Government informed them of its incapacity to grant as much as they wanted. The union is now in existence only in a moribund state; but with some proper help and guidance it can still come into life with immeasureable advantages to the workers and the community at large. An effort to revive it and establish it on a sure footing would be greatly beneficial to the workers. Help in this respect may come from public-spirited men and societies like the Servants of India Society which has done so much to start co-operative effort among the lower castes in Bombay, while the State also can very well come to the rescue.

Another scheme which should receive serious consideration is the co-operative system. There is sufficient scope for starting co-operative organisations if only the workers could be convinced of the benefit from united action. Co-operative societies of several types may be started in running these trades. Supply societies providing members with raw materials and other professional requirements like those of Germany will liberate the workers from their dependence on the *mahajan*. By wholesale purchase of raw materials, etc., they will effect much economy, and the profit now going to the *mahajan* or large dealer on this account will be distributed among them. The production societies which undertake contracts and distribute the work among their members at a fixed rate will greatly facilitate regularity of employment and fixity of wages. Lastly, the immense benefit which will come from sale societies needs no mentioning Such societies are generally not much developed in agricultural co-operation owing to the distance of the market, etc., but are extensively found in Bavaria and along the Rhine in Germany. No such disadvantages are found in connexion with urban industries.

As regards the financing of these societies as well as the individual craftsmen, nothing better can be suggested than small industrial banks on co-operative basis on the model of Sewlze-Delitsze banks of Germany started mainly for the benefit of urban craftsmen, or People's Banks of Italy. The chief object of the co-operative urban banks in Germany is the assistance of small industries. "There is no doubt that the craftsmen requires his own bank or at least a bank that understands him." He is the peasant proprietor of industry, and, like his country cousin, his security being as much personal as real, he needs a bank which is prepared to take careful account of all his circumstances. This the large banks cannot do. Moreover, the craftsman is to some extent in competition with the interests representated by the large banks. There are even banks formed for a single trade as the Bankers' Bank in Nuremburg. That the financial requirements of the small craftsman and their societies would be best met by industrial banks admits of no doubt.

But the State also must be prepared to help, and especially in a country like India where the financial security of the craftsmen is next to nothing, little will be gained if the State acts as a mere on-looker. In Germany, Italy and France craftsmen societies obtained at the outset substantial assistance from Government as well as from the urban industrial banks. Loans at a low rate of interest, combined with small free grants, were made to many societies. The whole banking system of the Imperial Federation Co-operative Societies of Germany pivots on a State bank at Berlin, and most of its unions before the war accepted assistance from Government. New types of co-operative effort, too, have frequently been launched with the help of Government loan or grant. The widespread system of '*baqi*' or indebtedness to the employer is a great handicap in the worker's freedom of choice in the matter of employment, and it binds the worker hand and foot to the employer.

As already seen, artisans and home workers in arts and crafts such as *zardozi*, *kamdani*, *qota* or calico-printing are indebted to the *karkhanadars* to an extent which has sapped all initiative and zest of the workers, while the *karkhanadars* also complain that a large amount of capital is left idle or even lost when the workers abscond disregarding old debts. Among the metal workers again, there is a good deal of indebtedness to the wholesale dealers or *kothis* and the result has been equally detrimental to independent craftsmanship. Co-operative credit societies under such circumstances will be a boon to the artisans, giving easy credit and at the same time discouraging improvidence. Where the costs of raw materials of arts and industry have led to the strong

grip of the *karkhanadars* or capitalist over the industry, industrial banks which might lend money and materials and accept payment in finished wares and products may be effectively started to combat the evils of under-payment or under-employment. Gradually the banking and trading side of the business may be differentiated and the sale depôts in different arts and handicrafts may be assimilated to the present Lucknow Arts and Crafts Emporium. The great drawback of the latter has been that it has but seldom touched the artisans in their homes and shops, too often resorting to the *karkhanadars* or even wholesale dealers for the supply of the products. Real industrial co-operation must have an eye towards the independent craftsman, helpless as he is against the superior resources and organisation of the dealers and the fluctuation of seasonal demand of his wares.

(For oral evidence, see pages 412—7.)

ORAL EVIDENCE.

Lucknow, January 27, 1930.

Present :

MR. E. A. H. BLUNT, C.I.E., O.B.E., I.C.S.,	...	*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* :—*Messrs. S. N. Majumdar Choudhury and Ardhendu Bhattacharya, students, Lucknow University*).

Dr. Radhakamal Mukerjee : I would like to combine the results of the surveys of both of you and ask certain general questions about arts and crafts in Benares and Lucknow. What are the classes of middlemen and how have they been able to establish their control over different arts and crafts? You have described middlemen with reference to each particular art and craft. Now you may view the situation as a whole and classify middlemen. Please also state the causes which have led to the influence of the middlemen over particular arts and crofts.—(*Mr. Bhattacharya*) I shall tell you what I have found in Lucknow. Taking them all together there are three classes. First of all there is the capitalist or *mahajan*. He is the first middleman who directs industries. Then comes the *karkhanadar* who works under the first middleman. He is linked between the actual worker and the capitalist. Then in some industries, for instance, *gota* and *chikan* industries, there is an extra middleman, who acts as an intermediary between the *karkhanadar* and the worker or between the shopkeeper and the worker.

What is he called?—He has no special name here.

The Chairman : How does he work exactly?—He is just like a go-between. He takes work from the *karkhanadars* or shopkeepers and hands it over to workers at their homes. This is generally the case with women workers. He then collects work from the workers and deposits it at the *karkhana* or the shop.

Does he do anything in the financing line?—He does not finance at all. It is the first middleman, the capitalist, who does that. But sometimes in the case of *kamdani* and *zardozi* work, the *karkhanadar* supplies the material instead of the *mahajan*, and in that case a part of the financing is done by the *karkhanadar*.

Dr. Radhakamal Mukerjee : But in some industries for instance calico-printing and metal work, the *karkhanadar* is himself the capitalist and there is nobody above him. In what capacity will a *dalal* come?—*Dalals* generally bring purchasers to the *mahajan* and get some commission.

They do not finance at all?—No.

Who finances?—In the *karkhana* the *karkhanadar* himself supplies the material to the workers when he does not get them from the *mahajan*, but some people also work at their homes and in their case it is the *mahajan* capitalist who finances them. *Mahajans* have shops in the market and they sell both retail and wholesale, but *karkhanadars* who have no shops of their own do only wholesale business and they do not sell in the market.

From whom does the *karkhanadar* borrow?—In some cases he has got his own capital, but generally he gets the supply of raw materials from the *mahajan*. Of course, he is not the capitalist.

MESSRS. S. N. MAJUMDAR CHOUDHURY AND ARDHENDU BHATTACHARYA :

Mr. Majumdar Choudhury : In Benares there are some very big *karkhanadars* who possess large capital, say two, three or four lakhs.

Rai Bahadur Babu Mohan Lal : Are they weavers?—(*Mr. Majumdar Choudhury*) : Yes, they are weavers by caste, but they do not weave now.

Dr. Radhakamal Mukerjee : Among the causes of influence of the middlemen you have specially mentioned the difficulty in the supply of raw material and seasonal demand.—Yes.

In regard to brass work you have mentioned that the processes are divided between different groups of artisans and the moneylender intervenes as a co-ordinator.—That is chiefly the case in gold and silver thread industries.

What is the particular work he does as a co-ordinating agency?—He has to see that a certain man finishes his work and passes it on to another worker. If there is no middleman, there will be nobody to arrange all this.

Now, there are two tendencies in industries. In one the artisans are going from their homes to the workshop, and another in which they are going from the workshop to their homes. Can you tell me in which industry there is the tendency of workers going from their homes to the workshop?—I have found this in the case of *tarkashi* and calico-printing industries. The workers are drifting from their homes to the workshop. The tendency to work in *karkhanas* is increasing.

Mr. Bhattacharya : In Lucknow the general tendency is that workers prefer to work in *karkhanas* instead of at their homes. On the other hand, the case with regard to *chikan* work is otherwise. Previously there were very large factories, but now there are hardly more than ten or eleven. The tendency of workers in *chikan* now is to go back to the system of working at their homes.

Dr. Radhakamal Mukerjee : How is it, Mr. Bhattacharya, that so many large factories have disappeared?—The demand for *chikan* materials has very much diminished and that is the reason why the *karkhanadars* are closing their business.

The Chairman : Though the general tendency of the workers is to work more in *karkhanas* than at their homes, yet in certain industries we find that the move is the other way about.

Dr. Radhakamal Mukerjee : In the brass industry at Moradabad and Lucknow we have found that the tendency has been in the opposite direction, *i.e.*, from *karkhanas* to homes.

Mr. Bhattacharya : The worker in that case gets some sort of independence and he can work for longer hours if he likes. Moreover, he has not to depend upon the *karkhana*.

Mr. Majumdar Choudhury.—In Benares this tendency is marked in the silk industry. There we find a homeward drift from the *karkhanas*.

Is there any difference between the rates which the worker gets by working in the *karkhana* and independently at his home?—(*Mr. Majumdar Choudhury*) : Yes, if a weaver works in the *karkhana* the *karkhanadar* takes quarter of the total wages for weaving a piece *plus* the wages of the boys who help the weaver in his work.

So in order to save that loss the worker likes to work at home?—If he works in his own house no deductions are made, but he will get something less if he goes to the *kharkhanadar*.

The Chairman : Do you find any evidence of any attempt made to push the sale of these art wares and to extend the market for them? Last night I was reading two notes from an M.A. student of Allahabad, one in regard to Nagina woodwork and the other about Saharanpur wood-carving. It seems that there at direct relations between the *karkhanas* and the big firms in other countries. Do you find anything of that kind? You know that Benares silk will command a very high price in England?—Generally *karkhanadars* have no such direct relations. Foreign exports are in the hands of big capitalists.

Dr. Radhakamal Mukerjee : What about *chikan*?—(*Mr. Bhattacharya*) : It is the *mahajan*, and seldom the *karkhanadar*, who goes to Calcutta and sells the goods. In other industries also they never approach anybody else but the *mahajan*. They have not the means.

The Chairman : But some of the Muhammadan *karkhanadars* are directly in touch with merchants in England.

MESSRS. S. N. MAJUMDAR CHOUDHURY AND ARDHENDU BHATTACHARYA :

Dr. Radhakamal Mukerjee: The crux of the problem lies in the organisation of marketing on modern methods. How would you bring this about?—(*Mr. Majumdar Choudhury*): First of all the question of demand has to be taken into consideration The demand is growing less and less.

That applies mostly to Lucknow wares?—(*Mr. Bhattacharya*): It is different in regard to Benares. Lucknow has a downward tendency, while Benares is on the increase in respect of demand for their wares. In Lucknow there is the question of financing. The *karkhanadars* are hopelessly poor and they can hardly afford to pay even their hands. It is only the modern method of marketing that can help them,—for instance, advertisement. No effort is made to advertise any ware in Lucknow except *chikan* and that too in a very crude way. They will simply hang a piece of *chikan* work in a small glass case, and that is all.

The Chairman: I remember when I was in Lucknow, only about ten years ago, these *chikan* workers were constantly coming round to bungalows with their stuff to sell, but I have not seen them now for the last five years.—(*Mr. Bhattacharya*): That shows how it is declining. The other method is hawking in the market. The Emporium is doing, of course some thing. The difficulty is that there is a hopeless neglect in the matter of pushing on sales.

You say that there has been a considerable change in the public taste? Are the workers making any endeavours to change their methods so as to meet the present requirements? For instance, take the *chikan* caps which everybody used to wear here in the hot weather, but which more or less are dying out. Can the same sort of work not be adapted to table cloths and other things?—Efforts are being made in this direction, but they are very slow and insignificant. They are preparing table cloths and various kinds of laces, but *chikan* laces are no longer having good sale on account of laces imported from Switzerland and France. The competition has also been responsible for much decline in this trade at Lucknow.

We know that cheap machine-made things are swamping the market and hand-made articles cannot compete with them. In any case, you want some sort of organisation which will show them how to do it. That may be a co-operative society or anything else, but there may be something at the top that may make them adapt themselves to the new ideas.—(*Mr. Bhattacharya*): There ought to be something which will keep them in touch with the outside public. It may be done in this way. There should be someone of the organisation in question who may go to the homes of the workers and inspect the conditions of work there. He may explain to the workers what improvements should be made. Similarly, the same man or somebody else should go to the *karkhanas* and help the owners with suggestions and information.

Dr. Radhakamal Mukerjee: There may be a central trading organisation and sales dépôts, which may advertise and organise sales abroad. Now there is another point. How do you think that artisans may get their raw materials cheaper?—Just as they have done in Germany. There may be an industrial bank, either for all the industries or for one industry. In Germany they have done it in both the ways. It may be either a co-operative society or an industrial bank which may supply raw materials to the workers in *kamdani* and *zardozi* in Lucknow. I think it would be better if you can recommend one industrial bank for all the industries, because industries here are on a small scale and it would not be paying the way of the bank if it confined itself to any one industry alone.
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The Chairman: My suggestion is that if there is a large firm or a central firm—I would call it a big *karkhana*—it will stock raw materials and will either sell or lend it to the workmen and to small *karkhanadars*. It will also collect the products and sell them. The whole thing should be in the hands of a commercial firm.

Dr. Radhakamal Mukerjee: Mr. Majumdar Choudhry, do you think that would be suitable for Benares?—There is some advertisement being done in vernacular newspapers and that brings some orders, but there should be some regular organisation which will take up this work. This can be done by establishing sale agencies and supply stores. For the present they may both be combined together.

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The Chairman : Do you want one organisation or various organisations?—There should be some society which will supply raw materials and which will collect finished products and be responsible for the sale of those things. The finished products must be deposited with this society.

Mr. Bhattacharya : That is the thing which is wanted at Lucknow as well.

Mr. Majumdar Choudhury : And the weavers may be paid according to the work they have done.

The Chairman : That is a matter of detail. I am afraid under the piece-wages system you may or may not earn a sufficient wage.

Dr. Radhakamal Mukerjee : So the suggestion is that there should be something like a co-operative bank combining all the functions?—(*Mr. Majumdar Choudhury*) : Yes.

Mr. Bhattacharya : In Lucknow the chief question is of pushing the sales and that can be done only on modern lines.

Dr. Radhakamal Mukerjee : Do you think, Mr. Bhattacharya, that the old practice of restricting apprentices to the members of a certain caste is still being followed in Lucknow?—In Lucknow it is not so much a question of caste as of community. For a great number of years several industries have been in the hands of Muhammadans.

What about Benares, Mr. Majumdar Choudhury?—In Benares practically in all the industries the apprenticeship is restricted within the caste and no outsider is taught the work.

Does a caste exercise any influence over the industry?—Yes, only in two cases. In Benares there is a caste called *sodhas* in the gold and silver thread industry. They have got a *panchayat* system. The *panchayat* is responsible for the purity of silver. The silver must be passed through the *panchayat*. Neither a *sodha* will accept silver from the *mahajan* nor will a *mahajan* accept the silver bar from a *sodha*. There are two kinds of gold thread, superior and inferior, imported from France. In the silk industry the *panchayat* of the weavers has prohibited the use of the inferior stuff and anybody using the inferior gold thread in Benares city is excommunicated.

The Chairman : What caste is that?—Julahas. Nobody can use inferior material. I know that Julahas have a very strong *panchayat*.

Dr. Radhakamal Mukerjee : Do you think there is a possibility of re-organising such *panchayats* for the protection of the industry?—There is a possibility, but it will take time.

Are there educated men amongst them?—Yes, there are. In Benares there is a *panchayat* of middlemen which deals with cases of absconding. For example, if an employer pays a weaver for doing certain work in advance, and the weaver absconds and takes up employment with another man, the *panchayat* will make the weaver repay the amount to his former employer.

What about the *panchayat* of artisans?—There is no such *panchayat* of artisans except in the case of *sodhas* which guarantees the purity of the metal.

Have you any idea whether they existed in the past?—There was an organisation in 1921, but it was not successful owing to the middlemen.

Mr. Bhattacharya : A sort of union has been formed at Lucknow called *Anjuman*.

Mr. Majumdar Choudhury : About *karkhanadars*, they formed one *Anjuman* at Benares which functioned for three years only and then died away.

Mr. Bhattacharya : This can be revived provided education is given to weavers?

Mr. Majumdar Choudhury : If they are educated they will want it for themselves. If you go to them now and ask them they will not have it. Most of them are illiterate.

Dr. Radhakamal Mukerjee : To turn to another matter, octroi duty. Is it a hindrance?—(*Mr. Majumdar Choudhury*) : Of course, to an enormous extent, because when raw materials are imported the municipality levies octroi duty, but when finished products are sent out they never give any refund.

That applies only to weaving?—No. On every raw material which is imported there is the octroi duty, and nearly all the products of the Benares industries are always sent out.

Rai Bahadur Babu Mohan Lal : No refund is given?—When raw material is exported then they give a refund, but when you export finished products made from these raw materials they will not give you any refund.

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Dr. Radhakamal Mukerjee : The octroi duty is the same for a number of years. Have you collected any figures showing the amount of duty which has been, for instance, levied upon the weavers?—They do not charge the duty under different heads. They say "native cloths."

Mr. Bhattacharya is that true of Lucknow?—To some extent.

The Chairman : It works up to a very large sum.

Dr. Radhakamal Mukerjee : Do you think that the abolition of octroi duty is desirable?—(*Mr. Majumdar Choudhury*) : Yes.

The Chairman : It is not a small sum. It is a large one.—(*Mr. Majumdar Chaudhury*) : Silk products costing something like two or three crores are sent out from Benares every year.

Dr. Radhakamal Mukerjee : Are you aware of industries where sweated conditions exist?—I would like to know the definition of sweated condition.

Mr. Bhattacharya : I would like to give one definition. One of the various authorities on labour says that there are some four or five conditions of sweating. Firstly, very low remuneration; secondly, long hours of labour; thirdly, unscientific conditions of labour; fourthly, the appearance of woman labour, and there is one more which I forget now.

Will you give an instance?—(*Mr. Bhattacharya*) : This is specially the case with the *chikan* industry. Women do the work and get four or five annas a day and do that work for whatever time they can afford to devote to it.

They have other male members to support them?—Not always. There are some low caste widows—though there is no caste in Muhammadans—still I mean the very poor, and the middlemen go to them and give them work.

The Chairman : Does this add to the earnings of the family?—Some women have to depend solely on that work.

Dr. Radhakamal Mukerjee : You have stated in your survey that there is some competition between urban workers and rural workers?—What they do is that they work very cheaply, even earning a pice a day.

Is this a subsidiary source of income?—Of course. If they have got spare time they will work.

Has that competition lowered the wages of the urban workers?—Most certainly.

The Chairman : As it has the effect of lowering the wages of the permanent workers therefore the sweated condition exists.

Dr. Radhakamal Mukerjee : As regards sweating conditions, are these conditions prevalent in Benares, Mr. Majumdar Choudhury? -Yes. A weaver's family consisting of seven dependents cannot earn more than . . .

You cannot have seven dependents. The average number is five according to the census.—(*Mr. Majumdar Choudhury*) : My figures are taken from the census report.

The Chairman : Your number of seven dependents is much larger than anywhere else.—(*Mr. Majumdar Choudhury*) : Most of the workers in Benares are Muhammadans and the census figures may not be correct simply on account of the *pardah* system. But I am quite correct in saying that the number is six or seven.

Dr. Radhakamal Mukerjee : What is the share of *pardahnashins* in a weaving family?—Practically nothing, because a weaver who works in his home is assisted by his women and children.

They have no other means of employment?—They have got something to do. Women twist the thread for an outsider, *i.e.*, for a *kalabattu* machine. For twisting one *kurchi* of thread they get two pice. They cannot get more than two pice a day. Moreover, this is possible only when they happen to live in the same quarter where *kalabattu* is produced. Some women also weave *gola* on the piece system and the daily wages they can earn is not more than three annas.

The Chairman : They do not get a living wage for the work they do?—No. That is the only work which they can do. There are some *tikli*-makers who cannot earn more than two annas a day. That is the only work they can do.

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Dr. Radhakamal Mukerjee : That is the only source of their livelihood?—Yes.

Tikli, gota and silk?—Not silk.

Rai Bahadur Babu Mohan Lal : What about silver *warakh* making? One *warakh* is sold for one pice?—But in a day they can make 150.

Dr. Radhakamal Mukerjee : What would you suggest to improve their conditions?—They should be organised.

They should demand living wages?—Yes. Moreover, the sanitary conditions of most of the houses are very bad.

Mr. Bhattacharya : In Lucknow also they are very bad. In *kachcha pul* and in *parcha gali* you will find this. Only the other day a whole family consisting of some six members died leaving only one member behind.

This is due to slum life?—If you look at the municipal report you will find that there are several headings and the largest number of deaths is under the heading "Miscellaneous." That carries the largest number of deaths, and the next largest number of deaths you will find under "Tuberculosis."

The Chairman : I know tuberculosis is very bad here.

Dr. Radhakamal Mukerjee : What about weavers? Is tuberculosis prevalent among them?—(*Mr. Majumdar Choudhury*) : Not generally, but they are very poor in physique.

Then these rural workers lower the wages of urban workers very much?—(*Mr. Bhattacharya*) : Yes. In the Lucknow district there are two villages which have specialised in moulding large vessels and they are never moulded in the city. That deprives them of work.

These conditions badly affect the wages of the urban population.

The Chairman : I want you, Mr. Bhattacharya, to let me know something about the local tobacco industry.—I shall go into it, Sir.

I would like to know how this Lucknow tobacco industry works? There is one big *karkhana*?—There is only in Ahiaganj.

Will you write a report? It need not be a long report. Coming to another matter: is the Workmen's Compensation Act now in force in Benares, Mr. Majumdar Choudhury? I used to dispose of half a dozen cases almost daily while I was there.—(*Mr. Majumdar Chowdhury*) : I am not aware of that.

If a workman who owes money refuses to pay back or work, then he is liable to be sent up under that Act for trial.—(*Mr. Majumdar Choudhury*) : I have not come across such cases.

Rai Bahadur Pandit G. S. Upadhya : You have not seen cases like that?—No.

But there are cases under that Act. They are for not keeping the contract. They are for breach of contract.—(*Mr. Majumdar Choudhury*) : The contract is almost in all cases verbal. As I said in my report, it is only in a few cases that the middlemen regularly give wages in advance. A weaver knows that he will not be able to realise his dues from the middleman if he leaves him, so such cases generally do not arise.

Mr. Bhattacharya : Nothing like that is to be found in Lucknow. Here the names of workers are registered in the books of *karkhanadars*.

(The Chairman thanked the witnesses who withdrew.)

A survey of small urban industries of Allahabad City.

[By Mr. Shanti Prasad Shukla, Research Scholar, Economics department, University of Allahabad.]

The following is a brief description of some of the small industries of Allahabad City showing their financing, marketing and organisation.

I.—Tar-fans.

There are no distinct and well-marked groups of workers, forming a chain, at the different stages of the preparation of *tar*-fans. Out of their workshops the workers have to reach both ways—to the palm gardens and to the markets. Some of them get palm gardens on rent, others buy the palm leaves locally from other members of the trade. The leaves are brought from beyond the Jumna and the surrounding country. On an average the royalty paid to the *zamindars* for obtaining the leaves works out at four fans per pice. Such purchases must be paid for in cash at once. It is only exceptionally that a *zamindar* postpones taking the royalty—usually for a fortnight or a month. For this accommodation he charges nothing, but the customer is placed under a moral obligation to patronise him in future—a very common practice of the Indian market, known as *hath udhar*, or in other words "loans by hand."

Fans are made throughout the year and hawked in the local market in all seasons except the winter. There are some stockists for these fans who are not workers: they work as middlemen to some extent.

Usually thread and colours and *sirkanda* (a reed growing in swampy regions) is used in finishing the fans for the purpose of which the workers utilise their own small savings or get credit from their usual shopkeeper creditors for short periods, say a month.

Borrowing is resorted to for purposes of the industry, for maintaining themselves in the periods when the fans do not sell readily, as well as for general purposes. The usual interest charged on such loans is an anna a rupee a month.

The *Magh Mela* annually provides a good market and fans are also exported through *bcoparis* who buy for cash from the workers or the local stockist. For some time to come, there is a sure market for such fans in the city itself, as most of the lower strata (economically speaking) can have no electric installations.

II.—Zardozi (embroideries).

The *zardozi* workers have workshops but it is seldom that anyone goes to them directly. The reason is that they are not independent workers. They keep themselves attached, for purpose of getting work, either to *sarrafs*, who sell gold and silver threads, or to cloth merchants, who arrange for all the materials and obtain a commission out of the payment made by the customer. These workers may be placed in the category of tailors, though not exactly. The customers have to provide all the materials and there is no question as regards marketing. The trade is not a flourishing one except in the marriage season, and the workers have to supplement their income by keeping general shops.

III.—Tailoring.

There are all sorts of tailors,—*karkhanadars*, independents, and others who are almost hawkers. There is a tendency to associate in *karkhanas*, as it is easier than to secure more or less regular work. Moreover, there are apprentices who learn the trade and get a stipend. The worker-tailor in the *karkhana* gets either a daily wage or a piece-work wage, usually the latter. Where no "cut niceties" are involved the hawker-tailor plies his trade, and he gets a lot of business though his earnings are not more than of those who work in the *karkhanas*.

It is not always the rule that the master-tailors obtain materials on their own account and charge the customers for it. Some of them, after the method of independent tailors, require their customers to provide all things needed for a finished

dress. Master-tailors generally have a book credit account with cloth merchants and sewing machine agents, accounts being settled occasionally. From the former they get accessory cloths needed for "lining," etc., and from the latter they buy machine parts, machines, etc.

IV.—Pottery and toy-making.

The potters, though poor, are not idle. Their articles are ever in demand, but they have to stop work during the rains. They make pots and ordinary tiles. Earth is usually got gratis though sometimes they have to pay a small royalty to the *zamindar* for obtaining it, specially when they want to make tiles in large quantities. The tools of the trade seldom necessitate borrowing; but borrowing is resorted to for general purposes and mostly in the rainy season. The debt is paid off wholly or in a great part when the working season begins.

The potters market their own goods. The substantial ones among them act as middlemen on margins which generally work out to be 20 to 25 per cent. Making of pots is not their only work. Most of them often work as general wage-earners or manufacturers of *khas tattis* or *sirkis* (for roofing), in addition. The capital comes from savings of their income from their combined industries. Borrowing by pledging the ornaments of their womenfolk is common. The rate of interest charged in such cases is 15 per cent. and the creditors insist on a margin of 50 per cent. Those who are less potters and more of manufacturers of *khas tattis* and *sirkis*, etc., are usually substantial and try to avoid borrowing, which fact injures their position. Cash payments have to be made on purchasing raw materials.

It is the more skilful of the potters who specialize in toy-making. The rate of interest at which loans are usually available to them is one anna per rupee per month.

V.—Cane and bamboo basket work.

Cane and bamboo are bought of the local importers who get them from neighbouring districts and states. Cash payment is the rule. Marketing is done by hawking mostly, receiving orders and selling to *beoparis* from whom advances are received on an agreement to sell to them. The things manufactured are baskets, tables, drawing room suites, boxes, chairs and fans. There is always a brisk trade in these commodities. Though a big cottage industry of these goods flourishes in Allahabad, it is supplemented very largely from centres located outside the city in Chaká, Mardapur, Mohammadabad, etc. There the small workers work in groups. Their wares are taken by big local workers, who sell them to *beoparis* of the city, who are also stockists. The method of transport to the city is a very archaic one, *viz.*, on the shoulders of men, in *bhangis* (i.e., two loads suspended on both ends of a pole, the man carrying the pole on his shoulder, etc.). Labourers are employed for such transport. They get what is simply a pittance in view of the exacting and exhausting work they have to put in. *Charas* and *ganja* which take up a big part of what they earn, are the things which maintain the carriers' endurance.

VI.—Lac bangles.

The industry is, perhaps, the nearest approach to the cottage scale. Lac and dyes are imported from Mirzapur where the workers often go to make purchases. *Panni* (silver leaves) is bought locally. Colouring dyes are made by the workers themselves out of certain kinds of lac. In all transactions cash must be paid, though the *hath udhar* system prevails also between familiar parties. In a real cottage industry the middleman finds no place, for he finds none where the raw material is not costly (cf., the obtaining of *tar* leaves for *tar*-fan makers). The bangle makers, more particularly their womenfolk, do an amount of hawking and also obtain orders. Sometimes the workers sell to some travelling *beoparis* who personally come to take consignments and pay in cash.

VII.—Tabalas, tamburas and similar musical instruments.

The makers of these instruments work throughout the year, more briskly on the eve of festivals and fairs. The commodities they produce are taken up by people from the mofassil and also city dwellers, directly. For their materials—leather, paint, resin and wood—they have to pay in cash. For their food-stuffs they are allowed credit (not necessarily always) by their grocers and *banias*—a system which is general in this city and perhaps everywhere else also, for all sorts of small workers and clerks. As

the element of competition is inoperative in such arrangements, the grocers often give inferior stuffs, and prevent the effects of favourable changes in prices from reaching the workers as long as possible.

VIII.—Leather work.

The *mochis* (workers in leather) buy their leather from local dealers who import, in their turn, from Cawnpore and Madras. Some leather is also taken from the local tannery at Malaka. Cash must be paid in such purchases. *Hat udhar* is the exception but is more easily obtained by the *karkhanqdar mochis*. Cash loans to Katra *mochis* are available, for general purposes, at two pice per rupee per month; in Daraganj the rate is 24 per cent.

There are three methods of marketing—hawking, supplying to order and maintaining shops. The local market almost wholly consumes the products.

There are a number of *karkhanas* of the *mochis* where the *mochi*-proprietor employs worker-*mochis* on monthly or piece wages and pays stipends to apprentices. Work is done by hand. With the introduction of power-driven machinery, better finish, design and style, for which the local municipal leather school is doing a lot, the future of this cottage industry would be bright.

IX.—Wood-work.

A—Furniture.

There are many firms carrying on their industry of furniture-making in *karkhanas* (without power-driven machinery). Wood is purchased locally from the timber importers who get teakwood from Burma and *shisham* from Northern India. Jubbulpore also supplies a kind of teak. Some of the firms buy cartloads of mango, *tun* and other varieties of wood from individual sellers who bring in such wood in carts. In case of established relations, accounts are settled fortnightly or monthly with these carters: otherwise cash payments are the rule. The same applies in the case of varnishes, paints, spirit, nails, iron materials and other things.

A *karkhanadar* employs a limited number of good carpenters and some labourers on monthly salaries. The work of art and design is done by the master who, in several cases, is an ex-student of the local government carpentry school. Almost all firms are privately owned and are financed by the proprietor through his own resources helped by friends who lend him on the *hath udhar* system. It is only rarely that any interest is paid to such friends—and even then it is nominal.

Besides a small export trade, being supplies to order, the market is local. Agents are sent about the town to secure orders and tenders are submitted to local public institutions for supplying furniture. A little hawking is also done.

But hawking is the domain of independent carpenters among whom, however, the tendency is growing to join *karkhanas*. There is a large number of carpenters living from hand to mouth: these men go about in search of work. Some of them used to obtain orders, enlist associates, borrow from local *banias* at 75 per cent. for purchasing the necessary materials and then fulfil their undertaking, getting payment at the end to disburse themselves and pay off the debt and interest. These roaming carpenters have found their own level. They are not efficient enough for *karkhanas* or artistic work.

B.—Comb-making.

The comb-makers, about 60 families, are located in Saidapur, Mirapur and Kailbagh, in close proximity of each other, more particularly in the first *mohalla*. The different varieties of wood used for comb-making are imported from Jubbulpore and the neighbouring states of Central India, where the workers themselves go and buy. Some of them sell such wood to other co-workers in their locality at a small profit—two pice to four pice on the rupee.

There is a large trade in export of combs which are sent all over these provinces, Rajputana and Madras. A lot of hawking is done locally. Combs are also sold to some general dealers in the city. *Beoparis* from outside come and personally make purchases for cash. With a little improvement in finish and design, the local combs can catch the market very easily.

Loans to these workers are obtainable at Re. 1-8-0 and Rs. 2 per cent. per month from the local *mahajans*.

C.—*Toys and slippers.*

Some of the independent carpenters have specialised in toy-making and slipper-making. As regards the latter, the retail dealers in slippers place their orders with the carpenters, and in most cases supply all raw materials. The neighbouring villages supply mango, *shisham* and *babul* wood. All other things are obtained locally. Not only ordinary, but also fancy slippers are manufactured. There is a considerable export trade in slippers carried on by the dealers above referred to.

The toys are ordinary ones, the raw materials for which are found by the workers themselves. The finished goods are sold to dealers in the city, and cash payments obtained.

X.—Allahabad steel trunks.

The trunk-making is carried on through *karkhanas* which are private concerns employing wage-earning smiths (paid monthly or by piece-work), painters and labourers. Metal sheets and accessories are imported and paid for in cash. Accommodation for a time is obtained from the local branches of banks by means of railway invoices. Otherwise private resources have to go the whole way. There is a large export trade in trunks and the invoices are sold to the banks who collect the payments on a small commission ranging up to 4 per cent.

XI.—Dairy farming.

The industry of milk-supply in Allahabad is very important and there are a number of ways in which it is done. There are small *gwalas*, owning a couple of cows and supplementing their income from milk by ekka-driving, fruit-selling and doing other odd jobs in spare time. There are others whose number of cows and buffaloes take up their whole time. Both these kinds of *gwalas* hawk about, have fixed customers and finally pour over all that remains to *halwais* (sweetmeat-makers). The *halwais*, incidentally, get a large supply of milk and *khoya* (milk boiled to solidity) from outside the city.

There are also a number of dairies working more or less on scientific methods. In their hands the milk industry has assumed the technical aspect it deserves. Some of them manufacture butter and cheese also on modern lines. The *karkhana* principle is working there. A start is made with the selection of animals; and proper feeding, milking, pasteurizing, marketing, all receive due care. The establishments employ a number of servants on monthly salaries. There is, however, an element of duplication in the way in which such dairies go about simultaneously in the same quarters trying to secure the market.

Some of the *gwalas* have been organised in a very interesting way. They bring their cows together to some enterprizing person who undertakes to do the marketing, and milk their cows under his supervision and hand the milk over to him. The gentleman employs a number of servants who take the milk out to every place along with consignments of cheese, butter, loaves, eggs, sandwiches and what not. The *gwalas* are conveniently paid off after marketing the milk, and a gain of 25 per cent. or more is made as a margin. I know of at least one such instance in the Civil Lines, and another in Katra, though the latter only sells milk.

The dairies sell advance coupons or take payments weekly or fortnightly. The *gwalas* generally agree to take payments weekly, fortnightly, monthly and even after two months.

General.

Some selected small industries of Allahabad have been described above to bring out their system of finance and credit We may now turn to an examination of the attitude of the indigenous and joint-stock bankers of the city towards these industries and also to an appreciation of the difficulties in the way of the co-operative efforts that have been made but have failed. This may, however, be said, in parenthesis, that we find a fundamental fact in the organisation of all small workers; namely, that they finance their operations in various ways with the object of crystallizing themselves into small independent workers with capital of their own. Further, borrowing is avoided as far as possible and cash payments are the rule in all transactions. In many cases the way of obtaining raw materials is irregular, arduous and wasteful. There is no set system of marketing, and advertisement is done by the show of the goods themselves. There is a hankering after self-sufficiency in finance as well as in organisation. The ideal among them seems to be not greater and greater productivity but the making of a living somehow.

This observation holds true generally of those workers who are nearer the true pattern of cottage workers. The organisations of *karkhanas*, no doubt, are animated, on the other hand, by the lure of bigger profits. And such of the small industries as shoe-making, steel trunks, furniture-making and the like, which show a tendency towards formation of *karkhanas*, are sure to assume large scales on the introduction of power and machinery, and to leave the cottage stage altogether.

The Banks.

There is a branch of the Punjab National Bank in this city. It has relations with the tannery in Malaka which is a small private firm and which exports leather to Agra and Cawnpore of the value of Rs. 8,000 per mensem roughly. The bank buys the railway invoices and collects the proceeds, earning a commission of 4 per cent. The *mahajans* of the city are the constituents of the bank, to whom the latter lends at 9 per cent. according to *haisiyat*. The *mahajans* themselves accommodate their clients at not less than 15 or 18 per cent. The more usual rate charged by them is 24 per cent. The Naini Glass Works and sugar industries are big customers of this bank. The rate of interest charged from them is 8 per cent. The glass business requires accommodation of Rs. 20,000 a month and sugar, during the season (January—March), 4 lakhs, at other times somewhat less. Sugar goes to all parts of the United Provinces and cane is brought from the eastern districts of the province. There is a big trade in bullion silver which forms the main support of the profits of the *mahajans* who are this bank's constituents.

The branch of the Imperial Bank of India has no dealings with small workers or even small traders. The bank maintains a confidential list of approved *mahajans* and big merchants based on private inquiries about their financial standing and credit status. The *haisiyat* limits are seldom reached. Stigma attaches to those who go to the bank; for the latter has a rule of controlling godowns as a security against cash credit advances. The volume of *hundis* passing through the bank is great, but it is impossible to find out whether the traders who market goods for small industries get any accommodation from this bank much more its extent.

The Allahabad Bank hardly does any business in financing or accommodating the workers of small industries.

It would appear from the above that the joint-stock banks render very little, if any, commercial accommodation to small industries. Actual financing of such industries is, of course, out of the question altogether. Their marketing operations may, now and then, be touched through traders who go to discount *hundis* with these joint-stock banks. It is the traders and importers (*i.e.*, the commercial banking strictly) alone that form the sphere of action of these banks.

The Indian banking firms which are found in Daraganj, Kydganj Unchimandi, Ranimandi and Chowk, do moneylending business with big *zamindars*, *talugdars*, and *rajas* on the security of mortgages of lands and buildings. Big merchants of the city are also accommodated. The circumstances are such that these indigenous bankers cannot touch the small workers.

Co-operation.

It might have been expected that co-operation which is "the help of the helpless and the strength of the weak" would be rendering the necessary help for the financing and marketing of these small industries. But the department has a tale to tell. The policy of the department is not to organise new societies. No experiment is contemplated with industrial societies. About ten years ago a credit society for weavers was started in this city but it failed owing to the scattered nature of the members and the unwise application of loans to other purposes than the sanctioned ones. Sometime back some vegetable gardeners were organised in a society (credit) but it soon died owing to similar reasons. The Nakauli Co-operative Society of Katra, which has gone into liquidation, was composed of very diverse elements which paid more attention to obtaining loans than to sound working; and autocracy seized the power in the society and stifled it. The Katra Co-operative Dairy is the only urban society existing in Allahabad, but it is weak.

Some of the causes of the failure of the urban co-operative efforts have been catalogued thus :—

(*a*) scattered nature of workers;

(*b*) easiness with which the *mohalla* moneylenders accommodate them;

(*c*) the workers themselves have some funds of their own;

(*d*) an absence of the ambition to capture and extend markets;

(*e*) on the whole the city worker is not so deeply sunk in debt as the peasant in the villages and has, therefore, not evoked strenuous efforts for co-operative finance; and, lastly,

(*f*) the mercurious nature of some of the workers, according to which they are this today, that tomorrow, and a third day they may disappear from the city altogether.

APPENDIX.

Workers' population in the city of Allahabad.

(Figures from Census Report, 1921.)

		Workers including dependents.	Dependents.
1.	Raising of farm stock	1,233	533
2.	Cotton-sizing and weaving	1,064	543
3.	Rope, twine and string	15	2
4.	Tanners, curriers, leather dressers, and leather dyers, etc.	474	280
5.	Sawers, carpenters, turners, joiners, etc. ..	1,993	1,163
6.	Basket-makers, etc.	2	2
7.	Workers in iron and makers of implements and tools, principally or exclusively of iron..	1,732	1,030
8.	Workers in brass, copper and bell-metal ..	631	454
9.	Makers of glass bangles, glass beads and necklaces and glass ear studs	11	9
10.	Potters and earthen pipe boul-makers ..	1,504	810
11.	Brick and tile-makers	..	..
12.	Manufacturers of matches and explosive materials	22	13
13.	Manufacturers and refiners of vegetable oils..	1,710	977
14.	Rice-pounders and huskers and flour-grinders	1,469	694
15.	Butchers	524	281
16.	Tailors, milliners, dress-makers, etc. ..	2,534	1,351
17.	Shoe, boot and sandal makers	2,332	1,397
18.	Washing cleaning and dyeing	2,278	1,091
19.	Workers in precious stones and metals, enamellers, etc.	1,847	1,204
20.	Printers, lithographers, engravers, etc. ..	1,766	941
21.	Sweetmeat-makers, preparers of jam and condiments	682	379
22.	Sweepers and scavengers	3,978	2,110
	(Total of the above industries along with many other minor ones) ..	30,392	16,914

Monograph on the wood-carving industry of Saharanpur.

[By Mr. Manmohan Swarup Bhatnagar, student, Economics department, University of Allahabad.]

History.—The origin of the wood-carving industry of Saharanpur is obscure; so much, however, is certain that it is at least a century old.

Its nature has changed greatly, as, indeed, has been the case with wood-carving all over the United Provinces. As is natural in a tract which lay in the path of Muhammadan invasion and near the heart of the Moghul dominion, the foreign artistic methods superseded the indigenous; the fantastic Hindu ornamentation with its profuse entanglement of monastrous forms and figures gave way to the Moslem work with its flatness of relief, its geometric symmetry, and its floral designs.

The old Hindu forms of carving, which manifested itself chiefly in huge doors and imposing gateways, have now given place to the manufacture of such articles as ornamental lamp-stands, fancy drawing-room articles, artistic partition screens, toilet boxes, picture frames, teapoys, handkerchief and cigarette boxes, bookshelves, trays and so on. And even the art displayed in such products has been debased by Western ideas and European plainness.

In response to modern demand the wood-carver confines himself to popular articles on which the words "made to sell" might be suitably stamped, such as the gimcrack toys and statuettes and knick-knacks that are displayed on the railway station to gladden the eyes of the tourist, but only temporary; for the wood will probably turn out *kachcha*, the joints are execrable, and the workmanship indifferent.

Designs.—In Saharanpur the designs in general use are a blending of the Hindu and Muhammadan styles in which the latter predominates. The great characteristic of Indian wood-carving is that it leaves no space uncovered. "Isko kyon chor diya" says the employer, and the workman plies the chisel. It is here that the influence of Hindu extravagance is most clearly marked, triumphing over Muhammadan simplicity.

The characteristic mode of Moslem carving is floral, consisting mainly of vine or jasmine leaves and bunches of grapes, with or without fretwork. *Jali* carving is confined to hexagonal fret work. These floral or geometric patterns, the vine leaf, the grapes, and the hexagonal *jali* are as old as the industry itself.

Methods of work.—The patterns are permanently cut in tin or zinc sheets, more or less like stencils. These are laid on the wood to be carved, which is blackened with a piece of rag; or at best the design is traced on the wood with a soft pencil. Thus the portions of the wood required to be carved, chiselled, or fretted are painted black, while the design is left blank. It is then given to the fretworker who makes holes and removes the black portions, or to the carver, who chisels the black portions and the repoussé carving of the design. Fretwork is done with a fine saw worked by a small locally-made foot machine. The up-and-down motion of the needle saw cuts the wood right through as the workman moves the piece with his hands. The work done is very fast; an ordinary worker is capable of making about 500 holes in a day, while a skilled artisan may make as many as 1,000 holes. The rest of the work, the repoussé chiselling, and the final finishing are both done by the carver with hand chisels.

Implements.—The implements of the carver are few and simple. Chisels of varying sizes, their dimensions corresponding with the breadth of the thumb and finger-nails, are enough for all purposes, besides the foot machine already described. In the *karkhanas* the employer places these at the worker's disposal.

Raw materials.—(i) The best wood for all kinds of carving is *shisham* (*dalbergia sissoo*). This is extensively used for carving superior articles, as it is durable, and not easily damaged by insects (borers or white ants). The articles made are screens, tables, chairs, boxes, teapoys, lamp-stands of a highly ornamental character. The wood is obtainable in the Saharanpur district, being purchased in the local bazars whither it is imported from the local forests.

The bazaar wood-sellers get the wood sawn into suitable planks and seasoned. The manufacturers, too, stock a certain amount of wood themselves, which they season by pressing it for two or three rainy seasons.

(*ii*) Another wood is *tun* (*cedrela toona*), the staple timber of cabinet-makers; it is used in making small trays, inkstands, toilet boxes, brackets, book-cases, small teapoys, and other cheap articles, mostly of fretwork. The wood is soft and easily worked, and takes a natural dull red polish. Is obtainable within Saharanpur.

(*iii*) *Dudhi* (*holarrhena antidysenterica*) is a soft white wood, easily carved, which is obtained from the local forests of the Siwaliks. Small toilet boxes, picture-frames, plaques, salvers, and other articles of inferior quality are manufactured from it. Formerly the *dudhi* carving of Saharanpur was in high repute and popularity, but this variety has fallen into disuse of late because the wood rapidly loses its colour.

At present only the first two varieties are used.

Supply of raw materials and implements.—Saharanpur is a submontane district with nearly two hundred thousand acres of forest. With the exception of a small quantity of *tun*, which is imported from the neighbouring district of Dehra Dun, all the raw material required is obtainable within the district, which probably explains the location of the industry in Saharanpur.

The artisans get their supply generally from the local wood dealers who take forest contracts for extraction of timber and stock hundreds of maunds of wood of all varieties. There are about twenty-five to thirty wood dealers in the city, besides numerous smaller wood shops.

Relations between the artisan worker and the local wood dealer.—The relations between artisan and dealer are cordial. The artisan rarely pays ready cash for his wood; "half in cash, half in credit," is the usual rule in these transactions. The dealer would not demand any more; they know the men they are dealing with, and are willing to carry on the balance to the next transaction. It may not be paid in full even then. There is little difference between cash and credit rates.

In the matter of wood supply, the carver's only trouble is the risk of getting unseasoned wood. The older the wood, the better the results; and indifferently seasoned wood sometimes makes a serious difference. For example, last year certain articles supplied to America, which were made of insufficiently seasoned wood, became warped and twisted during shipment. Though the wood dealers are careful to see that they have a good supply of seasoned wood always available, and the big *karkhanas* also keep a considerable stock, yet it would be helpful if the Government were to keep a store of seasoned wood here as well as at Bareilly.

The karkhana.—Though the quality of wood-carving may have declined of late there has been no decline in quantity, or in the number of workers involved. The estimated value of the annual output is about a lakh and a half of rupees, and the number of persons engaged in the industry is between 200 and 250, including boys.

There are some five big *karkhanas*, dating back many years, which employ a large number of labourers. Besides these big workshops, there are smaller scattered shops of individuals working on their own account, in their own little way, or selling their wares to the big *karkhanadar*. There is little real workmanship to be found outside the *karkhanas*, and it is these that are the real centre of the craft.

The *karkhana* is usually situated in the employer's own house, big and old fashioned, where thirty to sixty men can easily congregate. The number of workers in the *karkhana* varies with the pressure of the work: the minimum number is about twenty, the maximum about fifty. The *karkhanas* have also their permanent hands—a few master *mistris*, whose salaries range from Rs. 20 to Rs. 50 and occasionally even Rs. 60 per mensem. Other artisans are employed on a system of piece-work rates, which differs for different articles and different kinds of work. For example, in fretwork about one rupee is paid for boring about 700 big holes. There are thus different rates for carving, *chhilai*, filling, finishing, and so on.

Child labour is employed in the *karkhanas*. Boys are employed for rough work and to get a training in the line. In the old days the child sat by his father and was made to draw simple designs and practise the use of the carver's chisel on a piece of waste board, acquiring thus a certain skill before he had to tackle more difficult work.

The hereditary skill accumulated through countless generations thus passed unperceived from father to son. And the custom still goes on. Around a *mistri* may be seen two or three boys, as young as eight or nine years, picking up the rudiments of the craft; in most cases these are the sons or relatives of the *mistris*. The boys usually get Rs. 3 or Rs. 4 per month for all this minor work. Women take absolutely no part in the industry.

Hours and condition of work.—The wood-carver, though ignorant of the Washington convention, works only eight hours a day, usually from 8 A.M. to 4 P.M. There seems to be ample freedom even during these hours, for the workers are allowed to smoke their *hookahs* and work to the accompaniment of the hubble-bubble. The work-room or courtyard is airy and well ventilated, and there are no strict or vexatious regulations.

The financing of the industry.—In the matter of finance the industry has little of which it need complain. The *karkhanadars* are reasonably well off and have little need of credit. The industry from the financial point of view is a going concern, yielding fair profits to the producer (who is usually the owner of several ancestral houses and godowns), even in these times when the industry may be said to have fallen on relatively bad times.

There is no serious credit problem in this industry, though there are no doubt times when the producer would be glad of more and cheaper credit than is already available; for instance, when he is pressed by heavy orders coming in one upon the heels of another.

The industry is mainly in Moslem hands; and it is probably owing to the religious injunctions of Islam which discountenance interest or usury that the craftsmen ordinarily refuse to borrow money unless they cannot avoid it. Generally the need for credit is little, and the desire for it is even less. The *karkhanadars* are satisfied if with an order they receive an advance of half its amount. Difficulty only arises when a big order is already in hand, and another, also demanding prompt execution, follows close at its heels. The *karkhanadar* must then raise ready money, which he obtains from a moneylender or the bank (Messrs. Bhagwan Dass and Sons) on the security of a house mortgage or on the execution of a bond, for their reputation stands high.

The minimum rate of interest charged is 12 annas per cent. per month (9 per cent. per annum); the usual rate is one rupee per month (12 per cent. per annum); and the maximum ever demanded of these *karkhanadars* is two rupees per month (24 per cent. per annum). The prevalent rate on ornaments is Re. 1-0-0 per month, but ornaments are rarely pawned.

The period for which they generally borrow money is from two to four months; the sums borrowed range from Rs. 500 to Rs. 1,000.

Publicity and advertisement.—The wood-carvers of Saharanpur are ignorant of the art of advertisement. Like most craftsmen they are fatalists. "If destined, orders will come to us," they say, and do nothing to attract publicity. They have no desire to capture new markets or secure more customers, at all events by the methods of the advertiser. Few *karkhanas* have a printed or illustrated catalogue; and when they have, they are unwilling to show it, let alone to circulate it. Some of the *karkhanas* have what they call a "showroom," but it is more like a lumber room where the goods are packed away without any attempt at order or arrangement. There is a stall at the railway station, but the trash that is stocked there gives no indication of the true nature of the work that is executed in Saharanpur *karkhanas*. Yet with good posters at the Saharanpur station and elsewhere and proper showroom in some suitable place, the products would certainly attract wide attention.

Again, the *karkhanas* have no literature illustrative of their work which could be sent abroad; and yet the foreign demand is infinitely greater, the craftsmen say, than the local or even the Indian demand. But they do nothing to stimulate it. One firm that possesses certificates of high class workmanship awarded at the Wembley and other exhibitions keep them locked away in secret instead of getting them published. They are, however, collecting a few photographs of some of their special decorative and embellished products, but when they will be printed and compiled nobody can say.

Dépôts and emporia would be of effective assistance to the industry; but some *karkhanadars* are opposed to the idea because they fear that the result will be vexatious meddling and fault-finding with their work. They would only agree if their work is

to be judged by competent experts. One *karkhanadar* relates that he was once asked to prepare a screen for the Art Emporium at Lucknow, which on receipt was declared to be poor workmanship. He only wrote back "*ghaur karo*;" and ultimately the screen was accepted and paid for. But these unlettered people would be unable to organise such dépôts: the department of Industries must do it for them. The craftsmen would be willing to contribute part of the expense.

The markets for the wares.—The local demand for this carving is almost negligible; but it is exported to almost all parts of India except Kashmir, and also overseas, chiefly to England, America, New Zealand and Aden, through Messrs. Thomas Cook and Sons.

One or two *karkhanas* deal direct with foreign firms, such as Nat Earle and Company of London. The *karkhanadars* pack the articles in wooden boxes and despatch them to Bombay, whence they are sent by Messrs. Thomas Cook and Sons to their places of destination. The orders are usually accompanied by an advance; the bills are fully paid up when the goods reach the importing companies and have been approved. According to one version, their profit amounts to something like four annas a rupee. Most of the *karkhanaadrs*, however, in their ignorance of foreign conditions, prefer to dispose of their wares abroad, not directly, but through some Indian company who has dealings with or a branch of its own in a foreign country. The firm which carries out most of these is a Punjabi company in Kapurthala. Almost all American exports are made through this company. The usual procedure is as follows. The Kapurthala firm passes on to the Saharanpur *karkhanas* orders for various articles which are to be executed within a specified time; the goods are then despatched direct to America from Saharanpur through Messrs. Thomas Cook and Sons, but in the name of the Kapurthala firm. The Saharanpur *karkhana* executes orders for the firm on the basis of a profit of two annas a rupee. The Kapurthala firm does not make full payment until it has received a report from America of the delivery of the goods. This method of export suits the conservative and unenterprising *karkhanadar* as he can thus shift all risk and responsibility on to others' shoulders. He is assured of his modest profit; he probably does not aspire to more. Finally an occasional touring agent visits Saharanpur and books orders on the spot for foreign firms.

It is obvious that with such methods of export as these a large part of the available profit is lost to the *karkhanadar* and directed to the middleman, which with more enterprise he could secure for himself. It is also obvious that no systematic effort has been made to secure a market for these goods, or to stimulate the demand for them. The producer does not know where his goods will fetch the highest price.

Inside India the *karkhanadars* generally send a relative to tour round the country, especially the Indian States, who acts as selling agent and books orders. But this is never done on systematic lines. Another method is to sell their goods to Punjabi hawkers (*pheriwalla*). These hawkers make frequent visits to Saharanpur, buy the goods which their experience shows to be in large demand, and wander through the country selling them. Generally the hawkers pay in cash, but sometimes are given goods on credit. They are, however, very careful not to lend goods to any new or unknown hawker, unless they have first fully satisfied themselves regarding him. The profit that the *karkhanadars* make from these hawkers ranges from one anna to two annas per rupee.

The *karkhanadars* also have a stall at the railway station. But as the railway authorities allow space only enough for one stall, only one *karkhanadar* can hope to dispose of his wares in this way. The average sale per day comes to about Rs. 10.

They also make use of the local fairs and exhibitions to display their wares, especially those at Saharanpur and Muzaffarnagar. As a rule, every form of Indian art, including wood-carving, is extensively represented at the Nauchandi Fair held at the end of the cold weather in Meerut. These *karkhanas* hire shops and stalls there and dispose of their wares as best as they can.

Lastly, mention must also be made of the direct business transacted at the local *karkhanas*, where stray merchants or visitors drop in at odd times to buy.

Inlaid work.—Inlaid work was one of the chief Muslim arts; it was introduced into India through the Moghuls and the inland work of Agra has its European parallel in the Moorish Alhambra. A new form of inlay has recently been introduced in Saharanpur by a European resident; and in fact this has been the most important development in the industry. It consists in the inlaying or outlaying of brass, copper

or German silver, in floral designs on plain *shisam*. It is occasionally applied to picture-frames, caskets and boxes, but is best adapted to large lily patterns inlaid on plain panels. The best specimens of this kind of work are to be found above the altar in the Saharanpur church. The metal floral pieces duly shaped, filed and finished are first glued to the wood and then strengthened by very fine nails of the same metal and filed so as to make them invisible. Lately the demand for this inlaid work has begun to fall off. One *karkhanadar* was candid enough to acknowledge that he has sold no inlaid work for the last two years.

Conclusion.—It has become a commonplace that the cottage industries of India are dead or dying and that their resuscitation is a primary duty of the department of Industries. And the wood-carving industry of Saharanpur if not actually moribund is the worse for its age; it has lost all originality and become stagnant and insipid. Yet the carver is skilful and industrious; he possesses amazing dexterity, the result of careful training and long practice enhanced by heredity, by the fact that his ancestors from generation to generation have wielded the same tools in the same way. He needs little instruction at industrial or art schools; his own inherited skill and accumulated experience are enough to enable him to rise to the greatest heights and produce work of the highest perfection. But he is a fatalist, content with his lot, indifferent alike to new markets and improved designs. Left to himself he is not likely to revive his own art. Nor for such a revival neither art school nor art teacher is of much assistance. Only the wealthy customer can revive it. If prince and *rais* demand good work and traditional designs they will get them. The fate of the craft lies in their hands; according as their taste is pure or perverse, art will wax or wane. The conditions of European life and the uncertain tenure on which most Europeans hold their bungalows make the collection of more cumbrous articles the hobby of only a lucky few. And the indiscriminate European demand and the popular craze for European fashions is having the effect of making the industry stagnant and the artisans mere copyists. In short, what is needed is to find the workman an educated market for his wares.

Monograph on the perfume and oil industry of Jaunpur.

[By Mr. R. P. Verma, student, University of Allahabad.]

At present the most noted industry of Jaunpur is the manufacture of perfumes which is said to have been introduced from Persia in the days of the Sharqi Sultans. Oil, too, is made and exported to other parts of India in large quantities. The principal scents are those obtained from the flowers of the jasmine, the rose, screw-pine or *keora*, and from the roots of the *khaskhas* grass (*andropogon muricota*).

2. The jasmine, of the varieties known as *bela* and *chameli*, is cultivated not very far from the city; but roses are scarce and have largely to be obtained from Ghazipur, which lies to the east and is not far from Jaunpur. The *attar* of roses fetches a very high price and is specially renowned. It has a very strong scent which lasts for days. The price of *attar* of roses is as high as Rs. 100 and Rs. 125 per tola.

3. *System of work.*—The industry is largely a cottage industry, but the bulk of the oil is produced in a few big *karkhanas*—not more than six in number. In each of these *karkhanas* they have six or more *kolhus*, the biggest has 20 *kolhus* out of which from twelve to nineteen were working whenever I visited the place. Besides these big *karkhanas* there are many smaller *karkhanas*, which are nothing more than the *karkhanadars'* own houses with a *kolhu* or two installed in them.

4. The process of manufacture of the oil, though not very difficult, is trying. The raw materials are not all obtainable in Jaunpur itself, and one has to go from place to place to collect them. The manufacturers generally go themselves or send their accredited agents. Thus sesamum is chiefly got from Chandausi, a great wheat centre near Moradabad. Inferior sesamum is also obtained from Sutna, Darbhanga and from Attara and Karwi in the Banda district. Then, again for roses people have to go to Ghazipur or to Burmana, and for *keora*, to Berhampore in Bengal and to Cuttack. What the manufacturers generally do is that they buy the sesamum from outside and bring it to Jaunpur where it is stored. Here it is cleaned, washed and dried, and then filled into sacks or gunny bags. These bags, filled with the cleaned and washed sesamum, are taken to Ghazipur and other places where manufacturers have their supplies of flowers. The sesamum, impregnated with the scent of the flowers, is then brought to Jaunpur and crushed, and oil obtained from it. The oil so obtained is cleaned and then stored in big earthen pitchers or pots and kept in the store, whence it is bottled for retail sale or sent out in barrels to large dealers outside, chiefly in Calcutta.

5. The oil obtained from the *bela* is in great demand. It is sent mostly to Calcutta where other scent dealers and manufacturers of oils take it and use it as a base for making other scents and oils. Most of the oils that are made there have *bela* oil for their base. About 5,000 or 5,500 maunds of *bela* oil is annually sent to Calcutta from Jaunpur. Some five years back nearly double the quantity used to be sent to Calcutta. Of late the industry has received a set-back due to the advent in the market of white oil which the manufacturers now use as the base for other oils and scents. The rates for *bela* oil vary and range between Rs. 2 and Rs. 6 per seer In this connexion it is to be noted that the Jaunpur seer is of 96 *gandas*, as it is popularly called, or one-fifth more than the usual seer, called the *kachi tol* there.

6. Machines have not been introduced in this industry because they affected the strength of the scent; the ordinary wooden *kolhu* is accordingly still used to crush the sesamum. The price of a *kolhu* ranges from Rs. 10 to Rs 50; the life of one worth Rs. 10 or so is four to five years, that of one costing Rs. 40 to Rs. 50 is from ten to twelve years, with hardly any repairs. *Kolhus* worth Rs. 20 or Rs. 30 are mostly in use in the industry, whereas in the big *karkhanas* the better kind of *kolhu* is to be found, as the *karkhanadars* advance money for the *kolhu* to the labourer, who owns it and works it. The cheaper kind of *kolhu* is to be found with the home worker.

7. *Lack of advertisement.*—Hardly any advertising worth the name is done. The leading firm in the town spends hardly Rs. 75 in advertising. Nor are any paid agents employed; but of late members of a family engaged in the industry have begun to go about securing orders on samples.

8. *Absence of co-operation.*—In this industry there is no co-operative shop of sterc. Some twenty-five or thirty years ago there existed only one big *karkhana*, which had in a way a monopoly of the oil at Jaunpur. Petty manufacturers would give him their produce and he would then send it out. But nothing of the sort now exists. The oil manufacturers have no organisation or association for any purpose whatsoever. They only meet together to declare the rates at which flowers are to be taken. At this meeting the agriculturists' representatives are also present. In Jaunpur the flowers are purchased by weight, the rate being fixed generally at Rs. 32 per maund for *chameli* flowers and Re. 1-4 more for *bela* flowers. The rate for *chameli* is declared before and for *bela* after the flowers are taken. In Ghazipur the rate is declared after the flowers have been taken and is so many rupees (Rs. 45) per 100,000 flowers. But the manufacturers have generally to pay more than the declared rate as there is keen competition between them. There have been no instances of either cornering or attempts at cornering the market. The cultivators usually take advances from the *karkhanadars* or manufacturers, in consideration of which they give their produce to them in preference to others, and at times at a rate lower than what they might have obtained elsewhere.

9. Flower growing is an industry allied to agriculture. What the farmer generally does is to use only a portion of his land, usually one-fifth to one-fourth of the farmer's total holding, for the cultivation of flowers. One person had given one-third of his holding to flower growing; but he was not solely dependent on agriculture for his living and the support of the family, as one of the members was in service.

10. We have seen that the flowers are got from the cultivators themselves at different places, and then the crushing of the sesamum, impregnated with the scent and fragrance of the flowers, is done at Jaunpur in the *karkhanas* of the manufacturers. These *karkhanadars* employ people for the crushing of the sesamum on a contract basis, but those engaged in the preparation of the *attar* of the flowers are paid daily wages. For the latter purpose the *karkhanadar* generally has two or three persons who are efficient in their particular task. These persons receive from Rs. 25 and upwards, some getting even Rs. 45 per mensem. They are employed throughout the year and become servants of the *karkhanadars*, and often work as salesmen too. They also do the sprinkling of flowers over the sesamum when it is to be impregnated with the scent. This is a very delicate task and requires some skill and experience. The nature of the work does not permit of a piece-rate wage. These labourers actually do the work at the places where the flowers are obtained. Some years ago they were given the impregnated sesamum to take to their homes where they crushed it and then brought back the oil to the *karkhana* and received their wages. But such a system has now fallen out of use, as they adulterated or kept back some of the oil. The crushing is now done in the *karkhanas* of the manufacturers in the presence and under the supervision of the *karkhanadar's* men.

These labourers generally work for eight to nine hours a day. They come in the morning, work till noon, then rest for an hour or so, and again work till sunset.

11. The hired labourers have to instal their own *kolhu* in the *karkhana* of the manufacturer, who provides the shed for the *kolhu* as well as the pot or in tin which the oil is collected. There are some forty or fifty *karkhanas* or places where this crushing is done in Jaunpur and about 85 or 100 *kolhus* are employed. One labourer has generally two *kolhus* (in the bigger *karkhanas* it was so). He himself works on one; his son or some other relative works on the other, or he employs a boy on a daily wage of two annas to four annas a day.

12. About twenty seers of sesamum is crushed at one *kolhu* in a day. The rate for crushing three maunds is Re. 1. The *khali* or *tilli*, or crushed sesamum, is sold in the market for about one anna and six pies or even two annas per seer. Thus the labourer gets about Re. 1 from the sale of the *khali* and about three annas as his wages per day. His earning for the day thus comes to Re. 1-4-0; but it is often less than this, and it would be more correct to say that his income is between Re. 1 and Re. 1-4-0 per day. Besides this the womenfolk also work at home and manage to earn from four to five annas a day. These labourers borrow money from the manufacturers or *karkhanadars* for

many purposes, but chiefly for purchasing a bullock or a new *kolhu* : sometimes, however, loans are taken for private needs, *e.g.*, for a marriage or death or for celebrating the birth of a son, or for performing some *pujah*. The loans—which never or very rarely exceed Rs. 100—are taken for short periods; and the *karkhanadar* charges no interest, especially when the object of the loan is the purchase of a bullock or a *kolhu*. The labourer gets advances from the *karkhanadar* in respect of his wages every week, or even daily if he so desires, but the account is settled monthly and recovery is made from the borrower's wages which are paid at the end of the month.

13. So far as these labourers are concerned there do not seem to exist any instances of sweated labour or of any hardship, though they usually say it is very difficult for them to make two ends meet, and they can hardly manage to live decently.

14. An agriculturist has very often to borrow money for manure purposes from the manufacturers to whom he supplies his flowers in the harvest season. He generally obtains money on the basis of a handnote which he executes in favour of the *karkhanadar*. At times, when he has old dealings with the manufacturer and has good relations with him, he even manages to get money without a handnote. But the manufacturer usually does not lend him more than the value of the flowers that he has received in the season and those which he hopes to be able to get in the next season. Manufacturers do not charge very high interest on such loans : at times they do not charge any interest at all, but this is only if the agriculturist is an old dealer and if the relations between the two are more friendly than those of mere businessmen. The rate of interest is six to nine per cent. per annum, but that, too, rarely when the loan is for a greater sum than he can hope to set off against the value of the flowers that he expects to get. He lends money to the agriculturist practically for any purpose that the latter may require it, provided it is not too much. After he has advanced money to the farmer, the *karkhanadar* obtains a right, as it were, of getting all his produce of flowers. Thus he (the *karkhanadar*) gets flowers at the declared and not at higher rates : and it often happens that the *karkhanadars* stipulate the rate at which they will take flowers even in the following season. This is done in Barmana and is called *bandi*. Frequently the *karkhanadar* is the gainer in such a transaction, for the rate settled is always lower than the prevailing rate.

The farmers and agriculturists who engage in the cultivation of flowers are mostly Nunias and Kioris. They are Hindus by religion. Ahirs too grow flowers, but they are not so numerous.

15. The cultivators who grow flowers as well as carry on agriculture generally do not combine together to market their produce, nor in producing their crop or in the growing of flowers. Such combination seems desirable because it will be economical. But combination in production is hardly possible for the flower plants have only to be looked after and the fields are not situated close to each other, so that even combination in irrigation is not possible.

16. The question of marketing does not present much difficulty in the case of the flowers. The fields are generally situated not far from the city, and the flowers that have been collected in the evening are brought to the city and delivered to the manufacturer or his agents. The farmer has not to take his flowers from manufacturer to manufacturer or go about inquiring the rates. He gives the manufacturer the flowers, takes the money and the account is settled later. Payments have to be made in Dashera when the flowers begin to come in.

17. The agriculturist generally gets the members of his family, more especially the younger ones, to pick the flowers. If he has not enough people for this purpose, he generally employs two or three young people of the village, who are paid at the rate of six annas per seer of flowers that they collect. In the case of the *bela* and *juhi* flowers the rates are slightly higher, and persons even get eight annas to nine annas for collecting a seer. Then, besides the work of collecting, these labourers are sometimes employed to carry the flowers to the manufacturer's place, and for which no extra payment is made. The *bela* grafts are planted in *Savan* and *Bhadon* (August and September). They flower in the second year and last for over ten years; after twelve years they become feeble and do not flower so well.

18. Turning for a moment to the middleman or the *karkhanadar*, *i.e.*, the manufacturer of the oil and scents, it is he who does the most in the industry. He collects the workers, buys flowers and then has the sesamum crushed and oil extracted, stores it up

and then sells it. He is generally a man who is in affluent circumstances. He does not need to borrow money for the financing of the industry. He is generally a man with little or no education, but has a good knowledge of the industry. He advances money to the flower growers and labourers and also allows credit to those to whom he may sell the oil and scents. The *karkhanadars*, if literate, know the vernaculars only and very little of English, if they know it at all. The business is now generally in the hands of the Sheikhs, a sect among the Musalmans. But Hindus, too, have got *karkhanas* where oil and scents are prepared.

19. Though the *karkhanadars* are generally well off, the industry certainly cannot be said to be doing very well. It is steadily though very slowly losing ground. This is directly due to the fact that, as has been said above, white oil has come into the market and is being very freely used as the base oil in the manufacture of other better quality hair oils. White oil is so cheap that it is even being mixed in ordinary mustard oil. If the import of white oil could be stopped, or if at least it were written on the wrappers of the oil bottles that white oil is mixed, then probably the demand will increase for *bela* oil and the industry at Jaunpur will receive a stimulus.

20. Some four or five years back the Municipal Board used to give a rebate at the rate of three annas per maund on oil that went out of Jaunpur. But now, instead of a rebate, it levies octroi duty at the rate of 18 pies per maund on sesamum. The industry thus does not receive even the little assistance that it formerly did from the local authorities, nor does it receive any aid or assistance from the Government.

21. As already stated, the oil is sent to Calcutta mostly. It is also sent to Sumatra and Singapore, while some of the otto or *attar* goes to foreign countries as well. Rose water is sent to Calcutta whence it is shipped to England and chiefly to France. But the chief market for the oil is India.

22. As has been observed, hardly any advertising is done and no co-operative stores or agency for the marketing of the oil exist. Each manufacturer has his own dealers to whom he sends his oil and scents. Some petty dealers who have set up *karkhanas* supply an inferior brand or adulterated oil, which earns a bad name for the industry. This too has told upon the industry at Jaunpur; but for this the people themselves are to blame. There is not much wastage in the industry and the losses are not heavy, but it often happens that ordinary sesamum is substituted for impregnated sesamum which is stolen. This can be remedied by a strict watch being kept over the labourers.

23. *Proposal for an industrial bank.*—Another thing that is desirable is the creation of an Industrial Bank that will finance these industries. The manufacturers have to carry money with them when going out to buy sesamum or flowers, or get money by insurance from headquarters. This means delay, and the manufacturer has to pay interest to the *mahajan* or the *arhatia* for such time as he does not receive his money. Such a bank will also enable the manufacturer to realise his money earlier from the debtors, for the oil could then be sent through the bank who will collect the money from the dealers and then deliver the railway receipt to them. Another thing that will benefit the industry will be the formation of an association of the *gandhis* or oil manufacturers. An association of this kind will bring the manufacturers together and enable them to devise means by which they can give a stimulus to the industry, prevent adulteration of oil, check the high-handedness of the railway officials, and by mutual co-operation and a spirit of healthy competition improve the industry.

24. The industry on the whole is doing quite well; it is a paying industry and is now the only industry for which Jaunpur still retains its fame. *Chameli* oil of Jaunpur is very largely used and is famous throughout the province.

Memorandum on the lock industry of Aligarh.

[By Mr. B. Sahay, I.C.S., Assistant Collector, Aligarh.]

Introduction.—The growth of the lock industry in Aligarh extends over a period of 50 years. Its beginning appears to be a matter of accident. The initiative was given by the Government Postal Workshops. This factory trained skilled artisans. These artisans communicated this skill to others. The work of lock-making was readily taken up as profitable by the local capitalists. Some of the reasons for the success of this industry are—

(*a*) No great skill is required in forging and putting together the necessary parts of a lock. The requisite skill is available on cheap terms from local workmen.

(*b*) The lock industry does not admit of mass-production by machine, at all events in respect of locks of the best quality. A good deal of the value of a lock depends on its being different from other locks. Work has to be done by hand and individual attention has to be paid to every lock.

(*c*) Only a small part of the material used in the manufacture need be imported, nor is it unduly expensive. Very little material in the shape of brass ingots is used; brass sheet cuttings, old brass, scrap material from railway companies and neighbouring markets can be got cheap in ample quantities.

2. *Types of factories.*—There are three types of dealers in locks—

(*a*) Factories which employ their own labour and have their own workshops and execute orders directly.

(*b*) Firms of commission agents; they advertise widely, but do not themselves execute orders. They give contracts for the orders which they receive to the workmen mentioned below.

(*c*) Small manufacturers who work in their own homes in much the same way as other cottage industrialists all over India. The labour is provided by their families and occasionally a few hired workmen. They make a small number of locks by hand, and sell them at intervals to the firms of commission agents (mentioned above), or in the local market; or else they send their goods or take them personally to dealers in Calcutta, Bombay, Delhi and elsewhere.

3. *Their characteristics.*—In class (*a*) there are seven or eight factories; they all made large profits during the War, but are at present in a state of decline. They all manufacture other articles besides locks. Machinery is employed only for special processes; the work is mostly done by hand. They manufacture only locks of a superior quality, which sell at not less than one rupee each. On the whole their goods are of a fairly high and uniform quality. The factories are capable of enlargement. They pay their labourers both on the piece work and the wage system. The quality of labour is generally higher than in the other two classes; the number of hands employed varies according to the demand for locks. They all complain of the lack of demand for locks of good quality, and all suffer from an inadequate marketing system. None of these utilise power. The principal firms are—

(1) Sparling Patent Lock Works—working capital Rs. 25,000; profit about Rs. 2,000 annually; hands employed about 20. It uses 20 maunds of brass and 6 maunds of rod iron annually.

(2) Malook Chand's Jubilee Lock Works.

(3) Messrs. J. H. Johnson's Pioneer Works.

(4) The Government Postal Workshop.

There are a large number of firms in class (*b*); one comes across them in nearly every street of Aligarh. They live from hand to mouth. They live like birds of prey waiting for their opportunity to pounce upon the regular business of more established firms. As a rule they are unreliable. They introduce unfair competition, lower prices and wages, are dishonest in their dealings, and lower the reputation of Aligarh in foreign markets. If the lock industry in Aligarh is to be placed on a sound basis efforts should be made to wipe this class of firm out of existence.

Workmen who fall in class (*c*) deal only in cheaper kinds of locks, and are rarely in competition with the factories in class (*a*) . They in fact perform a very useful function by supplementing the output of the larger factories along a cheaper range of prices. The artisans work at their own homes, with simple tools, turn out articles of inferior quality and do not need the use of machinery. The output varies; the raw material is obtained from many different sources. The wares are sold either in the local market or in Delhi. Adequate prices are rarely secured, and there is room for much improvement in their marketing arrangements. The principles of co-operative working, if tried, would probably be successful.

4. *Power and mass production.*—None of the lock factories in Aligarh use power for the following reasons :—

(i) Their output is not sufficiently large to warrant it.

(ii) The use of power in their case would not make for greater cheapness, since hand labour must be used for making the various parts of a lock.

(iii) The rate at which they could obtain electric power locally is two annas six pies per unit. The use of power would not be profitable at a higher rate than one anna six pies or one anna per unit. Now that hydro-electric power has come to the doors of Aligarh it would be possible to obtain a cheap supply of power. The kind of locks that these factories manufacture depend for their value and reliability on the fact that no two of them are exactly alike; at the same time, all parts of these patented locks do not vary in every lock; only the levers vary, and other parts can be manufactured in mass. The demand, however, is not larger enough to warrant it, or the use of machinery. It is doubtful therefore, whether these factories will ever substitute electric power for human labour.

5. *Causes of decline.*—Some of the causes for the decline in the lock industry are the following :—

(*a*) The artificial demand created by the War has ceased with the gradual restoration of normal conditions.

(*b*) Cut-throat competition. There are too many factories and workmen. The work, which entails very little physical strain, secured good wages and profits at first, but there was a rush to it and at present there is much congestion in the industry.

(*c*) The only departments which can place large orders for good locks are those of Government, such as the Post Offices and the Railways etc. The Stores Purchase department of the Government so far has shown a certain tendency to prefer cheapness to quality, and patronised the commission agents instead of the factories. The Government should distribute its indents for good locks among the large factories, with suitable guarantees of quality. The only thing that can redeem the industry is a large and certain demand for good locks.

6. *Introduction of co-operative principles.*—Amongst those engaged in lock making as a cottage industry the principles of co-operation should be introduced. At present most of these workers are indebted to contractors who buy their goods at very low rates. The want of marketing facilities, the difficulty in obtaining raw material, and the small capital required can all be most advantageously dealt with on the principles of "co-operation."

Monograph on the silk-weaving industry of Benares.

[By Mr. Nawal Kishore Chaddha, student, M.A. (Previous) class, University Allahabad.]

In answering the questionnaire issued by the United Provinces Provincial Banking Enquiry Committee concerning small urban industries (Part H), I confine myself to silk-weaving in its various forms as carried on in the town of Benares. How exactly this industry, run mostly by Muhammadans, originated in the predominantly Hindu town of Kashi is not known. One plausible explanation suggested is the sanctity which the Hindus attach to silk as a purer article of wear than cotton. Benares also has a natural advantage in being the largest pilgrim centre in Northern India.

The different branches of the Benares silk industry may be classified thus—

(1) *Tarkashes* or wire makers and gilders.

(2) Silver and gold thread, or *kalabatun* makers.

(3) Dyers.

(4) Weavers.

(5) *Sari* and *dupatta* makers.

(6) Designers.

(7) Brocade weavers.

(8) Plain Kashi silk weavers.

(9) Embroiderers.

Question 1.—(*a*) The financial features of the abovementioned nine branches of the Benares silk industry are mostly common to all of them and they do not call for separate treatment. Before describing the finance of the silk industry in Benares it is necessary to explain the system of *karkhanas*. The real owners of the *karkhanas* are the weavers themselves. It is these weavers who provide the initial finance, buying the requisite tools, and engaging assistants. This on a modest scale does not require more than a hundred rupees which the average *karkhanadar* invests from his own pocket. But this is not all the money needed to run the concern. The artisan requires the raw materials, *e.g.*, silk, silver thread, gold thread, colour, etc., which he is generally not able to purchase himself. It is here that the middlemen and large dealers step in. They supply the raw materials which an average weaver himself is incapable of purchasing. Thus the financing of this industry is done by two distinct classes of men, namely, (i) the weavers themselves, and (ii) the middlemen and large dealers. It is only in rare cases that the whole is done by one or the other of the two classes, unaided by the other.

(*b*) The raw materials are very expensive and the artisans cannot generally afford to purchase them themselves. Generally, therefore, they take them on credit from the firms to whom they supply their finished products. Only prosperous weavers pay the price in cash; most of them get it deducted from the price due to them from the firm on account of their finished products. All the raw materials required for the industry are imported from outside Benares; this import business is done by people entirely distinct from the owners of the *karkhanas*, and who are not themselves engaged in the weaving industry. The weavers, of course, have to pay more for the raw materials than they would if they themselves imported them direct. It is here that a co-operative society can be of great service to the producers. This society can import raw materials directly and can supply the same to its members at very nearly the actual price (including the transit charges) *plus* the working cost of the society.

The supply of implements is local. The tools and implements used are of the simplest kind. No improved mechanical contrivances have been introduced so far. The local carpenter and blacksmith is capable of supplying the simple implements required to carry on the work as it has been carried on for hundreds of years.

(*c*) The general practice of the weavers in disposing of their finished products is to sell them to local shopkeepers though, in some cases, another class of middlemen, technically known as *dalals*, intervene and buy from the *karkhanadars* at their *karkhanas*. The amount of goods so disposed of at the *karkhana* is small, and for all practical purposes we can say that the master weaver takes his wares with him from shop to shop and disposes of them to the highest bidder, at all events whenever he is unhampered by such a commitment or agreement as to supply the wares to the firm which supplied him with raw materials.

(*d*) The artisans are much in the power of the middleman dealer, who advances the yarn and takes the manufactured product either by way of outright purchase or on commission sale. These middlemen play a double role—

(*b*) they finance the industry (i) by supplying the raw materials, and (ii) by making advances without interest; and

(*b*) they are the sole buyers of the finished products.

Question 2.—(*a*) The industry with which we are dealing is run on the *karkhana* system and cannot be carried on in any other way; for the master weaver must employ workers to carry out the several operations which he is incapable of carrying out single-handed.

(*b*) (i) The relation of the *karkhanadar*, the middleman, and the consumer must be quite clear after what has already been said. The *karkhanadar* delivers his finished products to the middlemen from whom he generally gets his supplies of raw materials, and the middlemen in their turn dispose of these articles to the consumers. There is no direct contact between the *karkhanadars* and the consumers. The middlemen come in touch with *both* the *karkhanadars* and the consumers,—with the *karkhanadars* because they get finished products from them and with the consumers because it is to them that they deliver the finished products which they have purchased from the *karkhanadars*.

(ii) The relation between the *karkhanadars* and the workers and apprentices is that of master and servant. The workers and apprentices—leaving aside of course, members of the family—are all paid servants of the master artisan, on daily wages.

(*c*) There is no tendency in this industry for the artisans to drift from their homes to small workshops. But there is a tendency for the artisan to set up an independent *karkhana* of his own; he mostly prefers to run his own concern instead of working under some other man, if he can build up connexions among local middlemen and dealers.

Question 3.—(*a*) Instances of sweated labour have not been noticed. If they exist at all in this industry they would be very rare indeed! No woman labour is employed on a wage-earning basis; but inside the *zenana* the ladies of the *karkhanadar's* own household do give some of their spare time to odd jobs, such as gilding or colouring or untying the skeins. The answer to the question whether there are any instances of sweated labour in respect of men, women, or children is in the negative. The labour employed is principally drawn from the same *mohalla* (ward) in which the *karkhanadar* has his so-called factory. His social relations, therefore, would prevent him from ill-treating his labourers.

(*b*) Such exploitation as exists is the result of deep-rooted conservatism, lack of education, and poverty. As these factors disappear, it will decrease. But no serious exploitation is prevalent in this industry. In their present state any extensive organisation of home workers in the weaving industry is not possible. All the same, a co-operative organisation, by providing cheap credit at the start and marketing the finished product at the end at home or abroad, can certainly ensure to the worker a much more reasonable return for his labour and skill than he is able to command at present. Such a co-operative society will have to take note of the communal factor, and the geographical position of the weaving settlements which are spread over various parts of the city of Benares far removed from each other.

Question 4.—We are not aware of any co-operative society which might be doing any appreciable good to the weavers. On further inquiry we understand from a co-operative department official that there was once such a society in existence but it did not do well and few, if any, weavers were aware of its existence.

The utility of a co-operative organisation in assisting the weaver has already been pointed out. Another suggestion that seems useful is the grant of advances for the purchase of improved appliances, just as advances are given for agricultural improvements. Cash need not be advanced; improved looms and tools should be provided on condition that their price is repaid in convenient instalments.

Question 5.—(*a*) Most weavers certainly require cheap credit on easy terms, free of such commitments as an obligatory supply of their products, which restrict their market and deprive them of the opportunity to buy their raw materials in the cheapest market and to sell their products in the highest. The capital required, however, is not large. A few hundreds is all that an average weaver would require. And a large industrial bank run on a joint-stock basis does not appear necessary for the industry. The industry is run mainly by illiterate persons who are very conservative. And co-operative credit will be more suited to their needs than an industrial joint-stock bank, wherein the personal touch will be wanting.

(*b*) At present there are no artisan societies: but, in any case, having regard to the class of workers under discussion, there can be no doubt that loans must be available to individuals as well as firms. The question whether an industrial bank should issue loans only to artisan societies or to individuals or firms must be left to the discretion of those in charge, subject, of course, to general rules concerning the limit of advances, the suitability of the payees, their antecedent character, and the limit of security required.

Question 6.—Unquestionably sales associations, dépôts or emproria will add to the sale of art wares and other products of cottage and small urban industries by making them more widely known than they are at present. There can be no two opinions on the point. In the organisation, finance, and management of these emporia the State and the industry must both participate. There should be a centrally situated museum in the principal centre of each industry; for instance, a museum of various forms of silk products, brassware, and toys for which Benares is noted, in Benares; of the wood products of Nagina, in Nagina; in Farrukhabad, of printed cloths; in Lucknow, of its famous *chikan* and clay toys; in Agra, of its stone products and *darries*. These local museums should fully feed and support three provincial central museums in Lucknow, Cawnpore, and Allahabad, to which central museums may be added specimens of the fine perfumery of Kanauj, Lucknow, Jaunpur, and Ghazipur. They local museums will not be selling agencies in order to avoid chiefly competition with local firms. Their functions would be two. *Firstly*, they will collect together under one roof the best specimens of the local industries for the information of the consumer or anybody else interested in them. *Secondly*, they will also collect together specimens of rival competing products imported from abroad or from other provinces in India itself for the information and benefit of the producers. These museums should also provide works of reference bearing on the local industries and be able to supply all relevant information concerning markets, raw materials, processes of manufacture, improved designs, etc. Their sole purpose will be advertising the local products and educating the local producers; but the central museums should serve the treble purpose of selling, advertising, and educating. The expenses should be covered by a State contribution of one-half; the other half by means of a cess somewhat on the lines of the Tea Association's cess. No single member of these industries can buy himself or undertake any large scheme of co-operative advertising and selling; but by means of a nominal contribution he can help to create a fund large enough to finance such a scheme. A contribution of a quarter per cent. on annual outturn would not make a serious burden. There may be practical difficulty in assessing this contribution on individuals and firms, but a working basis should not be beyond reach, once everybody concerned has realized that the scheme is for his own indirect benefit. Matters must not, however, end with the opening of museums and emporia. There should be a further scheme of co-operative advertising on the lines of the "eat more fruit" or "drink more tea" advertisements. The results of advertising campaigns are well-known to students of recent commercial history in the West, and similar results would certainly follow in the East—a campaign, for example, with the slogan of "wear Benares *saries*" and an attractive appeal to the fair sex.

SILK-WEAVING INDUSTRY OF BENARES: MR. NAWAL KISHORE CHADDHA.

Monograph on the ebony-carving industry of Nagina, district Bijnor.

[By Mr. Ram Gopal Sharma, student, M.A. (Final) class, Economic department, University of Allahabad.]

History.—TRADITION has it that Nagina has been celebrated for carving in ebony for over two centuries. There is no definite evidence to support this contention, except the statements of various workers who boast of a long and illustrious record of fine work by their ancestors. So much is clear that it must have been in existence for at least a century. It is said to have been imported from Multan. It is strange that to-day there is absolutely no trace of this craft left in Multan. It is claimed for Nagina work that it has no parallel in India, except Kashmir.

Nagina workers are chiefly engaged in carving in ebony only; but when the demand for ebony articles falls, they mostly take to *shisham* wood, although this seldom happens. The ebony-carving industry of Nagina is of the nature of a cottage industry. It is conducted entirely on a domestic system; there are no *karkhanas* where a number of workmen are employed under one master artisan. The workers are their own masters and they carry on their work within their respective homes. They very seldom employ hired labour, except for sawing wood into planks. They do not need any great outlay of capital, nor any expensive machinery and tools. The industry is confined to one particular class of people only, the Muhammadan *lohars* (smiths), who are the only workers in this line. The industry and the skilful workmanship which it requires, are absolutely hereditary, being handed down from father to son. There is, however, severe and cut-throat competition between individual workmen and firms.

It is difficult to account for the localization of this industry in Nagina. There is no obvious reason except that the workmen who possess the necessary skill happen to live there. The raw material is not produced within the district nor anywhere near it: it has to be imported from outside. Besides ebony, two other kinds of wood are used, namely *sandal* and *haldu* (*adina cordifolia*), which are used in some high-grade articles. Ebony is imported from Central India and Jhansi, while *sandal* is usually brought from Mysore; *haldu*, on the other hand, is locally available, being found in the forests of Afzalgarh and Barhanpur (Bijnor district). Although the workers are their own masters and they work independently at their own risk, they are not willing to undertake their own supply of raw materials. They depend for it upon the agency of certain Punjabi traders who reside in Nagina. These traders purchase ebony logs at the rate of Rs. 2 to Rs. 3 per maund, and sell them to workers at the excessive price of Rs. 10 to Rs. 12 per maund.

It is this fact that is largely responsible for the stagnant state of the industry. The only justification that the dealers offer for charging such high prices is the brittle nature of ebony; the real cause is the inability of the workmen to finance the extraction of the wood. It is said that it takes almost six months to procure the wood from the forests; therefore, it is advantageous to obtain considerable quantities at a time. But an average worker cannot afford to lock up his meagre resources in buying large stocks of wood. He generally purchases in small quantities of two or three maunds at a time, according to his needs and his hope of obtaining purchasers for his wares.

Finance.—These Punjabi traders play a large part in financing the industry. They are always prepared to sell the wood on credit, and this induces the workmen to patronize them. The usual practice is "half cash down, half after a few months," generally from two to four months. There is no open interest charge; and accordingly the ignorant worker thinks he has found kind patrons in these dealers. But the prohibitive price that he has paid more than remunerates his generous friends for their expenses and their risks. It is, in fact, a case of concealed interest. Exact figures of the amounts purchased by workers or imported by dealers are not available, for neither party will give any definite information. And this makes it difficult to work out

the profit. But it is safe to hazard a guess that the dealer's average rate of profit will not be less than the usual rates of interest that obtain in the town for ordinary loans, *i.e.*, from 18 to 24 per cent. per annum.

The dealers do not ask for any security. They are well aware that should a worker fail to pay on due date, they can fall back upon his wares to satisfy their claims, for the workers always keep a fairly large stock of finished products on hand.

From time to time, the workers also need money for other purposes such as marriages and other social and family requirements; and being poor have recourse to the *bania* or town moneylenders. The *bania* is too shrewd to take any serious risk and generally insists on some handier sort of security than the worker's stock in trade. Usually such loans are advanced against petty articles, which are pawned at a rate of interest between 18 and 24 per cent.; but such transactions are few. For bigger sums jewellery is pledged; and the rate of interest ranges from 8 to 12 per cent. Sometimes, too, when a Punjabi dealer insists on a clearance of accounts on pain of stoppage of further supplies of wood, the worker has to seek the aid of the moneylender.

This industry is in great need of some credit institution which will advance cheap money on the security of goods. It might be possible to establish a co-operative credit store where finished goods could be stocked, and act as security for loans to the owners. This would make it unnecessary for the workers to borrow raw materials from the Punjabi dealers, since they could then work regularly throughout the year. The store will also be of benefit as an emporium for the sale of the wares. This side of the problem, however, will be taken up separately.

Implements and tools.—In this industry the only tools used are home-made. with the exception of the saw and a few large chisels; for the artisans are smiths as well as wood carvers, and can make their own implements. Ebony is very hard, and the workers find it cheaper to use country-made tools of steel. Moreover, foreign tools are useless for the minute carving which distinguishes the Nagina industry from the neighbouring one at Saharanpur. These articles, with their beautiful designs, have been much admired by Europeans, and have frequently been awarded prizes at exhibitions in the United Kingdom and other countries. The articles are mostly small trays, caskets, mantle-pieces, picture frames, screens and walking sticks.

Division of labour.—The industry offers but little scope for division of labour. The usual practice in a household is that some people prepare the wood, whilst others carve it; but a worker can generally carry out all the necessary operations, from sawing to carving; though specially expert artisans, usually the older men, are employed for executing any work which requires a high degree of skill.

Quite a number of persons take part in the process of manufacture. There are always some women in each family who are able to do a little carving, and it is not uncommon to find them helping the men by doing the preliminary work with the chisel on the pencilled design. As a rule, however, no women outside the family are hired as labourers; and there is no sweating.

Sales.—Very few sales are made to wholesale dealers; the workers usually sell their own wares, although a certain risk of loss is involved in hawking them about. The general practice is to send a representative, who is commonly a relative, to the best customers, with specimens of their workmanship. These agents collect orders both from private patrons, amongst whom are rulers of Indian States, and also from traders in various parts of India. The artisans then execute the orders and despatch the goods direct to the consumers. There is an almost complete absence of middlemen; the few dealers in these wares make their existence felt only by the consumers; the workers stand in no danger of losing profits to middlemen.

The artisans also sell at their own workshops to visitors who find it convenient to bargain for themselves. Such buyers are as a rule local residents, though occasionally tourists visit Nagina and make their own purchases.

Apart from direct dealing with consumers, the workers receive a number of orders through the district officials, who recommend Nagina wares to their friends both whilst they are still in the district and after they have been transferred elsewhere. The importance of this channel of sale should not be under-estimated; one artisan acknowledged that a major portion of his custom had come to him through the kindness of two officers, a magistrate and a civil surgeon, who were his patrons when they were in the district.

Another outlet for Nagina ebony articles is in the foreign markets of Europe and America. Every year huge orders are received either directly by the artisans or through the local officials; in fact, the demand from Indian States together with this foreign demand constitute the major portion of all sales. The goods thus made are shipped through the agency of Messrs. Thos, Cook and Sons. Individual artisans, who are too ignorant to negotiate direct with this firm, usually obtain the assistance of the bigger workshops, which do business as a firm in getting their goods shipped to foreign countries. Retired European officials, on their return Home, also do a great deal to popularize the Nagina art wares.

Nevertheless, the Nagina industry cannot be regarded as in a flourishing condition. Although quite a large number of orders are received throughout the year, the demand is still hopelessly insufficient to keep the numerous works fully employed. There are about 80 or 90 workshops employing 500 to 600 workers. Ebony is a costly wood, and articles made of it are luxury goods, of which the sale is limited. But if cheap capital could be provided the price could be lowered, so as to bring it within the reach of the middle classes.

Moreover, Nagina carving is one of the few industries which have resisted the influence of the modern business methods, of which the artisans are entirely ignorant. The effect of this ignorance is more pronounced in their marketing than in their production. They cannot sell their goods to the best advantage; they have no resisting power and inadequate reserves. If there is no demand for their goods, they must sell them cheap; they cannot afford to stock them for long, because they have to obtain fresh raw material and this they can only do after paying their old account. The immediate need of these people in an up-to-date marketing organisation.

They know nothing of the art of advertising. No workshop ever maintains a printed catalogue of the articles it manufactures. They never use newspapers or posters to bring their goods to the notice of the public. Their one medium of advertising is the sending of agents to important trade centres of India, and even to foreign countries. But the usefulness of such sporadic action is limited. There is still room for scientific advertising. I suggest the establishment of an emporium, financed partly by the Government and partly by the industry, the business of which would be such advertisement. Stalls of ebony goods should also be erected at the Nagina and other neighbouring railway stations. Many artisans are inclined to favour such an organisation.

The emporium should be organised on a co-operative basis. The management and control should rest with the Government. The workers would bring or send their goods to the emporium where they would be stocked till sold. Against this stock the workers would be able to get advances for buying their raw material in cash, thereby escaping from the clutches of the Punjabi dealers. If a certain minimum dividend could also be guaranteed, I believe a sufficient number of workers would be prepared to contribute towards the capital. Being managed by Government with the co-operation of the workers themselves, such an organisation is sure to command the confidence of workers and public alike.

Meantime, the condition of the industry is deplorable. If not actually waning, it has long been languishing. The demand for Nagina carving like most other artistic industries has fallen considerably. The artisans have failed to adapt their products to the requirements of the market; they have shut their eyes to manifold and rapid changes in public taste. Having to depend upon their hereditary skill, they tend to become highly conservative, and will not change with the times. Of late, however, a new factor has come into play which has, to some extent, aroused the workers to the need of such change. The Government opened an industrial school in the year 1924, with the avowed aim of training workers according to present day methods. The school has become a competitor of local workers, to the immense benefit of the latter, who have been induced thereby to change their designs to suit the public taste. The school has thus justified its existence, and it is not too much to hope that, given an adequate supply of credit, the industry will once again thrive. The workers are highly skilled, with a keen sense of proportion and accuracy, and they could turn out any kind of work if only they chose. One worker, who has been to Europe, claims that he has never repeated a design he has once used, except when repetition of some previous design was expressly demanded. If there is any truth in this statement, it is certainly reasonable to hope that a revival of the industry is possible.

EBONY-CARVING INDUSTRY OF NAGINA : MR. RAM GOPAL SHARMA.

The Absentee Landlord.

(These facts were supplied by one of the officers who conducted the special village surveys They are sufficiently instructive to be reproduced. For obvious reasons no names are mentioned.)

"The village was then bought by a *mahajan* and there began a reign of oppression. The absentee landlord retained the services of the old agent, who was well acquainted with the village. The first act of injustice was to raise the rent of various fruit trees from Re. 1 to Rs. 4 per tree. Further, to enable the landlord to claim the trees as his own, and thus deprive the tenants of this valuable asset, the receipts granted on payment described the rent as the price of the fruits. Most tenants to defeat this device sent the rent by money-order, others withheld it altogether, and some have never paid it, even yet. The landlord revenged himself by instituting demolition suits against twelve tenants who had recently repaired their houses or made unauthorized alterations, a practice to which the former landlord had never objected. Most of the twelve made their peace with him by paying him *nazrana;* but three stood out and fought him in the courts. Again in 1926 a number of houses, fodder heaps, and grain heaps were set on fire, which caused great loss to the village; the landlord's agents were suspected of this crime. In November of the same year, when the sugarcane crop was ready and the villagers were about to set up the pressing mill, the landlord sent his men to prevent them from erecting it on the usual plot of unculturable land. Finally, he refused to allow them to use the wells for irrigation.

They were then at last compelled to make their peace with him, and most of them paid up the arrears of rent due for the fruit trees. The landlord's next move was to endeavour to secure the thumb-impressions of these tenants in his book of pro-notes. His ostensible object was to record the compromise; but his real object, as is proved by the stamps on all the pages on which the thumb-impression was taken, was to get them into his power. Four tenants yielded, but the rest, scenting danger, departed. The four then filed a complaint in the court of the Sub-divisional Officer; but the *mahajan*, being informed of the fact, thought it discreet to send for the tenants and tear up the pro-notes in their presence. Other instances of oppression are as follows :—

(1) A tenant, whose annual rent is Rs. 44 and who did not pay for three years was summoned by the landlord and induced to execute a pro-note for the amount. Soon afterwards the landlord sued the tenant both for arrears of rent and on the pro-note. Both suits were decreed, so that the landlord obtains double the amount really due.

(2) A tenant whose annual rent is Rs. 125, and who owed rent for five years, paid Rs. 708 to the landlord, and, according to the landlord, still owes him Rs 500. Meantime he has surrendered a part of his holding as a sop to the landlord.

(3) The landlord received Rs. 100 to withdraw one of the demolition suits mentioned above. Nevertheless, the tenant concerned has recently received an order to carry out the demolition."

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ZARKOBI (*warakh*) INDUSTRY. *See* under Gold and Silver Leaf industry